

***Town of Chester
New Hampshire***

Municipal Buildings Impact Fee

Prepared for
Planning Board
Town of Chester, New Hampshire

Prepared by
Southern New Hampshire Planning Commission

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Town of Chester Municipal Buildings Impact Fee

A. Purpose of Report

This report provides a basis for the Town of Chester to establish an impact fee for municipal building facilities to be assessed to new development within the community. The procedures for impact fee assessment are provided for by the Town of Chester's zoning ordinance (Article 14 Fair Share Contribution) and the State of New Hampshire's planning statutes RSA: 674:21 V. The amount of the Municipal Buildings Impact fee for capital facility improvements is based on the methodology and impact fee schedule as set forth in this report documenting the proportional basis for the fees.

B. Authorization for Impact Fees

The establishment and assessment of impact fees are authorized by New Hampshire RSA 674:21 V. As set forth by RSA 674:21 V., an "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. An impact fee is a one-time charge to new development to offset the proportional impact of new development on the costs borne by local government to provide public capital facilities. Under RSA 674:21 V., municipal office facilities are eligible for impact fee assessment. In order for a municipality to adopt an impact fee, it must have enacted a capital improvements program pursuant to RSA 674:5-7. On April 27, 2016, the Chester Planning Board adopted an updated CIP for FY 2016-2022.

Under RSA 674:21 V. (c) impact fees must be accounted for separately and segregated from the municipality's general fund and may be spent upon order of the municipal governing body. In addition, the fees may be exempt from all provisions of RSA 32 relative to limitation and expenditure of Town moneys, and shall be used solely for the capital improvements for which it was collected, or to recoup the cost of capital improvements made in anticipation of the needs which the fee was collected to meet. Impact fees cannot be used toward upgrade and maintenance of existing facilities and infrastructure, the need for which is not created by new development.

It is important to note that in 2012, the New Hampshire Legislature adopted several amendments to RSA 674:21 regarding the administration of impact fees. A new subsection (l) was inserted which states that no later than 60 days following the end of the fiscal year, any municipality having adopted an impact fee ordinance shall prepare a report listing all expenditures of impact fee revenue for the prior fiscal year, identifying the capital improvement project for which the fees were assessed and stating the dates upon which the fees were assessed and collected. The annual report shall enable the public to track the payment, expenditures, and status of the individually collected fees to determine whether said fees were expended, retained, or refunded. This new language has created two new provisions (1) a reporting requirement; and (2) a provision providing amnesty for the prior collection of impact fees for improvements to state highways.

C. Methodology and Approach

There is a variety of methods that may be used to calculate impact fees. The choice of a particular method depends mainly on the service characteristics of the community and planning requirements for the facility type being addressed. Each method has advantages and disadvantages and to some extent such methods are interchangeable as each method must allocate facility costs in proportion to the needs created by development. In simplest terms, the process of calculating impact fees involves two basic steps: determining the cost of the development-related capital improvements and allocating these costs equitably to various types of development. The calculation of impact fees however can be complex because of the many variables involved in defining the relationship between development and the need for the facilities. Specifically in this case the relationship in defining the public need for capital facility improvements for municipal buildings resulting from new development within the Town of Chester.

The methodology used in calculating the Town of Chester's municipal buildings impact fees is known as the Incremental Expansion Impact Fee calculation. The incremental expansion method identifies the current level-of-service (LOS) for the use and need of the capital facility in this case upgrades and expansions to the Town of Chester's municipal buildings based on service standards. The municipal buildings service standards are measured in terms of building square feet per population. For impact fee calculation purposes, the level of service is shown as the level of investment (or dollar value of capital assets) per resident, which reflects the capacity investment made by the Town of Chester for municipal buildings infrastructure.

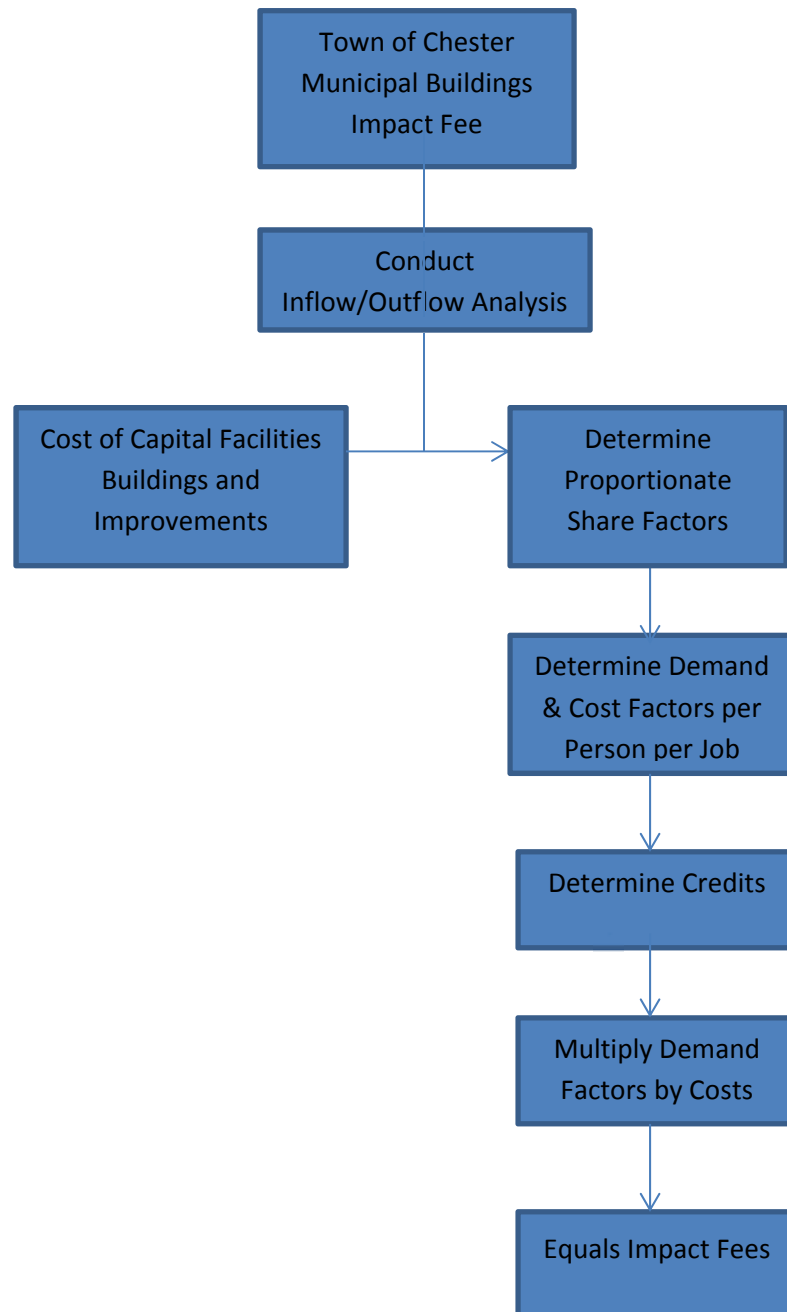
The Incremental Expansion Impact Fee Calculation is the most appropriate approach for this Municipal Buildings Fee as the Town of Chester intends to use the impact fees assessed and collected to expand and improve municipal building facility capacity as needed, to accommodate new development within the community. This methodology is best applied when construction of new capital facility improvements are planned to be expanded in regular increments (in this case in accordance with the Town of Chester's Capital Improvement Program) and when level of service (LOS) standards can be documented based on existing building facilities conditions in the community. Figure 1 provides an overall summary of the methodology and cost allocation used to calculate the Town of Chester's Municipal Buildings Impact Fee.

D. Types of Property Benefiting from Impact Fees

Impact fees are charged to properties which benefit from improved municipal buildings facilities. The Town of Chester's system of municipal buildings includes the following facilities: the Town Hall; the post office building (owned by the Town but leased to the US Post Office); Stevens Hall, the Municipal Transfer Station, and the Town's Salt Shed and Highway Garage. The Town of Chester's municipal building facilities provide all residents, workers, and visitors the benefit of government services. As such both residential and non-residential land uses within the community directly benefit from these

facilities and the services provided. Figure 1 provides an overview of the impact fee methodology used in calculating the municipal buildings impact fee.

Figure 1: Municipal Buildings Impact Fee Methodology Flow Chart



E. Schedule of Municipal Buildings Impact Fees

Figure 2 sets forth the schedule for the assessment of Municipal Buildings Impact Fees for the Town of Chester for new residential and new nonresidential development.

For new residential uses, the fees are assessed on a housing unit basis. For new non-residential uses, the fees are assessed based on industry type and square foot of building area.

The Town of Chester may adopt Municipal Buildings Impact Fees that are less than the amounts provided in Figure 2. However, it should be noted that a reduction in impact fee revenue may necessitate an increase in other municipal revenues, a decrease in planned capital expenditures, and/or a decrease in the Town's Level of Service (LOS) standards to address the needs for such capital facilities.

Figure 2: Municipal Buildings Impact Fee Schedule

Residential Housing Type	Fee Per Housing Unit
Single Family Detached	\$695
Duplex (2 attached units)	\$778
Multifamily (3 + Units)	\$452
Condo/Townhouse Unit	\$602
Mobile Home	\$452
Apartment Unit in Mixed Use Building	\$954

Source: SNHPC

Nonresidential Development	Fee Per Square Feet
Construction	\$0.58
Wholesale Trade	\$0.19
Transportation & Wholesaling	\$0.17
Professional Technical Services	\$0.47
Educational Services	\$0.86
Other Services, except Public Administration	\$0.18
Accommodations, Lodging and Food Services	*\$0.40

*Note: Impact Fee equals \$402 per Room or Bed

Source: SNHPC

It is recommended that the schedule of Municipal Buildings Impact Fee as shown in Figures 2 and 3 be reviewed and adjusted as necessary by the Chester Planning Board as part of an annual evaluation and update of the fees.

E. Background Data

Table 1 provides a summary of the Town of Chester's municipal buildings inventory and the current value (replacement value) of the buildings. As presented, the inventory includes a total of **57,335** square feet of municipal building space. Building value of the facilities included in the inventory is estimated based on insurance values, estimates of planned buildings, and cost information obtained from the Town of Chester 2016-2022 CIP.

The year 2015 is the base year upon which the Municipal Buildings Impact Fee is calculated and this is consistent with the time period 2016-2022 which correlates with the Planning Board's recent adoption of the Town's Updated Capital Improvement Program (FY 2016-2022) as well as the six-year time period in which the Town of Chester must spend the collected fees. Other additional key data and variables developed for this impact fee include:

- Housing Units (single-family, duplex, multi-family and mobile home, etc.)
- 2015 Population, Office of Energy and Planning Estimate - 4,887
- 2014 NH Employment Security Average Annual Employment Estimates, Public (150) and Private Jobs (197) – Total 347
- Building Square Feet – Town of Chester Tax Assessor Records
- Building Values – Town of Chester Insurance Policies (Replacement Values)

Table 1: Summary of Municipal Buildings Facility Inventory, Town of Chester

Facility	Year Built	Building Square Feet	Acreage	Building Value***	Land Value	Total Value
Town Hall	1975	33,526	13.41	\$6,831,000	\$479,800	\$7,310,800
Post Office Building	1860	5,814	1.04	\$1,158,000	\$78,450	\$1,236,450
Stevens Hall	1909	5,725	1.03	\$1,771,000	\$156,700	\$1,927,700
Municipal Transfer Station*	1997	3,430	37.23	\$316,999	\$238,400	\$555,399
Salt Shed & Highway Garage	2016	8,840	14.51	\$468,000	\$140,400	\$608,400
Total All Buildings		57,335	67.22	\$10,544,999	\$1,093,350	\$22,669,098
Unit Cost**				\$184.56	\$16,265	

*Note: Transfer Station includes 2 swap shop buildings and an oil storage garage

**Note: Total Building and Land Value divided by Total Building Square Footage and Acreage, respectively

***Building Value reflects replacement value per Town insurance policies

Source: Town of Chester Finance and Assessor Records

G. Proportionate Share Factors

The proportionate share factors shown in following Figures 3 and 4 are used to allocate capital costs to residential and nonresidential development within the community. Functional population is similar to what the U.S. Census Bureau calls “daytime population” by accounting for people living and working in a jurisdiction.

In addition to the Census Bureau definition of functional population, there are weighting factors which are used in this impact fee to account for time spent at either residential or nonresidential development within the community. These weighting factors are provided in Figures 3 and 4 under Demand Hours/Day and are used as part of the Inflow/Outflow Analysis included in Figures 1 and 2.

Residents who do not work, as determined by NH Employment Security in the Inflow/Outflow Analysis are assigned 20 hours per day to residential development and 4 hours per day to nonresidential development (annualized averages).

Residents who work in Chester are assigned 14 hours to residential development and 10 hours to nonresidential development. Residents who work outside of Chester are assigned 14 hours to residential development. Inflow commuters are assigned 10 hours to nonresidential development. Based on Chester’s 2015 functional population (see Figure 3), the cost allocation for residential development is **96.7** percent while nonresidential development (see Figure 4) accounts for **3.2** percent of the demand for municipal facility infrastructure.

Figure 3: Residential Proportionate Share Factors for Municipal Buildings Impact Fee

Residential	Demand Units in 2014	Demand Hours/Day	Person Hours
Functional Population (2014 OEP Estimate)	4,818		
2.5% Residents Not Working	121	20	96,360
55% Residents Working	2,669		
2.9% Residents Work in Town	144	14	2,016
54% Residents Work Outside of Town	2,637	14	36,918
Residential Subtotals			135,294
Residential Share			96.7%

Source: NH Employment Security, 2014 Data, Office of Energy & Planning and US Census

**Figure 4: Nonresidential Proportionate Share Factors for Municipal Buildings
Impact Fee**

Nonresidential	Demand Units in 2014	Demand Hours/Day	Person Hours
Functional Population (2014 OEP Estimate) -	4,818		
2.5% Residents Not Working	121	4	484
Jobs Located in Chester	347		
2.9% Residents Working in Town	144	10	1,440
5.3% Nonresident Workers (Inflow Commuters)	255	10	2,550
Nonresidential Subtotal			4,474
Nonresidential Share			3.2%
TOTAL Residential and Nonresidential Person Hours			139,768

Source: NH Employment Security, 2014 Data, Office of Energy & Planning and US Census

H. Municipal Buildings Facility LOS Component and Cost Factors

The first step in the impact fee methodology is to determine the current Level of Service (LOS) being provided to existing development. The second step involves determining the cost per person and cost per job in providing this LOS.

Table 1 lists the current inventory of municipal government building space in the Town of Chester. As shown the Town currently utilizes municipal building facilities space totaling **57,335** square feet, including space that is owned and leased by the Town of Chester. Of that amount all 57,335 square feet is owned by the Town.

Level of service (square feet per demand unit) for residential and nonresidential is calculated by multiplying total square footage by proportionate share from Figures 3 and 4 then dividing by applicable demand units. For Municipal Building facilities, levels of service are:

- Residential: $57,335 \text{ sq.} \times 96.7\% \text{ proportionate share} / 4,887 \text{ (2015) population} \times .100 = \mathbf{1.13 \text{ sq.ft. per capita}}$
- Nonresidential: $57,335 \text{ sq.ft.} \times 3.2\% \text{ proportionate share} / 347 \text{ total number of jobs (2015)} \times .100 = \mathbf{5.29 \text{ sq.ft. per job}}$

The third step in the methodology is to estimate the current replacement value of Municipal Buildings by applying Town of Chester's 2015 insurance policies and property tax records. To reflect total replacement costs for Municipal Building facilities the Town's CIP is also used to include planned facility expansion and construction projects.

According to the information provided by the Town of Chester, Municipal Buildings facilities space has a total replacement value of approximately \$10,544,999. The Town's Updated CIP (2016-2022) includes the addition of a Sally Port to the Town Hall at an estimated cost of \$692,000, including \$200,000 for parking lot expansion, repaving and drainage improvements, plus soft costs of approximately \$267,600 for a total cost of \$1,159,600. "Soft costs" are included to reflect costs for predevelopment, site improvements and other nonconstruction related costs.

The CIP also includes \$75,000 planned for expansion, repaving and drainage improvements to the parking lot at Stevens Hall and \$700,000 for an expansion planned to the Town Highway Garage. Soft costs for these projects are estimated at \$22,500 and \$210,000 respectively. No improvements are planned to the Post Office and Transfer Station Buildings at this time. The total CIP planned facility improvements including construction and soft costs are \$2,167,100.

As shown in Table 3, the average replacement cost per square foot is \$222 resulting in a cost per person of \$271 (\$222 sq.ft. x \$1.13 = **\$251**) and a cost per job of \$ (\$5.29 sq.ft. per job x \$271 = **\$1,434**). See following Table 3.

Table 3: Municipal Buildings Facilities Level of Services and Cost Factors

Buildings	Total Building Square Feet*	Current Replacement Cost**	Planned CIP Construction and Soft Costs***	Total Cost	Cost/SF****
Town Hall	33,526	\$6,831,000	\$1,159,600	\$7,990,600	\$238
Post Office Building	5,814	\$1,158,000	\$0	\$1,158,000	\$199
Stevens Hall	5,725	\$1,771,000	\$97,500	\$1,868,500	\$326
Municipal Transfer Station	3,430	\$316,999	\$0	\$316,999	\$92
Salt Shed/Highway Garage	8,840	\$468,000	\$910,000	\$1,378,000	\$156
TOTAL	57,335	\$10,544,999	\$2,167,100	\$12,712,099	\$222

Cost Per Square Foot = **\$222**

Based on Total Building Space Town Owned and Leased

	Proportionate Share	2015 Demand Units	LOS: Sq. Ft. per Demand Unit	Cost per Demand Unit
Residential	96.7%	4,887 Population	1.13	\$251
Nonresidential	3.2%	347 Jobs	5.29	\$1,434

*Building square footage (Town of Chester, tax assessment records)

**Current Replacement Costs based on Building Values in Town Insurance Policies



*** Soft Costs estimated at 30 percent of construction costs per Town of Chester planned facility improvements

****Average cost per square feet is average of Town owned facilities

Source: Town of Chester 2016-2022 CIP and Department Records

I. Credit Evaluation

The Town of Chester does not have any outstanding property tax-backed debt for municipal building facility improvements included in this impact fee calculation, therefore no credit is included.

J. Residential Impact Fees for Municipal Building Facilities

Table 4 provides the schedule of residential impact fees by housing unit type for residential development. Capital cost per person, multiplied by persons per housing unit by size of housing unit, yields the residential impact fee schedule for municipal buildings.

Table 4: Residential Impact Fees for Municipal Building Facilities

Level of Service	Factors Per Person
Municipal Buildings Facility Cost	\$251
Debt Service Cost	\$0
Net Capital Cost	\$251

Housing Unit Type	Development Unit	Persons Per Housing Unit (2015)*	Net Capital Cost per Person	Impact Fee Per Housing Type
Single Family Detached	Dwelling Unit	2.77	\$251	\$695
Duplex (2 Attached Units)	Dwelling Unit	3.1	\$251	\$778
Multi-Family (3+ Units)	Dwelling Unit	1.8	\$251	\$452
Condo/Townhouse Unit	Dwelling Unit	2.4	\$251	\$602
Mobile Home	Dwelling Unit	1.8	\$251	\$452
Apartment Unit in Mixed Use Building	Dwelling Unit	3.8	\$251	\$954

*Note: Total Estimated 2015 Housing Units, Population and Average Persons per Housing Unit by Housing Unit Type was obtained from the 2014 Annual Inventory Forms (PA-24) documenting household population and size and Town Assessing Records. The estimated average person per housing unit for single-family housing is from the 2010 US Census.

Source: Town of Chester, Assessing and Planning Departments & SNHPC

K. Nonresidential Impact Fees for Municipal Building Facilities

Table 5 provides the schedule of nonresidential impact fees by square foot and type of land use. Capital cost per job, multiplied by type of employment industry and square feet of floor area yields the nonresidential impact fee schedule for municipal buildings.

Table 5: Nonresidential Impact Fees for Municipal Building Facilities

Level of Service	Factors Per Employee
Municipal Buildings Facility Cost	\$1,434
Debt Service Cost	\$0
Net Capital Cost	\$1,434

Type of Land Use	Development Unit	Jobs per Development Unit*	Net Capital Cost per Person	Impact Fee per Development Unit
Construction	Sq. of Floor Area	.00041	\$1,434	\$0.58
Wholesale Trade	Sq.Ft. of Floor Area	.00013	\$1,434	\$0.19
Transportation & Warehousing	Sq.Ft. of Floor Area	.00012	\$1,434	\$0.17
Professional & Technical Services	Sq.Ft. of Floor Area	.00033	\$1,434	\$0.47
Educational Services	Sq.Ft. of Floor Area	.0006	\$1,434	\$0.86
Other Services, except Public Administration	Sq.Ft. of Floor Area	.00013	\$1,434	\$0.18
Accommodation, Lodging & Food Services	Sq.Ft of Floor Area Bed or Room	.00028 0.28	\$1,434 \$1,434	\$0.40 \$402

*Note: Jobs per Development equals annual average employment divided by 100,000

Source: SNHPC & NH Employment Security Rockingham County Cities/Towns – Annual Average Employment 2014

L. Additional Administrative Considerations

The residential impact fee schedule identified in Table 4 is applied by type of structure, to any new construction or conversion activity that results in a net increase in the number of dwelling units within the community. The nonresidential impact fee schedule identified in Table 5 is applied by number of jobs per type of employment industry by square feet of floor area.

Impact Fee Waiver Provisions

Waiver provisions for the assessment of impact fees are currently set forth within the Town of Chester Zoning Ordinance, Article 14, Fair Share Contribution regulations.

Conversions and Additions

In cases where a conversion or addition to a structure changes the number of dwelling units within the structure to a new classification of dwelling unit, the impact fee may be computed by calculating the impact fee for the new use and number of units, and subtracting the fee that would have applied to the existing development if it were new.

For example, if a single family home were converted to a duplex:

$$\begin{array}{rcl} \text{Impact Fee for Duplex dwelling unit: 2 units @ \$778} & = & \$778 \\ \text{Less schedule amount for Single-Family unit} & & \underline{(\$695)} \\ & & \$83 \end{array}$$

In the above example, the net positive difference of \$83 represents the value of the net impact created by the change in use from a single-family home to a duplex, two-family or multi-family unit. By applying this procedure, the baseline impact already present in the form of an existing single family home is taken into account. The conversion is then assessed only for the incremental impact generated by the change. In order to address these and other similar types of conversions and additions, the Town of Chester building and/or planning department should be responsible for working with the fee-payer at the time of building permit.

Updating the Fee Schedule

The impact fee methodology has been designed to allow for future updates or modification of the underlying assumptions. Periodically, the variables in the impact fee model can be updated based on new information and documentation to produce revised impact fee amounts. Updates to the fee schedule using the methodology described in this report should be made after consideration of all of the variables involved, as some of these elements are interdependent. The impact fee ordinance should include policies that address the frequency and procedures for adopting updated calculations and fee schedules.

Assessment/Collection of the Impact Fees

Chester's Municipal Building Impact Fees represent a ***one-time charge*** collected at the point where new residential dwelling units or new nonresidential development units are to be authorized by building permit. As such, this methodology recognizes each new dwelling unit or new nonresidential development unit as a permanent addition to the base of demand placed on Chester's municipal building level of service and capacity, and

recognizes that the use and need for facility improvements may vary by type of dwelling unit and nonresidential use within the community.

These requirements, however, do not prevent the Town of Chester and the assessed party from establishing an alternate, mutually acceptable schedule of payment of impact fees in effect at the time of subdivision plat or site plan approval by the planning board. If an alternative schedule of payment is established, the Town of Chester may require developers to post bonds, issue letters of credit, accept liens, or otherwise provide suitable measures of security so as to guarantee future payment of the assessed impact fees in accordance with RSA 674:21.

The actual implementation of this impact fee methodology and the resulting fee schedule developed herein are subject to the Town of Chester's current "fair share" or impact fee ordinance (Article 14, Town of Chester Zoning Ordinance). While this methodology establishes a rational basis for determining proportionate dollar amounts for impact fees that could be assessed for municipal buildings under the provisions of Chester's ordinance, the impact fees to be assessed and collected as a result of this report must be implemented primarily to ensure that adequate public facilities remain available to accommodate new growth and to obtain more of the revenues needed for such facilities at the time new development takes place.

More importantly, it is advisable the Town of Chester Planning Board continue to update the Town's capital facilities improvement program (CIP) on an annual basis to ensure that the impact fees collected through adoption of this impact fee schedule are spent by the Town within six years of collection and that the municipal building facilities outlined in the CIP remain consistent with the funding appropriated for them.

It is critical to remember that all impact fees assessed and collected by the Town of Chester must be spent within six years, otherwise the Town is legally bound under RSA 674:21 V (e) to refund the fees with any accrued interest.