

***Town of Chester  
New Hampshire***

***Municipal Offices Impact Fee***

Prepared for  
**Planning Board**  
**Town of Chester, New Hampshire**

Prepared with the assistance of the  
**Southern New Hampshire Planning Commission**

**FINAL DRAFT**

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# **Town of Chester Municipal Offices Impact Fee**

## **A. Purpose of Report**

This report provides a basis for the Town of Chester to update its impact fee for municipal office facilities, which is assessed to new development within the community. The procedures for impact fee assessment are detailed in Article 14 (Fair Share Contribution) of the Town of Chester Zoning Ordinance and the State of New Hampshire Revised Statutes Annotated (RSA) 674:21, V. The amount of the Municipal Offices Impact Fee for facility improvements is based on the methodology and impact fee schedule detailed in this report, which documents 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 defined in RSA 674:21, V, an impact fee is *“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, which is intended to offset the proportional impact of that new development on the costs borne by local government to provide public capital facilities. Under the provisions of RSA 674:21, V., *“municipal office facilities”* are eligible for impact fee assessment.

In accordance with RSA 674:21, V(b), in order for a municipality to adopt an impact fee ordinance, it must have enacted a capital improvements program pursuant to the requirements of RSA 674:5-7. On December 15, 2021, the Town of Chester Planning Board adopted an updated Capital Improvements Program (CIP) for 2022-2029.

The provisions of RSA 674:21, V(c) require that impact fees must be *“accounted for separately, segregated from the municipality’s general fund, [and] may be spent upon order of the municipal governing body.”* In addition, impact fee revenue is *“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 for the costs of upgrading or maintaining existing facilities and infrastructure if those needs were not explicitly necessitated by new development.

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.”* It shall be the Town of Chester’s responsibility to ensure that this annual reporting occurs in accordance with this legislative requirement.

## **C. Methodology and Approach**

There are 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 they 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 development-related capital improvements and allocating these costs equitably to various types of development. However, the calculation of impact fees can be complex because of the many variables involved in defining the relationship between development and the need for the facilities. This report details the public need for municipal office facility improvements resulting from new development within the Town of Chester.

The methodology used in calculating the Town of Chester's Municipal Offices impact fees involves the following seven steps:

1. Compiling an inventory of municipal office facilities in the Town of Chester and determining the Maximum Service Population of the municipal office facilities;
2. Defining historical and projected population and employment growth in the Town of Chester;
3. Calculating the proportionate share factors for residential and non-residential demand for municipal office space in the Town of Chester;
4. Determining the total capital investment in municipal offices in the Town of Chester;
5. Detailing the Town standards for municipal office space based on the future service population and employment;
6. Calculating the cost/unit for municipal office facility needs attributable to new residential and non-residential development in the Town of Chester; and
7. Translating the unit costs for municipal office facility needs into residential and non-residential municipal office impact fees.

## **D. Properties Benefitting from Impact Fees**

The Town of Chester Municipal Complex supports all of the Town's municipal office space. This space provides all residents, workers, and visitors with the benefit of municipal government services. As such, both residential and non-residential land uses within the community directly benefit from these facilities and the services that these facilities enable.

## **E. Schedule of Municipal Offices Impact Fees**

Figure 1 and Figure 2 set forth the schedule for the assessment of Municipal Offices impact fees for the Town of Chester for new residential and new nonresidential development, respectively.

For new residential uses, the fees are assessed on a dwelling unit basis. For new nonresidential uses, the fees are assessed based on industry type and square footage of building area.

The Town of Chester may adopt Municipal Offices impact fees that are less than the amounts provided in Figures 1 and 2. However, 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 service standards to address the needs for such capital facilities.

***Figure 1: Municipal Offices Impact Fee Schedule (Residential)***

<b>Housing Type</b>	<b>Impact Fee (per Dwelling Unit)</b>
Single Family Detached	<b>\$693</b>
Duplex	<b>\$573</b>
Multi-Family (3+ Units)	<b>\$462</b>
Manufactured Housing	<b>\$535</b>

***Figure 2: Municipal Offices Impact Fee Schedule (Nonresidential)***

<b>Nonresidential Development Type</b>	<b>Impact Fee (per SF)</b>
General Retail	<b>\$0.39</b>
Restaurants/Food Service	<b>\$0.99</b>
Office	<b>\$0.93</b>
Educational Services	<b>\$0.36</b>
Industrial, Warehousing, and Distribution	<b>\$0.21</b>
Lodging and Accommodation	<b>\$0.21</b>
Health Care	<b>\$0.79</b>
Religious Worship	<b>\$0.17</b>
Other Services (except Public Administration)	<b>\$0.35</b>

It is recommended that the schedule of Municipal Offices impact fees as shown in Figures 1 and 2 be reviewed and adjusted as necessary by the Chester Planning Board every three (3) years.

## F. Chester Municipal Office Facilities Data and Determination of Maximum Service Capacity

Figure 3A provides a summary of the Town of Chester's municipal office facility inventory and the current value (replacement value) of municipal office facilities. As presented, the inventory includes a total of **10,592** square feet of municipal office space. The value of municipal office facilities is estimated based on current insurance valuations.

**Figure 3A: Town of Chester Municipal Offices Inventory**

Facility	Parcel Number	Year Built	Total Building SF <sup>1</sup>	Building SF Allocated to Municipal Offices <sup>2</sup>	Building Value <sup>3</sup>	Value of Municipal Offices <sup>4</sup>
Town Municipal Complex	5-12	1975	33,154	10,592	\$6,776,000	\$2,164,788
<b>Total</b>			<b>33,154</b>	<b>10,592</b>	<b>\$6,776,000</b>	<b>\$2,164,788</b>

### **Notes/Sources:**

- 1) *Total Building SF* is based on "Gross Living Area" in Town assessing records.
- 2) *Building SF Allocated to Municipal Offices* includes the following: Town Clerk/Tax Collector Office, Selectboard Administrative Office, Town Administrator Office, Assessing Department Office, Building Inspector/Code Enforcement Office, Finance Department Office, Planning Board Office, Zoning Board of Adjustment Office, Supervisors of the Checklist Office, Building Maintenance Department, Main Meeting Room, Secondary Meeting Room, and related circulation space.
- 3) *Building Value* reflects building replacement value per Town insurance policies.
- 4) The *Value of Municipal Offices* is calculated as the *Building Value* multiplied by the proportional share of municipal office square footage to total building square footage.

Currently, this 10,592 SF of municipal office space serves 14 employees and a municipal population of 5,232 as detailed in Section G below. This space has the potential serve a larger population in the future as the Town of Chester grows. From this data, the maximum service population for the Town's existing municipal office space can be estimated as detailed in Figure 3B below.

**Figure 3B: Maximum Service Population of Existing Municipal Offices in the Town of Chester**

Facility	Municipal Office SF (Current)	Town Population (Current)	Town Employees Working in Office Space (Current)	Estimated Max. Staffing Capacity of Existing Office Space <sup>1</sup>	Estimated Max. Service Pop. of Existing Office Space
Town Municipal Complex	10,592	5,232	14	21	7,792

### **Notes/Sources:**

- 1) Based on 508 SF office space/per employee as determined in the U.S. Energy Information Administration's 2018 Commercial Building Energy Consumption Survey.
- 2) The estimated maximum staffing capacity assumes that the current ratio of municipal office employees per 1,000 population remains constant.

Based on the analysis detailed in Figure 3B above, it is estimated that the Town's current municipal office space of 10,592 SF could accommodate a maximum service population of 7,792.

## G. Town of Chester Growth Trends and Projections

The Town of Chester has experienced substantial population growth from the post-World War II period to the present. In the 50-year period from 1960 to 2010, the Town more than quadrupled in population from 1,053 residents in 1960 to 4,768 in 2010. While the Town continues to attract in-migration as a driver of population growth, this is partially offset by the natural decline of the aging population. As shown in Figure 4 below, based on projections developed by the NH Office of Strategic Initiatives (now known as the NH Office of Planning and Development), the Town of Chester is projected to grow from a population 5,232 in 2020 to a population of 5,660 in 2030 with a maximum service population for municipal office facilities of 7,792 (as detailed in Figure 3B above).

The Town of Chester is situated within the Southern New Hampshire Planning Commission (SNHPC) region. The New Hampshire Employment Security Department (NHES) provides employment projections at the statewide, county, and regional planning commission level. The projections provided at the regional planning commission level provide the most granularity. Over the coming ten-year period, NHES projects that employment in the SNHPC region will increase of 7.4%. It is assumed that employment growth in the Town of Chester will mirror the SNHPC region as a whole and that the ratio of population to employment in the Town of Chester will remain steady as the maximum service population and employment for municipal office facilities is reached.

**Figure 4: Town of Chester Growth Projections**

Population	Historical Data <sup>1</sup>			Projections <sup>2</sup>	
	2000	2010	2020	2030	Maximum Service Population
Population (Town of Chester)	3,792	4,768	5,232	5,660	7,792

Employment	Historical Data <sup>3</sup>			Projection <sup>3</sup>	
	2000	2010	2020	2030	Maximum Service Employment
Employment (Town of Chester)	N/A	N/A	408	438	608

### **Notes/Sources:**

- 1) Historical population data based on U.S. Census figures.
  - 2) Population projections for the Town of Chester based on NH Office of Strategic Initiatives projection.
  - 3) Employment projections for the SNHPC region based on NH Employment Security projections.
- Employment growth in the Town of Chester is assumed to be in line with the SNHPC region as a whole.

## H. Residential and Non-residential Proportionate Share Factors

The proportionate share factors shown in Figure 5 are used to allocate municipal office facility costs to residential and nonresidential development within the community. This analysis is based on functional population, which is similar to what the U.S. Census Bureau calls “daytime population” by accounting for people living and working in a jurisdiction. To estimate the proportional share based on functional

population, there are factors which are used in this impact fee analysis to account for time spent at either residential or nonresidential development within the community as follows:

- Residents who are not participating in the labor force (e.g. retired, etc.) and unemployed residents are assigned 20 hours per day to residential development and 4 hours per day to nonresidential development (annualized averages).
- Employed residents (including those who work in the Town of Chester and those who work outside of the Town of Chester) are assigned 14 hours to residential development and 10 hours to nonresidential development.
- Nonresident workers are assigned 10 hours to nonresidential development.

Based on the Town of Chester's estimated population of 5,232 persons and the analysis presented in Figure 5, proportional share allocation for residential development is **86.67%** while nonresidential development accounts for **13.33%** percent of the demand for municipal office facilities.

***Figure 5: Proportionate Share Factors for Municipal Offices Impact Fee***

Town of Chester Proportionate Share Analysis			
Town Population (Total) <sup>1</sup>	5,232		
Residential Proportionate Share Analysis	Population	Residential Demand (Hours/Day)	Residential Person Hours (Townwide/Day)
Residents Employed in Chester <sup>2</sup>	121	14	1,694
Residents Employed Outside of Chester <sup>2</sup>	2,775	14	38,850
Unemployed Residents <sup>3</sup>	345	20	6,906
Residents Not Participating in Labor Force	1,991	20	39,814
Residential Person Hours (Subtotal)			87,264
Nonresidential Proportionate Share Analysis	Population	Nonresidential Demand (Hours/Day)	Nonresidential Person Hours (Townwide/Day)
Residents Employed in Chester <sup>2</sup>	121	10	1,210
Unemployed Residents <sup>3</sup>	345	4	1,381
Residents Not Participating in Labor Force	1,991	4	7,963
Nonresident Workers (Inflow Commuters) <sup>2</sup>	287	10	2,870
Nonresidential Person Hours (Subtotal)			13,424
<b>Total Residential + Nonresidential Person Hours</b>			<b>100,688</b>
<b>Residential Proportional Share</b>			<b>86.67%</b>
<b>Nonresidential Proportional Share</b>			<b>13.33%</b>

**Notes/Sources:**

1) Based on the 2020 U.S. Census.

2) Based on U.S. Census Longitudinal Employer-Household Dynamics data.

3) Annual average unemployment for 2020 (6.6%) as reported by NH Employment Security.

## I. Capital Investment in Municipal Offices

As shown in Figure 6, the average cost per square foot for municipal offices in the Town of Chester is calculated to be \$204/SF.

***Figure 6: Town of Chester Capital Investment in Municipal Offices***

Facility	Building SF Allocated to Municipal Offices	Value of Municipal Offices	Total Cost	Cost/SF
Town Municipal Complex	10,592	\$2,164,788	\$2,164,788	\$204
<b>Total</b>	<b>10,592</b>	<b>\$2,164,788</b>	<b>\$2,164,788</b>	<b>\$204</b>

## J. Service Standard for Municipal Offices

A central component of this impact fee methodology is defining the Town's service standard for municipal office facilities. As detailed in Section F, it is anticipated that the Town's existing municipal office space can accommodate the estimated future service population of 7,792. Accordingly, this impact fee is based on recouping new development's proportionate share of the Town's total capital investment in municipal offices. The Town of Chester municipal offices service standards are presented in Figure 7A below.

***Figure 7A: Town of Chester Municipal Offices Service Standards***

	Proportionate Service Demand	Demand on Municipal Office Space (SF)	Future Service Population and Employment <sup>1,2</sup>	Units	Service Standard (SF/Unit)
Residential	86.67%	9,180	7,792	Person	1.18
Nonresidential	13.33%	1,412	608	Job	2.32
<b>Total</b>	<b>100%</b>	<b>10,592</b>			

### **Notes/Sources:**

- 1) Future service population of 7,792 as presented in Figure 3B of this report.
- 2) It is assumed that the ratio of population to employment in the Town of Chester will remain steady as the maximum service population and employment for municipal office facilities is reached.

The preceding items calculated in this report are used to determine the Cost/Unit for municipal offices attributable to new development in the Town of Chester. Specifically, the Service Standard (Figure 7A) is multiplied by the Cost/SF for municipal offices (Figure 6) to determine the Cost/Unit for new development in each category. This calculation is presented in Figure 7B below.

***Figure 7B: Determination of Municipal Offices Cost/Unit Attributable to New Development***

	Units	Service Standard (SF/Unit)	Cost/SF for Municipal Offices	Cost/Unit for New Development
Residential	Person	1.18	\$204	\$240.78
Nonresidential	Job	2.32	\$204	\$474.98



## K. Credit Evaluation

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

## L. Residential Impact Fees for Municipal Office Facilities

Figure 8 provides the schedule of impact fees by housing unit type for residential development based on the capital cost per person for municipal offices (Figure 7B) multiplied by persons per housing unit.

***Figure 8: Residential Impact Fees for Municipal Office Facilities***

Housing Type	Development Unit	Estimated Number of Persons/Unit	Cost/Person	Impact Fee (per Dwelling Unit)
Single Family Detached	Dwelling Unit	2.88	\$240.78	<b>\$693</b>
Duplex	Dwelling Unit	2.38	\$240.78	<b>\$573</b>
Multi-Family (3+ Units)	Dwelling Unit	1.92	\$240.78	<b>\$462</b>
Manufactured Housing	Dwelling Unit	2.22	\$240.78	<b>\$535</b>

### **Notes/Sources:**

1) Derived from 2020 U.S. Census and 2016-2020 American Community Survey 5-year data.

## M. Nonresidential Impact Fees for Municipal Office Facilities

Figure 9 provides the schedule of nonresidential impact fees by square foot. The fees are based on capital cost per job for municipal offices (Figure 7B) multiplied by a factor of jobs/SF for each type of nonresidential land use.

***Figure 9: Nonresidential Impact Fees for Municipal Office Facilities***

Nonresidential Development Type	Development Unit	Average SF/Job	Average Jobs/SF	Cost/Job	Impact Fee (per SF)
General Retail	SF	1,211	0.0008	\$474.98	<b>\$0.39</b>
Restaurants/Food Service	SF	479	0.0021	\$474.98	<b>\$0.99</b>
Office	SF	508	0.0020	\$474.98	<b>\$0.93</b>
Educational Services	SF	1,319	0.0008	\$474.98	<b>\$0.36</b>
Industrial, Warehousing, and Distribution	SF	2,214	0.0005	\$474.98	<b>\$0.21</b>
Lodging and Accommodation	SF	2,291	0.0004	\$474.98	<b>\$0.21</b>
Health Care	SF	603	0.0017	\$474.98	<b>\$0.79</b>
Religious Worship	SF	2,767	0.0004	\$474.98	<b>\$0.17</b>
Other Services (except Public Administration)	SF	1,351	0.0007	\$474.98	<b>\$0.35</b>

### **Notes/Sources:**

1) Based on mean square feet per worker by industry as determined in the U.S. Energy Information Administration's 2018 Commercial Building Energy Consumption Survey.

## N. Additional Administrative Considerations

The residential impact fee schedule presented herein 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 Town of Chester. The nonresidential impact fee schedule presented herein is applied to new/increased square footage in floor area by nonresidential development type.

### 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 housing type classification, 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 detached home were converted to a duplex:

$$\begin{array}{rcl} \text{Impact Fee for Duplex housing type (2 units @ \$573)} & = & \$ 1,146 \\ \text{Less Impact Fee amount for Single-Family unit} & = & (\$ 693) \\ & & \$ 453 \end{array}$$

By applying this procedure, the baseline impact already present in the form of an existing single-family home is considered. 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 will be responsible for working with the fee-payer during the building permit process.

### Updating the Fee Schedule

The impact fee methodology has been designed to allow for future updates or modification of the underlying assumptions. It is recommended that the variables in the impact fee model be updated based on new information and documentation to produce revised impact fee amounts every three (3) years. 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.

### Assessment/Collection of the Impact Fees

The Town of Chester's Municipal Offices impact fees represent a *one-time charge* collected at the point where new residential dwelling units or new nonresidential square footage is authorized by building permit. As such, this methodology recognizes each new dwelling unit or new nonresidential square footage as a permanent addition to the base of demand placed on the Town of Chester's municipal office facilities, 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 Town of Chester 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 Contribution ordinance (Article 14 of the 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 office facilities, the impact fees to be assessed and collected must be implemented primarily to ensure that adequate public facilities remain available to accommodate new development and to secure more of the revenues needed for such facilities at the time new development takes place.

Additionally, the Town of Chester Planning Board should continue to update the municipal Capital Improvements Program (CIP) on an annual basis to ensure that the revenues collected through adoption of this impact fee schedule are spent by the town within six years of collection and that the municipal office facility needs outlined in the CIP remain consistent with the funding appropriated for them.

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.

## **O. References and Acknowledgements**

The following reference sources contributed to the development of this document.

- *Town of Chester Municipal Buildings Impact Fee* prepared by the Southern New Hampshire Planning Commission, October 2016.
- *Impact Fee Development – A Handbook for NH Communities* prepared by the Southern New Hampshire Planning Commission, 1999.

Additionally, the Southern New Hampshire Planning Commission recognizes the work of Bruce Mayberry of BCM Planning, LLC in Yarmouth, Maine. Mr. Mayberry's work on the development of impact fee methodologies has influenced not only the development of this document, but similar efforts for communities around Northern New England.