

IMPACT FEE DEVELOPMENT

for

NEW HAMPSHIRE COMMUNITIES

**Prepared by the
Southern New Hampshire Planning Commission**

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SECTION I. INTRODUCTION

A. PURPOSE OF THE HANDBOOK

The purpose of this handbook is to provide communities with guidance for the development of impact fee assessment provisions, following the guidelines and principles established by RSA 674:21,V. This handbook illustrates a process of impact fee development which the authors believe reflects the basic principles of proportionality required by the enabling legislation. The impact fee represents a one-time, up-front charge on new development to pay for future public capital costs serving new development, or to recover past expenditures in capacity to accommodate that development. This handbook discusses principles, methods and data sources that may be applied in estimating the demands placed on various capital facilities by new development, and provides examples of impact fee systems.

Users of this handbook are cautioned that the methods and ordinance framework shown here should not be transferred directly to a particular community without detailed community-specific research, fiscal analysis and policy development. While the basic techniques and principles can be replicated, community standards of service and growth-related capital needs are far from uniform.

Finally, the handbook describes ways of defining and documenting the growth-related share of capital facility costs, with examples and a sample ordinance framework, for communities to consider as they develop their own local impact fee system.

B. IMPACT FEES IN NEW HAMPSHIRE

An earlier version of this handbook was developed in 1992, shortly after authorizing legislation for impact fee ordinances was adopted in New Hampshire in 1991. At that time only a few communities had impact fees, and those that did had enacted procedures based on interpretations of an existing municipal authority to assess fees under subdivision and site plan regulations. After the authorizing legislation of 1991, approximately 15 additional New Hampshire communities adopted impact fee ordinances (IFOs).

The cumulative revenues generated by impact fee ordinances in New Hampshire since their inception through calendar year 1998 is estimated to be approximately \$9 million collected for growth-related capital improvements. This does not include other funds collected from new development in the form of exactions authorized by some municipalities in their subdivision and site plan review regulations. The most common usage of impact fees in New Hampshire is in the funding of schools, roads and recreation facilities. However, impact fees are also being used for fire protection, police department, library, solid waste, water and sewer, and municipal administration facilities. Most of the impact fee activity has occurred in the more rapidly growing southern and southeastern portions of the state.

Why have relatively few New Hampshire communities enacted impact fee ordinances since the authorizing legislation in RSA 674: 21,V was passed? There appear to be a number of reasons:

- ?? Some towns simply lack the volume or pace of growth that make impact fees practical;
- ?? Communities differ in their views of fairness in methods of paying for growth-related capital costs - whether to absorb these costs through taxes distributed across the entire property tax base, or to assess more of the cost directly to new development at the time of construction;
- ?? A reluctance to fund the cost of existing capital deficiencies with non-impact fee revenues;
- ?? Concern over the need to refund impact fees if not spent within six years;
- ?? Concern over administrative complexities and costs;
- ?? Fear of litigation and uncertainty over implementation and application of impact fees to new development; and
- ?? Since capital needs of major concern may center on roads and traffic generated by major commercial developments within a specific highway corridor or area, some communities use a system of exactions rather than an impact fee ordinance to collect fees to fund a series of planned capacity improvements.

Most IFOs in New Hampshire have not been in place long enough to assess long-term results. A survey of communities with impact fee ordinances was conducted by the New Hampshire Office of State Planning and the SNHPC as part of the preparation for this handbook, to determine what kinds of problems, if any, communities were encountering in the administration of their impact fee systems and ordinances. This feedback, as well as the experience of the prime author of the handbook, were considered in the development of this update.

C. APPLICATIONS OF THE HANDBOOK

This handbook will help communities to develop impact fee assessments on new development by guiding the user through the following steps of the process:

- ?? Developing service and facility standards;
- ?? Identifying and projecting needs for capital facility capacity;
- ?? Defining current deficiencies or excess capacity in existing capital facilities;
- ?? Separating the capital costs of new growth and development from existing capital needs;
- ?? Estimating capital costs on a per-unit-of-demand basis;
- ?? Apportioning the capital costs of new development to various types of land use;
- ?? Calculating credits for past and future tax payments toward capital facility capacity; and
- ?? Developing an ordinance containing policies and procedures for impact fee assessment, collection, administration and appeals.

D. ORGANIZATION AND CONTENT

This handbook draws a distinction between the impact fee ordinance (the *means* of implementing an impact fee) and the supporting methodology and documentation that defines the dollar amounts to be charged to new development (the proportionate share *amount* of the fee). While it is necessary for these elements to be consistent with one another, they are typically found in separate documents.

The major sections of this handbook center on:

- ?? Use of impact fee ordinances in New Hampshire as of May, 1999;
- ?? Explaining the elements of an impact fee ordinance, including an annotated example;
- ?? Discussion of the process of assembling the basic data required and an explanation of how these data can be used in impact fee assessment;
- ?? Methods and measures used to define facility needs, capacity, and the proportional demands of new versus existing development;

- ?? Examples of the calculation of impact fees for public roads, schools, recreation, and library facilities; and
- ?? A question and answer section responding to common issues encountered in developing and implementing impact fee ordinances.

SECTION II. USE OF IMPACT FEES IN NEW HAMPSHIRE

A. IMPACT FEE ORDINANCES IN NEW HAMPSHIRE

In the spring of 1999, the New Hampshire Office of State Planning and the Southern New Hampshire Planning Commission surveyed 20 New Hampshire communities believed to have adopted impact fee ordinances at that time. Communities were asked about their experience with impact fee ordinances and systems; what they are currently used for; and the fee schedules for single family homes. Summary results from the survey are included in Tables 1 and 2. As shown in Table 1, the most common use of impact fees has been the funding of public schools, roads, and recreation facilities.

With the exception of water and sewer utilities, these facilities also represent the most capital-intensive growth-related costs faced by most towns. In a number of cases, capacity-related “hook-up fees” are already charged in a number of communities by means other than an IFO. Table 1 reflects the information reported by municipalities in the survey. It does not necessarily indicate that all of the ordinances listed comply with the provisions of RSA 674:21,V. A number of ordinances were prepared prior to the passage of the authorizing legislation.

In summary, the results of the survey indicate that:

- ?? Most communities appear to have absorbed the costs of an IFO within their existing administrative structure without identifiable cost impacts;
- ?? Few major problems have been encountered with the collection of fees or the operation of impact fee systems once established;
- ?? The most frequently utilized impact fees in New Hampshire are for schools, roads, and recreation facilities. While fees for schools and recreation are typically applied only to residential development, impact fees for roads are usually applied to all types of development, often expressed as a cost per trip;
- ?? Some respondent communities reported a lack of enforcement of ordinance provisions for collection, and a tendency for boards to grant waivers and exemptions too readily;
- ?? Older fee systems developed prior to the enactment of 674:21,V tended to incorporate large discounts (30%-50% or more), which in turn reduced the amounts collected considerably; and
- ?? In some cases, non-residential development is not assessed an impact fee for affected capital facilities, while residential development is required to pay a fee. This and other waiver practices may considerably reduce the amount of impact fee collections.

TABLE 1

NEW HAMPSHIRE MUNICIPALITIES WITH IMPACT FEE ORDINANCES - 1999

Name of City or Town	Ordinance Characteristics				Types of Impact Fees Currently Assessed									
	Year Adopted IFO	Is IFO Part of Zoning?	Amended Since Adoption?	Amount Changed Since Adoption?	Roads	Schools	Recreation	Library	Police	Fire	Solid Waste	Water Supply	Sewer	Other
ATKINSON	1998	Yes	No	No		X								
BEDFORD	1992	Yes	Yes	Yes	X		X							
BETHLEHEM	1993	No	No	No	Has adopted ordinance, but has not yet developed or applied fee schedule									
DANVILLE	1998	Yes	No	No		X								
DEERFIELD	1993	Yes	No	Yes	X	X					X			
DORCHESTER	Unknown -"Land Use Regulation Fund"				X				X	X	X			X - Health, Gen. Gov't
HUDSON	1993, 1996	Yes	Yes	Yes	X	X		X						
JAFFREY	1991	Yes	No	1993	X	X	X		X	X		X	X	X
LEBANON	1991	No	Yes	1998	X	X	X							
LITCHFIELD	1991,1992	Yes	No	No	X	X	X	X	X	X				X
LONDONDERRY	1994	Yes	Yes	1999	X	X	X	X		X				
MANCHESTER	1995	Yes	No	No		X				X				
MILFORD	1991	No	No	Yes								X	X	
NASHUA	1995	Yes	No	No		X								
NEWFIELDS	1987	Yes	No	No						X				
PEMBROKE	1992	Yes	1995, 1996	Yes		X	X	X						
PLAISTOW	1997, 1998	Yes	1998	No		X	Proposed							
SALEM	1994, 1997	Yes	No	No	X	X								
SANDOWN	1998	Yes	No	No		X								
WINDHAM	1998	Yes	No	No		X								

B. OBSERVATIONS ON LOCAL IMPACT FEE SYSTEMS

- ?? Some older recreation impact fee systems may have incorporated open space costs in the fee basis. Under the 1991 authorizing legislation of RSA 674:21,V, impact fees may be charged for public recreation facilities “not including public open space.” [Communities should note that older impact fee systems adopted prior to that legislation were required to conform to all requirements of RSA 674:21,V by July 1, 1993.]
- ?? Most of the older impact fee amounts have not been updated since their original preparation nearly 10 years ago. This means that fee amounts may be lagging well behind current capital costs.
- ?? There are sometimes inconsistencies between IFOs and the methodologies that have been developed, and usually adopted by reference, as the basis for the amount of the impact fee to be assessed. While these methodologies are generally adopted by reference in the IFO, some of those forwarded with the community impact fee surveys do not fully explain the derivation of the assessment amounts, and some ordinances appear to have implemented a fee schedule that differs from the amounts supported by the methodology.
- ?? Local officials may not be familiar with the methodologies used to calculate the fees, and may have difficulty producing related documentation on the derivation of fees when requested to do so.
- ?? Communities continue to struggle with the concept of separating the growth-related capital needs of new development from existing system deficiencies.
- ?? A related problem in the development of impact fees is the use of published service averages or standards to determine *future* needs for the community without conducting a local assessment of need, or without applying the same service standards to determine *existing* needs. This practice can create something of a “cost trap.” Once a facility standard that is far above the existing community average is applied to estimate existing needs, it may define a very high facility deficiency that must be addressed with non-impact fee funds. Communities are often unwilling to fund these deficiencies so that they can bring existing facilities up to par with their desired standards. In such cases, communities should re-examine the appropriateness of their standards with respect to what the municipality is willing to support with its own funds for the existing population.

**TABLE 2
IMPACT FEE DOLLAR AMOUNT PER SINGLE FAMILY DETACHED UNIT**

Name of City or Town	Roads	Schools	Recreation	Library	Police	Fire	Solid Waste	Water Supply	Sewer	Other
ATKINSON		\$2,061.00								
BEDFORD	NA for res.		\$810.00 per house lot							
BETHLEHEM		No Fees Currently Being Assessed Under Ordinance								
DANVILLE		\$2,900.00								
DEERFIELD	\$500.00	\$2,000.00					\$150.00			
DORCHESTER	\$367.00				\$7.00	\$36.00	\$30.00			\$6.47-Health; \$97.00-Gov't
HUDSON		\$1,931.00		\$63.00						
JAFFREY	\$252.37	\$0.93/s.f.	\$81.30		\$28.46	\$122.34		\$180.75 Per Bedroom	\$118.50 Per Bedroom	\$39.15 - "Gen. Gov't"
LEBANON	\$305.76	\$0.59/s.f.	\$469.98							
LITCHFIELD	\$486.02	\$0.59/s.f.	\$.032/s.f.	\$.016/s.f.	\$.030/s.f. - "municipal"					
LONDONDERRY	Dep. on Corridor Plan	\$1,500 now; \$3,935 proposed	\$460.00	\$120.00		\$225-W. Fire District Only				
MANCHESTER		\$1,632.00				\$190.00 selected areas				
MILFORD								\$1,118.00	\$1,481.00	
NASHUA		\$1.00/s.f.								
NEWFIELDS						\$1,000.00 Per Lot-in Svc Area				
PEMBROKE		\$1,128.74	\$104.87	\$97.86						
PLAISTOW		\$2,916.00	\$469.54 Per Bedroom (proposed)							
SALEM		\$2,315.00								
SANDOWN		\$3,304.00								
WINDHAM		\$2,200.00								

Notes:

1. School fees not always comparable - they vary significantly by grade levels included in fee, credit calculations and application of "discounts."
2. Fees calculated on a per-square-foot basis are typically subject to a maximum specified dollar amount in the ordinance or supporting methodology.

C. IMPACT FEE AMOUNTS IN NEW HAMPSHIRE

The fees assessed under an IFO for residential development as applied to a single family detached home are illustrated in Table 2. For residential development, most impact fees are assessed on a per dwelling-unit-basis, while some are collected on a per-square-foot basis. Residential fees assessed on a per-square-foot basis are usually subject to a maximum amount per dwelling. Per-square-foot impact fees are more common with commercial and industrial development.

For a number of reasons, the impact fee dollar amounts are difficult to meaningfully compare from one town to another because:

- ?? Cities and towns have employed a variety of procedures allowing for credits, and for outright discounts from the impact fees calculated;
- ?? Communities simply have different growth-related needs for capital facilities. Municipalities will differ in their level of service and on standards for capital facilities that they wish to support, and levels of quality may differ from one community to another with respect to cost; and
- ?? The actual capital facilities included within any single category may differ greatly from one community to another. For example, one community charging impact fees for schools may only charge for the elementary portion of development, while another may include high school facilities as well. A recreation impact fee may include the full range of recreational facilities and related land acquisition in one case, or only a few selected facilities in another.

Although some impact fee systems have been in place for some time, relatively low dollar amounts appear to have been collected in some localities. In part, the dollar amount collected relates to the size of the municipality and its volume of growth. For example, the Town of Salem collected approximately \$250,000 in school impact fees in the first year of operation, while in the Town of Jaffrey, only about \$48,000 was accumulated in school impact fees over an eight-year period.

Aside from the variable of local growth rates, there are a number of factors that may lead to low impact fee collections once an IFO is implemented. These include:

1. *Credit calculations.* The method of assigning impact fee credits (or the lack thereof) is probably responsible for much of the variation in impact fee assessments between communities. Credit amounts vary with the methods employed as well as with the quantity of existing deficiencies in infrastructure. The credit calculation allows the impact fee to be reduced based on the expected amount of property taxes which may also be required of a fee payer over time for the same improvements.

2. *Discounts.* A certain percentage discount is sometimes offered as part of the impact fee formula, or in the impact fee ordinance, which has the effect of reducing the amount of the assessment by a given percentage. (In some older impact fee systems prepared prior to the authorizing legislation for impact fee ordinances, discounts of 30% - 50% are found.) These were apparently offered as a mark-down of the fees, perhaps reflecting some uncertainty as to their legality prior to the adoption of RSA 674:21,V. A reduced fee would be likely to lessen the prospect of a challenge. However, when such deep discounts are applied, the community collects half to two-thirds of the amount that it should be assessing to offset growth-related capital costs. As a consequence, the fees do not accumulate at the projected rate, leading in turn to a dissatisfaction that impact fees do not produce sufficient revenues. This “discounting” practice, however, is an option. In a properly researched proportional fee system, the municipality could simply opt to drop the discount using appropriate amendments.

3. *Waivers.* In some cases, IFOs contain built-in waivers for properties of a certain class. For example, school impact fees are not normally charged to housing developments in which occupancy is limited to senior citizens. Such a practice would be disproportionate since there would be no reasonable relationship between the fee charged and a likely future benefit to the subject development.

4. *Interpretations of “New Development” Subject to Impact Fees.* Communities differ greatly in their policies regarding the assessment of impact fees on new development with respect to the date of the creation of the lot on which that development takes place. For example, some communities do not charge impact fees to new development on lots already in existence as of the effective date of the ordinance. Others allow waivers for development on lots created in recent subdivisions, based on the assumption that subsequent development on such lots is protected from all changes in zoning (including impact fees) by RSA 674:39. Still others have charged all new development the same impact fee at the building permit/certificate of occupancy stage, reflecting the literal application of the process outlined in 674:21,V for impact fee assessment. In cases where a community fails to assess impact fees to new construction on existing or recently created lots, it may absorb the impact of hundreds of new homes, with no fees assessed for the impacts of that growth.

SECTION III. ELEMENTS OF AN IMPACT FEE ORDINANCE

A. PRINCIPLES OF IMPACT FEE ASSESSMENT

The impact fee assessment process centers on: (1) establishing a methodology by which proportionate impact fees can be calculated for each type of new development for each type of public capital facility being assessed; and (2) enacting an IFO to provide a process under which the fees are assessed and collected as new development occurs, and through which the fees are accumulated and applied to capital project needs.

1. Definition of Impact Fee

As defined in RSA 674:21,V, "impact fee" means

"... a fee or assessment imposed upon development, including subdivision, building construction or other land use change in order to help meet the needs occasioned by that development for the construction or improvement of capital facilities owned or operated by the municipality, . . ."

The amount of any such fee must be a proportional share of the capital improvement needs related to demands of growth. Furthermore, there must be a reasonable relationship between the fee being charged and the demands placed on capital facility capacity by the new development being assessed a fee. The costs of correcting existing deficiencies cannot be charged to new development in the form of an impact fee. Only the costs attributable to growth, as it relates to the consumption or expansion of capital facilities by new development, can be assessed. The operating and maintenance costs of providing municipal services, and the cost of simply upgrading the quality of facilities, *cannot be paid for through impact fees.*

2. Enacting Impact Fee Provisions

While certain types of exactions may be authorized within subdivision and site plan review regulations for site-specific capital costs on a case-by-case basis, a capital cost assessment that is imposed on all new development of a class should be imposed only by an impact fee ordinance. **An IFO is part of the land use regulatory process; it is not simply a revenue enhancement measure.**

The adoption of an IFO does not preclude the use of an exaction procedure properly authorized by local subdivision or site plan review regulations, provided that there is no overlap between the facilities funded by the IFO and the exactions. Exactions at the subdivision and site plan stage are generally limited to specific improvements identified at or near the site of the new development; they are not appropriate for centralized capital facilities such as schools, public safety facilities, municipal offices, solid waste facilities, etc.

The enactment of RSA 674:21,V required that, no later than July 1, 1993, all impact fee ordinances were to be subject to the specific principles articulated in the authorizing legislation.

We interpret this to mean that any ordinance adopted prior to that date which mandates payments from new construction for capital facilities in a manner not consistent with RSA 674:21,V must be brought into compliance with that statute. While an exaction process can still be carried out under subdivision or site plan regulations for some capital needs, a community that requires all developers to pay a capital facility fee toward facilities on a formula or per-unit basis should restructure its procedure as part of an IFO.

3. Facilities Eligible for Impact Fee Assessment

RSA 674:21,V specifically limits the imposition of impact fees to capital facilities “owned or operated” by the municipality:

- ?? Water treatment and distribution facilities;
- ?? Waste water treatment and disposal facilities;
- ?? Sanitary sewers;
- ?? Storm water, drainage and flood control facilities;
- ?? Public road systems and rights-of-way;
- ?? Municipal office facilities;
- ?? Public school facilities, including the municipal share of capital facilities of a cooperative or regional school district of which the municipality is a member;
- ?? Public safety facilities;
- ?? Solid waste collection, transfer, recycling, processing and disposal facilities;
- ?? Public library facilities; and
- ?? Public recreational facilities, not including public open space.

Since the authorizing legislation does not define "municipality," the controlling definition would appear to be RSA 672:10, where municipality:

“ . . . means, includes, and relates to cities, towns, village districts, and counties in which there are located unincorporated towns or unorganized places.”

Other than the allowance for cooperative or regional school district facilities in the enumeration of eligible facilities for impact fee assessment within RSA 674:21,V, there is no specific guidance on the treatment of solid waste cooperatives, state highways maintained by a municipality, or other facilities for which a municipality may have partial financial or operational responsibility. Likewise, local libraries may be owned and operated by a library board of

trustees, with the municipality contributing funds but not in direct control of ownership or operation. Are such facilities “owned or operated” by the municipality? Where a library, public works, or other department is part of the municipal government and the municipality owns and operates the facilities the answer is clear. In the case of a library owned and run by trustees, or a solid waste cooperative or other regional entity, the answer is not so clear.

This handbook presumes that the intent of the legislation was to allow municipalities to charge for some proportionate share of the cost of growth-related capital facilities whether or not these are owned or operated as part of a regional or inter-jurisdictional ownership. **However, where such entities are involved, communities should seek a legal opinion on the issue of ownership or operation of capital facilities for which fees are to be charged.**

B. ORDINANCE DEVELOPMENT

One of the prerequisites to adoption of an impact fee ordinance is that the municipality must have "enacted" a capital improvements program pursuant to RSA 674:5-7. Since the local legislative body may authorize the planning board to prepare the capital improvements program only where the planning board has adopted a master plan, the master plan is also a prerequisite to the impact fee assessment process.

The assessment of impact fees is authorized under RSA 674:21,V as an innovative land use control. Ordinances to implement the other innovative land use controls enumerated by RSA 674:21, I, as well as local growth management ordinances, are generally enacted as part of the local zoning ordinance. While most analysts view this as the practice intended by the statute, at least two New Hampshire municipalities have interpreted this more flexibly, enacting their impact fees through a “freestanding” municipal ordinance.

The ordinance provisions need not be overly complex, provided that the reference documents upon which they are based, including the computation methods, special studies leading to the impact fee calculation, engineering studies, and a master plan and capital improvements program are reasonably up-to-date and well documented. The basic elements of an impact fee ordinance should include:

- ?? Authority, purpose, and findings of need;
- ?? Definitions, including what constitutes “new development” for impact fee assessment procedures;
- ?? Method of computation (often by referencing an adopted study or procedure);
- ?? Procedures for the assessment, collection, transfer and use of funds;
- ?? Criteria and procedures for the refunding of impact fees; and
- ?? An appeals procedure.

An annotated impact fee ordinance follows this section. This example is based in part on the provisions of several local impact fee ordinances in New Hampshire. The marginal notations accompanying the text of the ordinance describe the purpose of the various sections, with some commentary. *Communities are advised that no such ordinance should be promulgated or adopted without prior review and advice from local municipal counsel.*

C. SAMPLE IMPACT FEE ORDINANCE

With annotations for clarification

ARTICLE ____

Impact Fee Ordinance for Public Capital Facilities

Comments and Discussion

A. AUTHORITY AND APPLICABILITY

The following regulations shall govern the assessment of impact fees for public capital facilities in order to accommodate increased demand on the capacity of these facilities due to new development. These regulations are authorized by RSA 674:21,V, and other pertinent state law, as an innovative land use control. New development in the Town of _____ shall be assessed impact fees in proportion to its demand on the capital facilities of the Town and its School District.

The basic rationale and the statutory authority for the ordinance may be set forth in a brief introduction. This paragraph supports the basic principle of maintaining the proportionality of impact fee assessments

B. FINDINGS

In review of the impact of growth relative to the existing and planned capital facility capacity available to the Town of _____ for its municipal and school needs, the Town of _____ hereby finds that:

Findings are an expression of “legislative intent” on the part of the municipality. The presence of findings helps establish a nexus between the ordinance and the community needs that it is designed to address.

1. As documented by the Master Plan and the Capital Improvements Program of the Town of _____, recent and anticipated growth rates in public enrollment and associated improvements and costs would necessitate an excessive expenditure of public funds in order to maintain adequate municipal and school facility standards and to promote and protect the public health, safety, and welfare.

References to the Master Plan and CIP maintain a linkage to the planning process and provision of adequate facilities in the context of growth.

2. The imposition of impact fees is one of the methods available to ensure that public expenditures are not excessive and that new development will bear a proportionate share of the capital costs necessary to accommodate such development.

Impact fees are one source of funding. Other funding may be needed. The fee can only be in proportion to the demands of new development.

3. The impact fee methodology entitled Methodology for the Calculation of Impact Fees in the Town of _____ (dated _____ 1999, and as amended) represents a reasonable, rational and proportional method for the assessment of growth-related facility costs to new development.

The Town has prepared a separate document that sets forth the details of how the impact fees are calculated. In this finding, the Town has determined that, based on its review of these methods, the charges are reasonable and proportional. Note that this methodology may be amended at some future time, reflecting changes in the calculations and the resulting impact fee schedule.

4. An impact fee ordinance for public capital facilities is consistent with the goals and objectives of the Master Plan and the Capital Improvements Program of the Town of _____.

C. DEFINITIONS

1. **School District.** The _____ School District, of which the Town of _____ is a member municipality.

A few definitions may be needed to identify what constitutes “new development“ for the purpose of impact fee assessment.

2. **Feepayer.** The applicant for the issuance of a building permit which could create new development.

3. **New Development.** An activity which results in:

- a. The creation of a new dwelling unit or units; or
- b. The conversion of a lawfully existing use which would result in a net increase in the number of dwelling units; or
- c. A non-residential development or conversion of property that results in a net increase in the gross floor area of a non-residential use.

Depending on the fees to be assessed, new development may include new dwellings, creation of additional dwellings by conversion of one use to another, an increase in floor area of non-residential development, etc.

4. Public Recreation Facilities. Land and facilities owned or operated by the Town of _____ or the School District, other than public open space, which are designed for the conduct of recreational sports or other active uses of an organized nature, and which include equipment or improvements to the land to support indoor or outdoor public recreation programs and activities.

RSA 674: 21, V allows impact fees to be charged for “public recreation facilities, not including public open space”. However, the statute does not define a distinction between these terms. To assure that impact fees are not assessed for public open space, the ordinance and methodology should define what property or improvement constitutes a recreation facility, and what is open space. Some local recreation master plans contain distinct inventories that will help establish the difference.

5. Public Open Space. An unimproved or minimally improved parcel of land or water available to the public for passive recreational uses such as walking, sitting, or picnicking which does not include “public recreation facilities”.

This definition of public open space would include unimproved public land devoted to conservation, wetland protection, or passive uses. Therefore, a recreation impact fee could not be based on, or used for, the cost of such space.

D. IMPOSITION OF IMPACT FEES

1. Impact fees shall be assessed to new development to compensate the Town of _____ and the School District for the proportional share of capital facilities generated by new development in the Town of _____, including municipal and public school facilities to be constructed, or which were constructed in anticipation of new development.

Impact fees can be collected in advance of capital facility development, or used to recoup a portion of the cost of facilities already constructed in anticipation of growth.

2. Any person who seeks a building permit for new development is hereby required to pay a public school capital facility impact fee upon adoption of this article in the manner set forth herein.

The impact fee assessment and payment process will be triggered by the application for a building permit.

3. A person may request a full or partial waiver of public school facility impact fees for that number of dwelling units which will exclude school age children, within developments in which all or a portion of the units will be lawfully restricted to persons age ___(55)/___(62) and over, and where such restriction will be maintained for a period of at least 20 years. School impact fees may, in the discretion of the Planning Board, be waived for

Some “standard waivers” may be appropriate to preserve the nexus between fees charged and benefits received by new development. In the case of school impact fees, charges to housing restricted to senior citizens would be clearly disproportionate. Written documentation of lawful age restrictions to be applied should be

those units within a development that are otherwise restricted to occupancy by older persons in a lawful manner.

required for such a waiver. Other standard waivers may be appropriate where there is a clear public policy basis for them, but waivers should not be used so extensively that they result in a disproportionate application of impact fees

4. A person may request, from the Planning Board, a full or partial waiver of impact fees for any residential units or non-residential development that was approved for construction prior to the effective date of this article.

In cases where building construction was approved as one of the specific improvements shown on a plat or site plan prior to the effective date of the ordinance, there may be a need to consider what subsequent building permits for such development will be subject to impact fee assessment. Some argue that the application of RSA 674:39 would preclude impact fee assessment through a zoning ordinance in some cases. This is a “gray area” in which assessment of fees may depend on the specifics of the approvals on file. Legal advisory services are strongly recommended on this issue.

E. COMPUTATION OF IMPACT FEE

1. The amount of each impact fee shall be as set forth in the Impact Fee Schedules prepared and updated in accordance with a report entitled Methodology for the Calculation of Impact Fees in the Town of _____ (dated _____ 1999, and as amended) prepared and adopted by the Planning Board for the purposes of impact fee assessment.

In some cases, the actual fee schedule is appended to the ordinance itself. In other cases, the methodology and related schedule are adopted by the Planning Board or the governing body.

2. In case of new development created by conversion or modification of an existing use, the impact fee shall be based upon the net increase in the impact fee assessed for the new use as compared to the highest impact fee that was or would have been assessed for the previous use in existence on or after the effective date of this Ordinance.

This clause allows impact fees to be charged based on the net increase (if any) in impact fees computed for a previous existing use and the new use

F. PAYMENT OF IMPACT FEE

No building permit shall be issued for new development until the impact fee has been assessed by the building official, and paid to the Town of _____, or until the fee payer has established a mutually acceptable schedule for payment with the Planning Board, or has deposited an irrevocable letter of credit or other acceptable performance and payment guarantee with the Town of _____. Impact fees shall ordinarily be paid in full prior to the issuance of a certificate of occupancy for the new development for which the fee was assessed.

In this model, the assessment and payment of an impact fee occurs at the building permit application stage. Alternative arrangements for payment are also allowed. In some ordinances, assessment (notification of payment due) is made at the permit stage, but no c.o. is issued until the payment is made.

G. APPEALS

1. If a fee payer believes the Planning Board acted improperly in imposing or calculating the impact fee, their action may be appealed to the Superior Court as provided by RSA 677:15.

Appeals procedures must be incorporated into the ordinance per statutory requirements. Since the Planning Board is the administering agency for most impact fee ordinances, their decision can only be appealed to the Superior Court. In cases where impact fees decisions are made by town officers or other agencies, Town Counsel should be consulted to determine who would be the appellate court.

H. ADMINISTRATION OF FUNDS COLLECTED

1. All funds collected shall be properly identified and promptly transferred for deposit into separate impact fee accounts for each of the capital facility categories for which impact fees have been assessed. This impact fee account shall be a non-lapsing special revenue fund account and under no circumstances shall such revenues accrue to the General Fund.

Segregated impact fee accounts should be maintained for each class of capital facility for which fees are assessed. This preserves a connection between the fees charged and the public benefits provided to accommodate new development.

2. The Town Treasurer shall record all fees paid, by date of payment and the name of the person making payment, and shall maintain an updated record of the current ownership, tax map and lot reference number of properties for which fees have been paid under this Article, for each building permit so affected for a period of at least nine (9) years from the date of receipt of the impact fee payment associated with the issuance of each permit.

Since impact fee refunds may be required, it is recommended that a records system be established to record payments, indexed to a map/lot identification of current property ownership. While a six year holding period is allowed before a mandatory refund is required, the community may want to maintain its transaction records for a longer period of time.

3. Impact fees collected may be spent from time to time by order of the Board of Selectmen and shall be used solely for the reimbursement of the Town and the School District for the cost of public capital improvements for which they were collected, or to recoup the cost of capital improvements made by the Town or District in anticipation of the needs for which the impact fee was collected.

Most capital facilities require advance funding by the municipality; impact fees can be used to reimburse eligible capital expenditures (capacity-related).

4. In the event that bonds or similar debt instruments have been, or will be, issued by the Town or the District for the funding of capacity-related facility improvements, impact fees may be transferred to pay debt service on such bonds or similar debt instruments.

Where bonded debt has been incurred to build a facility with capacity to accommodate new development, accumulated fees can be applied.

5. At the end of each fiscal year, the Town Treasurer shall make a report to the Board of Selectmen, giving a particular account of all impact fee transactions during the year.

A basic housekeeping measure to track impact fee income and disbursements is recommended.

I. REFUND OF FEES PAID

1. The current owner of record of property for which an impact fee has been paid shall be entitled to a refund of that fee, plus accrued interest, where:

- a. The impact fee has not been encumbered or legally bound to be spent for the purpose for which it was collected within a period of six (6) years from the date of the full and final payment of the fee; or

A properly constructed impact fee system should not require impact fees to be refunded. However, there may be cases where no eligible projects have been funded, or where there is no existing debt service costs to which fees can be allocated to fund outstanding obligations for eligible capital facility improvement made in the past.

b. The Town or, in the case of school facilities, the School District, has failed within the period of six (6) years from the date of the full and final payment of such fee, to appropriate any of the non-impact fee share of related capital improvement costs, thereby permitting the capital improvement or capital improvement plan for which the impact fee was collected to be commenced. If any capital improvement or capital improvement program for which an impact fee is collected has been commenced either prior to, or within six years from, the date of final collection of an impact fee, that impact fee payment shall be deemed to be encumbered and legally bound to be spent for said capital improvement or capital improvement program and shall not be refunded, even if it is not fully expended within the six-year period.

Whenever project funding requires the use of non-impact fee funds (nearly always), the municipality must appropriate other funds for such improvements within six years, or refund the related impact fees.

This ordinance interprets the “six-year rule” of RSA 674:21, V to allow appropriations that fund part or all of a related capital project or capital program (a series of improvements) so that fees can be retained to fund incremental capital improvements. For example, a recreation impact fee often represents the cost of a number of different types of facilities that are needed for growth, but which are built at different times. Under this local interpretation, the fees would become “encumbered” if used to pay for all or a portion of the eligible recreation facilities that are part of a growth-related capital program.

2. The Board of Selectmen shall provide all owners of record who are due a refund written notice of the amount due, including accrued interest, if any, and shall promptly cause said refund to be made.

Some ordinances require the property owner to apply for refunds. Since many owners may not be aware of the fees paid at original construction, it is recommended owners be directly notified, or that related information be publicly announced and posted.

J. ADDITIONAL ASSESSMENTS

Payment of the impact fee under this article does not restrict the Town or the Planning Board from requiring other payments from the fee payer, including such payments relating to the cost of the extensions of water and sewer mains or the construction of roads or streets or other infrastructure and public capital facilities specifically benefiting the development as required by the subdivision or site plan review regulations, or as otherwise authorized by law.

The Town retains the right to consider other site-specific impacts of new development on public infrastructure.

K. PREMATURE AND SCATTERED DEVELOPMENT

Nothing in this article shall be construed so as to limit the existing authority of the Planning Board to deny new proposed development which is scattered or premature, requires an excessive expenditure of public funds, or otherwise violates the Town of _____ Zoning Ordinance, or the _____ Planning Board Site Plan Review Regulations or Subdivision Regulations, or which may otherwise be lawfully denied.

The adoption of an impact fee ordinance does not preclude findings of scattered and premature development. Impact fees provide reimbursement for selected growth-related capital costs. Determinations of scattered or premature development may relate to excessive expenditure of public funds relating to operating costs, or to avoid hazards created by new development.

L. REVIEW

The Impact Fee Assessment Schedule shall be reviewed annually by the Planning Board, according to the methodologies established within the report entitled Methodology for the Calculation of Impact Fees in the Town of _____ (dated _____ 1999, and as amended). Such review may result in recommended adjustments in one or more of the fees based on the most recent data as may be available including, but not limited to, current construction cost information or capital improvement plans or programs, property assessment data, demographic data, U. S. Census information, and other sources. Based on its review, the Board may consider the adoption of an updated or amended impact fee methodology, or may modify the schedule to correct errors or inconsistencies identified in the review process. No change in the methodology or in the impact fee schedules shall become effective until it shall have been the subject of a public hearing before the Planning Board, noticed in accordance with RSA 675:7, and approved by the Board of Selectmen.

From time to time, it may be necessary and desirable to update the methodology by which impact fees are assessed.

New demographic, financial, tax assessment, and capital cost data may be used to update the fee system.

If the Board changes the methodology, there should be an opportunity for public comment on the revisions and their impact on the amount of the fees. Frequent changes to the impact fee schedule should be avoided to preserve equity in the system.

SECTION IV. DEVELOPING A METHODOLOGY FOR IMPACT FEE ASSESSMENTS

Figure 1 illustrates a general process of developing an impact fee system for capital facilities. The initial steps in the process involve deciding which capital facilities are likely to benefit from impact fee assessment. The establishment of growth-related capital costs begins with the community's land use planning process.

A. EVALUATING CAPITAL NEEDS

Both the master plan and the capital improvements program should contain data on current capital facility inadequacies, and some general estimates of facility expansion needs based on future population and employment growth. Depending upon the types of capital facilities to which the impact fee ordinance will apply, it may be necessary to review and update, where appropriate, specific sections of the master plan such as the:

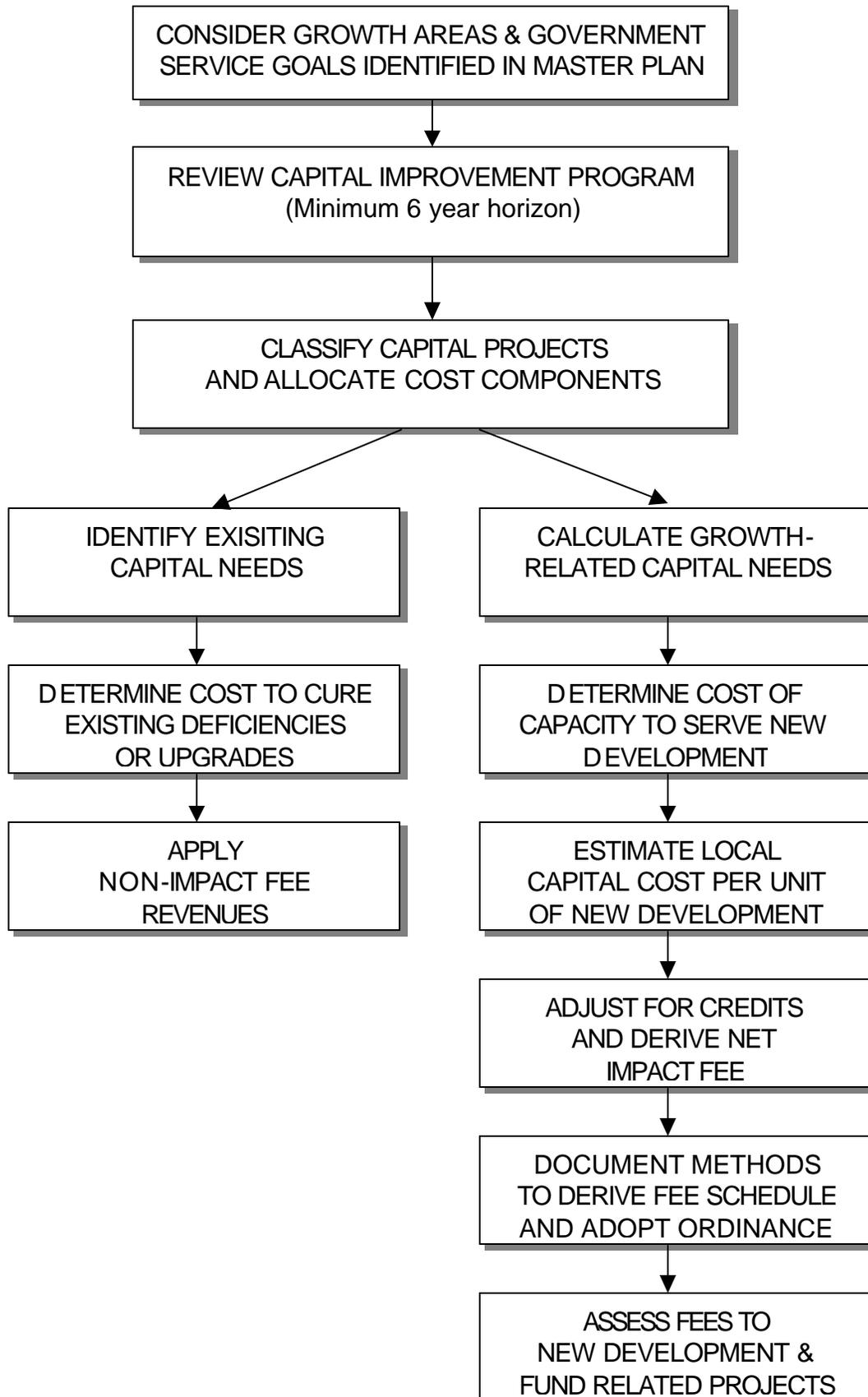
- ?? Transportation Section;
- ?? Utilities Section;
- ?? Community Facilities Section; and/or
- ?? Recreation Section.

The community facilities and transportation sections of the master plan often describe long-term capital needs over a 10- or 20-year growth period. The capital improvements program (CIP) usually contains specific capital facility recommendations for a minimum six-year horizon. Under RSA 674:21,V, a CIP must be adopted before an impact fee ordinance will be valid.

The minimum six-year period for a CIP established in RSA 674:5 parallels that of the maximum holding period for impact fees established by RSA 674:21,V(e). While the community must appropriate the non-impact fee share of facility expansion costs (if any) within six years of the time the fee is assessed, this does not necessarily mean that the entire system of related facilities must be completed in the same period. For example, an impact fee could be applied to fund all or part of the cost of one phase of a longer term (10-15-year) overall plan for capital facility expansion.

Communities that are engaged in a CIP process should take note that RSA 674:5 establishes only a minimum planning horizon of six years for a CIP. There is nothing to prevent the municipality from establishing a longer planning period that better integrates major long-term capital projects. A CIP section devoted to long term capital needs may provide better support for impact fee assessments for such facilities when full implementation of a number of phases will require a period of more than six years.

Figure 1
PROCESS for DETERMINING IMPACT FEE ASSESSMENT



B. PROPORTIONALITY OF ASSESSMENT

1. Concepts of Proportionality

The key to all impact fee assessment is proportionality and the equitable allocation of capital costs. Proportionality enters into impact fee assessments in at least three important ways. First, proportionality should be measured in terms of the amount of facility capacity which will be consumed by *new vs. existing development*. Secondly, for facilities impacted by non-residential as well as residential demand, proportionality should be determined by the level of demand on facilities originating from *different types of land development*. This measure of proportionality will require an allocation of facility costs using a common denominator of unit demand which can be applied to both residential and non-residential development. Thirdly, the fees assessed should be *proportional to the scale of the proposed development* according to the number of new demand units introduced by that development (number of dwelling units, square feet of space, employees, or other measures).

The outcome of an impact fee methodology is a standardized schedule of fees per unit of new development (per dwelling unit, per square foot of new commercial space, etc.) While the process of arriving at the appropriate net impact fee schedule will differ from one community to another, impact fee formulas generally reflect the following generic structure:

$$\begin{aligned} & \text{[Number of units of new development (dwellings, sq. ft. commercial space, etc.)]} \\ & \times \text{[Capital facility area or capacity needed per unit of new development]} \\ & \times \text{[Cost of capital facility per unit area or capacity]} \\ & = \text{Gross capital facility cost per unit of new development} \\ & - \text{[Portion of gross capital cost paid by non-local funds]} \\ & - \text{[Credits for tax and other payments toward capacity by new development]} \\ & = \text{Net impact fee assessed to the new development} \end{aligned}$$

This concept of deriving a “unit cost” for capital facilities can be applied whether the impact fee will apply to the recoupment of past facility investments in available unused capacity, or to the construction of new facilities in the future. In either case, each unit of new development is responsible for the same capital value per unit of demand on public facilities. The calculation of credits is discussed in a separate chapter of this handbook.

2. Separating Demands of New Development from Existing Needs and Upgrades

In order to determine whether impact fees are appropriate to fund a capital facility or program, the community must first compare present to future needs for capital facility capacity on an objective basis.

a. Unit Demand Measures

Not all future expenditures for capital facility development are directly related to the demands of growth; some involve catching up on current needs. Both current and desired levels of service should be defined by some unit measure. **Table 3** illustrates common measures for service and facility unit standards.

TABLE 3
TYPICAL DEMAND UNIT MEASURES FOR DETERMINING THE NEED FOR CAPITAL FACILITIES

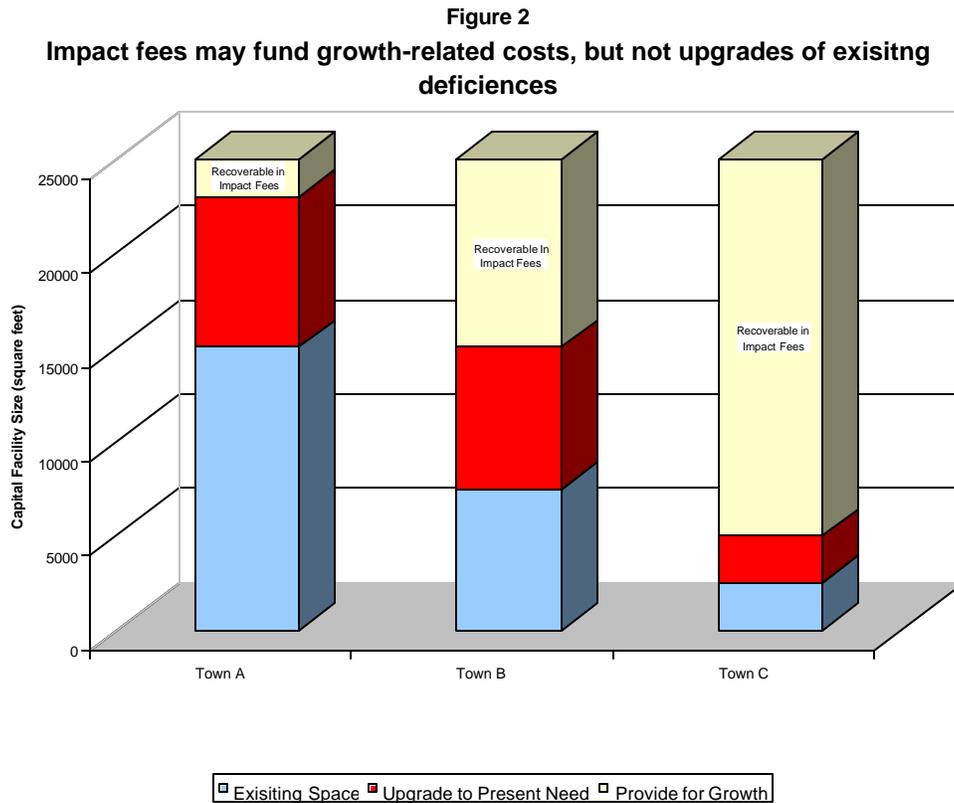
DEMAND UNITS FOR PUBLIC SERVICES		
SERVICE AREAS	DEMAND BASIS	SERVICE AVERAGE OR STANDARD SERVICE
ADMINISTRATION	Employees needed: office & meeting space	Employees per 1000 pop.
POLICE	Number of Officers needed for service area coverage: patrols and prevention.	Officers per 1000 pop.
FIRE	Response time, water supply, property mix, fire prevention/inspection services	ISO Rating: equipment performance; delivery of fire flow; apparatus
HIGHWAY	Trip generation by land use	PM peak hour trip-ends
SOLID WASTE	Municipal solid waste generation	Tons per year disposal MSW per capita; per employee
LIBRARY	Collection size needed for population	Volumes per capita
RECREATION	Population and facility usage	Facilities per 1000 population developed acres per 1000 population
SCHOOLS	Number of pupils enrolled	Pupils per classroom
WATER	Total metered usage by type	Site acreage per pupil capacity Gallons per day/capita or per sq.ft..
SEWER	Total peak flow to treatment plant or function of metered water usage	Gallons per day/capita or per sq.ft.

FACILITY CAPACITY MEASURES AND STANDARDS

SERVICE AREA	TYPICAL MEASURES OF FACILITY CAPACITY (AVERAGES OR STANDARDS APPLIED)
ADMINISTRATION	Gross Sq. Ft./Employee
POLICE	Sq. Feet Per Officer
FIRE	Pieces of apparatus needed for fire flow sq. ft. needed to house equipment
HIGHWAY	New PM peak hour trip ends
SOLID WASTE	Tons/Day or annual disposal capacity landfill acreage/total capacity
LIBRARY	Sq.. Ft. per volume or per capita
RECREATION	Number of ballfields, courts, etc./thousand pop. developed acreage per thousand
SCHOOLS	Sq. ft. of classroom per pupil capacity (classroom and core facility space) Number of acres per pupil capacity planned
WATER	Gallons per day treatment/peak capacity
SEWER	Gallons per day treatment/peak capacity

b. Upgrading vs. Expansion to Serve New Development

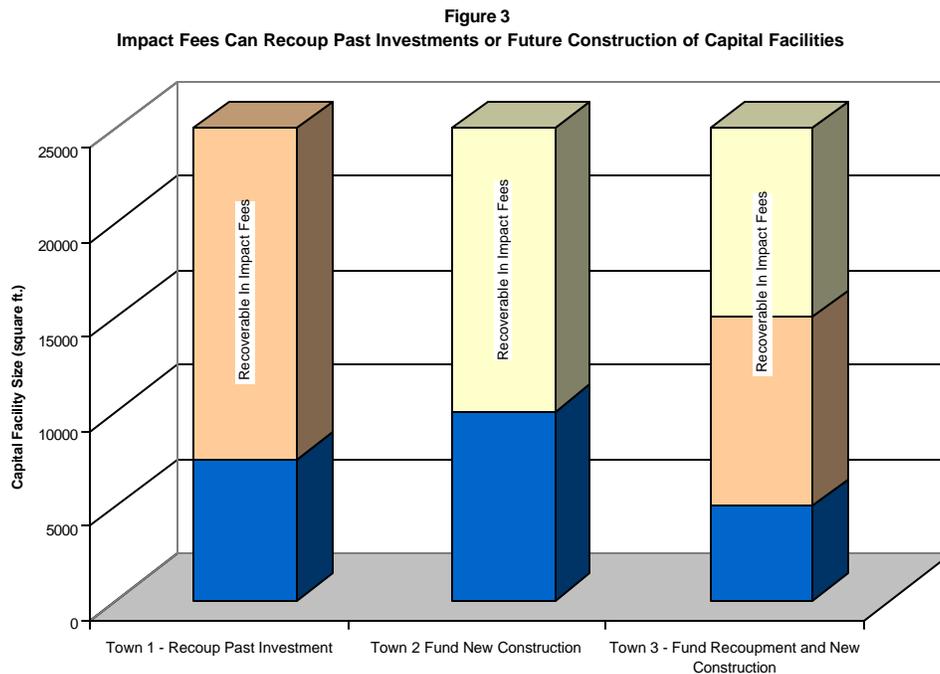
The practicality of impact fee assessment varies with community size, volume and rate of growth, and the current adequacy of capital facilities. In **Figure 2**, three communities (A, B and C) anticipate that, in 15 years, they will require a 25,000-square-foot facility.



Town A is a large but slow-growing town with an existing facility of 15,000 square feet, which is deficient for its current population. Most of planned expansion will be related to upgrading so that the facility can meet existing demands. It will benefit little from an impact fee. Town C is at the other extreme. It is a small, very rapidly growing town with a facility of only 2,500 square feet. It needs to build an additional 2,500 square feet to meet the demands of its existing population, but another 20,000 square feet to meet the demands of major anticipated new development by the horizon year. Since most of its capital facility need is related to accommodating new development and rapid growth, impact fees will be of benefit in paying for most of the expanded facility. Town B is somewhere in-between; it has a significant amount of upgrading to accomplish, but will need additional facility space to accommodate new development. While each of these towns could adopt an impact fee for the growth-related portion of facility requirements, a fee system would have negligible results in Town A, moderate effects in Town B, and a major effect in Town C, provided that the anticipated growth actually materializes.

c. Fees for Recoupment vs. New Construction

Figure 3 illustrates three towns with horizon year needs for a 25,000-square-foot capital facility. In Town 1, a 25,000-square-foot facility has already been built, but only about 7,500 square feet are needed for the existing population. The Town can charge impact fees to recover its investment in the remaining capacity of the facility. In Town 2, there is a 10,000-square-foot facility, with no reserve capacity (the current facility space is in balance with current needs). The Town can charge impact fees to fund all of the planned new construction of another 15,000 square feet. In Town 3, the 15,000-square-foot facility has excess capacity, and plans have already been developed for a future addition. The impact fee can be applied to recoup the cost of the remaining available capacity already constructed, the cost of the future addition, or both.



Impact fee assessments are often envisioned as charges for future facility construction or expansion. Most major capital projects such as schools, roads, water and sewer treatment facilities, and others, are built in anticipation of long-term growth. Recoupment of past capital investments through impact fees is possible, and probably necessary, for the functioning of an ongoing impact fee system for major facilities. If an existing facility has remaining available capacity to serve new development, an impact fee may be appropriate to recapture that investment on a proportional share basis. This is recommended only where the facility is of fairly recent construction, or where there remains existing outstanding bonded debt to be retired. Various forms of “hookup fees” have long been applied as recoupment of past investments in water or wastewater treatment capacity made in anticipation of long-term growth.

Whatever impact fee is applied must still be shown to be proportionately related to the per-unit demand of new development on facility capacity. Whether the impact fee represents a recoupment of past investment in available capacity or anticipated future construction to create

or expand that capacity, the current capital cost of construction per-unit of demand on facilities should be the basis for the fee.

Regardless of the method used, an effort must be made to determine whether there is excess, adequate or deficient facility capacity available today relative to existing and future needs, based on local standards. The difference between the facility capacity needed now (under a desired service standard) and future capacity needed to maintain that standard, is the growth-related share of capital facility costs. In some cases, the quantity of facilities needed now, according to the selected standard, is less than what is actually being provided by the community. This “deficit” must be funded from non-impact fee sources, and the costs of this portion of capital needs cannot be allocated to new development.

3. Using Service and Facility Standards

It will not always be possible to cite a facility or service standard simply in terms of square feet per capita or full-time personnel per thousand population. For some services, it may be necessary to reference a performance standard such as maintaining a three-minute response time for public safety services, or in terms of maintaining a desired fire insurance rating classification. In other cases, the planning board may simply make a judgment based on advice from department heads that a service or facility is "at capacity" and is adequate only to serve the community's current population. The current average facility capacity per employee and/or personnel per thousand population may then be applied to a future population to estimate the demands of growth. Where performance standards are used to define facility needs, the physical facilities and equipment needed to achieve the performance-based level of service need to be established. The level of service may then be expressed as a quantifiable amount, such as square feet of space per demand unit. This will clearly establish a basis for defining the extent to which capacity is being utilized, and the degree to which additional facilities are needed to serve growth.

Few communities will find that their master plans contain specific standards for services or facilities. Many communities look to outside reference sources for "standards" which can be used to define adequate levels of service. However, more than the simple use of per-capita multipliers is needed to define appropriate levels of service for the community. This section reviews methods and sources of information that can be used to measure proportionate demand on services and related capital facilities.

Concepts of municipal service delivery are increasingly reaching beyond the traditional "per capita" multiplier methods. Typically, community master plans will cite published "standards" such as the number of uniformed police officers per thousand population. Often these standards are based on *averages* for communities having different population sizes and service demand characteristics (see **Tables 4-5** for staffing in New Hampshire municipalities). Without further study of local needs, a municipality should not automatically adopt a reference service “standard” or average. The community should use such resources for reference only, and develop their own rational standard for local services.

Municipal departments, notably public safety services (police and fire), may criticize the use of population-based multipliers as being overly simplistic in defining a community's overall need for service, which is based on variables as well. Yet some rational and measurable standard is ultimately needed to establish the overall level of current service demand, to project future capacity needs, and to allocate service demand by land use classification.

TABLE 4

1997 CITY AND TOWN GOVERNMENT EMPLOYMENT IN NEW HAMPSHIRE PER THOUSAND POPULATION						
DEPARTMENT/ CATEGORY	CITIES		TOWNS		ALL MUNICIPAL	
	Full Time	FTE	Full Time	FTE	Full Time	FTE
General Gov't Admin.	1.57	1.70	1.24	1.80	1.35	1.77
Public Safety						
Fire						
Firefighters	1.90	1.94	0.60	0.73	1.04	1.14
All Employment	1.96	2.01	0.64	0.78	1.09	1.20
Police						
Officers	1.92	1.94	1.40	1.59	1.58	1.71
All Employment	2.41	2.53	1.72	1.98	1.95	2.17
Public Works						
Streets & Highways	1.24	1.28	1.17	1.28	1.20	1.28
Solid Waste	0.45	0.46	0.22	0.32	0.30	0.37
Water & Sewer	0.92	0.94	0.30	0.33	0.51	0.54
All Employment	2.61	2.69	1.71	1.94	2.02	2.19
Libraries	0.48	0.66	0.20	0.42	0.27	0.27
Recreation	0.28	0.39	0.11	0.21	0.17	0.27
Airports/Transit	0.25	0.38	0.00	0.00	0.08	0.13
Total	9.90	10.76	5.70	7.25	7.11	8.22

Source: Compiled by Bruce C. Mayberry, Planning Consultant, from U. S. Census of Governments raw data for 1997, city and town data for NH. Employment per thousand population computed based on NHOSP estimates for 1997. Summary groupings of employment by consultant.

TABLE 5

CITY AND TOWN GOVERNMENT EMPLOYMENT PER THOUSAND POPULATION - NEW HAMPSHIRE, 1997

EMPLOYMENT GROUP	NEW HAMPSHIRE CITIES			NEW HAMPSHIRE TOWNS			TOTAL NH MUNICIPALITIES		
	Full Time	Part Time	Full Time Equivalent Employment	Full Time	Part Time	Full Time Equivalent Employment	Full Time	Part Time	Full Time Equivalent Employment
ADMINISTRATION/GENERAL GOV'T									
Financial Administration	0.59	0.08	0.62	0.51	0.50	0.65	0.53	0.36	0.64
Other Gov't Admin.	0.37	0.12	0.39	0.40	0.77	0.57	0.39	0.55	0.51
Judicial & Legal	0.09	0.00	0.09	0.00	0.01	0.01	0.03	0.00	0.03
Housing & C. D.	0.10	0.01	0.10	0.00	0.00	0.01	0.04	0.01	0.04
Other/Unclassified	0.43	0.12	0.50	0.33	1.55	0.58	0.36	1.06	0.55
Subtotal Gen. Gov't	1.57	0.32	1.70	1.24	2.83	1.80	1.35	1.98	1.77
PUBLIC SAFETY									
Fire									
Firefighters	1.90	0.10	1.94	0.60	1.64	0.73	1.04	1.11	1.14
Fire-Other	0.06	0.01	0.07	0.04	0.04	0.05	0.05	0.03	0.06
Subtotal Fire	1.96	0.11	2.01	0.64	1.68	0.78	1.09	1.14	1.20
Police									
Police Officers	1.92	0.03	1.94	1.40	0.61	1.59	1.58	0.41	1.71
Police-Other	0.48	0.31	0.59	0.32	0.24	0.40	0.37	0.26	0.46
Subtotal Police	2.41	0.35	2.53	1.72	0.84	1.98	1.95	0.67	2.17
HEALTH & WELFARE									
Health	0.21	0.08	0.25	0.06	0.11	0.09	0.11	0.10	0.14
Welfare	0.14	0.04	0.16	0.02	0.05	0.03	0.06	0.05	0.08
Subtotal Health & Welfare	0.35	0.11	0.42	0.08	0.16	0.12	0.17	0.14	0.22
PUBLIC WORKS									
Streets & Highways	1.24	0.07	1.28	1.17	0.28	1.28	1.20	0.21	1.28
Solid Waste Management	0.45	0.02	0.46	0.22	0.28	0.32	0.30	0.19	0.37
Sewerage	0.47	0.02	0.48	0.20	0.03	0.21	0.29	0.03	0.30
Water Supply	0.45	0.03	0.47	0.11	0.04	0.12	0.22	0.04	0.24
Electric Power	0.00	0.00	0.00	0.01	0.00	0.01	0.01	0.00	0.01
Subtotal Public Works	2.61	0.13	2.69	1.71	0.64	1.94	2.02	0.47	2.19
LIBRARIES									
Local Libraries	0.48	0.37	0.66	0.20	0.61	0.42	0.27	0.27	0.27
RECREATION/CONSERVATION									
Parks and Recreation	0.27	0.34	0.38	0.11	0.27	0.21	0.17	0.30	0.27
Natural Resources	0.01	0.00	0.01	0.00	0.00	0.00	0.00	0.00	0.00
Subtotal Recreation	0.28	0.34	0.39	0.11	0.28	0.21	0.17	0.30	0.27
TRANSPORTATION									
Airports	0.14	0.02	0.15	0.00	0.00	0.00	0.05	0.01	0.05
Transit	0.11	0.20	0.23	0.00	0.00	0.00	0.04	0.07	0.08
Subtotal Transportation	0.25	0.22	0.38	0.00	0.00	0.00	0.08	0.07	0.13
TOTAL	9.90	1.93	10.76	5.70	7.04	7.25	7.11	5.05	8.22

Source: Compiled by Bruce C. Mayberry, Planning Consultant from U. S. Census of Governments raw data for 1997, city and town level data for NH. Employment per thousand population computed based on NHOSP estimates for 1997. Groupings of employment by consultant

The calculation of an impact fee using service and facility standards is illustrated in a simplified example below. In this example, it is assumed that a town anticipates an addition to its municipal offices to accommodate growth. It is assumed that the current personnel and space available for administrative offices is adequate for current needs, and that the same ratios need to be maintained to serve the future population. In this simplified case, it is also assumed that non-residential development in this town is a negligible portion of the demand on administrative services.

	<u>Current</u>	<u>Future</u>
Population of Town:	5,000	10,000
Administrative Personnel:	9	18
Personnel Per Thousand Population	1.80	1.80
Gross Area Office Space (sq. ft.)	3,600	7,200
Gross Area Per Employee	400	400
 Facility Demand Attributable to Growth:	 3,600 sq. ft.	
 Facility Development Cost Per Square Foot:	 \$75	
Total Cost of Expansion:	\$270,000	
 Population Increment Served by Expansion:	 5,000	
 Per Capita Facility Cost:	 \$ 54	
Single Family Home- Average Persons Per Unit	3.0	
Impact Fee Per Single Family Unit	\$162	

Similar worksheets may be prepared for each facility for which impact fees are to be charged. In actual practice, worksheets for each facility must be modified to illustrate capacity demand and costs attributable to non-residential sectors as well.

4. Service Demand Allocation

For each type of capital facility that will be the subject of impact fees, the community must develop its own objective assessment of the current and future demand on that municipal facility by land use category. Such a review will estimate the proportional demand on a municipal service from demand sectors such as residential, commercial, industrial and institutional. These allocations of demand and need may be addressed by:

- ?? Establishing the desired level of service for the existing demand base;
- ?? Estimating the share of demand for community services created by residential and non-residential sources; or
- ?? Defining a "common denominator" of service demand which can be applied to different land use types.

To determine the proportion of service demand created by various land uses, the analyst may use one or more measures such as those indicated below:

- ?? The number of calls answered, man-hours worked, solid waste tonnage collected, gallons consumed, etc. may be determined for various land uses from department records;
- ?? Demand may also be estimated by department heads as percentages of total service load oriented toward various land uses or development categories;
- ?? In the absence of specific quantifiable data, percentages of total demand may be assigned in proportion to the share of total taxable valuation which a particular land use category represents;
- ?? Master plan data on developed land, expressed as percentages of total land area in each category, may be used to assign proportional shares of demand for services; and/or
- ?? Demand multipliers found in regional or national publications, or engineering manuals which use empirical data, may be used to estimate levels of service demand generated by the respective land use categories.

Once the proportional shares of demand are estimated for each of the land use categories, demand per service unit *within* each category can be assigned. The service units would most likely be total population or total occupied dwelling units for residential land use; or total employees or total square feet of floor area for commercial, industrial, and institutional uses. For example, it may be determined that the demand on public safety services is 50% residential and 50% commercial-industrial. In such case, half of the capital facility need could be attributed to the residential sector, then that portion divided by the residential population to derive a per capita demand basis. The remainder, attributed to commercial-industrial uses, could be allocated on a per-employee or per-square-foot basis. The important point is to find an equitable basis to allocate the proportional demands of development across all land uses generating an impact on the facility or service in question.

SECTION V. CALCULATING IMPACT FEES FOR SPECIFIC FACILITIES

This section is devoted to discussion and illustration of the process of estimating the proportional capital cost impact of new development, using community standards for services and related facilities. This section also reviews the availability of recommended or adopted standards for municipal services or facilities; regional averages of demand or service levels; and general guidelines for capital facility development available in New Hampshire. Specific examples are provided for the calculation of impact fees for recreation facilities, libraries, schools and public roads.

A. CAPITAL COST ALLOCATION METHODS BY FACILITY TYPE

1. Public Safety Services

Law enforcement and fire services generally perform the dual functions of protecting persons and property, and responding to calls for service. As public safety services provide preventative services as well as emergency response, calls for service alone are not always the best measure of overall service demand. It is recommended that estimates for future capacity needs be based on overall manpower and equipment deployment requirements of the public safety departments, given the unique circumstances of the municipality. Specific needs of the municipality may be identified in special studies that relate performance expectations to manpower needs, office space, equipment and storage requirements.

a. Law Enforcement

Consultation with your police department is essential in order to assess the appropriateness of per-capita staffing ratios in your community because there are no universal standards by which communities can measure the level of need for local law enforcement services provided by their departments. There are, however, some sources of reference data by which general comparisons can be made. For example, the Federal Bureau of Investigation annually publishes national, regional, and selected municipal data on full-time civilian and uniformed police personnel in the Uniform Police Reports. **Table 6** contains such data for communities within the Southern New Hampshire Planning Commission area. These data are also expressed as ratios per thousand population. This information, and data presented in Tables 4 and 5 (from data collected in the 1997 Census of Governments), might be used to compare local personnel averages to that of other communities.

The use of state or local personnel ratios may be inappropriate in communities having large urban populations, high seasonal demands on services, or special demands such those in a college town. Such circumstances will often dictate that the communities provide a greater police presence and a broader spectrum of expertise, requiring a more sophisticated method of identifying necessary levels of service and facility and equipment standards. Increasingly, law enforcement officials resist the notion that staffing and facility needs can be defined simply by per-capita measures. According to the International Association of Chiefs of Police (IACP):

"Ready-made universally applicable patrol manpower standards do not exist. Ratios, such as officer per 1,000 population, are totally inappropriate as a basis for staffing decisions." (1992, Information Paper)

The IACP emphasizes that patrol staffing requirements should consider the following factors in view of their mix within each unique locality:

- ?? Number of calls for service;
- ?? Population size and density;
- ?? Composition of population: age structure, transience of population, cultural conditions;
- ?? Climate and demands of seasonal population;
- ?? Policies of prosecutorial, judicial, correctional and probation agencies;
- ?? Citizen demands for crime control and non-crime control services and crime reporting practices; and
- ?? Municipal resources.

Table 6

1997 LAW ENFORCEMENT PERSONNEL IN
COMMUNITIES WITHIN THE SNHPC AREA

MUNICIPALITY	1997	Civilian	Full Time Employment (1)		Per Thousand Population	
	Population		Uniformed	Total	Total	Officers
AUBURN	4,488	2	6	8	1.78	1.34
BEDFORD	15,264	11	24	35	2.29	1.57
CANDIA	3,753	1	4	5	1.33	1.07
CHESTER	3,234	0	2	2	0.62	0.62
DEERFIELD	3,397	1	5	6	1.77	1.47
DERRY	32,019	11	51	62	1.94	1.59
GOFFSTOWN	15,735	11	26	37	2.35	1.65
HOOKSETT	9,571	13	19	32	3.34	1.99
LONDONDERRY	21,529	12	37	49	2.28	1.72
MANCHESTER	103,330	65	196	261	2.53	1.90
NEW BOSTON	3,684	1	4	5	1.36	1.09
RAYMOND	9,196	1	14	15	1.63	1.52
WEARE	6,815	2	6	8	1.17	0.88
TOTAL/AVERAGE	232,015	131	394	525	2.26	1.70

The New Hampshire Police Standards and Training Council advises that each department consider its spatial needs from the standpoint of providing necessary security, confidentiality and records-keeping. Some departments may also need sallyports, additional parking for the public, reception areas, education and training space, physical fitness and exercise rooms. The Council offers some guidance papers with respect to staffing a police department. These guidelines indicate that the "rule of thumb" is to analyze the number of calls for service in the course of a year and the number of man-hours required per shift to handle the calls. In addition, multipliers may be used, depending upon the extent of services provided by the department, to allow for adequate time to engage in preventive patrol and non-enforcement duties. Using either a personnel average, calls for service, or a performance standard such as response time, a community or department would then define an overall level of service statement, describing the facilities needed to operate at that level of service, now and in the future. The analyst should work closely with local law enforcement personnel to define appropriate service levels and facility needs.

Finally, to estimate current vs. future level of service needs and facility requirements, a ratio of the total square footage of the police facility to the number of uniformed officers can be established to describe facility needs.

After determining the appropriate level of service for **law enforcement** using one of the above methods, the community should summarize its current situation in terms of:

Demand: Number of calls or total hours worked; calculate calls or hours per capita for residential, and calls or hours per employee or per square foot for non-residential service.

Service Standard: Number of officers or total police department employment per thousand population.

Facility Standard: Gross facility area per uniformed officer or per employee.

b. Fire Service

Specific manpower averages for fire protection services reported by such sources as the U.S. Census of Governments are often insufficient to illustrate manpower or facility needs, especially given the presence of many all-volunteer fire services in the State of New Hampshire. Full-time equivalent personnel measures are therefore usually inadequate to establish needed levels of service based on population alone.

Levels of fire department service might first be expressed as performance standards which can then be converted into specific manpower, equipment, and facility needs. Desired or current levels of service in fire prevention and fire fighting may be expressed in terms of:

?? Response time;

?? Provision of adequate water supply and fire flow;

?? Degree of protection and inspection functions within the local fire service;

- ?? The extent of full-time vs. volunteer participation in fire fighting and prevention activities; or
- ?? Insurance rating schedules maintained by the Insurance Service Office (ISO) commercial fire suppression ratings.

Fire service professionals recommend that communities look at the whole fire protection system in their service area, examining the services related to prevention; the level of fire risks in the community based on the type of buildings, density and extent of utilities and water supplies present; the presence of special high-risk groups; special apparatus needs; the condition of housing and buildings; local fire loss history; and an assessment of other risk factors in the community such as the volume of vehicular traffic.

As with law enforcement services, the simple analysis of calls per capita handled by the department is not necessarily a predictor of future needs, since it does not measure the prevention aspect of fire service activity. Similarly, a community's score on a grading schedule of ISO insurance ratings is often used as a measure of the level of service and equipment needs, but is oriented toward insurance considerations (property loss prevention) rather than toward community goals.

Other measures, especially for more sophisticated urban departments, may include an analysis of response times and man-hours devoted to fire suppression, prevention and support activities. Detailed analyses may be made of fire flows and the capacity of the water utility network to serve the unique needs of various parts of the community. In larger communities, it may be necessary to do a station-by-station inventory of manpower, equipment and response time for individual fire districts.

The Bureau of Fire Standards and Training, Division of Fire Service, New Hampshire Department of Safety, is available on a consulting basis to local fire departments to analyze their manpower needs and facility requirements, and to help determine the appropriate level of fire service.

Based on the above considerations, it is likely that the community will arrive at a desired service level which reflects a combination of factors including: the total number of man-hours required for the entire operation; the provision of appropriately rated equipment and station facilities to house the manpower and equipment; and the ability of the community to maintain and deliver adequate water supplies for fire suppression.

Once the community has evaluated its **fire protection** needs, it may define its goals for overall fire service, and select a community standard for service expressed in terms of:

Demand: Total hours of service and/or calls answered; calculate residential sector per capita and non-residential per employee or per square foot.

Service Standard: Manpower and apparatus needs to meet ISO or desired standard for response times, fire flow, etc.

Facility Standard: The square footage required to house manpower and equipment at desired community service level.

2. Solid Waste Facilities

Solid waste and recycling facilities are eligible for impact fee assessments. In most cases, the development of local transfer stations may represent an increased capital cost for new capacity to serve future growth. Increasingly, the disposal of solid waste is handled by facilities owned by regional cooperatives or inter-municipal districts. In the case of facilities that are shared with other communities, each community will have to determine whether it *owns or operates* facilities for which it may charge impact fees to pay for available excess capacity or for additional capacity to serve future growth.

The community will need to consider the types and volumes of municipal solid wastes (and processing of recycled materials) that affect capital facilities at the local level. The cost to the community of the commercial-industrial component of the solid waste stream entering *municipal* facilities will vary according to local policies on waste disposal. For example, in some solid waste cooperatives, commercial and industrial solid waste may be transported by a commercial hauler directly from the source to a regional solid waste facility where tipping fees are paid by the hauler. This portion of the solid waste stream may not impact on the municipally owned transfer station or local landfill. This consideration will affect the calculation of solid waste disposal capital costs attributable to the various land use activities within the community.

Particular considerations for solid waste impact fees should include:

- ?? The types of municipal facilities needed to accommodate growth in solid waste generation;
- ?? The role of private haulers and regional cooperatives in providing the capital facilities for the solid waste disposal operation; and
- ?? Estimates or calculations, by land use category, of the solid waste volumes received at municipally owned facilities including landfill, transfer station and/or recycling centers.

Within the Southern New Hampshire Planning Commission (SNHPC) area, there are two single-town solid waste districts: Manchester and Goffstown. Derry is part of the Southeast Regional Solid Waste District; Auburn and Candia are part of the Three Rock Solid Waste Planning District; Weare is a member of the Concord Regional Solid Waste/Resource Recovery Cooperative; and the balance of the region's communities were members of the Tri-County Solid Waste Management District, however that was dissolved as of _____. Each of these may be consulted for estimated solid waste generation rates in SNHPC communities.

Estimates of 1997 solid waste generation rates by municipality have been prepared by the Waste Management Division, Planning and Community Assistance Section of the New Hampshire Department of Environmental Services. These are presented in **Table 7** for the Southern New Hampshire Planning Commission communities.

TABLE 7

1997 SOLID WASTE GENERATION - SNHPC AREA						
MUNICIPALITY	1997 Population	1997 Residential MSW Tons Per Year	1997 Recyclables - Tons Per Year	1997 Residential MSW & Recyclables- Tons/Year	Residential MSW Pounds Per Capita Per Day	Total With Recyclables - Pounds Per Capita Per Day
AUBURN	4,488	1,100	255	1,355	1.34	1.65
BEDFORD	15,264	4,634	4,787	9,421	1.66	3.38
CANDIA	3,753	1,180	212	1,392	1.72	2.03
CHESTER	3,234	675	116	791	1.14	1.34
DEERFIELD	3,397	1,285	112	1,397	2.07	2.25
DERRY	32,019	14,954	3,673	18,627	2.56	3.19
GOFFSTOWN	15,735	4,559	1,284	5,843	1.59	2.03
HOOKSETT (1)	9,571	3,543	2,770	6,313	2.03	3.61
LONDONDERRY	21,529	8,502	3,213	11,715	2.16	2.98
MANCHESTER	103,330	37,335	31,479	68,814	1.98	3.65
NEW BOSTON	3,684	1,456	203	1,659	2.17	2.47
RAYMOND	9,196	3,959	653	4,612	2.36	2.75
WEARE	6,815	2,921	291	3,212	2.35	2.58
SNHPC REGION	232,015	86,103	49,048	135,151	2.03	3.19

Source: N. H. Division Solid Waste Management, Dept. of Environmental Services

If actual generation rates are not available from the solid waste district for the purpose of computing tonnage figures, the Waste Management Division recommends using the waste generation rates presented in **Table 8**. Such figures can be used to estimate and project solid waste loads by land use category.

The total facility capacity needed for landfill space may be expressed in terms of total acres, or transfer station capacity in terms of tons-per-day capacity. Either of these capacity measures could be related to a service population or to the total annual capacity in tonnage handled during normal operating hours. The proportional impact fee would then be based on the projected demand on the facility by the actual tons per day or per year generated by a particular land use.

The demand or capacity for **solid waste** facilities may be expressed as:

Demand: Pounds per day per capita (residential) and pounds per day per employee or per square foot (non-residential).

Service Standard: Operate under state environmental standards to provide for disposal of municipal solid waste.

Facility Standard: Tons-per-day capacity at transfer station; landfill capacity in acres, given tons/year/acre requirements.

Table 8

SOLID WASTE GENERATION RATE ESTIMATES	
(For General Application Where Actual Volumes Unknown)	
RESIDENTIAL BY SIZE OF COMMUNITY	
Population:	
Under 1,000	2.00 Lbs/Capita/Day
1,000 - 2,499	2.50 365 Days/Year
2,500 - 4,999	3.00
5,000 - 9,999	3.50
10,000 & Over	4.00
COMMERCIAL-INDUSTRIAL	
Manufacturing	6.00 Lbs/Employee/Day 260 Days/Yr
Non-Manufacturing	4.00 Lbs/Employee/Day 260 Days/Yr
SAMPLE CALCULATION ESTIMATING SOLID WASTE STREAM (SMALL COMMUNITY WITH SOME COMMERCIAL-INDUSTRIAL USES)	
Population:	5,000
Employment:	
Manufacturing	800
Non-manufacturing	400
Solid Waste Generation (Tons/Year - Excluding "Special Wastes"):	
Residential	3,194
Industrial	624
Commercial	208
Total Municipal Solid Waste (MSW)	4,026
<i>Source: Generation rates from N. H. Division of Solid Waste Management, 1992 and N. H. Solid Waste Management Plan, 1988.</i>	

3. Public Libraries

New Hampshire law requires that any city or town having a public library must annually raise and appropriate a sum sufficient to provide and maintain "adequate public library service." The state provides only guidelines as to what constitutes "adequate" service. New Hampshire Public Library Standards, published by the NH State Library, contains minimum standards for levels of service to achieve accreditation under the State Library System. The standards are based on the number of hours open and full-time staffing, but do not require a particular number of volumes or building size. Levels of library service include associate, certified, and accredited library status. When state funds are available, these levels of service are used to determine the proportion of financial assistance that the local library is eligible to receive from the state.

Annually, the New Hampshire State Library publishes library statistics, including collection and circulation data, for all reporting libraries in the state. **Table 9** illustrates the variation in collection sizes and the number of volumes per capita in public libraries within Southern New Hampshire Planning Commission communities for 1997.

TABLE 9 **PUBLIC LIBRARY COLLECTIONS**
WITHIN THE SNHPC AREA

MUNICIPALITY	1997		
	Population Estimate (1)	Library Collection Total Print Materials (2)	Print Volumes Per Capita
AUBURN	4,488	16,500	3.68
BEDFORD	15,264	50,178	3.29
CANDIA	3,753	14,678	3.91
CHESTER	3,234	27,894	8.63
DEERFIELD	3,397	15,249	4.49
DERRY**	32,019	100,037	3.12
GOFFSTOWN	15,735	40,800	2.59
HOOKSETT	9,571	35,946	3.76
LONDONDERRY	21,529	37,366	1.74
MANCHESTER	103,330	364,464	3.53
NEW BOSTON	3,684	17,127	4.65
RAYMOND	9,196	18,506	2.01
WEARE	6,815	19,620	2.88
SNHPC REGION	232,015	758,365	3.27

**There are two public libraries in Derry

(1) Estimates of NH Office of State Planning
(2) Today's public library collections may also include materials in a variety of formats such as audio, video, and electronic. Print subscriptions are counted separately from the collection listed above.

Some community master plans may reference older standards attributed to the American Library Association. The often cited standard is 0.75 square foot per capita for overall library space and 3 to 5 print volumes per capita. Such references should not, however, be used as a substitute for working with local library trustees and an architect in developing a more specific study of components of need. The New Hampshire State Library System will assist local libraries in an initial needs determination, using national guidelines and local community and library trustee goals, to study library expansion needs.

For its grant-in-aid programs, the State Library System uses Public Library Space Needs - A Planning Outline, prepared for the Wisconsin Department of Public Instruction, Division for Library Services, as a guide to planning and expanding public library facilities. This document recommends a 20-year projection period and contains a detailed methodology for determining the appropriate collection size, shelving requirements, user seating space per thousand population, staff work space, meeting room space, special use rooms, and other spatial requirements.

User seating requirements and library volumes per thousand population contained in that source are indicated in **Table 10**. Users should note, however, that the recommended number of volumes per capita for small communities (under 8,000) is *very high* in comparison to *actual collection sizes* in most New Hampshire communities. (Refer back to Table 9 for averages in the SNHPC communities.)

Table 10 PUBLIC LIBRARY SPATIAL NEEDS: PLANNING GUIDELINES
RECOMMENDED STANDARDS BY SIZE OF COMMUNITY

COLLECTION SIZE		PUBLIC SEATING		
SERVICE POPULATION	RECOMMENDED VOLUMES PER CAPITA	SERVICE POPULATION	RECOMMENDED SEATS PER 1000 POP.	
Under 2,000	6.00	2,000	12.50	
2,000 - 3,999	6.00	4,000	10.00	
4,000 - 7,999	5.00	8,000	7.00	
8,000 - 14,999	3.50	15,000	5.00	
15,000 - 24,999	3.25	25,000	4.00	
25,000 - 49,999	3.00	50,000	3.00	
50,000 And Over	2.50	100,000 Or More	2.00	

RECOMMENDED PLANNING GUIDELINES FOR LIBRARY BUILDING AREA			
Spatial Element	Recommended Area	Range	
		Low	High
Shelving Areas			
Volumes/Sq. Ft.	10	5	30
Seating Areas			
Square Feet Per Seat:	30	25	40
Work Stations:	150	Square Ft./ Station	
Meeting Room Space:			
Children's Room	10	Square Ft./ Seat	
Conference Room	25	Square Ft./ Seat	
Special Use Rooms:	Add 10%	To Above Square Foot Requirements	
Non-Assignable:	20%	Of Total Building Area	

Source:
Adapted from *Public Library Space Needs, A Planning Outline, 1988, By The Wisconsin Department of Public Instruction. This manual is used by the N. H. State Library to assist local communities in planning public library facilities.*

An example of how standards might be applied to a community to determine the growth-related portion of a library expansion, and per capita costs of serving new development, are illustrated in **Table 11**.

Table 11

**APPLICATION OF LIBRARY PLANNING GUIDELINES
FOR USE IN THE CALCULATION OF A LIBRARY IMPACT FEE**

	Current Need 1999	Future Need 2015	Attributed To New Development
Facility Demand Estimates:			
Design Population Assumption (1)	8,000	14,000	6,000
Print Volumes Needed @ Desired Standard	28,000	49,000	21,000
Print Volumes Per Capita (desired)	3.5	3.5	0
Other Materials-No. of Items			
Recordings @ 116/1,000 population	928	1,624	696
Periodicals - Titles Displayed @ 12.5/1,000 population	100	175	75
Periodical Retained and Stored (assume 50% of total)	50	88	38
User Seating Space (no. of seats @ 6 and 5 /1,000 population)	48	70	22
Staff Work Space (no. of stations) @ 1/FTE employee	4	6	2
Meeting Room Capacity (no. of seat)			
General Meeting Space	40	90	50
Children's Programing	20	45	25
Gross Floor Area Requirements			
	Sq. Feet	Sq. Feet	Sq. Feet
Collection space	3,084	5,398	2,314
User seating Space @ 30 sq.ft. per seat	1,440	2,100	660
Staff Work Space @ 150 sq. ft./employee	600	900	300
General Meeting Room @ 10 sq. ft./seat	400	900	500
Children's Programing @ 10 sq. ft./seat	200	450	250
Subtotal A: General Space Need	5,724	9,748	4,024
Special Use Area @ 10% of Subtotal A (2)	572	975	403
Subtotal B: General and Special Use areas	6,296	10,723	4,427
Non-Assignable Area @ 25% of Subtotal B (3)	1,574	2,681	1,107
Gross Library Area Needed	7,870	13,404	5,534
Gross Square Feet Per Capita	0.9838	0.9574	0.9223
		Project Cost \$90/s.f.	Cost per capita New Development
Actual Existing Facility Space (1999)	6,000	n/a	
Rectify Existing Space Deficit	1,870	\$168,300	
Expand to Serve New Development	5,534	\$498,060	\$83.01
Total Expansion	7,404	\$666,360	

Method adapted in part from Public Library Space Needs, A Planning Outline, 1988, Wisconsin Department of Public Instruction.

This manual is used by the N.H. State Library to assist local communities planning for public libraries.

(1) Assumes total resident population 100% of design population

(2) Special use space includes area for computers, card catalog, photocopier space, etc.

(3) Non-assignable space includes furnace room, janitorial, storage, rest rooms, etc.

In this example, the per capita cost of the library expansion attributable to new residential development is computed at \$83.01 per capita. Once a per capita cost is known, it can be multiplied by the average number of persons per occupied unit (by type of unit) to determine a proportionate impact fee for that type of dwelling, summarized below:

LIBRARY - INITIAL IMPACT FEE CALCULATION			
New Space Attributed to Growth:	5,534	sq. ft.	
New Residents Served	6,000	persons	
Area Per New Resident	0.9223	sq. ft.	
Development Cost Per Sq. Ft.:	\$90.00		
Facility Cost/Capita:	\$83.01	(per new person served)	
			Attributable Capital Cost
<u>Dwelling Unit Type</u>	<u>Persons Per Occupied Unit</u>	<u>Per Capita Cost</u>	<u>Per New Dwelling Unit</u>
Single Detached	3.15	\$83.01	\$261
Townhouse	2.43	\$83.01	\$202
2-4 Units	2.80	\$83.01	\$232
Apartment-5+ Units	1.95	\$83.01	\$162
Manufactured Housing	2.35	\$83.01	\$195

The process of determining facility standards may be based on any of the above methods. Generally these methods have been predicated on the volume of print materials. Video, audio and electronic media access are of increasing importance in defining library resources.

In most cases, the library will represent an exclusively residential sector service, although large urban facilities may attribute some portion of demand to business users.

Once the needed level of **library service**, collection size and facility requirements are identified, the community should arrive at a service average, which can be used to assess current library capacity, deficiency or future needs as:

Demand: Total volumes or collection size needed per capita.

Service Standard: Hours of operation, personnel needed to maintain level of services.

Facility Standard: Volumes per square foot or per capita, based on detailed assessment of overall needs.

4. Public Recreation Facilities

Public recreation facilities are eligible for impact fee assessments, but *public open space is specifically excluded* from such assessments under New Hampshire RSA 674:21,V. The authors believe that this exclusion would preclude the use of impact fees for land acquisition devoted purely to conservation or open space purposes. Lands acquired as part of a planned recreational facility development package containing significant improvements to the land, however, would appear to be eligible.

In many communities, part of the recreational land inventory may include state-owned lands, or privately owned lands with conservation restrictions or limited public access which will need to be excluded from the basis of an impact fee assessment. For purposes of recreation impact fee assessment, it is recommended that the community include only the improved, municipally owned or operated parks and recreation facilities within its jurisdiction when developing its standards and desired levels of service. (See the model ordinance and its annotations for an example of operating definitions of public open space vs. public recreation facilities.) Data on "standards" or averages for community recreation facilities show a wide variation among communities, depending upon their urban or rural character, population density, total size of the community, municipal fiscal capacity, age of residents and other factors. Such facility data should be used only as general reference.

It may also be advisable to include publicly accessible recreation facilities owned by the school district where the recreation facilities of the school are open to the public. If these facilities are included in the recreation impact fee, make sure not to include the value of school recreation facilities within a public school impact fee.

As a guideline for future statewide recreation facilities planning in New Hampshire, the New Hampshire Office of State Planning, in its State Comprehensive Outdoor Recreation Plan (SCORP), entitled New Hampshire Outdoors 1994-1999, applied a series of facility standards for New Hampshire to estimate future needs. An excerpt of standards used in that report is found in **Table 12**. Derived from local research, other states and national studies, the standards in the report were adjusted to New Hampshire using information from the 1981 Inventory of Outdoor Recreation Facilities and the 1987 NH Community Recreation Leaders Survey. Similar standards are also found in A Guide to Municipal Recreation (September 1995, NH Office of State Planning).

TABLE 12

**OUTDOOR RECREATION FACILITY
STANDARDS FOR NEW HAMPSHIRE**

Facility	Standard Per 1000 Persons
Baseball Diamond	1.10
Basketball/Hard Courts	0.80
Football Fields	0.10
Gymnasiums	0.25
Ice Hockey Rinks	0.05
Ice Skating Area	0.14
Parks, Community (acres)	6.00
Picnic Tables	8.00
Playgrounds (number)	0.50
Playgrounds (acres)	2.00
Soccer Fields	0.16
Swimming (beach)	0.50
Swimming Pools	0.14
Tennis Courts	0.95
Track	0.04
Trails, Hiking (miles)	2.20

Source: New Hampshire Outdoors 1994-1999, State Comprehensive Outdoor Recreation Plan, N. H. Office Of State Planning, July 1994. Excerpts from Table 6.

Use of any such data should be reviewed and applied locally only with careful review and adjustment. In some cases, the appropriate standard needs to be adjusted to the size of the community. Using baseball fields as an example, even though the recommended standard is 1.1 fields for 1,000 persons, larger cities and towns tend to have lower rates of baseball field inventories than do smaller size communities. At the local level, published standards are a guideline only, and not an absolute. Because of the broad range in actual facility ratios per thousand population, communities should not automatically adopt any standards without further study of the level of use and demand on the current inventory of their own local facilities.

The long-standing reference work on recreation standards and guidelines is Recreation Park and Open Space Standards and Guidelines, 1983, published by the National Recreation and Park Association (NRPA). This source provides recommended spatial requirements, dimensional requirements for specific facilities, acreage, and parking recommendations for a variety of community and regional recreation facilities. The first major update for recreation planning guidelines issued by the NRPA since 1983 was its December 1995 publication Park, Recreation, Open Space and Greenway Guidelines. This new manual contains an extensive discussion of various means that communities can use to establish an appropriate level of service for recreation facilities and programs, rejecting a need to adhere to published standards, as indicated by the following excerpts:

“Over the past 30 years it has been the accepted practice within the park and recreation profession to adopt a uniform national land standard such as ten acres per thousand population. This was held to be the goal every community should strive for to have an exemplary park and recreation system. For many communities achieving such a standard was impossible. Too often such a published standard was adopted as a policy upon which funding decisions and state mandated directives were based. A standard for parks and recreation cannot be universal, nor can one city be compared with another even though they are similar in many respects. The national facilities standards found in the recreation, park open space standards and guidelines (1983 NRPA) reflected professional judgment, rather than an assessment of community needs.

“Research has shown that these standards have been used to justify the cost of existing facilities, to justify the cost of providing new facilities when a community was below standard, or were ignored when the community was pushing for the funding to develop recreation facilities which were in excess of the standard (Martin 1993). This approach caused a great deal of frustration among planners, administrators, consultants, citizens’ boards, commissions and elected officials.” (p. 65)

and

“In deference to the direction of local government planning and budgeting in the 1990s, the number of units per population for a facility development has been deleted from the *Suggested Facility Development Standards*. This reflects a conviction that each community must shape basic facility standards and park classifications or definitions to fit individual circumstances.” (p. 121)

from Park, Recreation, Open Space and Greenway Guidelines, December 1995, NRPA

In the 1995 revised NRPA handbook, the authors encourage a local assessment of the level of service needed, which may be based on a scientific study involving detailed surveys of frequency of use by facility by age group, or simply by local observations and judgment. Facility and program planners also recognize that the demand for various facilities and programs will change with age shifts in the population, and with the popularity of particular sports.

Local recreation directors and recreation commissions may also benefit from technical assistance available from the Division of Parks and Recreation of the New Hampshire Department of

Resources and Economic Development. The Division maintains a technical reference library and has staff available at the Office of Community Recreation for direct assistance to communities or to refer them to specialists in recreation planning. This office is also responsible for administration of the Land and Water Conservation Fund, which provides matching grants for local recreation projects when funds are available.

The community considering impact fees should inventory its current recreation facilities to determine existing averages per 1,000 persons within the municipality or within specific neighborhoods or service districts. It must then determine whether current averages represent a desirable level of service, a substandard level of service, or provide "excess capacity" for future growth. The community may find that certain facilities, such as ball fields, are already overburdened, while other facilities, such as tennis courts, are under-utilized. Using these observations, community survey data, or other information, the municipality may then create an appropriate schedule of local facilities standards, using local judgment to adjust any published service standards to local needs. Those standards may then be utilized to estimate facility needs on a per-capita basis. In most cases, the demand for recreational facilities will be assigned to the residential sector although, in urban areas, demand on certain park and recreation facilities could conceivably be assigned to non-residential properties as well.

The **recreational facility** demand and capacity characteristics may be summarized as:

Demand: Developed acres or number of facilities per capita.

Service Standard: Ratio of year-round recreation facilities and/or acreage of improved recreation land per capita.

Facility Standard: Existing developed acres per capita, facilities per capita, or desired level of service.

One approach to recreation facility impact fees is shown in **Table 13** below.

Table 13 PROJECTED RECREATION FACILITY NEEDS AND INITIAL IMPACT FEE - HYPOTHETICAL TOWN

Existing and Future Recreation Facility Needs	Inventory of Existing Recreation Facilities	Selected Standard - Facilities Per 1,000 Population	Number Required @ Current Population of 7,500	Number Required @ Year 2015 Population of 10,000	Additional Facilities Needed Now To Meet Standard	Additional Facilities to Accommodate Growth Now to 2015	Capital Cost Per Facility	Capital Investment Needed For Upgrade to Meet Existing Needs	Capital Investment To Accommodate New Development	Total Investment to Meet Existing and Future Needs
Baseball	4.00	0.50	3.75	5.00	(0.25)	1.25	\$60,000	(\$15,000)	\$75,000	\$60,000
Youth Baseball	2.00	0.40	3.00	4.00	1.00	1.00	\$40,000	\$40,000	\$40,000	\$80,000
Softball	1.00	0.20	1.50	2.00	0.50	0.50	\$40,000	\$20,000	\$20,000	\$40,000
Soccer Fields	2.00	0.20	1.50	2.00	(0.50)	0.50	\$50,000	(\$25,000)	\$25,000	\$0
Football Fields	1.00	0.20	1.50	2.00	0.50	0.50	\$75,000	\$0	\$37,500	\$37,500
Basketball Courts	5.00	0.80	6.00	8.00	1.00	2.00	\$35,000	\$35,000	\$70,000	\$105,000
Tennis Courts	3.00	0.50	3.75	5.00	0.75	1.25	\$30,000	\$0	\$37,500	\$37,500
Swimming Areas	3.00	0.50	3.75	5.00	0.75	1.25	\$50,000	\$37,500	\$62,500	\$100,000
Ice Skating Areas	1.00	0.20	1.50	2.00	0.50	0.50	\$30,000	\$15,000	\$15,000	\$30,000
Playgrounds	4.00	0.50	3.75	5.00	(0.25)	1.25	\$50,000	\$0	\$62,500	\$62,500

	Existing Needs	New Development	Total
Total Recreation Investment Required	\$107,500	\$445,000	\$552,500
New Population Served		2,500	
Initial Impact Fee (Growth-Related Cost per Capita):		\$178	

This model differentiates between the existing inventory of facilities, existing needs (deficiencies) and the demands of new residential growth. In this example, about 20% of projected recreation facility development costs have been determined to relate to serving existing residents, based on the selected standards, and about 80% of capital costs are attributable to growth (new development). The total growth-related capital cost, divided by the additional population to be served, averages about \$178 per capita. To derive a proportionate impact fee for various dwelling unit types, this fee is multiplied by the average persons per unit in occupied housing of each type, and an initial fee is calculated:

	Existing Needs	New Development
Total Recreation Investment Required	\$107,500	\$445,000
New Population Served		2,500
Initial Impact Fee (Growth-Related Cost per Capita):		\$178
Type Of Dwelling	Persons/Unit	Impact Fee
Single Family Detached	3.15	\$561
Townhouse	2.43	\$433
2-4 Family	2.80	\$498
5+ Family Apartment	1.95	\$347
Manufactured Home	2.35	\$418

5. Water and Sewer Utilities

Water supply and distribution, waste water collection and treatment, and storm water collection facilities are eligible for impact fee assessments.. Water supply and distribution and/or sewage collection and treatment facilities may be part of a regional network or system in which the municipality purchases certain capacities under inter-municipal agreements, or under contract with a private enterprise. In such cases, the community will have to determine which components of the systems it actually owns or operates to determine which impact fees can legitimately be assessed.

Certain types of "hook-up fees" may be considered an impact fee within the definition of RSA 674:21, V if the purpose of the fee or assessment is to pay for growth-related capital costs. Other charges made for connection to a utility may not constitute impact fees if they reflect the cost of labor, meters and materials necessary to make a service connection to the development or housing unit.

Utility capacity will generally be indicated on a gallons-per-day basis according to land use type. Design sewage flow or water consumption multipliers are available from the State of New Hampshire or from the municipality's utility engineer. These measures are typically expressed as gallons per capita or per bedroom for residential development, and on other measures such as gallons per employee, per square foot, per seat or other unit of measurement for non-residential development.

The sizing and capacity of various components of supply, treatment, collection and distribution facilities may be based on average or maximum daily flows. The utility will need to determine the appropriate basis for the fees. Also, areas of a municipality may have different requirements for providing service capacity, depending upon elevation or topographic differences or storage and pumping requirements. In such cases, impact fees may differ by service district.

Once expansion needs are defined, the total capacity of the system may be expressed in terms of flow volume per capita, per bedroom, or per dwelling unit for residential use, and per employee or per square foot for non-residential use. According to the New Hampshire Department of Environmental Services publication Standards of Design for Sewerage and Waste Water Treatment Facilities (July 1990), sanitary sewers are to be designed on the basis of average per-capita flow of sewage at the rate of not less than 70 gallons per day. Sanitary waste from commercial and industrial areas must be projected at no less than 2,000 gallons per day per gross acre. Collector sewers are designed to carry average daily flow, multiplied by a peak flow factor, plus an infiltration allowance.

Average daily water system demand may be derived from such sources as the American Water Works Association or from the New Hampshire Department of Environmental Services. The 1997 NHDES design standards for small public drinking water systems include anticipated design demands for different types of uses, as illustrated in **Table 14**. Total capacity needs for the projected development of the service area may be estimated on the basis of projected population, housing units, or the expected amount of non-residential development.

The basis for an impact fee for water or sewer utilities will generally be a detailed engineering study of total capital facility requirements, projected new service connections and/or flow from future development, and total capital equipment cost requirements. The determination of past capital costs will have to take into account the degree to which funding was provided by state and federal sources for water and sewer utilities and the degree, if any, to which those funds paid for growth-related capital costs. Conditions imposed by federal grant assistance programs (including the Community Development Block Grant

program) should be reviewed to determine whether local capital costs are recoverable through impact fee assessments or whether they may only be recovered through user fees.

In the case of public water and sewer utilities, relatively large up-front investments are often needed to develop advanced facility capacity to accommodate future growth. Fees will generally be charged for the cost of waste water treatment plants or water system treatment and storage facilities. In most cases, extensions of water distribution and sewage collection lines are paid for by the developments directly benefiting from those extensions. However, impact fees may be needed to fund the cost of the central facilities that provide system capacity for treatment or distribution. These investments may be based on a 20-year projection of capacity needs, and

TABLE 14

**PUBLIC WATER SUPPLIES: AVERAGE DAILY USAGE
DESIGN DEMAND BY LAND USE**

Type of Use	Gal/Day	Per:
Residential		
Single Family	150	Bedroom
Recreational Vacation Home	150	Bedroom
Mobile Home	150	Bedroom
Apartment/Condo	150	Bedroom
Efficiency Apartment	225	Unit
Non-Residential		
Campground-Sewered	90	Site
Campground-Central	75	Site
Comfort Station		
Motel	50	Person
School with Gym/Cafeteria	25	Student
Factory (Sanitary Only)	20	Worker
Restaurant	40	Seat
Lounge	20	Seat
Office Space	15	Person
		Or Per 100 Sq. Ft.

Source: Design Standards for Small Public Drinking Water Systems, June 1997, State of New Hampshire, Dept. of Environmental Services, Division of Water Supply and Pollution Control, N. H. Code of Administrative Rules, Part Env-Ws 372.

supported by long term municipal bonds. Impact fees can be used to recover these investments as growth is absorbed and demand is placed on remaining available capacity.

Impact fee demand measures for **water and sewer utilities** may be identified as:

Demand: Gallons per day per bedroom, per capita, or per dwelling (residential); gallons per employee, or per square foot (non-residential).

Service Standard: Maintain adequate capacity in system for future growth at expected average flow or actual average metered flow per unit from historical records.

Facility Standard: Total gallons-per-day treatment capacity or flow required for current and future service area on a per unit, per capita or other basis.

When calculating the cost of utility expansion, the design, engineering and inspection cost components may be a significant portion of overall development costs. Since these services are an integral component of capital facility development cost, it is appropriate to include them in the basis for impact fee assessment.

6. Public Road Systems and Rights-of- Way

Since RSA 674:21,V defines impact fees as charges for facilities which are owned or operated by the municipality, it follows that such fees can be assessed on those public roads for which the municipality bears a capital cost burden.

The limitation on the assessment of road impact fees should not, however, be construed as preventing communities from continuing to require, under the subdivision and site plan review regulations, that developers provide for the cost of making certain off-site improvements such as acceleration and deceleration lanes, turn lanes, bypass lanes, traffic signals, etc. on local and state-maintained highways when the need for such improvements is directly attributable to their project. Furthermore, the costs of such site-specific capital projects should not be confused with impact fees designed to pay for overall roadway capacity improvements.

As with other capital facilities discussed previously, the same rules apply with respect to the establishment of impact fees for the local road system, i.e., the extent of the existing and future demands must be quantified; the differences between existing and desired levels of service, if any, should be quantified, and the costs of the respective improvements estimated.

The need for roadway capacity improvements, and the assessment of impact fees for portions of those improvements, should be determined by the number of evening peak hour vehicle trips projected for the most heavily traveled highways, highway segments, and intersections. The vast majority of local streets probably will not and should not benefit from the fees. Trip distribution analyses show that the impact of traffic generated by or attracted to a particular development will have its greatest impact on only a limited number of streets, highway segments, or major intersections in the community.

Since the number of evening peak hour vehicle trips serves as the unit basis for projecting needed improvements, these trips will also serve as the unit basis for the development and calculation of the highway impact fee. The several steps which are used to identify the selected improvement

projects; total project costs; the apportionment of the public and private sector financial responsibilities; and private sector per trip assessments are outlined as follows:

Step One - The project selection process should begin with the preparation of a listing of all streets, street segments, intersections, and bridges identified in the community as needing some form of improvement. This listing should come from the transportation section of the master plan, as may be amended from time to time by separate highway corridor studies, intersection studies, and the like. Projects may also have been identified by the metropolitan planning organization as part of the area-wide Transportation Improvement Program. Such a listing may or may not have a schedule for project implementation. **(See Project Selection Work Sheet - No. 1.)**

Step Two - From this listing of numerous projects, a more discrete list should be prepared of projects which could reasonably be implemented or started within the next six years. As was noted previously, six years is the time frame associated with the local capital improvements program, as well as the time frame within which collected impact fees must be obligated for expenditure, or be refunded. This list should only include projects for which ownership and maintenance responsibility lies with the local government. The selected projects should have fairly reliable cost estimates assigned to them. It should be noted that, as with some other capital improvement projects, the term "implemented" should be considered to include any one or more of the three phases typically associated with highway improvement projects such as engineering design, right-of-way acquisition, and construction. Each phase will have its own costs and time frame for completion. Rarely would more than one phase of a major project be undertaken in a given year. Thus, it would not be unusual to spread the total cost of a project over a period of several years. **(See Eligible Project Work Sheet - No. 2.)**

An important point to keep in mind is that the impact fees must be expended within six years of their collection. When sufficient funds have accrued to undertake particular phases of the project, they should be expended for that purpose.

Step Three - Calculate the community's vehicle trips (in terms of trip-ends) for the base year and the future year using dwelling unit, employment, and motor vehicle registration data. **(See Travel Demand Work Sheet - No. 3.)**

Step Four - Calculate trip-end data for each new development project using the latest edition of the Institute of Transportation Engineers Trip Generation Manual and a measure of the development size. These calculations should pertain to the "evening peak hour" of the adjacent street system. **(See Trip Generator Work Sheet - No. 4.)**

Step Five - Calculate the impact fee for streets/highways using Work Sheet No. 5 and the results from work sheets 2, 3, and 4. **(See Impact Fee Work Sheet - No. 5.)**

PROJECT SELECTION WORK SHEET - NO. 1

PROJECT	PROJECT NAME	DESCRIPTION
1.	<u>Elm St. - Maple Ave.</u>	<u>intersection realignment</u>
2.	<u>Frontage Rd.</u>	<u>widening, 0.3 mile</u>
3.		
4.		
5.		
6.		
7.		

ELIGIBLE PROJECTS WORK SHEET - NO. 2

PROJECT	ENGINEERING DESIGN		R.O.W. ACQUISITION		CONSTRUCTION	
	COST	YEAR	COST	YEAR	COST	YEAR
1.	<u>\$20,000</u>	<u>1994</u>	<u>\$75,000</u>	<u>1995</u>	<u>\$255,000</u>	<u>2005</u>
2.	<u>\$10,000</u>	<u>1995</u>	<u>\$40,000</u>	<u>1996</u>	<u>\$100,000</u>	<u>2006</u>
3.						
4.						

TOTAL COST OF ALL PROJECTS = \$500,000 (1999 Dollars)

TRAVEL DEMAND WORK SHEET - NO. 3
(Community Data)

STEP 1: ENTER INPUT VARIABLES

BASE YEAR FUTURE YEAR

A. Total number of HOUSEHOLDS	1,850	2,775
B. Total number of registered MOTOR VEHICLES	2,868	4,301
C. Total number of RETAIL jobs.....	800	1,200
D. Total number of NON-RETAIL jobs.....	550	825

STEP 2: CALCULATE COMMUNITY PARAMETERS

E. Total EMPLOYMENT (line C + line D).....	1,350	2,025
F. Calculate average # of VEHICLES/HOUSEHOLD (divide line B by line A)	1.55	1.55
(Default Value = 1.55)*		
G. Determine Parameter "G"*** from table below for a residential use, and from Table H-1 or H-2 for a non-residential use.....	10.40	10.40
(Default Value = 8.63)*		

<u>If Line "F" is:</u>	<u>Then Parameter "G"*** =</u>
0.56	2.79
0.81	4.21
0.88	5.20
0.99	6.28
1.07	7.32
1.17	8.08
1.25	8.81
1.31	9.24
1.47	10.01
1.69	10.80
1.85	10.97
2.03	11.58
2.07	11.71

*Use Default Value when the data is not available

**New P.M. Peak Hour Trip-Ends

WORK SHEET NO. 3 (cont'd.)

TABLE H-1

GENERAL OFFICE BUILDING TRIP GENERATION RATES

GROSS FLOOR AREA (Square Feet)	P.M. PEAK HOUR (New Trip-Ends)
20,000	57
30,000	77
40,000	95
50,000	112
60,000	128
70,000	143
80,000	158
90,000	172
100,000	186
110,000	199
120,000	212
130,000	226
140,000	238
150,000	251
160,000	263
170,000	275
180,000	287
190,000	298
200,000	310

WORK SHEET NO. 3 (cont'd.)

TABLE H-2

SHOPPING CENTER TRIP GENERATION RATES

GROSS FLOOR AREA (Square Feet)	P.M. PEAK HOUR (New Trip-Ends)
20,000	52
30,000	98
40,000	141
50,000	182
60,000	220
70,000	257
80,000	293
90,000	328
100,000	361
110,000	394
120,000	426
130,000	457
140,000	487
150,000	517
160,000	546
170,000	575
180,000	603
190,000	631
200,000	658

WORK SHEET NO. 3 (cont'd.)

STEP 3: CALCULATE COMMUNITY TRIP-ENDS

H. Trip-End Summaries:*	BASE YEAR	FUTURE YEAR
1. Multiply line A by line G.....	<u>19,240</u>	<u>28,860</u>
2. Multiply line A by 1.5	<u>2,775</u>	<u>4,163</u>
3. Multiply line C by 12.0	<u>9,600</u>	<u>14,400</u>
4. Multiply line D by 3.0	<u>1,650</u>	<u>2,475</u>
5. Multiply line E by 1.7	<u>2,295</u>	<u>3,443</u>
6. Total Daily Trip-Ends (add lines 1 through 5).....	<u>35,560</u>	<u>53,341</u>
7. P.M. PEAK HOUR Trip-Ends (multiply line 6 by 0.10	<u>3,556</u>	<u>5,334</u>
8. PROJECTED GROWTH; New P.M. Peak Hour Trip-Ends (go back to line 7, subtract BASE YEAR from FUTURE YEAR).....		<u>1,778</u>

*Refer to steps 1 and 2 on previous page for data needed in items 1 through 5.

TRIP GENERATOR WORK SHEET - NO. 4

<u>GENERATOR</u>	<u>TRIP RATE</u>	X <u>SIZE</u>	DEVELOPMENT	PEAK HOUR
			=	<u>TRIPS</u>

$$T = 1.01 x$$

A. TYPICAL SINGLE FAMILY DEVELOPMENT 1.01 trips per dwelling unit $x = \underline{\hspace{2cm}}$ DU's $T =$ (New Trip-Ends)

$$[0.737 \ln \frac{x}{1000} + 1.831]$$

$$T = 2.718$$

B. TYPICAL OFFICE BUILDING $x = \underline{\hspace{2cm}}$ s.f. (Gross Floor Area) $T =$ (New Trip-Ends)

(See Table H-1 for generalized building sizes)*

$$[0.637 \ln \frac{x}{1000} + 3.553]$$

$$T = 2.718$$

$$x 1 - \frac{[-0.341 \ln \frac{x}{1000} + 5.376]}{2.718} \frac{1}{100}$$

C. TYPICAL RETAIL DEVELOPMENT $x = \underline{\hspace{2cm}}$ s.f. (Gross Leasable Area) $T =$ (New Trip-Ends)

(See Table H-2 for generalized shopping center sizes)*

D. OTHER DEVELOPMENT - See the I.T.E. Manual and/or your regional planning agency.

(NOTE: A logarithmic calculator must be used in the above calculations where "ln" stands for the natural logarithm.)

* If the formulae given in B and C are not used, the trip rates shown in tables H-1 and H-2 should be used.

7. Public School Facilities

Most school districts have either adopted or informally embraced local standards for desirable ratios of the maximum number of students per classroom. Typically, this ranges from 20-25 pupils. Detailed needs assessments, utilization studies, and inventories of classroom size are often conducted for school districts by consultants or, on request, by the New Hampshire Department of Education. These inventories sometimes provide assessments of capacity based on the original design standards of the facility, current district standards, or minimum state standards.

Capacity estimates based on these standards will show a wide variation in overall requirements expressed as a gross square foot area per pupil capacity. Over time, the desire to maintain lower pupil-to-teacher ratios has led to significant reductions in the estimated capacity of school facilities. Such changes relate not only to growth, but also to changing expectations for the quality of education.

In order to treat existing and future development fairly, a community must decide whether to base its impact fee assessment upon the *existing* average square footage and/or land area acreage per pupil capacity, or to base it on *desirable* levels of service at a higher facility standard. Choice of the higher standard implies an obligation to utilize non-impact fee funds to pay the difference between the cost of the existing and the higher facility standards.

It is important to identify the total facility needs per pupil that reflect classroom space, core facilities, and circulation space. Some schools may be built with core facilities (library, gymnasium, cafeteria, etc.) to house an ultimate enrollment of 500, while the initial construction of classrooms may be designed for a capacity of only 250. In this case, the school has already invested in core facilities that would allow classroom space to double, but that past investment should still be recovered in the impact fee. Differences between core and classroom capacity may need to be taken into consideration when performing an inventory of current facilities to determine current averages of gross floor area per pupil capacity. The estimation of total facility space (square feet) per pupil should reflect the total area required per pupil in developing an impact fee calculation.

Basic minimum state standards may also be applied to compute minimum spatial requirements. For elementary schools, these typically require a minimum 900-square-foot classroom with a maximum enrollment of 30 pupils per classroom, and 1,000 square feet for kindergarten classrooms, or 50 square feet per child (60 square feet recommended). According to state standards, elementary school sites should also have a minimum of five acres, plus an additional acre of land for each 100 children of projected maximum enrollment for the facility. **Table 15** illustrates State of New Hampshire minimum and recommended construction standards as of May 1999.

Because of circulation space requirements, and local differences in the scale of core facilities, actual average floor area per pupil capacity typically exceeds the floor area indicated by the state minimum standards shown in **Table 15**. Typically, overall school construction and expansion (includes classroom and core facilities space) may fall in a range of 90-120 square feet per pupil for elementary facilities, and in a range of 120-150 square feet or more per pupil for junior high

and high school facilities. It is important to incorporate the gross square footage required for core facilities, circulation and special-use areas, as well as actual classroom space, which by itself may represent only 25 to 30 percent of the total spatial need per pupil.

TABLE 15

SPATIAL REQUIREMENTS FOR SCHOOL CONSTRUCTION	
MINIMUM STATE STANDARDS	
<u>ELEMENTARY SCHOOLS (Grades K-8)</u>	<u>FACILITY AREA REQUIREMENT</u>
Class Size (1)	25 students or less grades K-2 30 students or less grades 3-8
Classrooms (2)	
Kindergarten	1,000 sq. ft. minimum; 50 sq. ft./pupil 60 sq. ft. / pupil recommended Areas include storage area in classroom
Grades 1-8	900 sq. ft. minimum or 30 sq. ft./pupil, whichever is greater. Area includes storage.
Resource Room/Library (Recommended Area - Not Required)	
Enrollment Under 150	In regular classroom space
Enrollment 150 - 300	1,000 sq. ft. minimum or 1 regular classroom
Enrollment 300 - 500	2,000 sq. ft. minimum or 2 regular classrooms
Enrollment 500 +	10% of enrollment times 40 sq. ft. per pupil
<u>SECONDARY SCHOOLS (Grades 9-12)</u>	
Class Size (1)	30 students in non-laboratory classes 24 students in laboratory classes
Classrooms	800 sq. ft. of instructional space or 30 sq. ft. per pupil, whichever is greater.
Library/Media	Titles, staffing dependent on enrollment Spatial requirements and recommendations vary by subject area and function for non-classroom space. Area needed may be computed as a function of minimum curriculum requirements.
<i>(1) N. H. Department of Education, 1996, <u>Minimum Standards for Public School Approval</u></i>	
<i>(2) N.H. Department of Education, 1975, <u>Manual for Planning and Construction of School Buildings</u></i>	

To determine the school impact fee that can be assessed to new residential development, demographic multipliers are needed to estimate the number of potential public school pupils generated per new dwelling unit. The fee will be assessed upon all new residential construction in

the community, whether or not the initial occupant has school-age children, since each new housing unit represents the potential for imposing additional service demand on the community's school facilities. One of the most easily defensible and equitable methods of assessing a school impact fee is to estimate the current, average resident public school enrollment of the community per occupied housing unit by type of dwelling. This usually represents a very different figure from published enrollment multipliers. If standard enrollment multipliers are used, they should be tested and adjusted to local conditions. This can be done simply by multiplying each enrollment multiplier (by type of unit) by the number of occupied housing units of that type and summing the resulting predicted enrollment. If predicted and actual enrollment are significantly different, the multiplier should be adjusted up or down to more closely reflect the current overall average enrollment per unit in the community. Adjustments to the average enrollment per unit can also be made by eliminating housing that is restricted to occupancy by the elderly from the count of occupied units. This method of testing and adjusting multipliers maintains proportionality in the ultimate impact fee assessment among various housing unit types.

The average enrollment per dwelling unit represents the proportionate demand on public school facilities from new development. The dollar amount of that demand is derived by multiplying the average expected enrollment per unit by the average gross floor area of school space required per pupil, and the cost per square foot of the school facility. The quantity of school space per pupil can be estimated, based either on existing averages (gross area per number of pupils rated capacity), or on a future design plan for a particular facility. A conservative strategy is to base impact fee charges on current spatial averages per pupil *capacity* for the existing school building inventory. In this way, new development is never charged for more space per pupil than the community already supports in the form of actual space constructed. As more space and capacity is added to the inventory, the averages can be adjusted and the fees modified. (Caution: do not estimate spatial averages based on gross floor area per *enrolled* student; *use the rated capacity* to compute building area per pupil as the “facility standard” for this calculation.)

The cost of facility space per square foot can be derived from a number of sources: (1) projected costs developed as part of a construction plan; (2) recent costs of other projects, updated to the current year; or (3) replacement costs indicated by insurance schedules for comparable existing facilities.

State aid for school building construction must also be accounted for when impact fees are calculated, since it represents a significant share of the total capital cost of a facility. Reimbursement, as a percent of principal due on bonds for qualified improvements, varies according to the number of communities comprising the school district:

<u>Member Municipalities</u>	<u>% Reimbursement</u>
One	30 %
Two	40 %
Three	45 %
Four	50 %
Five or More	55 %

State financial assistance is provided on a reimbursement basis as a percentage of the annual principal due on bonds for facility expansion or development. Land costs may be eligible for reimbursement if such costs are part of a construction project.

After inventorying and assessing **school enrollment and facility needs**, the community should identify:

Demand: Enrollment per housing unit by unit type.

Service Standard: Maximum enrollment per classroom.

Facility Standard: Gross floor area in square feet (classroom and core facilities) and/or total acreage required, per pupil *capacity*.

Tables 16 and 17 illustrate one approach to the calculation of a school facility impact fee. In this example, the community has derived a community facility standard for its schools which is equal to the current average gross floor area provided per pupil of rated capacity for each of the schools in the district. Stand-alone administrative buildings and outdoor athletic facilities are not included in this calculation.

TABLE 16

EXISTING FACILITY INVENTORY AND CAPACITY
Calculation of Facility Standards For Impact Fee Assessment Purposes
Hypothetical School System - Single Town District

School Facilities	Yr. Built/Last Expansion	Grades Served	Building Area Gross Sq. Ft.	No. Of Stories	Estimated Capacity	Gross Sq Ft/Pupil Capacity	Current Enrollment	Enroll as % Of Capacity
ELEMENTARY SCHOOLS								
Sharma Elementary	1980, 1992	1-5	50,000	2	530	94	475	90%
Northrop Elementary	1975, 1998	1-5	30,000	1	350	86	300	86%
Cassulo Elementary	1995	1-5	40,000	1	450	89	475	106%
Total Elementary		1-5	120,000		1,330	90	1,250	94%
MIDDLE SCHOOL								
Batchelder Middle School	1985, 1995	6-8	120,000	2	1,000	120	890	89%
Total Grades 1-8		1-8	240,000		2,330	103	2,140	92%
HIGH SCHOOL								
Harwood High School	1970, 1982	9-12	150,000	2	1,000	150	900	90%
Total School System		1-12	390,000		3,330	117	3,040	91%

TABLE 17

INITIAL IMPACT FEE CALCULATION BY DWELLING UNIT TYPE
Hypothetical School System

School Construction: Total Capital Cost Per Housing Unit

Type of Construction: Units in Structure	Public School Enrollment Per Household			Existing Average Sq. Ft./Pupil Capacity			School Cost Per Unit @ Indicated \$/Sq. Ft.		
	Elementary and Middle	High School	Total Public Schools	Elementary and Middle	High School	Overall Average	\$90	\$100	
							Elementary and Middle	High School	Weighted Average
Single Family Detached	0.400	0.200	0.600	103	150	117	\$3,708	\$3,000	\$6,708
Single Family Att. (Townhouse)	0.100	0.150	0.250	103	150	117	\$927	\$2,250	\$3,177
Duplex and Multifamily 3-4 Unit Structures	0.200	0.100	0.300	103	150	117	\$1,854	\$1,500	\$3,354
Multifamily Structures 5+ Units	0.100	0.100	0.200	103	150	117	\$927	\$1,500	\$2,427
Manufactured Housing	0.250	0.100	0.350	103	150	117	\$2,318	\$1,500	\$3,818

Type of Construction: Units in Structure	Local Capital Cost Per Unit			Credit For Debt Service Financing of Capacity Expansion Through Property Tax Payment Over a 15-Year Credit Period			Net Impact Fee Per Dwelling Unit Assessment Schedule
	Local Cost Per Housing Unit (Total Capital Cost Less 30% State Building Aid)			Past Payments	Future Payments	Total Credit	(Capital Cost Impact Less Tax Credits)
	Elementary and Middle	High School	Total Public Schools				Impact Fee Per Unit:
Single Family Detached	\$2,596	\$2,100	\$4,696	(\$141)	(\$1,177)	(\$1,318)	\$3,378
Single Family Att. (Townhouse)	\$649	\$1,575	\$2,224	(\$94)	(\$784)	(\$878)	\$1,346
Duplex and Multifamily 3-4 Unit Structures	\$1,298	\$1,050	\$2,348	(\$56)	(\$471)	(\$527)	\$1,821
Multifamily Structures 5+ Units	\$649	\$1,050	\$1,699	(\$38)	(\$314)	(\$352)	\$1,347
Manufactured Housing	\$1,623	\$1,050	\$2,673	(\$47)	(\$392)	(\$439)	\$2,234

The impact fee per housing unit is determined by multiplying the enrollment per dwelling unit times the number of square feet required per pupil, times the dollar-per-square-foot capital cost, which equals total capital cost per-pupil. In this case, it is a single-town district receiving 30% state aid for construction (eventually realized as 30% of principal on bonded debt). Therefore, 30% is deducted to arrive at a dollar amount per dwelling unit as the net capital cost borne by the local community.

The final step in creating the fee schedule per unit is to determine the need for impact fee credits representing past and future payments made by new development toward facility capacity. The net amount, after assigning credits, is the impact fee that is assessed at the time a building permit is drawn. Large capital facility items which generate significant amounts of long-term debt service, such as school facilities, are more often the object of credit calculations than smaller, more incremental, investments such as recreation facilities. Thus the analyst needs to judge whether the particular capital facility and the dollar amounts and financing methods used generate the prospect of significant amounts of “double payment” if credits are not offered. (The derivation of credits for this example is illustrated in Part B of this section in Tables 18 and 19).

B. IMPACT FEE CREDITS - CONCEPTS AND EXAMPLES

1. Impact Fee Credit Concept

There is probably no more confusing and complicating aspect of the impact fee assessment process than the derivation of credits for non-impact fee payments toward facility capacity. For each impact fee assessment, the analyst first needs to determine if a credit is really needed. There is nothing in the RSA 674:21,V authorizing legislation that requires credits to be granted. In fact, the statute states only that the amount of the fee must be a proportional share of municipal capital improvement costs which is reasonably related to the capital need created by a development. The concept of impact fee credits is found in various literature regarding the development of impact fees, and is discussed in detail by James C. Nicholas in A Practitioners Guide to Development Impact Fees (1991). According to Nicholas, court opinions in other states have indicated that, where a capital impact fee charge is made, the assessment must be based on a consideration of the potential for other non-impact fee payments to constitute an overlapping charge for the same facilities through property taxes, user fees, and other sources.

While the calculation of the per-capita or per-dwelling unit or per-square-foot impact fee is relatively straight-forward once proportionality measures are determined, the calculation of the impact fee credit involves some present value calculations that need to be applied reasonably in consideration of the purpose and likely effect of the impact fees being imposed.

Since the impact fee represents the permanent capital facility impact of a unit of development, at current cost, it is also appropriate to look at the likelihood that the fee payer has, or will, pay property taxes or other fees as well to fund the same facility capacity. If it appears that there will be significant overlap, a credit adjustment is needed that reflects the present value of those other payments.

The facility capital cost impact per unit of new development is normally established at current construction cost levels, with periodic updates over time. Therefore the credit awarded today needs to be considered on a present value basis even though tax payments for the facility may occur over a period of years.

2. Present Value Calculations

Impact fees are collected at the time a building permit or certificate of occupancy is issued. Any credit incorporated into the formula must therefore account for past and future payments realized through property taxation or user fee payments at their present value.

The methodology to account for the time value of money is present value. The present value is essentially a lump sum amount which would be paid today as a value equivalent to the discounted sum of annual payments to be received in the future over a specified period of time. The time value of money is accounted for by a discount rate, essentially representing a rate of return which one might expect on funds invested to achieve a reasonable, but safe, rate of return. Tables of present value and present worth factors (for fixed payments) for are available for various terms and interest rates, and most computerized spread sheet formats incorporate net present value (variable payments over time) functions to assist in this calculation.

3. Past Payment Credit

Raw land (the site of new development) may have contributed payments in the past for capital facilities expansion in the form of property taxes. The need for credits in a local methodology, and the means of calculation, varies widely and needs to be considered on a case-by-case basis for each type of facility subject to impact fees. Relatively few impact fee systems in New Hampshire appear to incorporate past payment credits. In some cases, the results of computing a past payment credit are virtually negligible, as the value of raw land in its pre-development state is often minimal, assessed under a “current use” designation.

If a significant overlap is identified between the capital facility impact fee charged today and past payments made by owners of vacant land toward the same facility capacity, there is reason to consider some type of past payment credit. However, if there is no evidence of significant payments toward long-term debt service or major capital expenditures incurred in the recent past (say, the last 10 years), then the calculation of a past payment credit is not likely to be necessary or practical.

One approach to the calculation of past and future impact fee credits that has been applied in a number of New Hampshire communities is illustrated in detail in **Tables 18 and 19**, as part of a hypothetical school impact fee. In this approach, past bonded debt service payments (Table 18) are arrayed. Since payments were made in the past, they are adjusted to present worth, in this case using a 6% interest rate. This brings the sum of adjusted past payments to present value. That sum (present value of past payments) is divided by the total assessed value of the community, resulting in a tax rate per thousand valuation. This rate, when applied to the assessed value of an acre of raw land, produces a present value credit for past payments derived from a vacant single

family home site. In this case, one acre is assigned to a single family dwelling, and proportionate credits are awarded based on relative assessed valuation of the completed units.

TABLE 18
PAST PAYMENT CREDITS METHOD
HYPOTHETICAL SCHOOL DISTRICT-SINGLE TOWN
SUMMARY OF PAST DEBT SERVICE PAYMENTS ON SCHOOL CAPACITY

ASSUMPTIONS

State Aid To District: 30.0% Of Principal Due on Bonds
 Local Government Share: 100.0% Of District Costs Paid By Town
 Discount Rate: 6.0%
 Credit Period: 15 Years

Year	Principal Payments	Interest Payment	Total Payment	Less State Aid	Net Debt Service Cost To District	Present Worth Factor	Present Worth Of Past Pymt @ 6% Interest
1984	\$150,000	\$112,500	\$262,500	(\$45,000)	\$217,500	2.39656	\$521,251
1985	\$150,000	\$112,500	\$262,500	(\$45,000)	\$217,500	2.26090	\$491,747
1986	\$150,000	\$112,500	\$262,500	(\$45,000)	\$217,500	2.13293	\$463,912
1987	\$150,000	\$112,500	\$262,500	(\$45,000)	\$217,500	2.01220	\$437,653
1988	\$150,000	\$112,500	\$262,500	(\$45,000)	\$217,500	1.89830	\$412,880
1989	\$150,000	\$112,500	\$262,500	(\$45,000)	\$217,500	1.79085	\$389,509
1990	\$150,000	\$112,500	\$262,500	(\$45,000)	\$217,500	1.68948	\$367,462
1991	\$0	\$0	\$0	\$0	\$0	1.59385	\$0
1992	\$0	\$0	\$0	\$0	\$0	1.50363	\$0
1993	\$0	\$0	\$0	\$0	\$0	1.41852	\$0
1994	\$0	\$0	\$0	\$0	\$0	1.33823	\$0
1995	\$350,000	\$350,000	\$700,000	(\$105,000)	\$595,000	1.26248	\$751,174
1996	\$350,000	\$332,500	\$682,500	(\$105,000)	\$577,500	1.19102	\$687,812
1997	\$350,000	\$315,000	\$665,000	(\$105,000)	\$560,000	1.12360	\$629,216
1998	\$350,000	\$297,500	\$647,500	(\$105,000)	\$542,500	1.06000	\$575,050
1999	\$350,000	\$280,000	\$630,000	(\$105,000)	\$525,000	1.00000	\$525,000
Total Past Period	\$2,800,000	\$2,362,500	\$5,162,500	(\$840,000)	\$4,322,500		\$6,252,665

Present Worth Past 15 Years Only (Credit Period) \$6,252,665

Net Local Assessed Valuation (Current) \$500,000,000
 PW of Past Payments Per Thousand Assessed Value \$12.51
 Assessed Value Undevel. Land Per Acre \$7,500

Credit for Single Family (Basis @ 1.0 Acres) \$141

(Credits for other unit types calculated in proportion to relative assessed valuation of completed units)

The resulting credits computed for past payments assume that the proportional land area required per unit can be used to project the past payment (vacant land) credit amount. In this example, it is assumed that raw land value applicable to a unit of new development is proportionate to its total assessed value.

Credit for Single Family (Basis @ 1.0 Acres) \$141			
(Credits for other unit types calculated in proportion to relative assessed valuation of completed units)			
CREDIT SCHEDULE: PAST PAYMENTS TOWARD SCHOOL CAPACITY			
Type Unit	Avg Assessed Value/New Unit	Ratio to Value Avg. Unit	Past Payments Debt Credit
Single Detached	\$150,000	1.00	\$141
Single Attached	\$100,000	0.67	\$94
Duplex/2-4 Unit	\$60,000	0.40	\$56
5+ Unit Structure	\$40,000	0.27	\$38
Manufactured Home	\$50,000	0.33	\$47

A variation of this approach was developed for the Town of Deerfield. Using a method similar to that of Table 18, a standard past payment credit is calculated. However, the Deerfield methodology allows for a fee payer to provide evidence of actual tax bills and tax payments to the town over past years of a bond issue, and an alternate credit is calculated based on actual tax payments, as a function of the proportion of those payments related to school debt service, paid in the past for the specific parcel. The fee payer can elect to have the site-specific credit applied if it is higher than the standard credit. This approach is not generally recommended because of its administrative complexity, and because of the potential confusion created by unequal net impact fee payments for the same type of residential property.

4. Credits For Future Tax Payments

Conventional approaches to impact fees appear to assume that, once an impact fee is instituted, the cost of future facility development will be borne by impact fees without a property tax impact. The reality is that nearly all major capital facilities need to be built in advance or in anticipation of growth. This involves the issuance of long-term debt, often to provide both upgrades and expansions. In most communities impact fees will not accumulate fast enough to assure that no tax-supported debt service would be required. Since in New Hampshire the holding period for an impact fee is only six years, it is most likely that the community will not be able to accumulate the quantity of impact fees needed over a six-year period to build an entire needed facility such as a school.

When an impact fee is assessed for facilities financed with long-term debt, there is likely to be a need to consider a credit for future payments. This can take a number of forms, depending upon

the local fiscal situation, and a number of different approaches to credits have been used. The credit is deducted from the proportionate share capital cost per unit of development (the capital cost less the credit becomes the impact fee assessed).

The credit calculation provides an estimate of the present value of property taxes to be paid in the future toward capital facility capacity. While the property taxes on a particular capital facility may indeed be reduced by the amount of impact fees collected during the period in question, there is still a potential for overlap to occur. The impact fee payer has already been assessed the full cost of capital facility consumption at its present value. However, the same fee payer cannot avoid paying a portion of property taxes toward long-term capital debt in the future. If a fee payer also contributes property tax dollars to retire future debt service for the same facility capacity that was the object of an up-front impact fee payment, the fee payer is in effect charged twice for the same expenditure.

The typical form of credit calculation is to project future bonded debt payments remaining on the capital facility in question. The period used for this projection should probably be at least 10-15 years. The next question is: how much of this debt service cost would fall on the tax rate and be subsequently charged to the owner of new development? Once a payment schedule is projected, (less any federal or state aid payments to reduce debt service), the local debt service and relative property tax impact may be estimated based on the current assessed valuation of the community.

One means of simulating future payment impacts is to array the entire debt service schedule on a spreadsheet and calculate the net present value of the entire series of payments for which local government is obligated. The net present value of these payments is then calculated using a chosen discount rate and term of years. The net present value of debt service payments can then be divided by the net local assessed valuation and expressed as a tax rate per thousand valuation for a particular unit of development. The tax rate, multiplied by the estimated assessed valuation of a prototype unit of new development (in thousands of dollars) generates a future payment credit amount that is proportional to the expected valuation of the new development. **Table 19** illustrates this method, used in deriving future payment credits for the school impact fee example explored in Part A of this Section.

TABLE 19**CREDIT FOR FUTURE PAYMENTS ON EXISTING PROGRAMMED DEBT SERVICE
FOR CAPACITY RELATED PROJECTS**

ASSUMPTIONS

Original Amount Financed:	\$7,000,000 (School District CIP)
Remaining Balance:	\$5,250,000
Interest Rate:	5.0%
Financing Period:	20 Years
State Aid To District:	30.0% Of Principal Due on Bonds Of District Costs Paid By
Local Government Share:	100.0% Town
Discount Rate:	6.0%
Credit Period:	15 years (Remaining Term of Bond)

Year	Principal Balance	Principal Payment	Interest Payment	Total Payment	Less State Aid	Net Tax-Supported Debt Cost of District
2000	\$5,250,000	\$350,000	\$262,500	\$612,500	(\$105,000)	\$507,500
2001	\$4,900,000	\$350,000	\$245,000	\$595,000	(\$105,000)	\$490,000
2002	\$4,550,000	\$350,000	\$227,500	\$577,500	(\$105,000)	\$472,500
2003	\$4,200,000	\$350,000	\$210,000	\$560,000	(\$105,000)	\$455,000
2004	\$3,850,000	\$350,000	\$192,500	\$542,500	(\$105,000)	\$437,500
2005	\$3,500,000	\$350,000	\$175,000	\$525,000	(\$105,000)	\$420,000
2006	\$3,150,000	\$350,000	\$157,500	\$507,500	(\$105,000)	\$402,500
2007	\$2,800,000	\$350,000	\$140,000	\$490,000	(\$105,000)	\$385,000
2008	\$2,450,000	\$350,000	\$122,500	\$472,500	(\$105,000)	\$367,500
2009	\$2,100,000	\$350,000	\$105,000	\$455,000	(\$105,000)	\$350,000
2010	\$1,750,000	\$350,000	\$87,500	\$437,500	(\$105,000)	\$332,500
2011	\$1,400,000	\$350,000	\$70,000	\$420,000	(\$105,000)	\$315,000
2012	\$1,050,000	\$350,000	\$52,500	\$402,500	(\$105,000)	\$297,500
2013	\$700,000	\$350,000	\$35,000	\$385,000	(\$105,000)	\$280,000
2014	\$350,000	\$350,000	\$17,500	\$367,500	(\$105,000)	\$262,500
Total		\$5,250,000	\$2,100,000 0	\$7,350,000	(\$1,575,000)	\$5,775,000
Net Present Value of Payments for 15-Year Credit Period Only						\$3,921,762
Net Local Assessed Valuation (Current)						\$500,000,000
PV of Future Payments (15 Yrs) Per Thousand Assessed Value						\$7.84

In this example, the future payment credit for outstanding bonded debt is calculated at a present value equivalent to \$7.84 per thousand valuation on the tax rate. This rate, multiplied by the projected assessed value of a new housing unit, equals the future credit, as shown below:

PV of Future Payments (15 Yrs) Per Thousand Assessed Value			\$7.84
CREDIT SCHEDULE: PROJECTED FUTURE PAYMENTS FOR CREATING NEW SCHOOL CAPACITY			
Type Unit	Avg Assessed Value/Unit	Ratio To Avg. Unit	Future Payment Debt Credit
Single Detached	\$150,000	1.00	\$1,177
Single Attached	\$100,000	0.67	\$784
Duplex/2-4 Unit	\$60,000	0.40	\$471
5+ Unit Structure	\$40,000	0.27	\$314
Manufactured Home	\$50,000	0.33	\$392

Another method of computing present value for future payments is to take the average annual local debt service payment and multiply it by a present value factor (taken from a financial factors table) assuming a certain discount rate. The discount rate should be an interest rate that represents a reasonable but safe annual rate of return for invested funds. Present value factors are applied under the assumption of a constant payment for a given period of years. Let us utilize this method for comparison, using the data provided in Table 19. Table 19 indicates that the net tax supported debt service cost to the municipality over the 15-year term averages \$385,000 per year. The present worth factor of one dollar per period (equal annual payments) over a period of 15 years, at an interest (discount) rate of 6%, is 9.712249. Estimated in this way, the present value of the remaining debt is the average annual payment of \$385,000 x 9.712249 = \$3,739,216. That figure is only about 5% less than the net present value figure derived in Table 19. Therefore, a reasonable approximation of present value of bonded debt payments can be made knowing average annual local debt cost and a table of present worth factors.

In using this shortcut method, it is essential to use the *average annual* payment and ***not*** the first year debt service payment due on a particular debt service series. In the example above, the use of the first year debt payment in lieu of the annual average would produce a present value estimate that is 32% higher. The effect of this approach is to assign a credit that is a third higher than it should be, in turn reducing the net impact fee unnecessarily.

Either of these methods probably represent a conservative approach toward credits that generate an amount more generous than may be necessary. Since most impact fees are levied in communities that are growing, the assessed valuation basis is also increasing over time. As assessed value grows, the property tax impact of a particular series of debt service payments declines over the course of the bond issue. Furthermore, if impact fee revenues are applied to reduce the original bonded amount, or to pay part of the annual debt service, the property tax impact of the bond is also reduced.

It is common to compute future payment credits on the basis of existing, outstanding bonded debt for projects already completed. However, there may be cases where a significantly large future bond issue is imminent that would fund a capital facility for which impact fees are to be assessed. Therefore, there may be a need to consider the additional tax impact of future bond

issues for similar facilities. Each community will have to use its own discretion to determine an approach that will result in an equitable credit, given the local situation. Where large capital facilities are involved, requiring significant debt service, a reasonable attempt to provide an equitable credit should be sufficient to keep the impact fee from being challenged as “double taxation.” If the credit is too generous, it will reduce the impact fee assessment to such a low level that it will not be effective in raising the necessary funds to offset the costs of growth.

Yet another consideration with respect to impact fee credits centers on the amount of property taxes needed to rectify existing facility deficiencies. Since impact fees cannot be used under the statute to pay for upgrades to existing facilities, the community’s impact fee system must demonstrate that the amount and the application of the fee will serve new development, and that the fee payer is not being charged twice for the same level of improvement. The impact fee calculation for new development is based on the full capital cost of providing facility capacity in proportion to the demands of new development. If, in addition to this impact fee, new development were to pay property taxes to fund extensive upgrades to existing facilities, there is a need for an offsetting credit whether or not these expenditures were bonded. A simple method of providing a credit for these improvements is to establish the current capital value of needed improvements, and express it as a tax rate. That rate can then be applied to projected assessed values of new construction to determine the appropriate credit as in the prior examples. At the extreme, where capital facility deficiencies are extremely high, and growth-related improvements are a relatively small share of total capital needs, the impact fee may not be a realistic choice for capital funding.

5. Other Revenue Credits

Credits for other revenues received to pay for a portion of project costs (grants, gifts, etc.) may be handled in one of two ways. They may be accounted for as a credit and deducted in the impact fee calculation based on the percentage of capital costs financed by grants from federal, state or other sources. If the future availability of grants or aid is unknown, the analyst may assume that past practices will be repeated, and the percentage of capital facility costs paid for in the past by such forms of assistance might be utilized to help establish credits for future payments.

6. Credits for Estimating Error (Discounts)

Communities might, as a matter of public policy, wish to err on the conservative side of an impact fee by offering an additional credit, such as an arbitrary percentage reduction in the final fee, as a means of acknowledging that estimating errors are inherent in the impact fee calculation process. These discounts were common prior to the adoption of RSA 674:21, V which clarified the ability of municipalities in New Hampshire to assess impact fees under an ordinance. Impact fee systems and updates developed since the adoption of that statute are less likely to incorporate large discounts.

7. Credits for In-Kind Contributions

Policies may need to be established if the community wishes to accept off-site improvements constructed in lieu of impact fee payments as a credit against impact fees assessed. If this type of

credit is to be allowed, policies and procedures should be spelled out in the impact fee ordinance, describing what type of improvements would be acceptable and how their value will be computed.

8. Waivers of Impact Fee Assessment

Waivers of impact fees can be effected in two ways. One is in the definition of “new development” in the impact fee ordinance. Only new development, as defined, is subject to an impact fee. The other method is to incorporate specific waivers, or criteria for granting them, in the body of the ordinance. For example, a housing complex with occupancy limited to the senior citizens will not generate school facility impacts. There should be a clear public policy objective behind the waiver policy.

Whenever an impact fee is waived for a certain class of property, the burden will fall back to the taxpayer. The exemption of a class of property from an impact fee may also be in conflict with RSA 674:21, V which requires that impact fees be proportional to the demands of new development on capital facilities. For example, in discussions of impact fees, some communities suggest that, because of the property tax contribution of commercial/industrial development, such developments should be excused from paying an impact fee. As a general rule, this handbook recommends that all land use and development activities that have a demonstrable impact on the capital facility in question be subject to the impact fee imposed. Exceptions may come about as the result of impact fee credit calculations, if the indicated credit for property tax payments offsets the capital impact of the development.

C. GENERIC FEE CALCULATIONS - HYPOTHETICAL COMMUNITY

The following example (**Tables 20-22**) summarizes a generic calculation of the growth-related capital cost of public facilities using a hypothetical community. The worksheets are intended only to illustrate the basic principles of separating growth-related capital costs from existing needs and deficiencies to arrive at an initial impact fee for new residential development. In actual practice, fees would also need to be calculated for non-residential development as well, if such development is expected to have an impact on a given facility. In addition, consideration would need to be given to assigning impact fee credits to assure that double payments for the same facility capacity do not result from both impact fee and tax assessments.

This section contains summary tables from an impact fee example prepared for the 1992 handbook illustrating an example of how a community could calculate proportionate share impact fees for a number of different facilities on a community-wide basis using per-unit costs for most facilities. The same basic principles can be applied in a more elaborate impact fee system calculated for a specific facility using more sophisticated methods. However the basic approach is to separate, and generate unit costs for, the growth-related portion of capital facilities in a manner that is not excessive, but is proportionate to demand. The illustrations also show how growth-related capital costs are not simply the difference between facilities that exist today and those that are planned for a future year, but the difference between what is needed today and what is needed in the planning horizon year based on a community standard for service. In this way, the impact fee assessment will exclude charges to new development for deficiencies that already exist in the system.

TABLE 20

**CALCULATION OF THE GROWTH-RELATED SHARE OF CAPITAL IMPROVEMENTS
WITH ALLOWANCES FOR EXCESS OR DEFICIENT CAPACITY**

DEMAND AND GROWTH ASSUMPTIONS Population Dwellings Enrollment - Elementary

Assume: Current Year Demand Base 5,000 1,850 540

Design Year Demand Base 7,500 2,775 810

MUNICIPAL SERVICE/FACILITY	Current Year (Actual)	Current Year Needed	(Deficient) Or Excess Capacity	Design Year Need	Capacity Needed For New Development
ADMINISTRATION					
Office Space	2,000	1,635	365	2,453	818
Employees	4.00	5.45	(1.45)	8.18	2.73
Employees/Thous. Pop. Current Average	0.80				
Employees/Thous. Pop. Adopted Standard		1.09		1.09	
Office Space/Employee Current	500				
Office Space/Employee Needed		300		300	
POLICE					
Station Space	2,000	2,975	(975)	4,463	1,488
Uniformed Officers	7.00	8.50	(1.50)	12.75	4.25
Officers/Thous. Pop. Current Average	1.40				
Officers/Thous. Pop. Adopted Standard		1.70		1.70	
Station Space/Employee Current	286				
Station Space/Employee Needed		350		350	
FIRE					
Fire Station Space	6,000	6,300	(300)	9,450	3,150
Full Time Firefighters	3.00	3.15	(0.15)	4.73	1.58
Firefighters/1000. Pop. Current Average	0.60				
Firefighters/1000 Pop. Adopted Std.		0.63		0.63	
Station Space/Firefighter Current	2,000				
Station Space/Firefighter Needed		2,000		2,000	
SOLID WASTE DISPOSAL					
Municipal Solid Waste Annual (Tons)	3,030	3,030		4,545	1,515
Gross Annual Tonnage Per Capita	0.606	0.606		0.606	
Transfer Station Capacity (Tons/Day)	10.00	11.65	(1.65)	17.48	5.83
Annual Capacity @ 5 Day Operation	2,600	3,030	(430)	4,545	
LIBRARY					
Total Collection Size	15,000	15,000	0	22,500	7,500
Per Capita Current Average	3				
Per Capita Adopted Standard		3		3	
Gross Floor Area	3,500	4,000	(500)	6,000	2,000
Per Capita Current Average	0.70				
Per Capita Adopted Standard		0.80		0.80	
RECREATION					
Developed Acres Recreation Land	25.00	25.00	0	37.50	12.50
Per Capita Current Average	0.005				
Per Capita Adopted Standard		0.005			
SEWER DISTRICT					
System Treatment Capacity (Gal/Day)	500,000	400,000	100,000	600,000	200,000
Daily Flow To Plant	400,000		Available		
Gross Flow: Gallons/Capita/Day	80		Capacity		

TABLE 21

**CALCULATION OF THE GROWTH-RELATED SHARE OF CAPITAL IMPROVEMENTS
FOR ELEMENTARY SCHOOLS WITH ALLOWANCES FOR EXCESS OR DEFICIENT CAPACITY**

DEMAND AND GROWTH ASSUMPTIONS	Population	School	
		Occupied Dwellings	Enrollment Elementary
Assume: Current Year Demand	5,000	1,850	540
Design Year Demand	7,500	2,775	810

SCHOOL DISTRICT FACILITIES: FEESMONT ELEMENTARY

	Current Year (Actual)	Current Year Needed(1)	(Deficient) Or Excess Capacity	Design Year Need(1)	Capacity Proportion Allocated To Growth
Current Facility Conditions					
Classrooms (Sq. Feet)	16,200	21,600	(5,400)	32,400	10,800
Core & Circulation (Sq. Ft.)	32,400	37,800	(5,400)	56,700	18,900
Total Facility (Sq. Ft.)	48,600	59,400	(10,800)	89,100	29,700
Estimated Pupil Capacity	540	540		810	270
Current Enrollment (At Capacity)	540	540			
Enrollment Per Dwelling Unit	0.292	0.292			
Classroom Area Per Pupil	30				
Core & Circulation Per Pupil	60				
Total Facility Per Pupil	90				
Local Adopted Standards For District					
Classroom Area Per Pupil		40		40	
Core & Circulation Per Pupil		70		70	
Total Facility Per Pupil		110		110	

(1) Needs (current and future) in this case are defined by local adopted standards, not by current averages

TABLE 22

ALLOCATION OF CAPITAL COSTS OF GROWTH TO DERIVE INITIAL IMPACT FEE

MUNICIPAL DEPARTMENT	GROWTH RELATED FACILITY NEED	UNIT COST	GROWTH PORTION FACILITY COST	NEW DEMAND UNITS SERVED	CAPITAL COST PER NEW UNIT	FEE FOR SINGLE FAMILY HOME		
					SERVICE DEMAND	Persons Per Unit	Demand/Person	Impact Fee
POLICE DEPARTMENT	1,488 Sq. Ft.	\$75	\$111,563	7,500 Calls	\$14.88 Per Call	2.85	1.89	\$80
FIRE DEPARTMENT	3,150 Sq. Ft.	\$60	\$189,000	5,000 Person-Hours	\$37.80 Per Person-Hour	2.85	1.40 Person-Hours	\$151
SOLID WASTE	5.83 Tons/Day Capacity (5-day week)	\$36,000 Per TPD Capacity	\$209,769	1,515 Tons/Yr. Capacity	\$138.46 Per Ton/Yr Capacity	2.85	2.52 Lbs/Capita Per Day	\$181
LIBRARY	2,000 Sq. Ft.	\$100	\$200,000	2,500 Persons	\$80.00 Per Capita (@ .80 Sq. Ft. Per Capita)	2.85	---	\$228
RECREATION AREAS	12.50 Developed Acres	\$25,000 Acq. And Devel. Per Acre	\$312,500	2,500 Persons	\$125.00 Per Capita	2.85	---	\$356
SEWER DISTRICT (Expansion of plant and recovery of existing capacity value)	200,000 Gal/Day	\$3.50 Per Gal. Gapacity	\$700,000	200,000 Gal/Day	\$3.50	2.85	76.00	\$758
SCHOOL DISTRICT Elementary Schools Only	29,700 Sq. Ft.	\$90	\$2,673,000	Capacity For: 270 New Pupils	\$9,900 Less 30% (\$2,970) State Local Cost Per Pupil: \$6,930	2.85	Elementary Pupils/Unit	Impact Fee \$2,023

SECTION VI. QUESTIONS AND ANSWERS ON IMPACT FEES

This Q & A section presents a discussion of topics frequently encountered in the development of impact fee calculations and ordinances. The first section (part A) deals with several ambiguous areas of impact fee ordinance application that may require more in-depth legal review prior to adoption. The second section (part B) is based on practitioner interpretations of proportionality and equity in developing impact fee methodologies under the New Hampshire statutory guidelines.

As of this writing (May 1999), the only NH Supreme Court decisions known to have interpreted RSA 674: 21, V have centered on the need to implement impact fees through an ordinance, rather than the simple adoption of a schedule of charges. Other than these rulings, no known opinions have been rendered by the NH courts on the validity of specific impact fee ordinance provisions, their applicability to new development, questions of vesting, or the dollar amounts and formulas involved. The discussion below is intended only to help frame the questions which have arisen in the practice of impact fee ordinance development, and to offer a point of view with respect to the intent of RSA 674:21, V to allow for impact fees that would offset the capital costs of new construction. It is not intended as a legal advisory on the subject.

A. LEGAL QUESTIONS ENCOUNTERED

1. Form of the Ordinance

Question: Can an impact fee ordinance only be implemented through an amendment to the zoning ordinance?

Discussion: Impact fees are one of the innovative land use controls authorized by RSA 674:21. All of the other innovative controls, as well as growth management, are generally implemented through zoning. All innovative land use controls must be adopted in accordance with RSA 675:1, II. That section specifically cites zoning ordinances under RSA 674:16; historic district ordinances under RSA 674:46; and building codes under RSA 674:51. All of these must be adopted in accordance with the procedures of RSA 675:2-5. These three types of ordinances are again referenced specifically in those procedures. [The author's view is that a zoning ordinance amendment is the appropriate and intended mechanism for impact fees and other innovative land use controls.]

2. Assessment of Fees to New Development in Approved Plats

Question: Can impact fees be charged to new homes that are to be developed in the future on plats protected by RSA 674:39 from changes to zoning (provided that the development otherwise complies with the requirements of that statute and related planning board regulations)?

Discussion: This would require an interpretation of what constitutes an effect on **the plat**. Historically, protection of plats was instituted to prevent municipalities from changing permitted uses, minimum frontage and lot size, and other zoning requirements that would physically alter a plat or prevent a development from going forward. The plat is the map that lays out a development with lot lines and shows improvements such as streets, utilities and rights-of-way; it rarely shows residential buildings within. The determination of whether future homes on certain lots qualify for a waiver or exemption based on the date of lot approval may therefore depend on what has physically been approved as part of the plat, and the extent of vesting provided by plat approval. Communities have gone several ways on this issue, with one community waiving fees for new homes on all approved lots to avoid any prospect of challenge; another community assessing only those homes built on lots approved since a given effective date; and others charging all new construction uniformly when a building permit is drawn. It is recommended that exemptions or waivers of impact fees based on RSA 674:39 be evaluated on a case-by-case basis, based on the specific protected elements of the individual plat and the conditions of its approval.

In some communities where there is a large inventory of lots in various stages of approval, the ability to collect hundreds of thousands of dollars in impact fees may rest on the interpretation of this issue. If waivers to impact fees are granted for hundreds of approved (but not-yet-built upon) lots, the community would fail to be compensated for the cost of the very growth that it sought to offset with its impact fee ordinance. Broad exemptions from charges to new development on such lots raises questions of proportionality and equity: while one developer would be required to pay a fee for the impact of his new construction, another constructing an identical, adjacent new development with the same impacts would pay nothing.

The author's view is that the intent of RSA 674: 21, V was to allow communities to capture the impacts of all new development, including infill, at the building permit stage. Assessments made under a properly constructed ordinance, and the process of calculating such fees, may differ from those collected under an exaction process at the subdivision or site plan stage of development. The assessment of ordinance-based impact fees, when applied only to development on newly created lots, seems contrary to the intent of IFOs in general and the New Hampshire authorizing legislation. Part of the rationale for the passage of RSA 674:21, V was to provide for more uniformity of treatment in the assessment of development impact fees, and to assure that such assessments would fall more equitably on all new construction having a similar impact.

3. Six Year Limitation

Question: We have a long-term capital improvement project to be built in stages that will take more than six years to complete. But RSA 674:21, V requires impact fees to be refunded if non-impact fee funds are needed for a project, but the municipal funds have not been appropriated

within 6 years of impact fee collection. Does this mean we can't charge impact fees for this major project?

Discussion: The problem with the 6-year period is that it is too short to accommodate the long-term planning that should be encouraged for capital improvements, especially the capital improvements that are best funded by impact fees: water and sewer capacity, roads, schools, and recreation. These typically follow long-term planning horizons of 10-20 years. Six years appears to have been used in the statute because it is the period generally used for a capital improvement program. (Note however, that six years is the **minimum** CIP planning period required by statute, and not a maximum). Incremental projects funded by impact fees should be possible with incremental investments of non-impact fee funds where required. It is also possible to pay off existing debt service (funds already have been encumbered) with fee income. In such cases, the municipality has already advanced the "non-impact fee" source of funds for the project. It is recommended that the municipality interpret the statute within its impact fee ordinance language to permit incremental investments in a system comprising a series of capital facility improvements (see model ordinance in this handbook).

B. PRACTICE AND METHODOLOGY QUESTIONS

Q 1: Why can't we just waive all impact fees for commercial and industrial development since they probably pay more in taxes than they generate in service costs?

A 1: If waivers are granted, there should be a clearly stated public purpose in the ordinance which justifies the practice. The waiver of commercial and/or industrial developments from certain impact fees, while imposing them on residential development, could represent a dual standard which treats the impacts of residential property differently from the impacts of non-residential property on the same facilities. If both contribute to the demand on the facility, a fee system with a blanket waiver for an entire class of property may not meet proportionality requirements of RSA 674:21, V. The purpose of the impact fee is to assure the availability of public infrastructure to accommodate growth from all new development. It is recommended that impact fees, if implemented, be apportioned to all development types which place demand on the facility being assessed.

Q 2: Tuition pupils in our school system are charged a capital facilities allowance as part of their tuition rate as allowed by the NH Department of Education. How does this affect the impact fee calculation for our schools?

A 2: It doesn't. Impact fees are raised based solely on resident pupil enrollment within the municipality which *owns or operates* the facility in question. School impact fees are computed on the basis of the Town's resident pupil enrollment per housing unit, excluding tuition pupils. There is no link between the impact fee charged to new development and any capital charges that are authorized as part of the tuition for out-of-district students. It is interesting to note that the state Department of Education rules which govern tuition charges permit capital cost charges through tuition rates as a form of recoupment of the demand on capital facilities and related costs.

Q 3: How would conversions of property, including conversion of seasonal homes to year-round dwelling units, be handled under the impact fee process for residential units?

A 3: It depends on the local ordinance definition of "new development". The language of the statute provides that impact fees can be charged only for the growth-related share of costs related to "new development." The definition of impact fee includes assessments "...imposed upon development, including subdivision, building construction or other land use change." In the case of impact fees on dwelling units, the implication of this wording is that there must be some form of new development which results in the creation of an additional dwelling unit in order for there to be an impact fee charge on that use. Conversions from commercial to residential use represent new development which would result in a net increase in dwelling units and would be subject to impact fees. The rehabilitation of housing which creates no net increase in the number of dwelling units would not be subject to impact fees. The conversion of a single family home to a duplex

would result in the net creation of a new dwelling unit and would be subject to impact fees. However, the question of a *seasonal* dwelling converted to *year-round* use may depend upon the individual situation. If the unit in question is legally (according to the land use and building codes of the town) capable of being occupied on a year round basis at the present time, a change in occupancy from part-time to year round occupancy is probably not subject to impact fees because no “new development” is involved. However, if the conversion of the unit to year round use would involve some construction or alteration needed to bring it into compliance with town standards for year round occupancy, and involved the securing of a building permit, the conversion from a seasonal to a year round occupancy may be subject to impact fees as a form of "new development." The answer may depend on how the town defines “new development” in its local ordinance.

Q 4: If we adopt an impact fee ordinance now or next year, how will this action affect our ability to apply the funds to bonded indebtedness on facility construction which we incur now or in the future?

A 4: It will not. Impact fees can be used to recoup past investments or can be applied to future projects. The impact fee assessment may be held for a period of six years. If no funds are appropriated for any eligible capital costs involving facility capacity, it is conceivable that refunds would be necessary. However, if there is any outstanding bonded indebtedness now existing, or issued in the future, for projects providing facility capacity that is available to accommodate the demands of new development, the impact fee collections, plus interest accrued, may be paid annually to offset either outstanding or future debt service.

Q 5: What happens if we have a bond issue which includes capacity expansion costs *as well as* rehabilitation improvements and upgrades? If impact fees can only be used for capacity-related improvements, can the fee be applied to a bond issue having a dual purpose?

A 5: Yes. It would be preferable for expenditures, which are to be offset by impact fee assessments, to be segregated in a manner that demonstrates that all impact fees were applied solely for expansion of capacity related improvements. An alternative would be to provide assurances that the impact fee contributions toward debt service payments over the years do not exceed the total cost of the capital facility. This is primarily an accounting task.

The calculation of the amount of the impact fee is based solely on recouping or providing for the portion of facility cost relating to the value of *capacity* on a per-unit basis, and includes no charges for renovations, improvements, or maintenance. Each fee payer will put into the account only his/her proportionate share of construction costs related to those capacity needs. In many cases, renovations may result in a net contribution to capacity; when this is the case, it would be appropriate to apply impact fees to these expenditures

as well. In any case, there would seem to be no limitation on allocating impact fees to such projects so long as a capacity benefit is derived.

Q 6: How would we handle senior housing complexes, or other types of units that do not generate demand on schools or other certain capital facilities?

A 6: It depends on the fee being assessed, and whether there is a reasonable expectation of impact from that land use category. In the case of schools, the ordinance should provide waivers only for those forms of housing which can be shown to create no long-term opportunity to impact on the school system. Waivers should not be based solely on the characteristics of the initial occupants of the dwelling unit to be constructed. Possible subjects for waivers of a school impact fee could include lawfully restricted senior housing. Waivers should be approached very cautiously, since any exemption to the impact fee places the capital facility burden back on the tax rate. The procedures for waivers should be clearly established in the ordinance.

Q 7: What happens if we collect a school or other impact fee based on a certain number of school children or persons per unit, and the actual impacts of a particular home or development turn out to be higher or lower than the figure we assumed in the formula?

A 7: Nothing. The impact fee calculation must demonstrate a reasonable relationship between the demands of newly constructed dwelling units and the general impacts on facilities. It is necessary for the ordinance and the fee methodology to establish this *general* relationship, based on a reasonable expectation that a dwelling unit, over its lifetime, will create a demand on school capacity. It is not necessary, in our opinion, to prove that a *specific* benefit will accrue to each and every initial occupant or fee payer. There needs to be a rational expectation of impact, and a reasonable fee that is proportionate to the demands of the particular development.

For example, school impact fee calculations based on *average enrollment multipliers* of all occupied housing units are probably the most fair method of apportioning costs to the average new dwelling unit. In the short term, some dwelling units will produce no new school children, while others will produce many more than the multiplier predicts. To develop a fair ordinance, however, each new dwelling unit must be treated on an equivalent basis. Utility capital charges, for example, are often based on assumptions about the average consumption of gallons of water per day per capita. A uniform fee is created for the average dwelling unit, and a uniform capital charge is calculated as a permanent unit of demand on capacity. The capital charge for hookups is not refunded nor increased after the fact if the first occupant uses less or more water than expected. In the case of road impact fees, there is a reasonable expectation that new development will generate an average number of vehicle trips. However, the town is not required to monitor traffic from every development to prove that the predicted number of trips is being generated at each site. The general test is whether there is a reasonable expectation of a benefit that is represented in a proportionate manner by the amount of the fee.

Q 8: Our town has a capital improvements program and we already charge one impact fee for roads. We may charge for a number of other facilities in the near future. Can't we simply have an overall "capital facilities impact fee " with one lump sum fee, and then use the revenues to pay for whatever capital facility need arises as long as it is listed in the CIP?

A 8: Probably not. The statute specifically requires an impact fee to be expended solely for the capital improvements for which it was collected. Fees cannot be commingled with general fund revenues nor can fees collected for one category of capital facility be applied to another type of facility (for example, using road impact fees for schools, vice-versa).

It is, however, practical to have a *single ordinance* implementing the entire fee system, establishing the authority of the town to charge impact fees for a number of different facilities. Various methodologies and documentation of fee calculations would be maintained in independent reports existing outside the ordinance itself to define the rationale and calculation of the fees. However, this would not permit any "crossover" of fee accounts or expenditures. There would still need to be separate accounting and disbursements relating to each capital facility and impact fee account.

Q 9: How often do we need to update or revise our impact fee assessment formulas?

A 9: Impact fee formulas should be kept reasonably up to date so that they reflect current capital costs. To preserve equity in the assessment process, the fees should not be updated more frequently than annually except to correct identified errors in the formulas. The update should review all variables in the impact fee formula. "Cost of living" or CPI-related adjustments alone do not necessarily reflect the cost of capital construction, and such an overall adjustment to the fee without other variables may not sufficiently reflect changes in capital cost and credit calculations.

Q 10: Our town is part of a cooperative school district. Can we assess fees for some share of the school district facilities?

A 10: Yes. If a community is part of a regional and cooperative school district, consideration needs to be given to what proportional share of capital facilities can be apportioned to the community deciding to charge an impact fee. In addition, the articles of agreement of the member communities need to be reviewed to determine if there are any impediments to the usage or flow of impact fees from the individual community to the regional school district. As of this writing (May 1999), the first (and only) New Hampshire cooperative school district to develop an impact fee system implemented by multiple participating

towns is the Timberlane Regional School District comprising the towns of Atkinson, Danville, Plaistow, and Sandown.

In reviewing the articles of agreement of the regional school district, it was determined that no particular community owned any particular share of the capital facilities of the district as a whole. In reality, the district as a whole was responsible for providing the capital facilities needed to serve all four communities for the growth that occurred in total. RSA 674:21,V states that, in the case of a cooperative district, the local impact fee is an assessment imposed on development for the municipality's share of capital facilities. At first, the logical approach would seem to be to use the local capital funding share (assigned to each town by the district) to determine local impact fees. The problem is that, those capital costs are determined by a pre-set formula, and do not reflect where new development takes place or where there is enrollment growth. Yet the impact fee can only be implemented at the local municipal government level and there must be a direct correlation between the capital facility needs and the development. If each town only charged a capital impact fee for just their fraction of the capital costs generated by its growth, the total fee assessments from all four communities would fall far short of the total growth-related capital cost of enrollment growth in the District as a whole.

It was determined in a study conducted for Timberlane School District that the only reasonable interpretation of "the proportional share of facilities" at the local level would need to be expressed as the demand occurring as a result of enrollment demand and growth from each town on the capital facilities of the district. The variations in proportionate demand on facilities were reflected in the respective enrollment multipliers in each of the four communities. Without this approach, the district as a whole would never realize adequate collections to account for the capital costs of enrollment growth, as each locality would only be able to charge for a fraction of the cost impact of each new dwelling unit occurring within its own borders.

Property tax credits were calculated differently for each of the four communities, based on the likely property taxes to be paid toward school debt service by a new dwelling unit in each of the four municipalities. In this approach, capital costs were realized at the district level, the proportionate share of capital facilities was determined by the capacity demands of new pupils from each community, and property-tax-related credits were calculated on the basis of the actual property tax impact of debt service per the formula adopted by the district for cost-sharing.

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