

## **CAPITAL IMPROVEMENTS IMPACT FEES**

Idaho Code § 67-8208 – Capital Improvements Plan. (1) Each governmental entity intending to impose a development impact fee shall prepare a capital improvements plan. For governmental entities required to undertake comprehensive planning pursuant to chapter 65, title 67, Idaho Code, such capital improvements plan shall be prepared and adopted according to the requirements contained in the local planning act, section 67-6509, Idaho Code, and shall be included as an element of the comprehensive plan. The capital improvements plan shall be prepared by qualified professionals in fields relating to finance, engineering, planning and transportation. The persons preparing the plan shall consult with the development impact fee advisory committee.

### **Vision 2020**

“Development should pay its own way”

### **Purpose**

Idaho Code § 67-8202. Purpose. The legislature finds 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. It is the intent by enactment of this chapter to:

- (1) Ensure that adequate public facilities are available to serve new growth and development;
- (2) Promote orderly growth and development by establishing uniform standards by which local governments may require that those who benefit from new growth and development pay a proportionate share of the cost of new public facilities needed to serve new growth and development;
- (3) Establish minimum standards for the adoption of development impact fee ordinances by governmental entities;
- (4) Ensure that those who benefit from new growth and development are required to pay no more than their proportionate share of the cost of public facilities needed to serve new growth and development and to prevent duplicate and ad hoc development requirements; and
- (5) Empower governmental entities which are authorized to adopt ordinances to impose development impact fees.

## **Introduction**

In the 2007 Idaho legislative session, impact fee enabling statutes were amended to allow additional local jurisdictions (Counties, highway districts, fire districts and water/sewer districts) to develop and implement capital improvements plans and impact fee regulations. These amendments allowed Kootenai County to coordinate with the highway districts and fire districts to develop capital improvement plans and subsequent impact fee ordinances. The state enabling legislation allowed the County to act as the conduit for districts that are not allowed to develop separate impact fee ordinances. If impact fees for Kootenai County departments, highway and fire districts are considered for implementation by Kootenai County, an ordinance will be developed and Kootenai County will administer the collection and distribution of those fees to the applicable districts and departments.

A steering committee was established to develop a proposal to hire a consultant with expertise in impact fee analysis and development. This steering committee included representatives from the building community (NIBCA), fire districts, highway districts, the sheriff's department, county parks and waterways and emergency services. Based upon the review of several proposals, BBC Research was selected to develop 18 capital improvement plans and subsequent impact fee calculations.

The 18 participating districts and departments met with the consultant to begin the process of planning their capital facility needs for the next 10 years. These needs are delineated in the attached summary of the Capital Improvements Plan (Attachment A). Each plan outlines the population projections for each district or department, the capital needs for each district or department, and the impact fees needed for new growth.

Over a period of several months, the departments and districts worked with the consultant to develop the plans. Once the plans were drafted, the County appointed a impact fee advisory committee. This nine member committee was selected to balance agencies, neighborhood groups, the development community and building contractor interests. Two planning commission members are also on the committee. The committee's purpose is to review the population projections, the capital improvement plans and the proposed impact fees and make recommendations to the Board of County Commissioners. The advisory committee will meet yearly to review and make recommendations on the projections, plans and fees. The review will examine the plans to determine if the projections and the impact fees are still viable based upon existing conditions.

## **Summary of Population Projections**

BBC Research hired J.P. Stravens and Associates to complete the demographics for the capital improvement plans. The consulting firm projected population growth countywide and for each of the districts based upon building permit activity. Several of the districts are responsible for other communities (cities and counties) and as such, the

population projections may be greater than the population projections indicated in Economic Development chapter of the Comprehensive Plan (See district maps in Appendix A). Also, the future population projected over the next 10 years is at a consistent 3.1% growth rate, which as indicated in the summary, is a “fast paced growth rate”. The County-wide population projection for 2017 is 203,000 citizens based upon a growth rate using historical building permit activity and district boundaries. Kootenai County is expected to add approximately 18,700 residential units over the next ten years. This equates to an increase of 31 percent, or an annual increase of 3.1 percent. The total non-residential square footage found within Kootenai County is expected to increase by approximately 26.6 million square feet to a total of 92.1 million square feet by 2017.

### **Summary of Capital Plans**

The CIP (Capital Improvements Plan) approach estimates future capital improvement investments required to serve growth over a fixed period of time. The Impact Fee Act (Title 67-8208) 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.”

The consultant recommended a 10-year time period based on the County and districts’ 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 existing service levels. Equipment and vehicles with a useful life of 10 years or more is also impact fee eligible under the Impact Fee Act. Personnel or maintenance of any facilities is not eligible for impact fees.

Each department or district has delineated the types of capital equipment, land purchases or facilities that are needed over the next ten years. The consultant worked with each district and department to determine based upon growth projections, what capital equipment and facilities were needed over the plan timeframe.

Some of the major capital facilities that are needed by the various districts and departments are:

- a. Jail expansion
- b. Land for upland parks (away from water front)
- c. Land and facilities for Additional Fire Stations
- d. Vehicles and Equipment for Fire Districts
- e. Facilities, Vehicles and Equipment for Sheriff Department
- f. Land acquisition for public road expansion – Highway Districts
- g. Facilities expansion for Highway Districts
- h. Vehicles and Equipment for Highway Districts
- i. Vehicles and Equipment for EMS

## **Available Sources and Levels of Funding for Capital Improvements**

There are a variety of sources of funding available to Kootenai County and to the highway districts, fire districts, and EMS system which serve Kootenai County. However, there are limitations on the ability to raise funds for capital improvements from these sources. These sources of funding, and the limitations which apply to each, include the following:

### **Property Taxes**

Property tax revenue is the main revenue source for Kootenai County and the highway districts, fire districts, and EMS system which serve Kootenai County. However, Idaho Code § 63-802 limits the ability of these entities to raise revenue to three percent (3%) over the property tax revenues received in the previous fiscal year, plus revenue from new construction, and any “foregone” balance (any portion of allowable property tax increases not taken in prior fiscal years). In addition, Article VIII, § 3 of the Idaho Constitution prohibits the incursion of any debt or obligation by a county without approval of two-thirds ( $\frac{2}{3}$ ) of those voting at an election to consider the proposed debt or obligation.

### **Override Levies**

Idaho Code § 63-802 provides taxing districts with the ability to increase its budget from property tax revenues beyond the amount authorized in that section. If this increase is to become a permanent increase in the taxing district’s base budget, the vote must occur in a May or November election, and it must be approved by a two-thirds ( $\frac{2}{3}$ ) majority vote. If the proposed increase is to be for no more than two (2) years, only a simple majority vote is required, and the election may be held at any time authorized by law.

### **User Fees**

Idaho Code § 31-870 provides counties with the general authority to impose and collect fees for services provided by the county which would otherwise be funded with property tax revenues. Any such fees must be reasonably related to, and cannot exceed, the actual cost of the service being rendered. Idaho Code § 63-1311 authorizes taxing districts other than counties to impose fees for services provided by that district, which also must be reasonably related to, and cannot exceed, the actual cost of the service being rendered.

Other statutes specifically provide for certain user fees, and place limitations on the fees which must be collected. Examples include: Idaho Code § 31-3203 (sheriff’s fees), Idaho Code § 31-3205 (recorder’s fees), and Idaho Code § 31-4804 (emergency communications fees).

Idaho Code § 63-1311A requires a taxing district to give public notice and to hold a public hearing before it may approve a new fee or an increase in an existing fee in excess of five percent (5%) of the then-current fee amount.

### Bonds

The issuance of bonds to fund capital improvements may be approved by a two-thirds ( $\frac{2}{3}$ ) majority vote. This mechanism of funding is authorized under Title 31 Chapter 19, Idaho Code (counties), Idaho Code § 31-1427 (fire protection districts), and Title 40, Chapter 11, Idaho Code (highway districts). Such bonds must be issued, redeemed and repaid according to the requirements of the Idaho Municipal Bond Law, Title 57, Chapter 2, Idaho Code. These requirements include the establishment of a “sinking fund” for the payment of the principal on such bonds within thirty (30) years from the time that the indebtedness has been incurred.

### Grants

Grants are available from several sources, including the federal government and the State of Idaho. Kootenai County and the taxing districts serving Kootenai County apply for, and receive, grants for a variety of purposes, including fire services, law enforcement and probation services, emergency management, and parks and waterways facilities. Most grants require a local match in the form of either money, services, or use of equipment. While grant funding is vigorously pursued Kootenai County and the taxing districts serving Kootenai County, its uses are limited under the terms of each particular grant and do not address all of the needs generated through growth in population and development. Further, it must be understood that grants from public sources are funded through tax dollars.

### Donations

Idaho Code § 31-807 authorizes counties to “receive by donation ... any real or personal property necessary for the use of the county.” Highway districts are conferred this authority under Idaho Code §§ 40-1309 and 40-1310, while fire districts are conferred this authority under Idaho Code § 31-1417. While this has been a method recently used to fund certain items, and may entitle donors to a charitable contribution under the Internal Revenue Code (Title 26, United States Code) and Idaho income tax law, it is a very irregular and uncertain source of funding.

### Impact Fees

Development impact fees may be imposed by any governmental entity empowered to enact ordinances (including cities, counties, and “single countywide highway districts” formed pursuant to Title 40, Chapter 14, Idaho Code). Imposition of impact fees must be in accordance with Title 67, Chapter 82, Idaho Code. Idaho Code § 67-8204A authorizes the distribution of impact fee revenue to highway districts, fire districts, water

districts, sewer districts, recreational water and sewer districts or irrigation districts pursuant to an intergovernmental agreement with a governmental entity which has adopted such fees.

Kootenai County is committed to ensuring that available sources of revenue other than impact fees are used to cure existing system deficiencies where practical. Nevertheless, the limitations of these other sources, coupled with the explosive growth in population and development over the past 16 years, has resulted in levels of public facilities and services which have not kept up with the demand generated as a result of this growth. Because this growth is expected to continue in the foreseeable future, Kootenai County and the highway districts, fire districts, and EMS system which have participated in the formation of this CIP have found that it is necessary to collect impact fees in order to merely maintain current levels of service.

### **Conclusion**

The population in Kootenai County has almost doubled over the past 16 years, and public facilities and services have not kept up with the growth. In 2007, Kootenai County was instrumental in encouraging the state legislature to amend the impact fee laws to allow fire, highway and water/sewer districts to develop impact fees to mitigate some aspects of new growth. Kootenai County will coordinate and administer the collection and distribution of impact fees. Impact fees are calculated based upon growth projections and the value of the future capital improvements. Impact fees are not the panacea for growth; however they will provide districts the ability to offset capital purchases and a method for “development to pay its own way.”

### **Goals and Policies**

**Goal 1:** Encourage consistency between the Comprehensive Plan and the Capital Improvements Plans of the applicable departments and districts.

### **Policies and Implementation Strategies:**

1. Support efforts of other local districts and departments to ensure that development offsets the financial burden for public services and facilities.
2. Incorporate the impact fee advisory committee’s population projections and capital improvement plans into the County’s Comprehensive Plan.
3. Encourage the Board of County Commissioners to retain two Planning Commission members on the impact advisory committee.
4. Request that the impact fee advisory committee’s annual report include an analysis of consistency with the Comprehensive Plan.

**Goal 2:** Assure that regional growth (associated with capital improvements) is addressed through cooperative planning and actions with local government municipalities, districts and departments.

**Policies and Implementation Strategies:**

1. Encourage the Special Districts to negotiate memorandums of understanding (MOUs) with municipalities to ensure the equitable collection and distribution of impact fees within the boundaries of special districts.
2. Encourage special districts to use the County's Comprehensive Plan in the preparation and review of capital improvement plans.