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IMPACT FEE ANALYSIS

FOR THE SERVICES OF:
PARKS AND RECREATION

FOR

PROVIDENCE

CACHE COUNTY, UTAH

NOVEMBER 27, 2007

Submitted by:

LEWIS YOUNG ROBERTSON & BURNINGHAM, INC.

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CITY OF PROVIDENCE, CACHE COUNTY, UTAH

EXECUTIVE SUMMARY
REQUIRED BY (11-36-201(5)(c))

Providence (the "City") has commissioned this Impact Fee Analysis to satisfy requirements predicated by the Utah Impact Fees Act. This analysis is intended to justify the proposed impact fees which will be implemented to fund necessary infrastructure that will accommodate future growth within the City. This analysis will cover the services of Parks and Recreation. The impact fees proposed in this analysis are calculated based upon the costs of constructing new capital infrastructure and costs of bond financing said improvements. The proposed impact fees will be assessed throughout the City-Wide Impact Fee Service Area (the "Service Area") which includes the City, as currently incorporated.

To ensure sufficient and proper funding, the City has retained Lewis Young Robertson & Burningham, Inc. ("LYRB") to calculate the maximum equitable impact fees that the City may legally assess under the requirements of the Utah Impact Fees Act to distinct land-uses within the City. Each land-use category will be evaluated based upon the demand that it creates for Parks and Recreation.

The recommended impact fee structure presented in this analysis has been prepared to satisfy the Utah Impact Fees Act. The maximum impact fees are structured to provide sufficient impact fee revenues to fund the portion of capital improvements that are necessitated to serve new growth, the City will be required to use other revenue sources to fund projects for the same systems that constitute repair and replacement or maintain the existing level of service for current users.

OVERVIEW OF THE CITY OF PROVIDENCE

The City of Providence anticipates a population increase of approximately 4,700 through build-out. The remaining land to be developed will add 1,466 new residential dwelling units and 86,000 Sf of commercial floorspace to the City as it is currently incorporated. This analysis is based on build-out projections.

TABLE 1: TOTAL DEVELOPED AND UNDEVELOPED LAND WITHIN THE CITY

	Unit	Developed	Undeveloped	Total
Residential	Dwelling Unit	1,792	1,466	**3,258**
Commercial	1k Sf Floorspace	129	86	**215**
Institutional	Acre	-	-	-
Assisted Living	Rooms	18	15	33
Other	Acre	-	-	-
TOTALS:		**1,939**	**1,567**	**3,506**

PROJECTED DEMAND BY SERVICE

The proposed impact fees are based upon the growth in demand based on the conservative growth projections that the City has provided

TABLE 2: SERVICES, RELATED MEASURE OF DEMAND, AND LEVEL OF SERVICE STANDARD

Services	Demand Units	Level of Service
Parks	Acres	5.62 acres per 1,000 Residents

GENERAL IMPACT FEE CALCULATION

PROJECT COSTS AND FINANCING

The proposed impact fees are intended to recover the costs of future capital projects, professional expenses pertaining to the regular update of the Capital Facilities Plans and impact fee analysis, and the growth-driven portion of the principal and interest payments of any outstanding bonds which are issued to provide the City with funds to adequately cover the costs of several projects that cannot be sufficiently funded through impact fee revenues.

The City is planning to fund the growth-related improvement costs through future impact fee revenues. Future impact fee cash flows for each service are projected based upon the annual schedule of capital and professional expenses and upon the projected growth for each services respective demand units.

PARKS AND RECREATION IMPACT FEES

Currently the City offers a level of service of 5.62 acres per 1,000 residents. This is just short of the National Recreation & Parks Association (NRPA) guideline of 7 acres per 1,000 residents. If the City chooses to increase the level of service ("LOS"), the City will have to pay for the additional costs through property taxes from the general fund. In order to maintain the current level of service that the City has historically maintained, while also accommodating the needs generated by new growth, Providence must expand its existing park facilities.

Historically parks and recreation have only been a benefit to residential units within the City; for this reason the impact fees for parks and recreation are assessed only to single and multi-family dwelling units. It is projected that the population in Providence will grow from the present 6,050 residents to a buildout population of 10,750; this is an absolute growth of approximately 4,700. This growth will require the City to increase the number of parks that it currently has in its inventory. Figure 3 shows the impact fees for parks and recreation.

PARK DEVELOPMENT IMPACT FEES

To perpetuate the City's current parkland level of service the City must fund 5.62 acres per 1,000 residents. The current estimated cost per acre is $100,000 for land that would be suitable for new parks. The total land cost per 1,000 future residents is $561,652 which equates to $561.65 per new resident as shown in Figure 3.

FIGURE 3: PARKLAND IMPACT FEE PER CAPITA

Park Land Value per Resident		
2007 Population		6,050
Current Acres		33.98
Acres per 1,000		5.61653
Cost per Acre	$	100,000
Value per 1,000	$	561,652.89
Cost per Resident	**$**	**561.65**

To perpetuate the City's current investment in park improvements and amenities the City must fund $161.61 per new resident. The current investment is estimated to be $977,749 for all improvements within the City's eight exiting parks. Dividing this figure by 6,050 residents equates to $161.61 per new resident as shown in Figure 4.

FIGURE 4: PARKS IMPROVEMENTS AND AMENITIES FEE PER CAPITA

Park Improvement Value per Resident		
Current Value	$	977,749.38
Value per 1,000	$	161,611.47
Value per Resident	**$**	**161.61**

The calculation of the final fee per residential household is made by combining the fee for parkland and amenities for a total fee of $723.26 per new resident. The cost per resident is applied to the number of persons per household for single family dwelling units (SFDU) and multi-family dwelling units (MFDU). A parks impact fee is not to be paid by non-residential development.

FIGURE 5: PARKS AND RECREATION IMPACT FEES PER RESIDENTIAL UNIT

Total Impact Fee		
Total Costs per Resident	**$**	**723.26**
SFDU @ 3.23 pph	$	2,336.14
MFDU @ 3.0 pph	$	2,169.79

CHAPTER 1
OVERVIEW OF IMPACT FEES

Impact fees are controversial fees that have had significant legal consequences on cities and developers within Utah. Impact fees have been debated extensively, and until 1997 there were few stringent legal guidelines that municipalities and special service districts were required to follow when implementing impact fees. The current legislation regarding the implementation of impact fees is set forth in the Impact Fees Act found in Utah State Code Title 11, Chapter 36, Sections 1-5.

With the passage of the Impact Fees Act, the State of Utah became one of twenty-two states to adopt legislation regulating the imposition of impact fees. This legislation gives certainty to the ability of Providence and other local governments to impose equitable and "fair" impact fees on new development.

The Impact Fees Act has been shaped and molded over time by various court cases that have established precedents that have been incorporated into the latest amendments to the Impact Fees Act. Of all the court cases, Banberry Development Corp. vs. City of South Jordan[1] has likely been the most influential. This case established the requirements of the proportionate share tests and identification of a rational nexus between fees and project costs and capacities.

IMPACT FEES AS A SOURCE OF REVENUE

An impact fee is distinctly different from a tax, special assessment, building permit fee, hook-up fee, or other reasonable permit or application fees, such as conditional use or subdivision application fees.

Impact fees serve three main purposes: (1) proportionally allocate the costs of future projects to the new development that they will be constructed to serve, (2) allow new customers to purchase equity in the existing system, and (3) perpetuate the historic level of service paid to growth-related facilities.

Cities generally cannot pay for all needed improvements using only revenues generated by property taxes, user fees or other revenue sources. This situation raises the question of whether current residents should be required to pay for new capital facilities serving only new growth, or should the responsibility of paying for these facilities be passed on to new residents and businesses? Although the growth of industry and residences within a city is a positive occurrence for the city as a whole since it ultimately leads to increased user fee revenues and property tax revenues, the incoming entities, not existing residents, must be responsible for improvements that increase capacity.

[1] 631 P. 2d 899, 903-4 (Utah 1981.)

REQUIRED ELEMENTS FOR THE ADOPTION OF IMPACT FEES

As mentioned earlier, local governments must pay strict attention to the requirements enumerated in the Impact Fees Act regarding the assessment of impact fees. The following five documents must be prepared and completed before the City can legally commence public notice and adopt the proposed impact fees.

(1) CAPITAL FACILITIES PLAN

The Impact Fees Act requires a city serving a population of 5,000 or greater, as of the last Federal Census, to prepare a Capital Facilities Plan ("CFP") in coordination and compliance with the City's General Plan. The CFP must identify the demands that will be placed upon the current and existing facilities by new development and the means that will be used to meet that need.[2] City has met this requirement with the *Parks & Recreation Capital Facilities Plan* which has been prepared by Lewis Young Robertson & Burningham, Inc.

(2) WRITTEN IMPACT FEE ANALYSIS

The written Impact Fee Analysis, required under the Impact Fees Act, must identify the impacts placed on the facilities by development activity and how these impacts are reasonably related to the new development. The written Impact Fee Analysis must include a Proportionate Share Analysis, as described below, and must clearly detail all cost components and the methodology used to calculate each impact fee.[3]

(3) PROPORTIONATE SHARE ANALYSIS

The Impact Fees Act requires the written analysis to include a Proportionate Share Analysis which is intended to equitably divide the capacity and costs of each project identified in the CFP between future and existing users relative to the benefit each group will receive from the project. The Proportionate Share Analysis, included in Chapter 6 of this analysis, satisfies this requirement.[4]

(4) EXECUTIVE SUMMARY

The Impact Fees Act requires an Executive Summary of the impact fee analysis to be prepared that clearly and concisely provides a brief overview of the proposed impact fee structure and the methodology and cost basis used to calculate the maximum allowable impact fees.[5] This requirement has been met and is included at the beginning of this analysis.

(5) IMPACT FEE ENACTMENT

The impact fee enactment, referred to as the ordinance in this analysis, must be adopted by the City Council to enact the proposed fees. The ordinance may not impose a fee

[2] 11-36-201(2)(e)
[3] 11-36-201(5)(a)
[4] 11-36-201(5)(b)
[5] 11-36-201(5)(c)

higher than the maximum legal fee defined in the written analysis, but the ordinance may adopt a fee that is lower than the fee proposed in this analysis.[6]

IMPACT FEE NOTICING AND ADOPTION PROCEDURES – 11-36-202

To impose any impact fee, the City must adopt an ordinance governing impact fees. This ordinance must include the following elements enumerated in Utah State Code Title 11, Chapter 36, Sections 1-5:

- A provision that establishes one or more service areas. It has been determined that a City-wide service area provides the most equitable distribution of costs for Providence;
- A schedule of impact fees for each type of system improvement that shows the formula by which the impact fee was derived;
- Provisions that will allow local governments to adjust or modify the existing impact fee to take into account any changes or unusual circumstances to ensure that the impact fee is administered fairly; and
- Provisions that will allow local governments to adjust and modify the impact fee if following studies or research determines that it should be different.

A reasonable notice of the public hearing must be published in a local newspaper at least 14 days before the actual hearing. A copy of the proposed Impact Fee Ordinance, the written Impact Fee Analysis, Executive Summary and Capital Facilities Plan must be made available to the public during the 14-day noticing period for public review and inspection. Copies of these four items must be posted in designated public places which include each public library within the jurisdiction of the City and the City offices. Following the 14-day noticing period, a public hearing may be held, at which point the City Council may adopt, amend and adopt, or reject the impact fee ordinance and proposed fee schedule. Following the adoption, Utah Code Section 10-3-711 and 712 requires that a summary of the ordinance be published in order for the ordinance to become effective.

ACCOUNTING FOR, EXPENDITURE OF, AND REFUND OF IMPACT FEES

ACCOUNTING FOR IMPACT FEES – 11-36-301

The Impact Fees Act requires any entity imposing impact fees to establish an interest bearing ledger account for each type of public facility for which an impact fee is collected. All impact fee receipts must be deposited into the appropriate account. Any interest earned in each account must remain in that account. At the end of each fiscal year, the City must prepare a report for each fund or account showing the source and amount of all monies collected, earned and received by each account and all expenditures made from each account.

[6] 11-36-202(1)(a-b)

EXPENDITURE OF IMPACT FEES – 11-36-302

The City may only expend impact fees for system improvements identified in the Capital Facilities Plan.[7] All funds collected must be spent or encumbered within six years of collection, or the City must provide an extraordinary or compelling reason why the fees must be held longer or provide an ultimate date by which the impact fees collected will be expended.[8] The improvements that are financed through impact fees must be owned and operated by the City or another local public entity with which the City has contracted or will contract for services and improvements that will be operated on the City's behalf.

REFUNDS OF IMPACT FEES – 11-36-303

The City is required to refund any impact fees collected plus interest earned since their collection if 1) a developer who has paid impact fees does not proceed with the development activity and has filed a written request for a refund, 2) the fees have not been spent or encumbered within the six year period, or 3) the new development which has paid impact fees has not created an impact upon the system.[9]

CHALLENGING IMPACT FEES – 11-36-401-402

The Impact Fees Act allows any person, entity, or property owner within the service area, or any organization, association, or corporation owning property within the service area to challenge the accuracy of the calculated fee or procedure by which the fee was adopted.[10] Any person or entity challenging the impact fee may file a written request for information including the written Impact Fee Analysis, Capital Facilities Plan, ordinance and other information related to the fee calculation from the City imposing the fee. This information must be provided within two weeks.

An individual has the right to challenge the noticing or procedures of enacting any impact fee adopted on or after July 1, 2000. To remedy any adoption procedure found to be faulty, the City must repeat the process of noticing and adoption. If the fees are found to be inaccurate, the City must revise the fee structure to correct any miscalculation and repeat the adoption process. If the fees are found to be incorrect and have already been collected, the City must refund the difference between what was collected and what should have been collected plus interest earned since their collection on these funds. The parties may settle any impact fee dispute through arbitration.

The Impact Fees Act allows for the inclusion of four cost components when recovering future project costs. These cost components are (1) the construction costs of growth-driven improvements, (2) appropriate professional services inflated from current dollars to construction year costs, (3) the outstanding costs of issuance and interest that relate to bonds used to finance projects with unused capacity, and 4) the future costs of issuance

[7] 11-36-302(1a)
[8] 11-36-302(2b)
[9] 11-36-303(1-3)
[10] 11-36-402

and interest that relate to future financing with bonds or inter-fund loans to finance growth-driven capital projects that cannot be cash funded.

FUTURE CAPITAL FINANCING COSTS

DEBT FINANCING

In the event the City has not amassed sufficient impact fees to pay for the construction of time sensitive or urgent capital projects needed to accommodate new growth, the City must look to revenue sources other than impact fees for funding. The Impact Fees Act allows for the costs related to the financing of future capital projects, including costs of issuance and interest costs, to be legally included in the impact fee. This allows the City to finance and quickly construct infrastructure for new development and reimburse itself later from impact fee revenues for the costs of principal and interest.

Based upon the projected annual fund balances within each of the impact fee funds, no future financings have been contemplated in the proposed impact fees.

CHAPTER 2
FUTURE IMPACT FROM GROWTH UPON CITY INFRASTRUCTURE
REQUIRED BY: (11-36-201(5)(a)(i-ii))

PROJECTED POPULATION GROWTH

According to the City's calculations, its build-out population will be approximately 10,750. The City's current population is 6,050 which represent approximately 56% of the buildout population. Despite the reasonable build-out projections, it is impossible to predict the exact rates at which growth will occur and periodic updates to this analysis is required to track actual growth and revise projections.

CURRENT LAND USE PLANNING

As shown in Figure 2.1, the majority of the City's land is comprised of single family dwelling units.

TABLE 2.1: DEVELOPED AND UNDEVELOPED LAND

Total Developed and Undeveloped Land Within the City

	Unit	Developed	Undeveloped	Total
Residential	Dwelling Unit	1,792	1,466	**3,258**
Commercial	1k Sf Floorspace	129	86	**215**
Institutional	Acre	-	-	-
Assisted Living	Rooms	40	30	**70**
Other	Acre	-	-	-
TOTALS:		**1,961**	**1,582**	**3,543**

Chapter 3
Park Land and Improvement Impact Fees

Background

The Impact Fees Act allows cities and towns to charge impact fees for "parks, recreation facilities, open space and trails,"[11] as long as there exists a reasonable relationship between the fees imposed and the needs generated by new development [Utah Code 11-36-102 (12)(f)]. In order to maintain the current level of service that the City has historically maintained, while also accommodating the needs generated by new growth, Providence must expand its existing park facilities. Historically parks and recreation have only been a benefit to residential units within the city; for this reason the impact fees for parks and recreation are assessed only to single and multi-family dwelling units.

The City calculates its parks and recreation impact fee based upon separate fees for park lands and park improvements. These fees are calculated individually below and then combined and assessed as a single impact fee.

Demand

It is projected that the population in Providence will grow from the present 6,050 residents to a buildout population of 10,750; this is an absolute growth of approximately 4,700 residents. This growth will require the City to increase the park acreage that it currently has in its inventory. The average persons per single family household are estimated at 3.23 and a multi-family unit is estimated to be 3 persons per household.

Current Parkland Inventory

Providence currently has 33.98 acres in park land. This calculates a total of 5.62 acres per 1,000 residents. If the City chooses to follow the NRPA guidelines for parks it will need to increase its parkland by 41.27 acres at build-out. If the City decides to continue its current level of service it will need to add 26.4 acres at build-out. The park land impact fee will only fund this level of service and will not increase the existing LOS. The current park inventory is listed in Table 3.1.

[11] Utah Code [11-36-102(12)(g)]

TABLE 3.1 PARK INVENTORY

Existing Park Facilities	Acreage
Community Park	
Zollinger Park	12.71
Von's Park	13.7
Neighborhood Park	
Braegger Park	2.93
Meadow Ridge	0.28
Cattle Corral	0.67
Brookside	0.9
Hampshire (Olsen)	1.43
Alma Leonhardt	1.36
Total Acreage	33.98

Level of service ("LOS") standards should be established based upon the City's unique characteristics. Recommendations provided by the National Recreation & Park Association ("NRPA") are only guidelines from which the City should derive its own standards that reflect its unique geographic, climatic, and demographic attributes.

FUTURE CAPITAL PROJECT COSTS

At buildout the City will be required to have a total of 60.38 acres if it maintains its current level of service standards. At present the City has 33.98 acres of park land. In order to calculate a future cost per resident the cost per acre of $100,000 was first derived. Table 3.2 shows the impact fee per capita given the assumptions described.

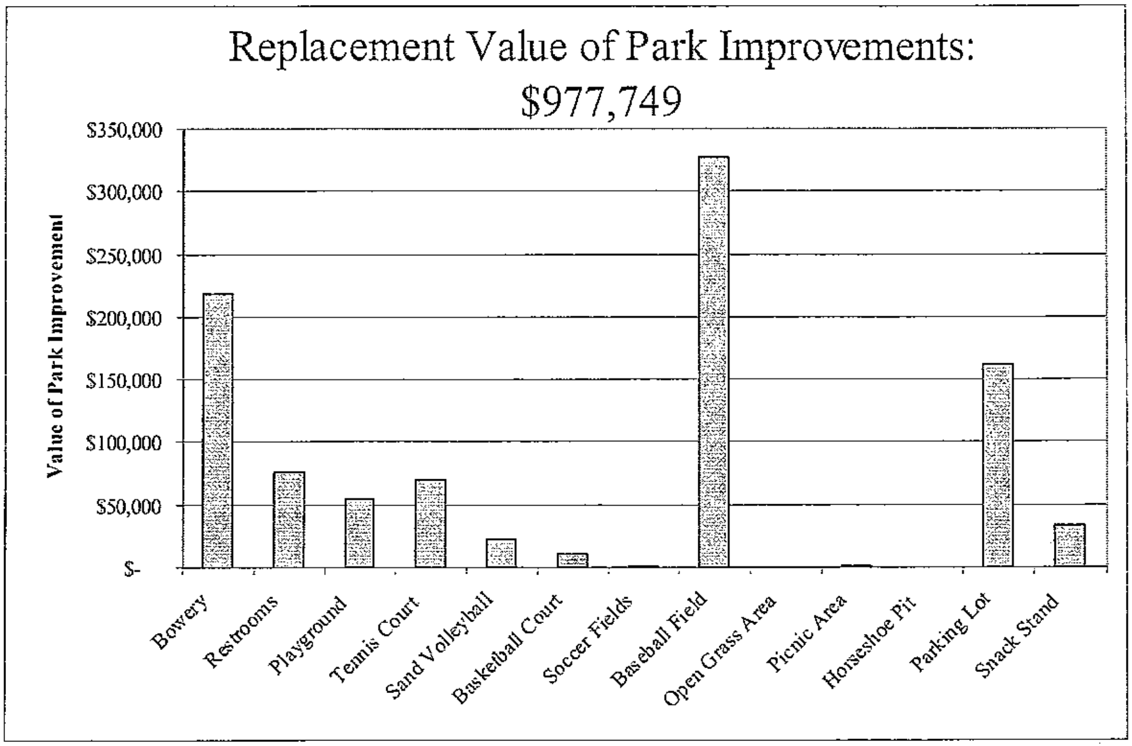
TABLE 3.2: PARK LAND—PER CAPITA COST

Park Land Value per Resident		
2007 Population		6,050
Current Acres		33.98
Acres per 1,000		5.61653
Cost per Acre	$	100,000
Value per 1,000	$	561,652.89
Cost per Resident	**$**	**561.65**

CURRENT PARK IMPROVEMENT INVENTORY

In addition to recovering the value of parkland, the impact fee may also recover the current investment in park amenities per capita. Throughout the eight City parks there are an estimated $977,749 invested in amenities. Given the population of 6,050 persons the average investment per capita is $161.61. The current park amenities inventory valuation by improvement class is listed in Table 3.3.

TABLE 3.3 PARK AMENITIES INVENTORY



Level of service ("LOS") standards should be established based upon the City's unique characteristics. Recommendations provided by the National Recreation & Park Association ("NRPA") are only guidelines from which the City should derive its own standards that reflect its unique geographic, climatic, and demographic attributes.

FUTURE CAPITAL PROJECT COSTS

In order to provide a park improvements level of service of $161.61 per resident, the City will be required to increase their current inventory of park amenities. At buildout, the LOS of $161.61 worth of improvements for each resident, will give the entire City's park amenities a value of approximately $1.7 million. Table 3.4 shows that the City will need to invest and additional $759,574 in 2007 dollars in park amenities to maintain the current level of investment.

TABLE 3.4: FUTURE INVESTMENT IN PARK IMPROVEMENT AND AMENITIES

Future Park Improvement Purchases		
Buildout Population		10,750
2007 Value per Resident		161.61
Buildout Value	$	1,737,323.27
Existing Value	$	977,749.38
Cost of Future Improvements	**$**	**759,573.90**

The per capita cost of these future improvements is shown below in table 3.5. In order to assess impact fees by residential unit the average persons per single family home and multi-family home have to be multiplied by the costs per capita. Table 3.6 shows the impact fee calculation.

TABLE 3.5: PARK IMPROVEMENT—PER CAPITA COST

Park Improvement Value per Resident		
Current Value	$	977,749.38
Value per 1,000	$	161,611.47
Value per Resident	$	**161.61**

According to the Impact Fees Act, three cost components may be factored into the impact fee calculations. These cost components include 1) the construction costs of growth-driven improvements, 2) appropriate professional services inflated from current dollars to construction year costs, and 3) issuance and interest expenses that relate to financing growth-driven capital projects that cannot be cash funded.

The per capita impact fees for parklands and park improvements are multiplied by 3.23, which is the average size for a single family household,[12]and then combined to return a household fee of $2,336.14. For multi-family units the fee is somewhat lower due to the smaller than average household size, the fee is $2,169.79.

TABLE 3.6: PARKS AND RECREATION IMPACT FEE CALCULATION

Total Impact Fee		
Total Costs per Resident	$	723.26
SFDU @ 3.23 pph	$	**2,336.14**
MFDU @ 3.0 pph	$	**2,169.79**

OTHER CREDITS

At the discretion of the City, a developer may choose to donate land, infrastructure, labor or supplies for the building of the park facilities in lieu of the entire impact fee or a portion thereof as long as the donation is consistent with the City's Capital Facilities Plan. The City would determine if a potential donation would meet City needs for park infrastructure and the fair market value of such donation to the City.

[12] U.S. Census 2000, Providence, Utah.

The impact fees calculated above represent the maximum supportable impact fees for parks and recreation that are allowable by law. The City may choose to adopt any impact fee that is less than that described above.

The City may also choose to enact a provision that exempts low income housing and other development activities with broad public purposes from park impact fees and establish a source or sources of funds (other than impact fees) to pay the park costs of that development activity.

ACCOUNTING

The funds that are collected from the parks and recreation impact fees should be placed into an account specifically for these impact fees and may not be commingled with other impact fee funds.

CHAPTER 4
PROPORTIONATE SHARE ANALYSIS
REQUIRED BY (11-36-201(5)(b))

The Proportionate Share Analysis requirement was established by the case of Banberry Development Corp. v. South Jordan City[13] to ensure that the City did not collect impact fees that placed an inequitable burden on new development relative to the impact that the development would place upon the system. Banberry has set forth that a municipality must "reasonably" provide evidence that supports the imposition of impact fees.

The Utah Supreme Court has reinforced this philosophy through subsequent cases including The Home Builders Association of the State of Utah v. City of North Logan[14]. It was determined that a city must have "sufficient flexibility to deal realistically with issues that do not admit of any kind of precise mathematical equality". The Court stated that such equality is "neither feasible nor constitutionally vital".

It has been shown that a city must prepare the Proportionate Share Analysis as accurately as possible and within the confines of the law. If the requirement is met, the burden of proof that the impact fees are inequitable lies with the challenger (the city is not responsible for proving that the fees are equitable).

MANNER OF FINANCING EXISTING PUBLIC FACILITIES – 201(5)(B)(II-III)

Providence has funded the capital infrastructure for its existing public facilities through a combination of different revenue sources which include property tax and general fund revenues. Equipment, personnel and payroll expense and vehicles which were funded through State and Federal Grants have not been included in the impact fee calculations. Therefore, the level of service that currently exists has been funded by the existing residents. By funding future improvements (which are needed to provide service to new growth) through impact fees, future users bear a financial burden similar to the financial burden placed on existing users in the past.

CONSIDERATION OF ALL REVENUE SOURCES – 201(5)(B)(IV)

The Impact Fees Act requires the Proportionate Share Analysis to demonstrate that impact fees paid by new development are the most equitable method of funding growth-related infrastructure. This statement may be supported by demonstrating through the CFP that the project costs that are included in the impact fees are growth-related and serve no users other than future users who have not yet come into the City.

[13] 631 P. 2d 899, 903-4 (Utah 1981.)
[14] 983 P. 2d 561, 565 (Utah 1999.)

The City's objective is to fairly and equitably recover the costs of new growth-related infrastructure from new development. This implies that new growth will be expected to pay its fair share of the costs that will be incurred to serve them. In accordance with this philosophy, the following paragraphs explain the pros and cons of funding mechanisms that are available to the City to pay for new infrastructure.

- **Property Tax Revenues or General Fund Revenues**
  Ad valorem taxes such as property taxes are a stable source of revenues. However, ad valorem taxes allocate new system costs to new development based upon property valuation rather than true impact. Also, the costs of new infrastructure would be borne by existing users who have already contributed to the existing infrastructure through their property taxes and other fees. This would place an unfair burden upon existing users who have already paid for existing infrastructure and will continue to subsidize growth.

- **Special Improvement District Bonds**
  SID bonds are an acceptable mechanism to recover the costs of growth-related infrastructure from new users by means of placing an assessment upon a property user's land. SID bonds are a stable funding mechanism but have two major limitations. The first limitation is that assessments are typically based upon lot size rather than by a measure of the true impact that a user will have. The second limitation of SID bonds is that they require a large amount of work to structure and administer, thus adding to the City's costs to new development.

- **Impact Fees**
  Impact fees have become an ideal mechanism for funding growth-related infrastructure. Analysis is required to accurately assess the true impact of a particular user upon the City infrastructure and the ability to prevent existing users from having to subsidize new growth.

Impact fees should be used to fund all new growth-related infrastructure planned by the City based upon the historic funding of the existing infrastructure and the intent of the City to equitably allocate the costs of growth-related infrastructure in accordance with the true impact that a user will place upon the infrastructure.

PROPOSED CREDITS OWED TO DEVELOPMENT – 201(5)(B)(V)

The Impact Fees Act requires credits to be paid back to development for future fees that may be paid to fund system improvements found in the CFP. Credits may also be paid back to developers who have constructed or directly funded items that are included in the CFP or donated to the City in lieu of impact fees. This situation does not apply to developer exactions or improvements required to offset density or as a condition for development. Any item that a developer funds must be included in the CFP if a credit is to be issued.

Credits are only applicable in situations where the City has specifically included a dedicated fee into property taxes to pay for the new growth-related improvements. If a capital improvement fee is included into the user fee component but does not specifically detail that these funds are used for revenue bonds, credits do not apply since those revenues will be sent to a capital improvement fund which can also pay for repair and replacement of existing infrastructure.

In addition, if a specific property tax line item is not dedicated to bond issues and the debt service on the bonds is paid through excess General Fund revenues, a credit will not apply as property taxes is not the only source of revenue to the General Fund.

In the situation that a developer chooses to construct facilities found in the CFP in lieu of impact fees, the arrangement must be made through the developer and the City and are not contemplated in this analysis.

SUMMARY OF TIME PRICE DIFFERENTIAL – 201(5)(B)(VII)

The Impact Fees Act allows for the inclusion of a time price differential to ensure that the future value of costs incurred at a later date are accurately calculated to include the costs of construction inflation. An inflation component is included in all capital project costs that are to be constructed in fiscal year 2007 and beyond. A time price differential is not contemplated for the costs of bond debt service that are included in the impact fees as the payments do not increase over time with inflation.

Because all improvements have been adjusted for inflation, it is not equitable for new development paying impact fees ten years from now to be charged an impact fee that is higher than a fee paid today as the costs of inflation have been included into the costs basis. There is no correlation between an inflation-adjusted cost in projects and an inflated impact fee.