

# HAILEY'S DEVELOPMENT IMPACT FEES

A Hailey citizen has placed an initiative ballot on the November 7, 2017 election. The initiative asks whether voters want to amend Hailey's Development Impact Fee ordinance. The amendment, if adopted by voters, would eliminate the development impact fee on commercial construction projects and request the City of Hailey return to payors previously collected commercial development impact fees.

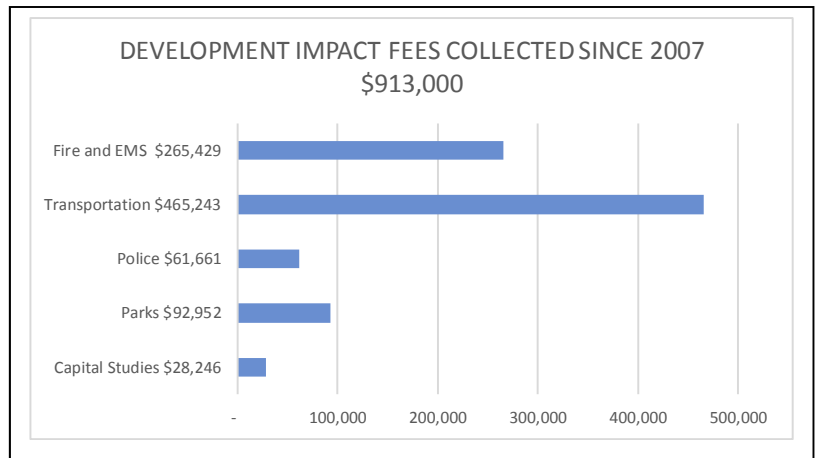
The City of Hailey adopted its first Development Impact Fees in 2007. In 10 years, the City has collected over \$900,000 in development impact fees. Of this amount, \$500,000 was collected from new commercial construction projects and \$400,000 was collected from new residential construction projects.

**Voting YES** will eliminate commercial development impact fees. Residential development impact fees will remain in place. The City would be asked to return \$500,000 in commercial fees to fee payors.

**Voting NO** will leave Hailey's current ordinance in place, under which all new construction, both commercial and residential, is subject to development impact fees.

## What Are Development Impact Fees?

Idaho law allows development impact fees to be collected and used through a planned process with input from developers. At least every five years, a study must be conducted that assesses how much of a city's capital improvements serve new growth. The development impact fee is set based on the outcomes of this study, so that new growth pays for that portion of capital infrastructure needed to serve that new growth.



We can illustrate the fees by discussing an intersection that is failing because it needs a traffic signal. The new traffic signal is put into a city's capital improvement plan with a cost assigned to it. New growth is not responsible for the entire cost of the new traffic signal. Existing traffic accounts for the largest portion of the traffic signal cost, and new growth pays for its share of cost, in the same ratio as traffic created by that new growth to already existing traffic. A new home, for example, affects the traffic signal by an approximate 6 trips per day. A new commercial building affects traffic by generating trips by the employees as well as customers of the business. These uses add to the need for the traffic signal. The Development Impact Fee Study assesses and assigns the dollar figures of new growth to a city's planned capital projects, and establishes the fee amount.

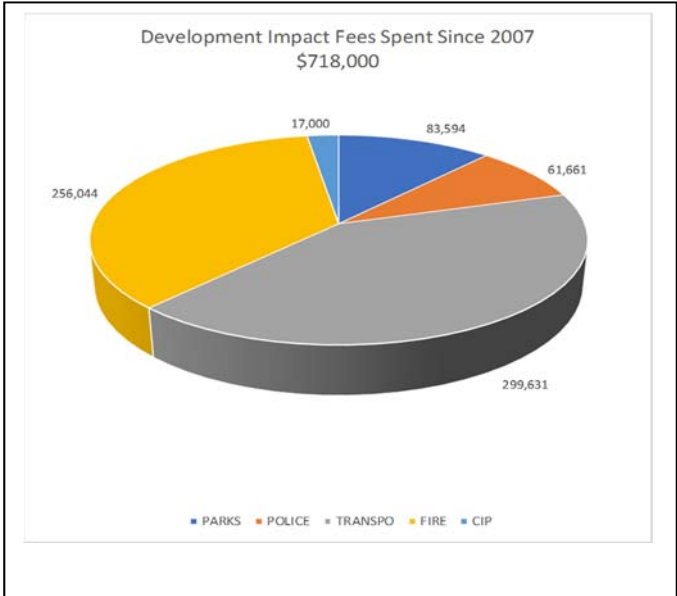
## Are Development Impact Fees a Tax?

Idaho law calls development impact fees a fee, not a tax. Taxes can be charged only when they serve the public at large. Fees can be charged only when they serve a specific individual or group. Development impact fees are collected and spent in the ratio that a new capital improvement is used by new development. Before adopting development impact fees, a city makes a determination that property taxes alone do not cover the

cost of service, or that there are insufficient capital improvement dollars available to implement its capital improvement plan. City governing bodies then decide whether to increase taxes or to diversify revenue sources by instituting development impact fees. The fees are charged at the time a building permit is issued for the construction of a new home or new commercial square footage.

### Development Impact Fee Spending

Idaho law does not allow development impact fees to be spent on libraries or administrative facilities. Only capital improvements in the area of transportation improvements, emergency services, and the cost of capital improvement studies are eligible for commercial development impact fees under current Hailey ordinances. Residential development impact fees add parks to the list. The table at right shows the categories in which \$718,000 of development impact fees have been spent in Hailey on capital projects and equipment.



**Economic Considerations of Studies**

Hailey amended its development impact fees in 2012 and 2016. The 2012 study showed lower growth projections following the recession and Hailey’s development impact fees decreased. Costs for new commercial space ranged from .30 cents/sq ft to \$6.66/sq ft, depending on the type of commercial construction.

In 2016, Hailey conducted another study with a revised capital improvement plan, from which a new police station was removed. Development impact fees decreased again and no longer include police facility fees. Costs for commercial square footage now range from .92 cents per sq ft to \$2.31/sq ft. depending on the type of commercial construction.

**Neighborhood and City-Wide Uses**

Some areas of town are used more by neighborhoods than by the public at large. Infrastructure used by the public at large is considered city-wide infrastructure. Only improvements to city-wide infrastructure are allowed to be considered in the setting of development impact fees and in their spending.

Hailey’s parks are categorized as neighborhood parks or city-wide parks. Hailey’s streets are categorized as arterial, collector, and neighborhood streets. Neighborhood parks and streets are not eligible for development impact fees. Arterial and collector streets are, as they serve city-wide traffic needs. Hailey has 14 parks, 8 of which are considered city-wide parks. Only residential development impact fees pay for city-wide park improvements. Commercial development impact fees don’t have a parks component, as business customers don’t impact parks in the way that new residential growth does.