

2024 Fairfax Impact Fee Update

**Prepared by Dolan Municipal & Utility Consulting, LLC
February 6, 2024**



Background

The Town of Fairfax currently charges impact fees on new development to support Town administration, highway, fire, recreation, and education capital projects. The Town's impact fees are set and outlined in an Impact Fee Ordinance, most recently updated in 2012. This report summarizes adjustments to the Recreation, Highway, and Fire Impact Fees based on an assessment of levels of service, projected growth, and existing and planned capital resources.

Vermont municipalities are permitted to levy impact fees on new development, as outlined in [24 V.S.A. Chapter 131](#). The intent of the statute allowing impact fees is "to enable municipalities to require the beneficiaries of new development to pay their proportionate share of the cost of municipal and school capital projects that benefit them and to require them to pay for or mitigate the negative effects of construction." Two important definitions included within the statute are:

- "Capital project" means:
 - (A) any physical betterment or improvement including furnishings, machinery, apparatus, or equipment for such physical betterment or improvement;
 - (B) any preliminary studies and surveys relating to any physical betterment or improvement;
 - (C) land or rights in land; or
 - (D) any combination of these.
- "Impact fee" means a fee levied as a condition of issuance of a zoning or subdivision permit that will be used to cover any portion of the costs of an existing or planned capital project that will benefit or is attributable to the users of the development or to compensate the municipality for any expenses it incurs as a result of construction. The fee may be levied for recoupment of costs for previously expended capital outlay for a capital project that will benefit the users of the development.

Explicit Statutory Requirements

The statute clearly indicates specific requirements related to the implementation of impact fees that a municipality must meet:

- 1) The municipality must be "confirmed" as defined by [24 V.S.A. § 4350](#), meaning it must have a continuing planning process, an approved and adopted municipal plan, and be engaged in the implementation of its municipal plan.
- 2) The municipality must have an adopted Capital Budget and Program.
- 3) The municipality must develop a "reasonable formula" to assess the impact fee and the formula must include a level of service for the capital project as well as means of assessment (such as square footage or number of bedrooms).

- 4) The municipality must establish the formula and procedure for levying the impact fee via an adopted ordinance or bylaw.
- 5) If the actual expense of the capital project is less than the fee collected from the developer, the municipality must refund the unexpended portion of the fee within one year of the termination of construction of the project.
- 6) The municipality must provide an annual accounting for each impact fee, including the source, amount, and project funded.
- 7) The municipality must spend the fee on the capital project, for which the fee was intended, within six years of when the fee was paid.

Level of Service Standards

Vermont's impact fee statute clearly indicates the formula for an impact fee "must include a level of service for the capital project as well as means of assessment." Vermont communities use different methods of identifying, calculating, and applying the level of service standards depending on the situation. Sometimes an "industry standard" from a professional organization or association is used as a starting point. In other cases, a locally adopted standard from a Town Plan or similar municipal planning document is used. In other cases, communities calculate their own level of service standard during the impact fee development process based on existing infrastructure. Once a level of service standard is identified, the way it is used also varies from community to community. Some communities apply the chosen standard to projected population growth to identify future facility needs (and associated project funding needs). Another approach is for communities to compare the chosen level of service standard to their current facilities/equipment to determine whether additional facilities will be needed to bring the community (inclusive of new development) within the accepted level of service range.

Eligible Capital Costs

The intent of impact fees is to lessen the burden on existing property owners created by growth within the community and the associated demands on municipal infrastructure and facilities. To accomplish this, an impact fee can be assessed to cover the proportionate share of project costs that can be reasonably attributed to new development. The statute also clearly indicates an impact fee may be levied for recoupment of previous costs for a capital project that will benefit the users of the new development. The Town of Fairfax maintains a Capital Budget & Program (CBP), the most recent version of which covers the FY24-FY29 period. The CBP provides a detailed list of planned capital projects, their costs, and potential funding sources. Additionally, the Town creates many other plans and reports that include specific projects and goals for the community, including the Town Plan, transportation studies, and development assessments. Taken together, these documents provide significant information about the

Town’s planned capital projects and goals which can be used in the development of impact fees.

With these specific requirements and resources in mind, a review of Fairfax’s Recreation, Highway, and Fire Impact Fees was conducted, including consideration of an appropriate level of service for each and eligible capital costs. Specific metrics used throughout the analysis of each fee are:

- 2020 Fairfax Population: 5,014 (2020 Census)
- 2030 Projected Fairfax Population: 5,535 (Town of Fairfax 2020 Growth Study)
- Residents per Single-Unit: 2.62 (2020 American Community Survey)
- Residents per Multi-Unit: 1.965 (75% of the Single-Unit)

Recreation Impact Fee

The Recreation Impact fee represents the capital cost, on a per housing unit basis, of the Town recreation resources that will benefit the users of new development.

Recreation Level of Service: According to the Town’s official map, the Town currently has 30.6 acres of land devoted to recreation. Applying that amount of land on a per-resident basis results in a current level of service of 0.006 acres/person.

Recreation Capital Costs: New development within the Town will benefit from the existing recreation resources. To determine the value of Town assets devoted to recreation, the value of recreation facilities was taken from the Town’s depreciation schedule and audit. To determine the value of land devoted to recreation, the existing total acreage of recreation land was multiplied by a cost per developable acre (provided by the Town Assessor). The combined value of the facilities and land represent the total recreation equity. At this time, Fairfax does not have a recreation reserve fund nor does it have recreation-related debt, so no adjustments to the total equity were made for those.

Recreation Impact Fee Calculation: To calculate the impact fee, the total equity was divided by the recreation acres to arrive at a total recreation cost per acre. The cost per acre was then multiplied by the recreation acres per person level of service to arrive at the recreation capital cost per person. The per person cost is then multiplied by 2.62 to arrive at a capital cost per household. The result is a single-unit impact fee of \$963 and a multi-unit impact fee of \$722. (See calculation below)

Recreation Impact Fee Calculation

| | |
|---|--------------|
| Recreation Assets Total Value/Recreation Equity | \$1,842,942 |
| Recreation Cost/Equity per Acre | \$60,227 |
| Recreation Acres per Person | 0.006 |
| Recreation Capital Cost/Equity per Person | \$368 |
| Capital Cost per Single-Unit (2.62 persons) | \$963 |
| Capital Cost per Multi-Unit (75% of single-unit) | \$722 |

Fire Impact Fee

The Fire Impact Fee represents, on a per housing unit basis, the capital cost of the Town's fire protection resources that will benefit the users of new development.

Fire Level of Service: The level of service for fire protection used in the development of the Fire Impact fee is the number of fire calls per household per year.ⁱ The level of service for a single-unit development unit is 1 fire call per year and for a multi-unit development unit is 0.68 fire call per year.

Fire Capital Costs: New development within the Town will benefit from the existing fire protection resources. To determine the value of Town assets devoted to fire protection, data was taken from the Town's depreciation schedule and audit, including the current value of facilities, vehicles, and equipment. The value of the Town's Fire Reserve Fund is also included as part of the assets from which new development will benefit. And lastly, the existing debt for fire protection assets was subtracted to arrive at a net equity figure.

Fire Impact Fee Calculation: The net equity figure was divided by the number of fire calls per year to arrive at a capital cost per fire call. That cost was then multiplied by the level of service to determine the impact fee for single-unit and multi-unit developments. The result is a single-unit impact fee of \$1,741 and a multi-unit impact fee of \$1,184. (See calculation below)

Fire Impact Fee Calculation

| | |
|--|----------------|
| Current Value of Fire Department Assets | \$248,283 |
| Reserve Fund | \$130,100 |
| Total Value of FD Assets | \$378,383 |
| Average Annual Debt FY24-FY29 | \$82,472 |
| Net Current Value | \$295,912 |
| Fire Calls per Year | 170 |
| Capital Cost/Equity for 1 Fire Call | \$1,741 |
| Capital Cost per Single Unit (1 call) | \$1,741 |
| Capital Cost per Multi-Unit (0.68 call) | \$1,184 |

Highway Impact Fee

The Highway Impact Fee represents, on a per housing unit basis, the capital cost of the Town's highway resources that will benefit the users of new development.

Highway Level of Service: The level of service used in the development of the Highway Impact fee is the number of Town road miles per resident. Based on the existing Town road miles of 79 and a population of 5,014, the level of service is 0.016 miles/resident.

Highway Capital Costs: New development within the Town will benefit from the existing highway resources. To determine the value of Town highway assets, data was taken from the Town's depreciation schedule and audit, including the current value of facilities, vehicles,

equipment, and infrastructure (roads, bridges, and sidewalks). The value of the Town’s Highway Reserve Fund is also included as part of the assets from which new development will benefit. And lastly, the existing debt for highway assets was subtracted to arrive at a net equity figure.

Highway Impact Fee Calculation: The net equity figure was divided by the number of Town road miles to arrive at a capital cost per road mile. That cost was then multiplied by the level of service to determine the cost per resident. To arrive at a development unit impact fee, the cost per resident was multiplied by the average number of residents per household (2.62). The result is a single-unit impact fee of \$1,249 and a multi-unit impact fee of \$937. (See calculation below)

Highway Impact Fee Calculation

| | |
|--|----------------|
| Current Value Highway Assets | \$2,241,693 |
| Highway Reserve Funds | \$227,842 |
| Total Highway Equity | \$2,469,535 |
| Average Annual Highway Debt FY24-FY29 | \$79,296 |
| Net Equity | \$2,390,239 |
| Capital Cost/Equity per Road Mile | \$30,256 |
| Road Mile/Resident | 0.016 |
| Capital Cost/Equity per Resident | \$477 |
| Household Size | 2.62 |
| Capital Cost per Single-Unit | \$1,249 |
| Capital Cost per Multi-Unit (75%) | \$937 |

Comparison to Neighboring Towns

Single Dwelling Unit Impact Fees

| | Town of Fairfax | Town of Georgia | Town of St. Albans |
|-----------------------------|-----------------|-----------------|--------------------|
| <i>Recreation</i> | \$963 | \$340 | \$281 |
| <i>Fire</i> | \$1,741 | \$1,735 | \$329 |
| <i>Highway/Public Works</i> | \$1,249 | \$495 | \$1,305 |

ⁱ The Town considered two options for determining the fire protection level of service, either using recent Fairfax-specific data or using a figure based on a broad study of multiple communities. While local data provides a specific connection to the provision of local services, there is the potential for significant fluctuations in the number of fire calls from year to year. The use of a level of service based on the experiences of multiple communities can help provide a more consistent basis for calculation. Specifically, the Town selected the level of service figures from an analysis detailed in “Impact Fees: Principles and Practice of Proportionate Share Development Fees” by Arthur C. Nelson, James C. Nicholas, and Juilan C. Juergensmeyer.