

*Welcome to  
Three Forks*



A stone wall with the text 'Welcome to Three Forks' in a cursive font. The wall is made of grey and brown stones. There are trees in the background and a large rock in the foreground.

# Three Forks Impact Fee Update

Getting on the Same Page – May 9, 2023



## Step-by-Step (will be posted)

- But first *Welcome to*
- Impact fees DO increase the cost of housing (at least in a seller's market)
- Like everything else put into a building (foundation, doors, you name it) impact fees add value
- How much is it worth without access? water? sewer?
- Three Forks already charging impact fees – this is an update

## Basic Rules of Impact Fees

- **Capital facilities only!**
  - **No O&M. No equipment with life less than 10 years. Rehab/remodel only as they add capacity.**
- **Growth-Serving only!**
  - **CANNOT remedy existing deficiencies.**
- **Strict accounting**
- **Used within reasonable time (10 yrs max)**



A stone wall with the words "Welcome to Three Forks" written on it in a cursive font. The wall is made of large, irregular stones. In the background, there are trees and a clear sky.

First, list facilities for which a fee might be charged

- **Rooted in Capital Improvements Program (CIP)**
- **Can pay for additional (growth-serving) capacity in any facility approved by law or a 2/3 vote**
- **Cannot include O&M**
- **Cannot remedy existing deficiencies**

A stone wall with a watermark that reads "Three Forks". The wall is made of large, irregular stones in shades of grey and brown. In the background, there are trees with some autumn-colored leaves. The overall scene is outdoors and appears to be a park or a public area.

## Second, set Level of Service Standards

- **The LOS is used to evaluate the capacity of existing facilities, and**
- **to decide how much additional capacity is needed**
- **It connects facilities to anticipated growth (build-out)**



# How LOS Works

- If the LOS is that a city have 5 acres of developed parks per 1,000 people, and the population is 2,000:



## How LOS Works

- there ought to be 10 acres of developed parks.
- if there are only 6 acres of parks there is a deficiency that cannot be corrected using impact fees
- if the population is expected to grow to 4,000 in 10 years, the city needs 10 acres more – impact fees may be applied to that



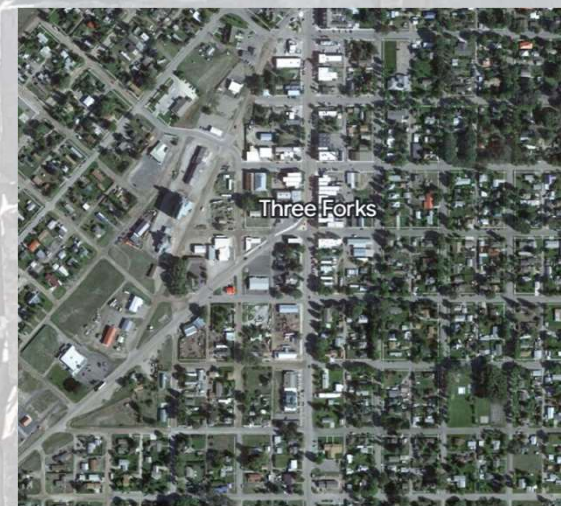
Third, determine build-out.

- **How much new development do you expect to serve?**

**number/type of dwellings?**

**square feet of commercial?**

- **Include infill as per growth policy**



A stone wall with a watermark that reads "Three Forks" in a cursive font. The wall is made of large, irregular stones in shades of grey and brown. In the background, there are trees and a clear sky. The text "Build-Out – explanation will be posted" is overlaid on the top left of the image.

Build-Out – explanation will be posted

- **Rooted in land availability/suitability and zoning**
- **Challenging – housing mix, PUDs, annexation**



A stone wall with a 'Welcome to Wooded Forks' sign in the background. The sign is partially obscured by the text overlay. The wall is made of large, grey stones. In the background, there are trees and a clear sky.

Fourth, assess the capacity of each facility

**A - Can it serve the existing population? If yes, go to B. If not , go to AA.**

**AA – How big is the deficiency? Do you have a strategy to close that gap that could also serve all or part of build-out? If no , STOP HERE. If yes, go to AB**

**AB – Divide the cost of fixing the deficiency from the cost of serving build-out. Carry the cost of serving build-out to Step 5.**

A stone wall made of large, irregular grey stones. In the foreground, there is a large, light-colored rock. The background shows some trees and a clear sky.

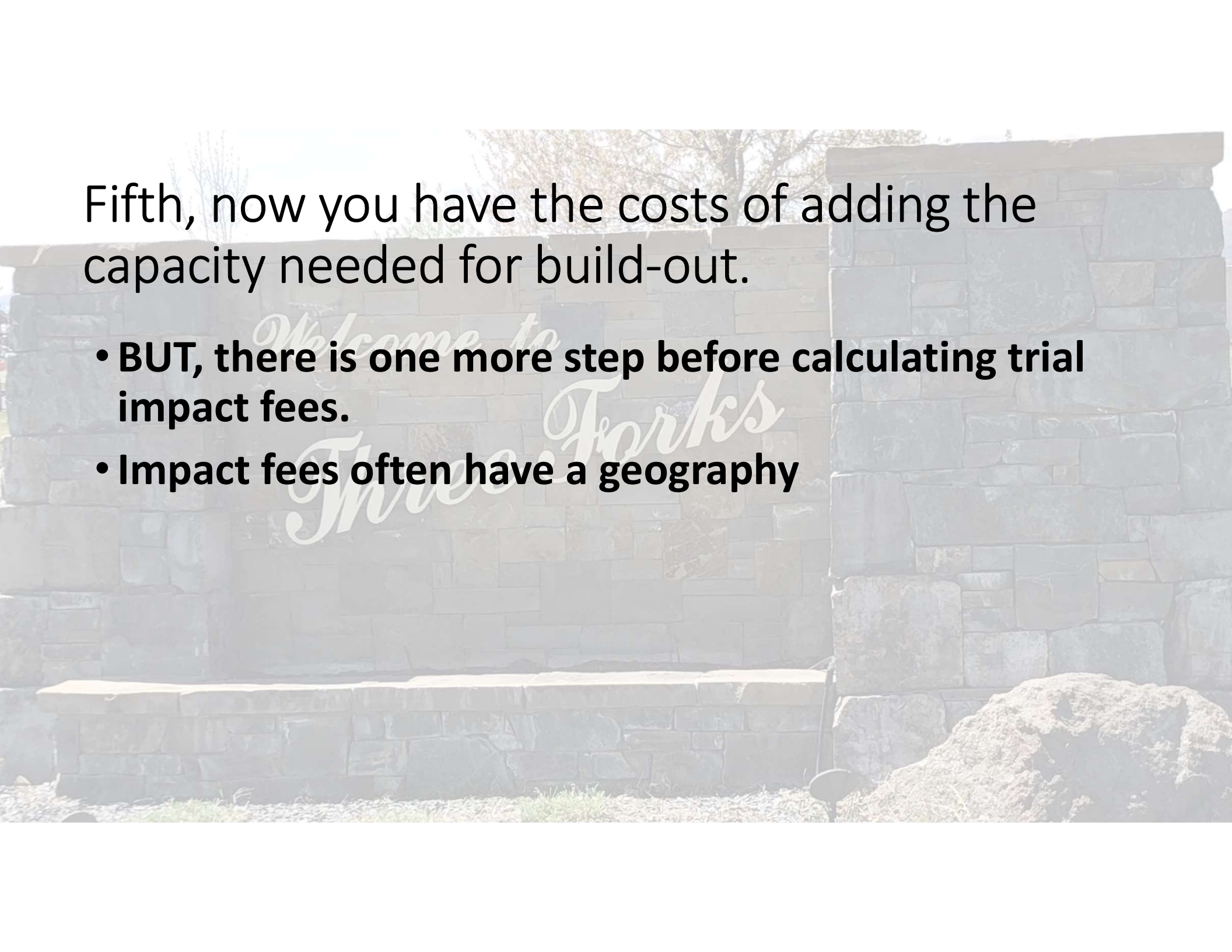
## Step 4

**B – If a facility is adequate for the existing population, does it have excess capacity? If not, stop. If the excess capacity is adequate for build-out, go to BA. If the excess capacity can serve part of build-out, go to BB.**

**BA – STOP HERE. No impact fee is needed if there is existing capacity sufficient for build-out.**

**BB – Additional capacity is still needed. An impact fee may make sense. Carry the cost of adding capacity to the 5<sup>th</sup> step.**



A stone wall with the text "Welcome to Three Forks" overlaid in a cursive font. The wall is made of large, irregular stones in shades of grey and brown. The text is white and semi-transparent. The background shows some trees and a clear sky.

Fifth, now you have the costs of adding the capacity needed for build-out.

- **BUT, there is one more step before calculating trial impact fees.**
- **Impact fees often have a geography**

A stone wall with a sign that reads "Welcome to Three Forks". The wall is made of large, irregular stones in shades of grey and brown. The sign is white with a cursive font. The background shows trees and a clear sky.

Sixth, will a facility serve only part of the anticipated build-out?

- **If yes, determine the benefit area/s**



## Seventh, calculate trial impact fees

- **Divide the cost of adding capacity – for the entire City or for a benefit area , as appropriate – by the anticipated build-out to yield:**
  - **trial fee per dwelling (may vary by type)**
  - **trial fee per square foot of commercial**

## Eighth, answer some questions

- **Is there a better way to pay for the capacity?** If there is, use it.
- **Will the fee accumulate rapidly enough to be useful?** Impact fees must be used within a reasonable time! Don't set the City up to have to make refunds.
- **Will the City pay impact fees for (a limited number of) perpetually affordable units?** Something a City can do that actually makes a measurable difference



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Finalize proposed fees.

- **Once there is agreement, revise/write the adopting ordinance.**