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Service Area Reports

September 2024



MCA 7-6-1602(1) requires a Montana municipality to “prepare and approve a service area report” for each facility for which it wants to charge an impact fee. This document consolidates those reports for the City of Three Forks.

MCA 7-6-1602(2) lists requirements for service area reports. That list is reproduced on the following page with each item checked to indicate that the Council and Mayor have reviewed the statutory requirements for the use of impact fees and determined that their actions - including adoption of a CIP based on a buildout analysis, adoption of the service area reports assembled here, adoption of an impact fee ordinance, and accounting practices – comply with state law.

Facilities Covered

These service area reports present trial impact fees for Three Forks’ water and wastewater systems, storm water management, transportation, municipal buildings, and fire protection. The Mayor and Council may adopt, or not, any of the proposed fees. The proposed municipal building impact fee must be approved by a 2/3 majority because municipal buildings are is not among the facilities specifically listed in MCA 7-6-1601(7).

Contents of Reports

Each service area report follows a step-by-step process that reflects both the statutory requirements and widely followed best practices for the calculation of impact fees. That process is described in detail in the appendix.

These reports rely on important basic understandings.

The service area reports reflect the City’s current understanding of the growth anticipated and the facilities needed to serve that growth. That understanding will evolve through time. The service area reports and impact fees should be updated as it does.

The cost figures given in the CIP are the best estimates possible at this time. Actual costs will vary.

The scheduling of improvements in the CIP is subject to change for reasons that include the pace of development, the availability of funds, and even the weather.

The trial impact fees calculated in these reports do not include the five percent administrative fee that is authorized by MCA 7-6-1601(5)(a).

The trial impact fees calculated in these reports are the maximum defensible. The Mayor and Council cannot increase them (except to add the administrative

fee) without new data or changing the assumptions on which they are based. The Mayor and Council may choose to charge lower impact fees because other sources of funding will also be used.

Compliance with Montana Code Annotated, Title 7, Chapter 6, Part 16

(2) The service area report is a written analysis that must:

- (a) describe existing conditions of the facility;
- (b) establish level-of-service standards;
- (c) forecast future additional needs for service for a defined period of time;
- (d) identify capital improvements necessary to meet future needs for service;
- (e) identify those capital improvements needed for continued operation and maintenance of the facility;
- (f) make a determination as to whether one service area or more than one service area is necessary to establish a correlation between impact fees and benefits;
- (g) make a determination as to whether one service area or more than one service area for transportation facilities is needed to establish a correlation between impact fees and benefits;
- (h) establish the methodology and time period over which the governmental entity will assign the proportionate share of capital costs for expansion of the facility to provide service to new development within each service area;
- (i) establish the methodology that the governmental entity will use to exclude operations and maintenance costs and correction of existing deficiencies from the impact fee;
- (j) establish the amount of the impact fee that will be imposed for each unit of increased service demand; and
- (k) have a component of the budget of the governmental entity that: (i) schedules construction of public facility capital improvements to serve projected growth; (ii) projects costs of the capital improvements; (iii) allocates collected impact fees for construction of the capital improvements; and (iv) covers at least a 5-year period and is reviewed and updated at least every 5 years.

SERVICE AREA REPORT – WATER SYSTEM

STEP 1 - Anticipate Growth

The existing water system and its capacity to serve Three Forks' anticipated growth is described in the CIP, pages 16-22.

STEP 2 - Identify Improvements

STEP 3 – Categorize Improvements

STEP 4 – Split Costs between Correcting Deficiencies and Serving Growth

The CIP lists specific improvements the water system needs. Some of those projects cannot be funded by impact fees because their main purpose is to correct existing deficiencies. Two projects are primarily necessitated by growth and could be funded by impact fees:

- A new water system master plan that is scheduled for completion in 2027 at an estimated cost of \$80,000.
- A new transmission main that is scheduled for installation in 2026 at an estimated cost of \$1,375,00.

These projects will benefit both existing and future water users. This means that impact fees cannot pay the entire cost, only the growth-serving share.

STEP 5 – Split Costs between Residential and Commercial

The next step in trial impact fees for these projects is to use water meter records to determine the split between commercial (which for this purpose, includes all nonresidential uses) and residential water consumption. The split in the most recent year is 17%/83%, commercial/residential.

It is not possible to charge impact fees for commercial and residential development on the same basis. The sensible way to charge for homes is the way they're built, dwelling unit by dwelling unit. But commercial development doesn't break neatly into "units." Commercial buildings are of different sizes, for different purposes. Their diversity can be reduced to square feet of building area.

To calculate trial water system impact fees, the costs of the improvements are split 17%/83%. The results of that calculation are then divided by the number of dwelling units (2006 total, existing and anticipated) and the building area of commercial uses (390,000 SF total, existing and anticipated) established in the buildout analysis.

That math leads to a trial water system impact fee of \$612.36 for each new dwelling unit and \$0.645 for each square foot of new commercial space (a 1,000 SF commercial building would pay \$645.00). But accuracy requires another step. Different types of residential uses consume different quantities of water, and that is even more true for commercial uses.

STEP 6 – Split Costs among Types of Residential and Commercial

Single-family homes tend to consume more water than multi-family dwellings. Three Forks' current water system impact fee charges 80% as much for an apartment as for a single-family dwelling. Analyzing water meter records suggests, though, that the 80% discount is generous. Water consumption varies a lot among dwellings, but overall, multi-family dwellings are using 88% as much as single-family. To account for that difference while raising the revenue needed to support the improvements listed here, the trial water system impact fee is \$575.62 for multiple-family dwellings and \$624.61 for single family dwellings. These figures split the fees that would not be collected if multi-family dwellings were simply charged 88% as much as single-family.

Making this split is not as straightforward for commercial uses. The city currently addresses the varying consumption of water by commercial uses by adjusting its water system impact fee upward for projects that need a larger water meter. But since there's no reasonable way to project how many meters of what sizes will be installed in the future, that does not provide a sound basis for impact fees that are required to raise specific amounts of revenue for specific improvements.

The \$0.645 per square foot trial water system impact fee calculated here assumes that building size and water consumption are proportional. That is a reasonable assumption for small-scale commercial infill. It cannot, however, be extended to larger scale development. If it were, a 20,000 square foot warehouse that has a lightly used employee restroom and needs a little water for janitorial purposes would pay more (\$12,900) in water system impact fees than a busy restaurant that is only one-fifth its size (\$2,580), but consumes more water.

Some communities try to resolve this problem with complicated tables of water consumption for specific uses. That approach still misses some of the variation in water use, but its fundamental flaw is that it provides no way to anticipate the cumulative amount of development, a number that is needed to calculate fair impact fees. It is better to apply the trial water system impact fee calculated here to the small-scale commercial infill on which it is based (and which is defined as requiring a water meter of one inch or less in diameter and having a building area

of no more than 2,500 square feet) and adopt a case-by-case process for determining what contribution a larger project should make to water system improvements. That process would be adopted under the city's annexation and land use powers. It will not be used often (there are only eight water meters larger than one inch in Three Forks) and will be both accurate and fair if conducted in a transparent, professional manner.

STEP 7 – Allocate Costs by Benefit Area

The water system improvements identified here serve the entire city. There is no need for benefit areas.

STEP 8 – Calculate Trial Impact Fees

The trial water system impact fees are:

For single-family dwellings - \$624.61 per unit

For multiple-family dwellings - \$575.62 per unit

For infill commercial (nonresidential) projects - \$0.645 per square foot

For larger-scale commercial (nonresidential) projects – determined in large-scale development review

At buildout, these fees will have raised approximately 52% of the costs of the growth-serving water system improvements listed in the CIP. The exact yield will vary with the exact mix of housing types – single v. multi-family – which cannot be precisely anticipated. The yield calculation assumes that the mix at buildout will be 75%/25%, single-family/multi-family.

NEXT STEPS

The trial water system impact fees cannot reflect the currently unknown costs of finding and developing additional water sources or of any additional improvements that may be recommended in the new water system master plan. Three Forks' water system impact fees should be revised promptly after completion of that plan.

SERVICE AREA REPORT – WASTEWATER SYSTEM

STEP 1 - Anticipate Growth

STEP 2 - Identify Improvements

The existing wastewater system and its capacity to serve Three Forks' anticipated growth is described in the CIP, pages 23-28.

STEP 3 – Categorize Improvements

STEP 4 – Split Costs between Correcting Deficiencies and Serving Growth

The CIP lists specific improvements the wastewater system needs. Some of those are necessary to maintain the existing level of service and cannot be funded by impact fees. The growth-serving projects that could be funded by impact fees are listed here.

- A wastewater system master planning effort is scheduled to begin in 2024 at an estimated cost of \$80,000. The master plan will benefit both existing and future development.
- The anticipated growth will necessitate enlargement of a trunk main in the center of the city. This project is scheduled for completion in 2029 at an estimated cost of \$3,563,000. It will serve the entire city except for the Southeast Residential area (where the developer will install a separate sewage collection system), including infill residential and commercial, and new dwellings in the Northwest Residential Area. It will also improve service for existing users.
- The lift station that moves wastewater from into the treatment plant needs upgrades with or without growth, but the extent of the improvements – which are scheduled for 2028 at an estimated cost of \$2,490,000 - is determined by the anticipated growth. The upgraded lift station will not serve the Southeast Residential area.
- The wastewater treatment plant (WWTP) has excess capacity - enough for 130 homes - but must be expanded to serve most of the anticipated growth. The entire cost of this project, minus an adjustment for the excess capacity, could be funded by impact fees. Since 130 dwellings represent 11.9% of anticipated residential buildout, project costs are reduced by that much to result in a correct calculation of the total impact fees.

STEP 5 – Split Costs between Residential and Commercial

STEP 6 – Split Costs among Types of Residential and Commercial

Because wastewater flows from individual uses are not metered, it is assumed that wastewater generation is directly proportional to water consumption and costs are split in the same way as for the water system.

STEP 7 – Allocate Costs by Benefit Area

Because different wastewater system improvements will serve different parts of the city, there are two wastewater benefit areas: 1) the Southeast Residential area and 2) the remainder of Three Forks.

STEP 8 – Calculate Trial Impact Fees

The trial wastewater system impact fees proposed here are:

Southeast Residential Benefit Area, per dwelling unit

Multi-Family – \$4,428.02

Single Family - \$4,428.02

Remainder of Three Forks Benefit Area, per dwelling unit

Multi-Family – \$9,355.91

Single Family - \$8,071.77

Infill Commercial - \$4.906 per square foot

Charging these trial wastewater system impact fees would result in new development paying approximately 56% of the costs of wastewater system improvements at buildout while existing development pays approximately 44% from sources other than impact fees.

NEXT STEPS

We can't know now what the updated wastewater system master plan will call for. We can only say that the wastewater system impact fees proposed here may require revision after that plan is completed.

SERVICE AREA REPORT – STORM WATER MANAGEMENT

STEP 1 - Anticipate Growth

STEP 2 - Identify Improvements

STEP 3 – Categorize Improvements

The CIP (see pages 29-30) calls for preparation of a plan for a new, comprehensive approach to storm water management (SWM) in Three Forks. That plan is scheduled for 2026, will cost \$90,000, and will benefit all development, existing and anticipated.

STEP 4 – Split Costs between Correcting Deficiencies and Serving Growth

Since there is no existing SWM system, the only work that could be funded by impact fees is an SWM plan. And since that plan would cover the whole community, the split between correcting deficiencies and serving growth is calculated as the split between existing and future development at buildout.

STEP 5 – Split Costs between Residential and Commercial

Determining the split of costs between residential and commercial uses is not that easy. The best basis for allocating SWM impact fees is impervious cover; the extent of impermeable surfaces, like roofs and paving, that generates surface runoff that should be managed to avoid damage to infrastructure and property. We considered using a national land cover database to measure existing impervious cover in Three Forks, but the costs of processing and ground truthing that data would exceed the resources available for the calculation of all impact fees.

Given that no physical improvements are proposed here, just preparation of a plan, we believe that an equitable temporary basis for a trial SWM impact fee is the difference in building coverage permitted by the city's zoning. Residential uses are generally allowed 35% building coverage. Commercial uses may cover their entire lot. The SWM plan should provide the information needed to base future SWM impact fees on impervious cover.

STEP 6 – Split Costs among Types of Residential and Commercial

STEP 7 – Allocate Costs by Benefit Area

There is no need to split SWM costs among different types of uses or establish benefit areas at this time. The SWM plan will address differences among land uses and recommend benefit areas, as needed.

STEP 8 – Calculate Trial Impact Fees

The trial SWM impact fees proposed here are \$32.06 per dwelling unit and \$.066 per square foot of commercial building (a 1,000 square foot building would pay \$66). Collecting these fees would generate just over half the cost of the SWM plan at buildout, leaving a 49% share for existing uses to be covered by other funding sources.

NEXT STEPS

We do not know what the proposed SWM plan will recommend. It could assign most costs directly to developers, minimizing or even eliminating the need for SWM impact fees. It could call for construction of a municipal SWM system that is partially funded by impact fees. All we can say for sure is that it will be necessary to create a new service area report following completion of the SWM plan.

SERVICE AREA REPORT – TRANSPORTATION

STEP 1 - Anticipate Growth

STEP 2 - Identify Improvements

The CIP (see pages 31-38) calls for preparation of a Long-Range Transportation Plan (LRTP) and a Bicycle/Pedestrian Master Plan to identify the transportation issues and needs created by Three Fork's anticipated growth. It also describes two specific growth-serving street projects that it seems clear will be needed.

STEP 3 – Categorize Improvements

STEP 4 – Split Costs between Correcting Deficiencies and Serving Growth

The LRTP – which is scheduled for 2025 at an estimated cost of \$80,000 - and the Bicycle/Pedestrian plan – which is scheduled for 2028 at an estimated cost of \$30,000 - will benefit the entire city. They could be partially funded by impact fees.

The first improvement listed in the CIP is growth-serving, providing a safer, more serviceable connection from the impending development of the Southeast Residential Area to the rest of Three Forks. Any benefits to existing residential uses would be minimal (affected homeowners may consider the construction and added traffic to be nuisances). Existing businesses that gain customers from the new neighborhood would benefit. 100% of this project could be funded by impact fees. It is estimated to cost \$7,595,000 and expected to begin sometime after 2029.

The second project will rebuild Dakota Street and that complicated intersection where Dakota, Railway, Second, and Elm converge on the edge of downtown. This will facilitate traffic flows and safety as the Northwest Residential area develops and commercial uses fill in. It is scheduled for after 2029 and estimated to cost \$7,511,000. This improvement of a major intersection will benefit the entire city.

STEP 5 – Split Costs between Residential and Commercial

Calculation of transportation impact fees raises interesting questions. If a trip is from a home to a business should that trip be attributed (and an impact fee charged) to the residential use or the commercial? or both? Then there is the reality that different businesses generate different demands; a restaurant usually draws more traffic than a quilt shop. And what about trips to multiple destinations? One might go downtown to pick up a prescription, have lunch, and browse the book shop. Then there are trips that leave Three Forks or originate elsewhere; a resident commuting to Bozeman, a contractor coming from Belgrade. The LRTP will deal with this complexity.

Our goal for now is to propose trial transportation impact fees that would allow the city to begin collecting funds for transportation planning and street improvements for which the need seems clear based on anticipated growth. This requires making some simplifying assumptions, starting with the assumption that the 17%/83% commercial/residential split in water consumption is a fair proxy for the actual split in traffic generation. The other assumptions are explained in Step 6.

STEP 6 – Split Costs among Types of Residential and Commercial

Single-family dwellings tend to generate more trips than multi-family. We have no local data for Three Forks, but widely used national sources suggest that multi-family units generate 80-90% as much traffic as single family. We use the data-based 88% difference in water consumption as a proxy.

We also assume that the traffic generation of infill commercial uses is similar enough to apply the same per square foot transportation impact fee until the LRTP is completed. The contributions larger-scale uses must make to the city’s transportation needs will be determined in the large-scale development process.

STEP 7 – Allocate Costs by Benefit Area

Two benefit areas are required to calculate trial transportation impact fees for Three Forks. The first is the entire city, which benefits from transportation planning efforts and the major intersection reconstruction project. The second is the SE Residential Area, which will benefit from connecting street improvements.

STEP 8 – Calculate Trial Impact Fees

The resulting trial impact fees for transportation are:

SE Residential, single-family, per unit -

SE Residential, multi-family, per unit

Remainder of City, single-family, per unit

Remainder of City, multi-family, per unit

Infill Commercial, per square foot

Charging these trial transportation impact fees would yield approximately 76% of the listed transportation improvements at buildout, leaving 24% to be covered by other funding sources. Note that the exact yield will vary a bit depending on the exact mix of single-family versus multi-family dwellings built.

NEXT STEPS

This service area report and the transportation impact fees (if any are adopted) must be revisited after completion of the LRTP.

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SERVICE AREA REPORT – MUNICIPAL BUILDINGS

STEP 1 - Anticipate Growth

STEP 2 - Identify Improvements

STEP 3 – Categorize Improvements

STEP 4 – Split Costs between Correcting Deficiencies and Serving Growth

The CIP describes Three Fork' existing municipal buildings and some improvements that correct existing deficiencies on pages 40-41. It also calls for an architectural study of a new facility that would house the city offices, meeting rooms, and the fire department, as well as providing space for the Gallatin County Sheriff's Department, for which the city now leases an office. This facility would serve the entire population, including the anticipated growth. It could be funded, in part by impact fees. The architectural study is scheduled for 2025 at an estimated cost of \$65,000.

STEP 5 – Split Costs between Residential and Commercial

City staff estimates that 70-75% of the business conducted in their offices serves residents, while 25-30% serves the business community. Applying a 72.5%/27.5% split to the estimated cost of the architectural study results in trial impact fees of \$23.49 per dwelling unit and \$0.046 per square foot of commercial building area (a 1,000 square foot building would pay \$46).

STEP 6 – Split Costs among Types of Residential and Commercial

STEP 7 – Allocate Costs by Benefit Area

Municipal buildings will provide roughly the same level of service to all users and the entire community. There is no need to split costs among users or create benefit areas within the city. It may eventually be necessary to determine what share of building costs should be borne by the rural fire protection district.

STEP 8 – Calculate Trial Impact Fees

The trial municipal buildings impact fees are \$23.49 per dwelling unit and \$.046 per square foot of commercial building area. Collecting these fees would eventually cover just over half the cost of the architectural study, leaving a 49% share for existing uses that must be covered by other funding sources.

NEXT STEPS

Completion of the architectural study should trigger discussion of the need for a new municipal building. That could then lead to a new service area report and the calculation of trial impact fees to help fund that project.

SERVICE AREA REPORT – FIRE PROTECTION

STEP 1 - Anticipate Growth

STEP 2 - Identify Improvements

STEP 3 – Categorize Improvements

STEP 4 – Split Costs between Correcting Deficiencies and Serving Growth

The CIP (see pages 42-43) describes Three Forks' Volunteer Fire Department, which also serves a large rural area through a special district. The department's future building space needs are addressed in the Service Area Report – Municipal Buildings. The other need that could be funded, in part, by impact fees is for a new engine that is scheduled to be acquired in 2029 at an estimated cost of \$750,000. That cost must be reduced by the current and projected (through 2029) balance in a voter-approved levy for the costs of an engine before calculating the trial impact fee.

STEP 5 – Split Costs between Residential and Commercial

The residential/commercial split for fire apparatus is based on the relative values of the properties protected, which can be taken from the property tax rolls. In Three Forks that split is 76%/24% (note the interesting similarity to the staff estimate of the overall split of city business). The resulting trial impact fees are \$118.00 per dwelling unit and \$0.192 per square foot of commercial building area (a 1,000 square foot building would pay \$192.00).

STEP 6 – Split Costs among Types of Residential and Commercial

STEP 7 – Allocate Costs by Benefit Area

The fire department provides the same level of service to the entire community. There is no need to split costs among users or create benefit areas within the city. The relationship of the city and the rural fire protection district is established by an interlocal agreement.

STEP 8 – Calculate Trial Impact Fees

The trial fire protection impact fees are \$118.00 per dwelling unit and \$0.192 per square foot of commercial building area. Collecting these fees would cover 21% of the cost of the new engine, leaving the remainder to be covered by dedicated property tax revenues. It is worth noting that it will take approximately nine more years for the tax levy to accumulate enough to purchase the fire engine (and that presumes the cost of the engine does not increase), long past 2029 when replacement is due.

NEXT STEPS

The next step in facilities planning for fire protection will be the discussion that follows completion of the architectural study called for in the Service Area Report – Municipal Buildings.

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TOTAL IMPACT FEES

The table below summarizes the trial impact fees calculated in the draft service area reports and shows the total.

Summary of Trial Impact Fees

Water		Municipal Buildings	
multi-family, per unit	\$ 575.62	all residential, per unit	\$ 23.49
single-family, per unit	\$ 624.61	infill commercial, per SF	\$ 0.046
infill commercial, per SF	\$ 0.645		
Wastewater		Fire Protection	
SE Residential		all residential, per unit	\$ 118.00
multi-family, per unit	\$ 4,428.02	infill commercial, per SF	\$ 0.192
single-family, per unit	\$ 4,804.88		
Remainder of Three Forks		TOTAL TRIAL IMPACT FEES	
multi-family, per unit	\$ 8,622.12	SE Residential	
single-family, per unit	\$ 9,355.91	multi-family, per unit	\$ 14,858.56
infill commercial, per SF	\$ 4.906	single-family, per unit	\$ 16,109.74
		Remainder of Three Forks	
Stormwater		multi-family, per unit	\$ 12,318.99
all residential, per unit	\$ 15.70	single-family, per unit	\$ 13,354.04
infill commercial, per SF	\$ 0.150	Infill Commercial, per SF	\$ 17.33
Transportation			
SE Residential			
multi-family, per unit	\$ 9,697.72		
single-family, per unit	\$ 10,523.06		
Remainder of Three Forks			
multi-family, per unit	\$ 2,964.06		
single-family, per unit	\$ 3,216.32		
infill commercial, per SF	\$ 11.392		

These total trial impact fees should not be shocking. This is what new infrastructure costs everywhere.

The total trial impact fees for the SE Residential Area are higher than for the rest of Three Forks because the street improvements required to provide a good connection between that area and the rest of Three Forks are expensive relative to the number of homes served. Finding alternative funding sources for those improvements would be desirable. The other action that would help most in lowering the trial impact fees would be finding alternative sources of funding for wastewater system improvements.

APPENDIX - CALCULATING IMPACT FEES STEP-BY-STEP

Reading the service area reports will make it clear that they are works-in-progress. The engineering studies they call for will result in changes to the list and costs of improvements needed. Those changes, in turn, will necessitate the update and addition of impact fees. Here is the step-by-step process for updating and adding impact fees. A worksheet has been designed to help Three Forks staff implement these steps

STEP 1 – Anticipate Growth. The CIP and the service area reports are based on an analysis that “builds out” out Three Forks’ land base as a basis for deciding what facilities improvements are needed to serve the city’s growth. It may be necessary to revise the buildout analysis as growth occurs. That should be done with professional assistance. While buildout remains the same, however, impact fees can be revised or added following these steps.

Addressing the Impacts of Larger Scale Commercial Development. This method of calculating impact fees will adequately anticipate the public facilities needs of small-scale, incremental commercial development. The demands of larger scale projects are more difficult to understand in advance and it will be better - more accurate and more equitable - if their contributions to the expansion of city facilities are negotiated in annexation agreements or as conditions of permit approval. The impact fee schedule should be used as the starting point for those negotiations, but the underlying assumption that demand is proportional to building size will not hold for all proposed development. Water consumption, for example, could be high in a small space - a popular restaurant or niche food processing plant - but minimal in a large building like a warehouse. ‘Large-scale commercial’ for which a change from the impact fee schedule may be required will be defined as any new nonresidential use or major (minor expansions will not pay impact fees) expansion of an existing nonresidential use that requires a water meter (whether one meter or cumulatively where multiple meters will be installed) of more than one inch in diameter, or that has a cumulative building area of 2,500 SF or more. The long-range transportation plan called for in the CIP should propose a traffic generation threshold to add to this definition.

STEP 2 – Identify Improvements. The August 2024 CIP lists the improvements needed to maintain and expand city facilities based on the current understanding of facilities capacity and potential growth. Additional improvements that are identified in the engineering studies and plans proposed in the CIP must be amended into the CIP before impact fees are updated.

STEP 3 – Categorize Improvements. This step answers the basic question: Can an impact fee pay for all or part of a specific improvement that is being added to the CIP? Additional improvements will ordinarily fall into one of three categories: 1) those that only correct deficiencies in serving the existing population and cannot be funded by impact fees; 2) those that are necessary only due to anticipated growth and may be funded up to 100% by impact fees; and 3) those that both correct deficiencies and serve growth, and may be partially funded by impact fees. There may be projects, like the RV dump station listed in the current CIP, that do not fit these categories. Such projects cannot be funded by impact fees.

STEP 4 – Split Costs between Correcting Deficiencies and Serving Growth. This step, which flows from Step 3, will be based on the project descriptions in the CIP and the buildout analysis. It is an easy step for improvements that may be funded 100% by impact fees. For almost all projects in the current CIP, however, costs must be split between correcting deficiencies and serving growth.

STEP 5 – Split Costs between Residential and Commercial. The buildout analysis provides a basis for calculating both the total and per unit costs that may be funded by impact fees. Before charging impact fees, however, costs must be allocated between (and possibly even among, see Step 6) uses and converted to unit costs. The most practical units are dwelling units and square feet of building area. But what part of the demand for a particular facility is generated by the city's homes and what part by its businesses, industries, and institutions? The answer is not the same for every facility. Each service area report uses an appropriate split.

STEP 6 – Split Costs among Types of Residential and Commercial. Determining the split between residential and commercial uses, as called for by Step 5, is not always sufficient. Different businesses and different types of dwelling units place different demands on municipal facilities. Again, each service area report explains and adopts the necessary splits.

STEP 7 – Allocate Costs by Benefit Area. The results obtained in Steps 4-6 are complicated by the fact that not all improvements serve the entire city. An example from the current CIP is the need for lift station improvements. Those improvements will not serve new development in the Southeast Residential Area, where the developer will install a separate lift station. The development served by that lift station will have to be deducted from the number served before final impact fees are calculated. Benefit areas should be identified, if necessary, in future amendments to the CIP.

STEP 8 – Calculate Trial Impact Fees.

Finally! Once improvements have been identified and categorized; costs have been split in the necessary ways; and benefit areas have been identified and accounted for, trial impact fees pop out of the worksheet.

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