

# **CITY OF THREE FORKS, MONTANA**

## **RESOLUTION 436 -2025**

### **ADOPTING THE REVISED IMPACT FEE SCHEDULE RECOMMENDED BY THE IMPACT FEE ADVISORY COMMITTEE, AS PROVIDED BY 3-6-11 OF THREE FORKS MUNICIPAL CODE**

WHEREAS, the City of Three Forks first adopted a Capital Improvements Plan (CIP) in 2006, then adopted Impact Fees based on the projects within that document.

WHEREAS, the City Council spent 2022 and 2023 working with its engineers and consultants to prepare a detailed and comprehensive update to the CIP. That new CIP adopted August 13, 2024 via Resolution #427-2024.

WHEREAS, §7-6-1604, MCA requires the City to establish an Impact Fee Advisory Committee (IFAC) to review its Capital Improvements Plan, then calculate, assess, and recommend impact fees to help fund municipal infrastructure necessitated by growth. (Letter from IFAC labeled Exhibit A.)

WHEREAS, the Council appointed volunteers to the IFAC in September 2023. The Committee stayed apprised of all drafts and updates to the CIP and held meetings on January 24, March 12, September 18, October 16, November 20, 2024, to discuss the service area reports being prepared for each facility.

WHEREAS, §7-6-1602, MCA authorizes the governing body to impose impact fees that are valid for up to five years based on service area reports. The IFAC determined there was supporting evidence to adopt new service area reports and impact fees for Water, Wastewater, Fire Protection, Transportation, and Municipal Buildings.

WHEREAS, on December 10, 2024, the IFAC sent its recommendations to the City Council, Mayor, and public for review.

WHEREAS, a City Council's public hearing on the IFAC's recommendations was set for January 28, 2025 at which the Council indicated it would support for the IFAC recommendation to moderate the transportation. That hearing was continued until February 11, 2025, due to issues with the hearing notice and the need for additional discussion.

WHEREAS, at the February 11, 2025, public hearing the City Attorney advised the Council not to adopt the proposed large-scale commercial development recommended in the service area reports and instead to ask the Impact Fee Advisory Committee to review and revise that part of its recommendations.

WHEREAS, the Impact Fee Advisory Committee met again on March 4, 2025 (Exhibit B), and recommended replacing the provisions for large-scale commercial development with impact fees for larger projects being based on water meter size and the number of parking spaces proposed.

WHEREAS, pursuant to §7-1-4131, MCA all meetings were open to the public and advertised on the City's website, Facebook page, and around town at physical locations as is City policy.

WHEREAS, in accordance with §7-1-4127, MCA this resolution's public hearing was published in the Bozeman Daily Chronicle on January 15 and 18, 2025; in the Belgrade News on January 9, 2025; and in the Three Forks Voice on January 15 and 22, 2025, as well as posted on the City website, City Facebook page, and around town at various physical locations. Due to the continuation of this hearing,

## CITY OF THREE FORKS, MONTANA

this public hearing was published again in the Bozeman Daily Chronicle on 5/24; in the Belgrade News on 5/29; and in the Three Forks Voice on 5/28 and 6/4/2025, as well as posted on the City's website and Facebook pages and around town as is City policy.

**NOW, THEREFORE BE IT RESOLVED** by the Three Forks City Council that it has reviewed the recommended Impact Fees for Water, Wastewater, Fire Protection, Transportation, and Municipal Buildings provided by the Impact Fee Advisory Committee on March 4, 2025, and hereby adopts the updated recommended fees in Table 2 of the Service Area Reports dated April 2025 (labeled Exhibit C).

**NOW, THEREFORE BE IT ALSO RESOLVED** that all the impact fees (Water, Wastewater, Transportation, Municipal Buildings, Fire Protection and Southeast Residential) are effective as of this date and will remain in effect until the next revision and update is complete and a new resolution supersedes this one.

Dated this 10<sup>th</sup> day of June 2025.

CITY OF THREE FORKS

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Randy Johnston, Mayor

ATTESTED:

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Crystal Turner, City Clerk

# Exhibit A



**City of Three Forks**  
**PO Box 187**  
**Three Forks, MT 59752**  
**Phone (406) 285-3431**  
[www.threeforksmontana.us](http://www.threeforksmontana.us)



April 15, 2025

Mayor & City Council  
City of Three Forks

Greetings:

The Impact Fee Advisory Committee you appointed on September 12, 2023, has completed its work, which consisted of the meetings listed below, as well as our individual review of the materials provided to us and communications with the city's staff and planning consultants:

- January 24, 2024
- March 12, 2024
- September 18, 2024
- October 16, 2024
- November 20, 2024
- March 4, 2025

Based on our discussions, we recommend that the City adopt the fees in Table 2 of the April 2025 edition of the service area reports prepared by its planning consultants with our input, as well as the contributions of the staff and engineering consultants. Our recommendations are given and explained at the end of the *Service Area Reports and Impact Fee Advisory Committee Recommendations* document enclosed herein.

We believe that the recommended impact fees are as accurate and as fair as possible given our current understanding of Three Forks' anticipated growth and the infrastructure that will be needed to serve future residents.

We will be happy to discuss our recommendations with you. We appreciate this opportunity to serve the community.

**Three Forks Impact Fee Advisory Committee,**

Alex Blackburn

Aly Fendler

Mike Stenberg

Christina Cavanaugh

Kelly Smith

# Exhibit B



**City of Three Forks**  
**PO Box 187**  
**Three Forks, MT 59752**  
**Phone/Fax (406) 285-3431**



## MEETING MINUTES

DATE: 3/4/2025 TIME: 9:05AM

REASON for MEETING / COMMITTEE NAME: Impact Fee Advisory Committee

ATTENDANCE: Present at the Library were Kelly Smith and City Attorney Susan Swimley, Mayor Randy Johnston, and Chairman Alex Blackburn; present via Zoom were: Impact Fee consultant Lee Nellis, Committee members Mike Stenberg, Christina Cavanaugh, Aly Fendler (zoomed in about 9:08). Randy Carpenter was excused. Notes were taken by Kelly Smith during the meeting and compiled as minutes by Crystal Turner afterwards.

DISCUSSION: Susan called the meeting to order, saying she appreciated the Committee meeting again as it was her request to do so. She also thanked the members for their time thus far. "My concern is with the *large scale commercial development* because it was left without a recommendation as to how to charge for it. I know we are not looking at anything specific – I'll talk about water later, not sewer – but we need something to start the assessment. We cannot leave it on a case-by-case basis as this will not pass muster for Montana law. I saw that you had quite a discussion as to determining how difficult it is to define large scale, but you did come up with *anything over 4,000-square-feet*. I think the report did a very nice job that it is difficult to compare a large business like a Cabela's which would have a coffee shop, a kid area, the warehouse, the shopping area – that would have a much bigger impact on the water and sewer services with several bathrooms than say a 10,000-square-foot building that has one office, distribution and just one bathroom.

"When we met on the Impact Fee ordinance hearing [with the City Council], Lee said that he could provide the meter information to the Committee because it is one of the basis that has been used in Montana. Out of that came a discussion on whether we could facilitate or use something out of the International Building Code's plumbing division which gives you all kinds of fixture sizes and water uses. This is a really nice segue into the most recent case we have in Montana on using impact fees. The City of Whitefish has building permits, which Three Forks does not. Having building permits allows you to assess impact fees more pointedly because you know exactly what is being built: how many bathrooms, bedrooms, etc. They used an impact fee based on meter size. In addition to the meter size (this case was specifically regarding residential) and then they up-charge for every additional facility. So if you had five bathrooms, you got up-charged. This was challenged, and we don't know what the Court will say, but the City of Whitefish agreed it excessively up-charged for additional shower heads." Mayor Johnston said the meter size should determine the water usage. Susan agreed and said the case never made it to Court but they settled for \$1,500,000.

Susan also said the Committee forwarded on to the Council the cost for transportation impacts, but you said you were concerned they were very high so you left it to the Council's discretion. The Council said if the number is that high to justify the projects, it is what it is. So I am asking that if the committee is going to make an edit, it also sends forward a transportation fee and updates the document to no longer say *DRAFT* and update the date."

Christina Cavanaugh said most places use meter size, but what if a Cabela's or Murdoch's came to our small town, it does not necessarily give you a "feet on the ground" measurement. She asked Susan, "Is there a way to do a meter size and then also a large parking lot because road seemed to be the part we kept coming back to? Is there a way to do water meter fee by size and parking lot fee?" Susan clarified she had the question correctly: base meter size but expandable based on parking and the zoning for it? Christina said yes, the Committee felt we were justifying the water system, but if a larger business with lots of traffic was to go in on the end of Main Street the traffic would greatly effect the roads. Kelly Smith added the Committee only talked about infill commercial, not new. Lee Nellis said he revised the Ordinance based on Susan Swimley and the Council's comments at the public hearing. He believed the water fees rise quickly as the meter size increases. He explained there could be a base transportation fee which would cover the first 10 parking spaces, then an additional \$1,500 for each additional parking space needed. "For Fire, until the City acquires a tower or a ladder truck, it was decided to leave it by square footage and if that seemed unfair to someone/some business, they could follow the appeal process and have a hearing before the Council. The new Impact Fee Ordinance will address these things and that is why they are not addressed in the Service Area Reports," Lee explained. He did not recommended changing the definition of the large-scale commercial, and will adhere to the City's existing policy for ratcheting up the fee based on meter size. "If a Walgreen's came in, which would need relatively required parking beyond the 10 spaces for a 4,000 square foot building, they would start paying the fee in addition to the initial. The subtlety is not actually changing the fee, you are adding a multiplier to the fee. The fees calculated in the Service Area Report would not change, a multiplier would be attached to each. That way we have an easily measured criteria which would be applied to large scale development. Three Forks is going to need additional fire capacity if it gets really big buildings anyway. We can edit the Service Area Reports to reflect those changes if the Committee is comfortable with that. The idea of using the plumbing code has some appeal, but you have to remember we are working with limited resources (which is just Crystal and Kelly) and asking them to do those calculations to make the fees more complex, as they did in Whitefish, didn't seem to me to be the right choice. We have a staff that is maxed out and we need the calculations to be as straightforward as possible, so that's what I chose to do. It does not change the Service Area Reports. The Council did consider them, and we can modify it as we need, redefine large scale development to be dealt with by meter size, and transportation will have more for parking spaces," Lee said.

Kelly Smith questioned that there are no commercial impact fees for the Southeast Residential Zone, only infill. Lee said he assumed the City would get a proposal for the Southeast Residential that qualifies as large-scale, but now I not sure that is actually the case. "Given the way it was setup, we probably need to get that defined. The commercial fee is based on the vacant space in the existing districts. We figured a certain number of square feet based on the tax records, then took a look at what was vacant, so we had a relatively firm basis of X square feet of infill commercial. We do not have a clue yet on how much commercial will occur in the Southeast Residential Zone, so there is not enough data to come up with a fee. So my thought was when they come in for annexation, we would look at the plan and take a look at how much commercial is proposed and figure out the share of commercial and do the calculation," Lee said. Susan clarified Kelly's comment, that if we are using the term *infill* as defined but only applying those fees to what is in the City now, when they come to annex we would have no basis to charge them an impact fee. So then we would have to come back to this and define it,

and timewise I don't think that is the same: zoning and annexation is much quicker than reanalyzing the impact fees. "Development of a vacant lot in the city is going to have the same infill impact fee as new development in the Southeast Zoning so I'm having trouble finding a distinction," Susan stated. Lee argued there is no infill in the Southeast Zoning District the way it is defined. Susan said if it is tying into our existing lines, it's adding the capacity to our treatment plant. Those are all the things we calculate for vacant lots in the city as the same as those not in the city yet. "I don't understand how we don't have some type of impact fee that will apply, and if that's the case or goal let's chat about that," Susan said. Lee responded that the goal is to have accurate impact fees, and for accuracy we need to be able to make a reasonable estimate as to what is going to happen and take that and divide it by what is going to be improved. "You have X amount anticipate, X cost which is in your CIP, and do some math. To extend the existing fee to a new area, regardless of location, leaves us hanging without the estimate since we do not know what development is proposed. We don't know how many lots, the size, whether they are large-scale or not. You are saying we need to take a number that is defensible in the existing zoning districts, and extend it to the development where it is not defensible," Lee said. Susan said she will agree to disagree on that but wanted to direct the Committee back to the purpose of today's meeting.

Mike Stenberg shared his screen and showed Belgrade's impact fees for non-residential. Christina liked breaking up the definitions of each use to give them a feel for the graphic, for Streets and Fire but not based on square footage. She asked if we could change the definition to include infill commercial in the Southeast Zoning District. Lee said he would amend the definition for the infill and the large scale, but disagrees that it would be inconsistent for the Southeast since it is still unknown. Susan disagreed. Alex Blackburn said that if Susan is looking for language that explains and defines, he proposed the Committee come up with something standardized as to the infill plus (such as:) Type A - warehouse up to X-square feet with single bathroom, or commercial development Type B such as a restaurant, or Type C which is large like a Murdoch's. "That way we would have the language of our impact fee," Alex said. Lee asked what improvements would that fee support? "Within the City, for both water and sewer we have projects listed and a clear understanding of what improvements need to be made. In the southeast, we do not have the other side of the equation requiring the City to drill another well. In my mind, there needs to be an annexation agreement in place first that will help us define what improvements need to be made above and beyond what is in the CIP," Lee explained. "We are rock solid, in my experience, of what we calculated already for the known projects. Once you step outside of what you know we are getting into unknown territory," Lee added. Susan asked that any annexation, Buttleman field or the southeast, "We would be connecting them to our existing water lines, which have capacity and have already been paid for by the City of Three Forks. That is what we would be recovering from those new connections. The next expansion of our water treatment plant is not done yet, but when it is needed we add it to the CIP and then we have..." Susan attempted to say. Lee interrupted and Susan tried to finish but due to the Zoom/In-person meeting setup, Lee did not hear her trying to finish her question. Lee continued talking about the water lines that will be installed by the developer. Susan argued that those new lines will be connecting to the existing system. Lee said the impact fees are not for connecting to, but for increasing capacity – they are not buying a share of what is already built. Christina asked if there is a minimal part of the impact fee that pertains to the current systems? Lee said they are only to expand. "If you remember, we deducted from the impact fee the share that is paid by the existing residents," Lee said. Susan asked that Lee give the Committee members the opportunity to weigh in and discuss themselves their thoughts on what has been provided rather than Lee telling them what to decide.

Mike said the water and sewer impact fees, regardless of location, is to provide for future expansion. "So that can be assigned to everyone evenly. However, traffic is different and it is unknown in the

southeast area. Correct me if I'm wrong Susan, but let's say Kyd Road was a large collector road like Cottonwood Road – if the developer built it they would get the impact fee credit or pay the fee and the City builds it.” Susan answered yes, that is correct. Lee argued it is not about buying a share though, based on the law, you can only charge for new service not fix for an existing service. (Again, Lee continued talking while Mike was trying to speak at the same time so there was difficulty to capture the discussion in these minutes.) Mike said it is difficult to know what to charge for when you do not know the plan. Lee gave the example, if the Southeast development build the whole sewer system except for the expansion of the lift station to the treatment plant, they would get credit back for a portion of that new infrastructure.

Susan said we do not know if any vacant lot in the city is every going to be built on. She said the circular logic that we can charge an impact fee for every vacant lot in the city but not impose the same fee for vacant lots that are yet to be annexed does not make sense. Lee argued that every vacant lot in the city was accounted for and put into the calculations that went into the CIP. There is no known flows for the undeveloped area. Alex tried to clarify that it would come down to the zoning of those lots and what type of building would be developed on each. (Again, Lee must not have been able to hear as he continued to speak.)

Susan asked for the conversation to return to the large scale commercial development over 1-inch meter with more than 4,000-square-feet. She asked for the Committee to comment on this, rather than Lee. Alex said generally within a 2-inch meter there would be certain needs for that size; some type of manufacturing. “We need to change the case by case to a definition in the Service Area Report then, correct? In the legal aspect, there is no way to give an exact language of what that type of use is going to be, so we need to have some sort of standard and I believe we can come up with language,” Alex said. Susan answered yes, please. Mike suggested basing it on just meter size for non-residential with a table that has the costs. Kelly Smith said she liked Belgrade's categories, because the more traffic the higher the impact fee is for transportation. Christina agreed to have a breakdown like that for Three Forks' transportation impact fee. She asked if the City could get in trouble at all for not having a ladder truck to reach buildings of a certain size. Susan replied no and yes, “The doors are too small to get the fire trucks into the fire house, our zoning has height restrictions which eliminates the need for having a ladder truck. But if the zoning changes to allow for higher buildings and we are not prepared to handle the need, yes we could get in trouble eventually,” she answered. Mike stated the commercial on the spreadsheet should not be by square footage but rather by a sum of total square footage. Kelly agrees and stated she did a calculation. Mike said some of the same may be used just for storage and not actually part of the commercial use. Kelly explained her calculations for 4,500SF on a 1-inch main, that would be almost \$16,000 in impact fees for water and sewer. “But for a 10,000SF building it would be almost \$35,000. And I know when the pie shop was thinking of expanding they were thinking of a 10,000SF building but most of that would be for making pies and the restaurant part would be very small, and I know that would have really hurt them in being able to build that,” she said. Alex asked if the correct way would be meter size, then parking size to determine the fee, “Because you may have 10,000SF but only 3 employees and your usable space for the customers may not be needed to have, say 25 parking spaces,” Alex said. Susan said Lee had a suggest on meter size with required parking 10 or less, and then if you get to 10 or more it was by parking spot at \$1,500. “I think that would cover a lot of what we want to establish,” Alex added. Susan said she could support that. Alex asked how best to word this. Mike clarified he understood the discussion. Susan reiterated her interpretation of it. All Committee members agreed that Water and Sewer impact fees will be based on meter size only. Transportation to be based on parking. Lee is to create a table and see how it could apply, similar to Belgrade's but broken out. Transportation and Fire would be based on traffic.

Mike asked if there would be a southeast non-residential section and then an in-town section slightly different? Christina commented she understands the pie shop example and she understands we have an unknown in the southeast area, but wanted to ensure the fees would help the town for growth. “Do we just say *these are the rates for the City of Three Forks, or non-residential in the southeast is exempt?*” she asked. Susan disagreed that the southeast area should be exempt, knowing Lee disagrees with that advice. Mike commented that a developer has the cost to install the main infrastructure and the lift station already, so paying additional impact fees would not make sense. There was discussion regarding partial impact fees, annexation agreement and credits. Christina asked, “So, not infill? Just call it all commercial?” Susan said yes, that is a suggestion that could be adopted.

Alex confirmed the Committee’s recommendation that impact fees for Water and Sewer are to be based on meter size be standardized for commercial, then exceptions depending on new development. “This is a great start point and provides the language that we need,” he said. Aly Fendler said she feels the Committee has gone in circles quite a bit and not much the Committee can do to predict. “I agree with Mike that if we can categorize it in a way that is broad enough to make the most sense, based on specific areas we think could be incorporated into the policy,” she said. Mike stated that would be:

- Residential and a base fee for Water and Sewer
- Residential Southeast base fee for Water and Sewer
- Non-residential southeast and residential the rest with the meter sizes and then those costs broke out.

Susan explained that is when the appeal process comes in, because if it does not work for a specific area they have the process to go through. Lee said there will probably be a credit involved in the southeast’s development and they will pay for the water transmission line. “If we are able, we could stick with the idea of adjusting by parking space, we could have a small commercial pay the same fees at the rest of the city’s infill, and if they got large they would be adjusted the same way,” Lee said. Susan asked, “You came up with 1500/parking space on transportation above 10 and I do not know the basis for that?” Lee explained the basis is for a flat fee for a 4,000SF building, which is in zoning, and works out for a small commercial building to be 4 spaces. “In order to have some way of extending that, I said *based on those existing zoning requirements it becomes roughly one space for every 1,300SF* and I rounded it up to make it a nice number. The other way we could do this, is to require a traffic study and I did not see the benefit of that,” Lee explained. He offered they will still have the right to appeal as well. Susan asked the Committee members who it felt about adding that to the Transportation Impact Fee, and also asked if they wished to make a final recommendation on the Transportation Impact Fee. Mike agreed. Alex appreciated the additional information and breakdown explained today.

One more meeting to finalize Large Scale Commercial Development. Lee said he could have the rewrite done within a week, which should include how he came up with the Parking in a memorandum, definitions to add southeast for Commercial, addendums to the Service Area Reports, and redo the fee page. If the Board confirms what Lee provides is what they agree upon, which can be done via email, this could be back to the Council at its April meeting for Service Area Report with an updated date (March or April), with the revised fees and definitions, for final adoption.

MEETING ADJOURNED AT: 10:40AM

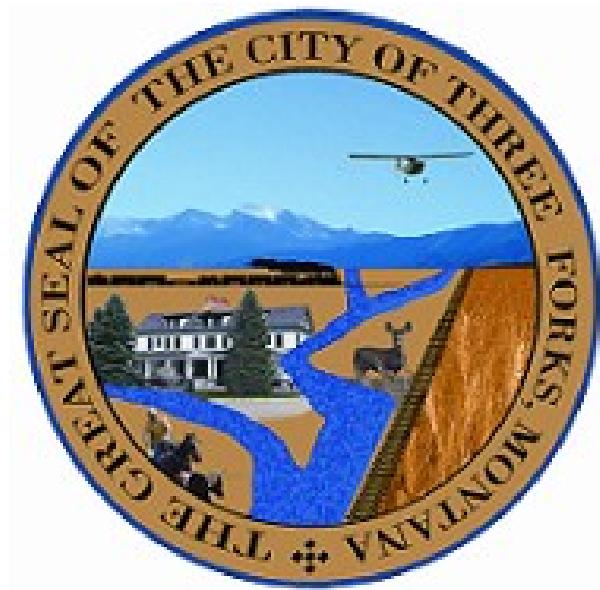
INITIALS OF COMMITTEE MEMBERS (Approving minutes): \_\_\_\_\_  
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# Exhibit C

## Service Area Reports & Impact Fee Advisory Committee Recommendations

April 2025



## Table of Contents

Introduction & Explanations	Page 2
Compliance with Title 7, Chapter 6, Part 16, MCA	Page 3-4
Service Area Reports:	
Water System	Page 5-7
Wastewater System	Page 8-10
Storm Water Management	Page 11-12
Transportation	Page 13-15
Municipal Buildings	Page 16
Fire Protection	Page 17
Total Impact Fees Summarized (table 1)	Page 18-20
Recommended Impact Fees for Adoption (table 2)	Page 21-22
Appendix – How to Calculate Fees	Page 23-24

## **Introduction & Explanations**

MCA 7-6-1602(1) requires a Montana municipality to “prepare and approve a service area report” for each facility for which it wants to charge an impact fee. This document consolidates those reports for the City of Three Forks.

MCA 7-6-1602(2) lists requirements for service area reports. That list is reproduced on the following page with each item checked to indicate that the Council and Mayor have reviewed the statutory requirements for the use of impact fees and determined that their actions, including adoption of a Capital Improvements Program (CIP) based on a buildout analysis, adoption of the service area reports assembled here, adoption of an impact fee ordinance, and the city’s accounting practices for impact fees comply with state law.

### **Facilities Covered**

These service area reports present trial impact fees for Three Forks’ water and wastewater systems, storm water management, transportation, municipal buildings, and fire protection. The Mayor and Council may adopt, or not, any of the proposed fees. The proposed municipal building impact fee must be approved by a 2/3 majority because municipal buildings are not among the facilities specifically listed in MCA 7-6-1601(7).

### **Committee Review I**

MCA 7-6-1604 requires that any city wishing to charge impact fees establish an Impact Fee Advisory Committee (IFAC). These service area reports have been reviewed and discussed by the IFAC established on September 12, 2023. The IFAC sent its recommendations to the Mayor and Council on November 20, 2024.

### **City Council Review**

The Three Forks City Council reviewed the IFAC recommendations on December 12, 2024. The IFAC had posed a question about the trial transportation impact fee to the Council, asking if the proposed fee was too high and might have a chilling effect on small business. After discussion, the Council indicated that it would support the fee recommended in Table 2. Also on the 12th, the City Attorney raised questions that led the Council to postpone action and return this document for further consideration by the IFAC.

### **Committee Review II**

The IFAC met on March 4, 2025, to discuss the City Attorney’s concerns, which were primarily about the treatment of large-scale commercial development. That meeting led to significant changes. A new draft of this document was reviewed by the City Attorney and the IFAC, and forwarded to the Council for adoption on 5/27/2025.

### **Compliance with Montana Code Annotated, Title 7, Chapter 6, Part 16**

(2) The service area report is a written analysis that must:

- ☒ (a) describe existing conditions of the facility;
- ☒ (b) establish level-of-service standards;
- ☒ (c) forecast future additional needs for service for a defined period of time;
- ☒ (d) identify capital improvements necessary to meet future needs for service;
- ☒ (e) identify those capital improvements needed for continued operation and maintenance of the facility;
- ☒ (f) make a determination as to whether one service area or more than one service area is necessary to establish a correlation between impact fees and benefits;
- ☒ (g) make a determination as to whether one service area or more than one service area for transportation facilities is needed to establish a correlation between impact fees and benefits;
- ☒ (h) establish the methodology and time period over which the governmental entity will assign the proportionate share of capital costs for expansion of the facility to provide service to new development within each service area;
- ☒ (i) establish the methodology that the governmental entity will use to exclude operations and maintenance costs and correction of existing deficiencies from the impact fee;
- ☒ (j) establish the amount of the impact fee that will be imposed for each unit of increased service demand; and
- ☒ (k) have a component of the budget of the governmental entity that: (i) schedules construction of public facility capital improvements to serve projected growth; (ii) projects costs of the capital improvements; (iii) allocates collected impact fees for construction of the capital improvements; and (iv) covers at least a 5-year period and is reviewed and updated at least every 5 years

## **These Fees Maximum**

The trial impact fees calculated in these reports are the maximum defensible. The Council cannot increase them without new data or changing the assumptions on which they are based. The Council may choose to charge lower impact fees because other sources of funding will be used.

## **Administrative Fee**

MCA 7-6-1601(5)(a) authorized the city to add a five-percent (5%) administrative fee to each impact fee it charges. The Impact Fee Advisory Committee recommended that this fee be adopted at its October 16, 2024, meeting. However, this was repealed via Senate Bill 133 in the 2025 Legislative Session so is no longer included in the recommended fee schedule in Table 2, found on page 21.

## **Contents of Reports**

Each service area report follows a step-by-step process that reflects both the statutory requirements and best practices that are widely followed for calculating impact fees. That process is described in detail in the appendix.

These reports reflect the understanding of the growth anticipated and the facilities needed to serve that growth embodied in the August 2024 CIP. That understanding will evolve through time. These reports and the impact fees should be updated as it does. The cost figures given in the CIP and used as a basis for these service area reports are the best estimates possible at the time. Actual costs will vary. The scheduling of improvements in the CIP is subject to change for reasons that include the pace of development, the availability of funds, and even the weather.

## **SERVICE AREA REPORT – WATER SYSTEM**

### **STEP 1 - Anticipate Growth**

The existing water system and its capacity to serve Three Forks' anticipated growth is described in the CIP, pages 15-22.

### **STEP 2 - Identify Improvements**

#### **STEP 3 – Categorize Improvements**

The CIP lists specific improvements the water system needs. Some of those projects cannot be funded by impact fees because their main purpose is to correct existing deficiencies. Two projects are primarily necessitated by growth and could be partially funded by impact fees: a new water system master plan that is scheduled for completion in FY 2027 at an estimated cost of \$80,000, and a new transmission main that is scheduled for installation in FY 2026 at an estimated cost of \$1,375,000.

### **STEP 4 – Apply Cash on Hand, as Appropriate**

The city does not have cash on hand that can be used to reduce the cost of the proposed improvements before trial water system impact fees are calculated. The water system impact fees previously collected have been committed to current projects.

### **STEP 5 – Split Costs between Correcting Deficiencies and Serving Growth**

The proposed water system improvements identified in Step 2 will benefit both existing and future water users. This means that impact fees cannot pay their entire cost, only the growth-serving share, which is determined using the buildout analysis.

### **STEP 6 – Split Costs between Residential and Commercial**

The next step in calculating trial water system impact fees is to use water meter records to determine the split between commercial (which for this purpose, includes all nonresidential uses) and residential water consumption. That split in the most recent year is 17%/83%, commercial/residential.

It is not possible to charge impact fees for commercial and residential development on the same basis. The sensible way to charge for homes is the way they're built, dwelling unit by dwelling unit. But commercial development doesn't break neatly into "units." Commercial buildings are of different sizes and used for different purposes, but their diversity can be reduced to square feet of building area.

To calculate trial water system impact fees, the costs of the improvements are split 17%/83%. The results of that calculation are then divided by the number of dwelling units (2006 total, existing and anticipated) and the building area of commercial uses (390,000 SF total, existing and anticipated) established in the buildout analysis.

That math leads to a trial water system impact fee of \$612.36 for each new dwelling unit and \$0.645 for each square foot of new commercial space (a 1,000 SF commercial building would pay \$645.00). But accuracy requires another step. Different types of residential uses consume different quantities of water, and that is even more true for commercial uses.

## **STEP 7 – Split Costs among Types: Residential**

Single-family homes tend to consume more water than multi-family dwellings. Three Forks' currently acknowledges this by setting its water system impact fee at 80% as much for an apartment (except the first one, which pays the same as a single-family dwelling) as for a single-family dwelling. Analyzing water meter records suggests, though, that the 80% discount is generous. Water consumption varies a lot among dwellings, but overall, multi-family dwellings are using 88% as much as single-family. To account for that difference while raising the revenue needed to support the improvements listed here, the trial water system impact fee is \$575.62 for multiple-family dwellings and \$624.61 for single-family dwellings. Those figures split the fees that would not be collected if multi-family dwellings were simply charged 88% as much as single-family.

## **STEP 7 – Split Costs among Types: Commercial**

Splitting costs for commercial uses is not as straightforward as it is for residential. The city currently addresses the varying consumption of water by commercial uses by adjusting its water system impact fee upward for projects that need a larger water meter. The city will continue to use meter size, but because that alone does not provide a defensible basis for showing how trial impact fees raise specific amounts of revenue for specific improvements, we'll start with the common denominator of building size, then adjust for meter size when necessary.

The \$0.645 per square foot trial water system impact fee calculated here incorporates two assumptions. First, it is based on the amount of infill commercial development anticipated in the CIP. The rest of the cost of the water system improvements called for by the CIP is attributed to residential growth. Second, it assumes that building size and water consumption are proportional. That is a reasonable assumption for the small-scale commercial uses the CIP assumes will fill in existing vacant lots and under-utilized buildings. It is not a reasonable assumption for larger commercial developments. Here's an example of why.

Imagine a 20,000 square foot warehouse that has a lightly used employee restroom and needs a little water for janitorial purposes. Applying the assumption that building size and water consumption are proportional would result in \$12,900 in water system impact fees (\$0.645 X 20,000). A busy restaurant that is one-fifth the size of the warehouse, but uses more water, would pay only \$2,580 (\$0.645 X 4,000). That's unfair. But since the warehouse would need only a ¾" water meter and the restaurant should have a 1½" or even 2" meter, the city will adjust the water system impact fee by meter size (proportional to the flow the meter would allow). The trial water system impact fee for the warehouse would fall to \$2,580 (\$0.645 X 4,000, with no water system impact fee being assessed for the remaining building area), while the restaurant would pay \$5,160 (\$1.290, from the water meter size adjustment table X 4,000).

## **STEP 8 – Allocate Costs by Benefit Area**

The water system improvements identified here serve the entire city. There is no need for benefit areas.

## **STEP 9 – Calculate Trial Impact Fees**

The trial water system impact fees are:

For single-family dwellings - \$624.61 per unit

For multiple-family dwellings - \$575.62 per unit

For commercial (nonresidential) projects - \$0.645 per SF up to 4,000 SF building area, adjusted upward if water meter is larger than one inch in diameter using the table below

**Water System Impact Fee Adjusted for  
Meter Size**

<b>Meter Size</b>	<b>\$ per SF, up to 4,000 SF</b>
<i>inches</i>	
0.75-1.0	0.645
1.25	0.903
1.5	1.290
2	2.064
3	4.128
4	6.450
6	12.900
8	20.640

At buildout, these fees will have raised approximately 52% of the costs of the growth-serving water system improvements listed in the CIP. The exact yield will vary with the exact mix of housing types – single v. multi-family – and with the number and size of large commercial projects, neither of which can be precisely anticipated. This yield calculation assumes that the mix at buildout will be 75%/25%, single-family/multi-family and that there are no large scale commercial projects.

## **NEXT STEPS**

These trial water system impact fees cannot reflect the currently unknown costs of finding and developing additional water sources or of any additional improvements that may be recommended in the new water system master plan. Three Forks' water system impact fees should be revised promptly after completion of that plan.



## **SERVICE AREA REPORT – WASTEWATER SYSTEM**

### **STEP 1 - Anticipate Growth**

The existing wastewater system and its capacity to serve Three Forks' anticipated growth is described in the CIP, pages 23-28.

### **STEP 2 - Identify Improvements**

### **STEP 3 – Categorize Improvements**

The CIP lists specific improvements the wastewater system needs. Some of those are necessary to maintain the existing level of service and cannot be funded by impact fees. The growth-serving projects that could be funded by impact fees are:

- Production of a Preliminary Engineering Report (PER) for the wastewater system is scheduled to begin in FY 2025 at an estimated cost of \$80,000. This planning effort will benefit both existing and new wastewater system users.
- The anticipated growth will necessitate enlargement of a trunk main in the center of the city. This project is scheduled for completion in FY 2029 at an estimated cost of \$3,100,000.
- The lift station that moves wastewater into the treatment plant needs upgrades with or without growth, but the extent of the improvements – which are scheduled for FY 2028 at an estimated cost of \$2,300,000 - is determined by the anticipated growth.
- The wastewater treatment plant (WWTP) has limited excess capacity - enough to serve 130 homes - but must be expanded to serve most of the anticipated growth. The cost of the WWTP expansion is estimated at \$4,700,000.
- The costs of wastewater system improvements given here reflect a correction of the CIP. Adoption of this service area report should be understood to amend the CIP.

### **STEP 4 – Apply Cash on Hand, as Appropriate**

### **STEP 5 – Split Costs between Correcting Deficiencies and Serving Growth**

- A \$55,000 grant has been secured for the PER. \$25,000 of previously collected wastewater impact fees could also be used, fully funding this project without wastewater system impact fees.
- The proposed trunk main enlargement will serve the entire city except for the Southeast Residential Area (where the developer will install a separate sewage collection system), including infill residential and commercial, and new dwellings in the Northwest Residential Area. It will also improve service for existing users. \$500,000 dollars of cash on hand (which has been generated by wastewater user fees) can be applied to reduce the costs of this project before calculating trial wastewater system impact fees.

- The proposed lift station upgrades will serve the entire city except for the Southeast Residential Area (where the developer will install a new lift station), including infill residential and commercial, and new dwellings in the Northwest Residential Area. It will also improve service for existing users. \$500,000 dollars of cash on hand (which has been generated by wastewater user fees) can be applied to reduce the costs of this project before calculating trial wastewater system impact fees.
- The proposed lift station upgrades are also eligible for state grants and loans that could further reduce what might be paid by impact fees. The city's engineers estimate that grants and loan forgiveness could total \$1,475,000. There is, however, some uncertainty about Three Forks' ability to secure these funds without a potentially unpopular and arguably unnecessary increase in user fees. We think it is prudent to discount them by 50% in the calculations made here.
- The entire cost of the WWTP expansion, minus an adjustment for the excess capacity, could be funded by impact fees. Since 130 dwellings represent 11.9% of anticipated residential buildout, project costs are reduced by that much to result in the correct calculation of the trial impact fees. The \$455,000 balance of previously collected wastewater impact fees (\$25,000 is directed to the Wastewater PER) could then be applied to reduce costs before trial wastewater impact fees are calculated.
- The proposed WWTP expansion is also eligible for state grants and loans that could further reduce what must be paid by impact fees. The city's engineers estimate that grants and loan forgiveness could total \$1,475,000. There is, however, some uncertainty about Three Forks' ability to secure these funds without a potentially unpopular and arguably unnecessary increase in user fees. We think it is prudent to discount them by 50% in the calculations made here.

#### **STEP 5 – Split Costs between Residential and Commercial**

#### **STEP 6 – Split Costs among Types of Residential and Commercial**

Wastewater flows from individual uses are not metered. It is assumed that wastewater generation is directly proportional to water consumption, so costs are split in the same way as for the water system.

#### **STEP 7 – Allocate Costs by Benefit Area**

Because different wastewater system improvements will serve different parts of the city, there are two wastewater benefit areas: 1) the Southeast Residential Area and 2) the remainder of Three Forks.

#### **STEP 8 – Calculate Trial Impact Fees**

The trial wastewater system impact fees proposed here are:

##### **Southeast Residential Benefit Area, per dwelling unit**

Single-Family – \$2,280.42

Multi-Family - \$2,101.56

##### **Remainder of Three Forks Benefit Area, per dwelling unit**

Single-Family – \$5,034.12

Multi-Family - \$4,639.29

Commercial (nonresidential) - \$2.882 per SF up to 4,000 SF building area, adjusted upward if water meter is larger than one inch in diameter using the table below

**Wastewater System Impact Fee**

**Adjusted for Meter Size**

<b>Meter Size</b>	<b>\$ per SF, up to</b>
<i>inches</i>	<b>4,000 SF</b>
0.75-1.0	2.882
1.25	4.001
1.5	5.764
2	9.222
3	12.819
4	18.445
6	29.512
8	41.021

Charging these trial wastewater system impact fees would result in new development paying approximately 34% of the costs of wastewater system improvements at buildout. The exact yield will vary with the mix of single-family versus multi-family dwellings that get built, and with the number and size of large commercial projects.

**NEXT STEPS**

We can't know now what the updated wastewater system master plan will call for. We can only say that the wastewater system impact fees proposed here may require revision after that plan is completed.

## **SERVICE AREA REPORT – STORM WATER MANAGEMENT**

### **STEP 1 - Anticipate Growth**

### **STEP 2 - Identify Improvements**

### **STEP 3 – Categorize Improvements**

The CIP (see pages 29-30) calls for preparation of a plan for a comprehensive new approach to storm water management (SWM) in Three Forks. That planning effort is scheduled for FY 2026, will cost \$90,000, and will benefit all development, existing and anticipated.

### **STEP 4 – Apply Cash on Hand, as Appropriate**

A trial impact fee for SWM has been calculated to help everyone understand the overall costs of growth, but the city has cash on hand for flood control that can be used to pay for the proposed SWM plan.

### **STEP 5 – Split Costs between Correcting Deficiencies and Serving Growth**

Since there is no existing SWM system, the only work that could be funded by impact fees is an SWM plan. And since that plan would cover the whole community, the split between correcting deficiencies and serving growth is calculated as the split between existing and future development at buildout.

### **STEP 6 – Split Costs between Residential and Commercial**

Determining the split of SWM costs between residential and commercial uses is not that easy. The best basis for allocating SWM impact fees is impervious cover; the extent of impermeable surfaces, like roofs and paving, that generates surface runoff that should be managed to avoid damage to infrastructure and property. We considered using a national land cover database to measure existing impervious cover in Three Forks, but the costs of processing and ground truthing that data would exceed the resources available for the calculation of all impact fees.

Given that no physical improvements are proposed, just preparation of a plan, we believe that an equitable temporary basis for a trial SWM impact fee is the difference in building coverage permitted by the city's zoning. Residential uses are generally allowed 35% building coverage. Commercial uses may cover their entire lot, so the trial SWM fees are split 65%/35%. The SWM plan should provide the information needed to base future SWM impact fees on impervious cover.

### **STEP 7 – Split Costs among Types of Residential and Commercial**

### **STEP 8 – Allocate Costs by Benefit Area**

There is no need to split SWM costs among different types of uses or establish benefit areas. The SWM plan will address differences among land uses and recommend benefit areas, as needed.

### **STEP 9 – Calculate Trial Impact Fees**

While this report recommends a different way of funding the proposed SWM plan, the trial SWM impact fees are \$15.70 per dwelling unit and \$0.150 per square foot of commercial building (a 1,000 square foot building would pay \$150). Collecting these fees would generate just over half the cost of the SWM plan at buildout, leaving a 49% share for existing uses to be covered by other funding sources.

### **NEXT STEPS**

We do not know what the proposed SWM plan will recommend. It could assign most costs directly to developers, minimizing or even eliminating the need for SWM impact fees. Or it could call for the construction of a municipal SWM system that is partially funded by impact fees. All we can say for sure is that it will be necessary to create a new service area report following completion of the SWM plan.

## **SERVICE AREA REPORT – TRANSPORTATION**

### **STEP 1 - Anticipate Growth**

### **STEP 2 - Identify Improvements**

### **STEP 3 – Categorize Improvements**

The CIP (see pages 31-39) calls for preparation of a Long-Range Transportation Plan (LRTP) and a Bicycle/Pedestrian Master Plan to identify the transportation issues and needs created by Three Fork's anticipated growth. It also describes two specific growth-serving street projects that it seems clear will be needed.

### **STEP 4 – Apply Cash on Hand, as Appropriate**

Three Forks has cash on hand that can be used for transportation planning and street improvements. This report suggests using it to complete the LRTP and Bike/Pedestrian Plan because these guiding documents should be available as soon as possible. The remaining amount - \$280,000 – can be applied to the Dakota Street improvements described in the CIP, slightly reducing the total transportation impact fees.

### **STEP 5 – Split Costs between Correcting Deficiencies and Serving Growth**

The LRTP – which is scheduled for FY 2025 at an estimated cost of \$80,000 - and the Bicycle/Pedestrian plan – which is scheduled for FY 2028 at an estimated cost of \$30,000 - will benefit the entire city. They could be partially funded by impact fees, but this report suggests funding them with cash-on-hand.

The first improvement listed in the CIP is growth-serving, providing a safer, more serviceable connection from the impending development of the Southeast Residential Area to the rest of Three Forks. Benefits to existing residential uses would be minimal (affected homeowners may consider the construction and added traffic to be nuisances). Existing businesses that gain customers from the new neighborhood would benefit. 100% of this project could be funded by impact fees. It is estimated to cost \$7,595,000 and expected to begin sometime after FY 2029.

The second project will rebuild Dakota Street and that complicated intersection where Dakota, Railway, Second Avenue West, and West Elm converge on the edge of downtown. This will facilitate traffic flows and safety as the Northwest Residential Area develops and commercial uses fill in. It is scheduled for after FY 2029 and is estimated to cost \$7,511,000. This improvement of a major intersection will benefit the entire city.

## **STEP 6 – Split Costs between Residential and Commercial**

Calculation of transportation impact fees raises interesting questions. If a trip is from a home to a business should that trip be attributed (and an impact fee charged) to the residential use or the commercial? or both? Then there is the reality that different businesses generate different demands; a restaurant usually draws more traffic than a quilt shop. And what about trips to multiple destinations? One might go downtown to pick up a prescription, have lunch, and stop at the library. Then there are trips that leave Three Forks or originate elsewhere; a resident commuting to Bozeman, a contractor coming from Belgrade. The LRTP will deal with this complexity.

Our goal for now is to propose trial transportation impact fees that would allow the city to begin collecting funds for street improvements for which the need seems clear. This requires making some simplifying assumptions, starting with the assumption that the 25%/75% commercial/residential split of overall city business explained in the service area report for municipal buildings is a fair proxy for the split in traffic generation. The other assumptions are explained in Step 7.

## **STEP 7 – Split Costs among Types of Residential**

Single-family dwellings tend to generate more trips than multi-family. We have no local data for Three Forks, but widely used national sources suggest that multi-family units generate 80-90% as much traffic as single family. We use the data-based 88% difference in water consumption as a proxy.

## **STEP 7 – Split Costs among Types of Commercial**

We also assume that the traffic generation of small commercial uses (those with 4,000 SF or less of building area and a water meter of under one inch) is similar enough to apply the same per square foot trial transportation impact fee until the LRTP is completed. The remaining question is how to deal with the traffic impacts of larger commercial projects before the LRTP is completed.

An easily measured proxy for traffic generation is the number of parking spaces serving a development. But what type of development? Retail commercial buildings can safely be assumed to be the most common significant traffic generators as Three Forks grows. A typical retail commercial building of 4,000 SF will be required to provide 12-20 parking spaces. Dividing the trial impact fee for a 4,000 SF retail building by 16 parking spaces yields \$4,125.50 per space. That can reasonably be applied to larger commercial developments as a trial impact fee until the LRTP is completed.

## **STEP 8 – Allocate Costs by Benefit Area**

Two benefit areas are required to calculate trial transportation impact fees for Three Forks. The first is the entire city, which benefits from transportation planning efforts and the major

intersection reconstruction project. The second is the SE Residential Area, which will benefit from improvements of the connecting streets.

## **STEP 9 – Calculate Trial Impact Fees**

The resulting trial impact fees for transportation are:

SE Residential, single-family, per unit – \$7,917.60

SE Residential, multi-family, per unit – \$7,296.61

Remainder of City, single-family, per unit – \$2,757.58

Remainder of City, multi-family, per unit – \$2,541.30

Commercial, per square foot - \$16.502, with this being increased by a \$4,125.50 per parking space fee after the first 16 parking spaces.

NOTE: The trial transportation impact fee for commercial uses calculated here has been determined to be excessive. Adjustments are explained on page 21 of this document.

Charging these trial transportation impact fees would yield approximately 82% of the listed transportation improvements at buildout, leaving 18% to be covered by other funding sources. The exact yield will vary depending on the exact mix of single-family versus multi-family dwellings built, and the extent of large commercial development.

## **NEXT STEPS**

This service area report and transportation impact fees must be revisited after completion of the LRTP.



## **SERVICE AREA REPORT – MUNICIPAL BUILDINGS**

### **STEP 1 - Anticipate Growth**

### **STEP 2 - Identify Improvements**

### **STEP 3 – Categorize Improvements**

### **STEP 4 – Apply Cash on Hand, as Appropriate**

### **STEP 5 – Split Costs between Correcting Deficiencies and Serving Growth**

The CIP describes Three Fork’ existing municipal buildings and some improvements that correct existing deficiencies on pages 40-41. It also calls for an architectural study of a new facility that would house the city offices, meeting rooms, and the fire department, as well as providing space for the Gallatin County Sheriff’s Department, for which the city now leases an office. This facility would serve the entire population, including anticipated growth. It could be partially funded by impact fees. The architectural study is scheduled for FY 2025 at an estimated cost of \$65,000. There is no cash on hand that can be applied to this facility.

### **STEP 6 – Split Costs between Residential and Commercial**

City staff estimates that 70-75% of the business conducted in their offices serves residents, while 25-30% serves the business community. Applying a 72.5%/27.5% split to the estimated cost of the architectural study results in trial impact fees of \$23.49 per dwelling unit and \$0.046 per square foot of commercial building area (a 1,000 square foot building would pay \$46).

### **STEP 7 – Split Costs among Types of Residential and Commercial**

### **STEP 8 – Allocate Costs by Benefit Area**

A new municipal building would provide roughly the same level of service to the entire community. There is no need to split costs among users or create benefit areas. It may eventually be necessary to determine what share of building costs should be borne by the rural fire protection district.

### **STEP 9 – Calculate Trial Impact Fees**

The trial municipal buildings impact fees are \$23.49 per dwelling unit and \$.046 per square foot of commercial building area. Collecting these fees would eventually cover just over half the cost of the architectural study, leaving a 49% share for existing uses that must be covered by other funding sources.

## **NEXT STEPS**

Completion of the architectural study should trigger discussion of the need for a new municipal building. That could then lead to a new service area report and calculation of trial impact fees to help fund the project.

## **SERVICE AREA REPORT – FIRE PROTECTION**

### **STEP 1 - Anticipate Growth**

### **STEP 2 - Identify Improvements**

The CIP (see pages 42-43) describes Three Forks' Volunteer Fire Department, which also serves a large rural area through a special district. The department's future building space needs are addressed in the Service Area Report – Municipal Buildings.

### **STEP 3 – Categorize Improvements**

### **STEP 4 – Apply Cash on Hand, as Appropriate**

### **STEP 5 – Split Costs between Correcting Deficiencies and Serving Growth**

The other need that could be partially funded by impact fees is for a new engine that is scheduled to be acquired in FY 2029 at an estimated cost of \$750,000. That cost must be reduced by the current and projected (through FY 2029) balance in a voter-approved levy for the costs of an engine before calculating the trial impact fee. The city has also been collecting fire protection impact fees that can be applied to this purchase.

### **STEP 6 – Split Costs between Residential and Commercial**

The residential/commercial split for fire apparatus is based on the relative values of the properties protected, which can be taken from the property tax rolls. In Three Forks that split is 76%/24% (note the interesting similarity to the staff estimate of the overall split of city business). The resulting trial impact fees are \$118.00 per dwelling unit and \$0.192 per square foot of commercial building area (a 1,000 square foot building would pay \$192.00).

### **STEP 7 – Split Costs among Types of Residential and Commercial**

### **STEP 8 – Allocate Costs by Benefit Area**

The fire department provides the same level of service to the entire community. There is no need to split costs among users or create benefit areas within the city. The relationship of the city and the rural fire protection district was established by an interlocal agreement that is reviewed and discussed annually.

### **STEP 9 – Calculate Trial Impact Fees**

The trial fire protection impact fees are \$87.69 per dwelling unit and \$0.142 per square foot of commercial building area. Collecting these fees would cover 16% of the cost of the new engine, leaving the remainder to be covered by dedicated property tax revenues and previously collected impact fees. It is worth noting that it will take approximately nine more years for the tax levy to accumulate enough to purchase the fire engine (presuming that the cost of the engine does not increase), long past FY 2029 when replacement is due.

## **NEXT STEPS**

The next step in facilities planning for fire protection will be the discussion that follows completion of the architectural study called for in the Service Area Report – Municipal Buildings.

## TOTAL IMPACT FEES

Table 1 summarizes the trial impact fees calculated in the service area reports and shows the total. Please be reminded that these trial impact fees are the maximum defensible; are subject to revision as the city does more detailed infrastructure planning, and may be appealed, allowing the Mayor and Council to consider exceptions for atypical projects. It is most important to be aware that the trial impact fees for commercial (nonresidential) development shown in the table are for small projects, those with a building area of 4,000 SF or less and requiring a water meter no larger than one inch. For larger commercial projects, these basic fees must be adjusted upward as indicated in the relevant service area reports.

**Table 1 – Summary and Total of Trial Impact Fees**

<b>Water</b>			<b>Municipal Buildings</b>		
multi-family, per unit	\$	575.62	all residential, per unit	\$	23.49
single-family, per unit	\$	624.61	commercial, per SF	\$	0.046
commercial, per SF	\$	0.645			
<b>Wastewater</b>			<b>Fire Protection</b>		
<b>SE Residential</b>			all residential, per unit		\$87.69
multi-family, per unit	\$	2,101.56	commercial, per SF	\$	0.142
single-family, per unit	\$	2,280.42			
<b>Remainder of Three Forks</b>			<b>TOTAL IMPACT FEES</b>		
multi-family, per unit	\$	4,639.29	<b>SE Residential</b>		
single-family, per unit	\$	5,034.12	multi-family, per unit	\$	10,084.97
commercial, per SF	\$	2.882	single-family, per unit	\$	10,933.80
<b>Stormwater</b>			<b>Remainder of Three Forks</b>		
all residential, per unit	\$	-	multi-family, per unit	\$	7,867.39
commercial, per SF	\$	-	single-family, per unit	\$	8,527.49
			commercial, per SF	\$	20.218
<b>Transportation</b>			<div>Some of the per SF trial impact fees for commercial uses must be adjusted upward for larger commercial projects, as explained in the service area reports.</div>		
<b>SE Residential</b>					
multi-family, per unit	\$	7,296.61			
single-family, per unit	\$	7,917.60			
<b>Remainder of Three Forks</b>					
multi-family, per unit	\$	2,541.30			
single-family, per unit	\$	2,757.58			
commercial, per SF	\$	16.502			

These trial impact fees should not be shocking. This is what it costs to build infrastructure everywhere. In fact, because Three Forks has managed well and has cash on hand that can be applied to some proposed improvements, these fees are relatively modest.

## **IMPACT FEE ADVISORY COMMITTEE RECOMMENDATION**

In evaluating the trial impact fees shown in Table 1, the IFAC noted that the total trial impact fees for the SE Residential Benefit Area are substantially higher than those for the remainder of the city. This is due entirely to the cost of the transportation improvements needed to link development there with the rest of the city. The IFAC is also concerned that the trial impact fees may be high enough to discourage investment in small businesses in Three Forks' existing commercial areas. Based on these observations, the IFAC recommends reducing the trial transportation impact fees in two ways.

First, to help moderate the cost of new dwellings in the SE Residential Benefit Area the trial transportation impact fees for that area should be the same as in the rest of the city, at least until the proposed transportation improvements are re-evaluated in a Long-Range Transportation Plan.

Second, the transportation impact fee should be reduced for small commercial development (projects of 4,000 SF building area or less that do not require a water meter larger than one inch in diameter). This will help implement the city's growth policy by encouraging enterprises that might renovate existing commercial structures for a new use or construct new buildings on vacant land in the center of the city. If the trial transportation impact fee for small commercial is reduced by the same percentage as is recommended for dwellings in the SE Residential Benefit Area, it falls to 35% of the amount shown in Table 1.

These recommended reductions lead to Table 2, which appears on the next page. That schedule of impact fees seems reasonable to the IFAC, which recommends its adoption as the city's new schedule of impact fees.

[illegible]

**TABLE 2 - RECOMMENDED IMPACT FEE SCHEDULE**


<b>Water</b>			<b>Municipal Buildings</b>		
multi-family, per unit	\$	575.62	all residential, per unit	\$	23.49
single-family, per unit	\$	624.61	commercial, per SF	\$	0.046
commercial, per SF, up to 4000 SF	\$	0.645			
<b>Wastewater</b>			<b>Fire Protection</b>		
<b>SE Residential</b>			all residential, per unit	\$	87.69
multi-family, per unit	\$	2,101.56	commercial, per SF	\$	0.142
single-family, per unit	\$	2,280.42			
<b>Remainder of Three Forks</b>			<b>TOTAL IMPACT FEES</b>		
multi-family, per unit	\$	4,639.29	<b>SE Residential</b>		
single-family, per unit	\$	5,034.12	<b>multi-family, per unit</b>	\$	<b>5,329.66</b>
commercial, per SF, up to 4000 SF	\$	2.882	<b>single-family, per unit</b>	\$	<b>5,773.79</b>
<b>Stormwater</b>			<b>Remainder of Three Forks</b>		
all residential, per unit	no fee at this time		<b>multi-family, per unit</b>	\$	<b>7,867.39</b>
commercial, per SF	no fee at this time		<b>single-family, per unit</b>	\$	<b>8,527.49</b>
			<b>commercial, per SF</b>	\$	<b>9.491</b>
<b>Transportation</b>			<b>Transportation Impact Fee Adjustments</b>		
<b>SE Residential</b>					
multi-family, per unit	\$	7,296.61		\$	2,541.30
single-family, per unit	\$	7,917.60		\$	2,757.58
<b>Remainder of Three Forks</b>					
multi-family, per unit	\$	2,541.30			
single-family, per unit	\$	2,757.58			
commercial, per SF, up to 4000 SF	\$	16.502		\$	5.78

The trial impact fees for water, wastewater, and transportation for commercial uses must be adjusted upward for larger projects, as explained in the service area reports. The water and wastewater trial impact fees for larger projects will be adjusted upward by water meter size. This adjustment is shown on in tables pages 7 and 10 of this document. The adjustment of the trial transportation impact fee is only a bit more complicated. Commercial buildings will pay \$5.78 per SF up to 4,000 SF. After that, they will pay an additional \$4,125.50 for each parking space after the 16<sup>th</sup>.

### City Boundary after Future Annexation of Southeast Benefit Area

Existing City Boundary after Annexation of Southeast Benefit Area



 Existing City Boundary  
after Annexation of  
Southeast Benefit Area



## APPENDIX - CALCULATING IMPACT FEES STEP-BY-STEP

Reading the service area reports should make it clear that they are works-in-progress. The engineering studies they call for will result in changes to the list and costs of improvements needed. Those changes will, in turn, necessitate the update of the trial impact fees proposed in the service area reports. Here is the step-by-step process for updating impact fees. A worksheet has been designed to help city staff implement these steps

**STEP 1 – Anticipate Growth.** The CIP and service area reports are grounded in an analysis that “builds out” Three Forks’ land base as a basis for deciding what facilities improvements are needed to serve the city’s growth. It may be necessary to revise the buildout analysis as growth occurs. That should be done with professional assistance. While buildout remains the same, however, impact fees can be revised or added following these steps.

**STEP 2 – Identify Improvements.** The August 2024 CIP lists the improvements needed to maintain and expand city facilities based on the current understanding of facilities capacity and anticipated growth. Additional improvements that are identified in the engineering studies and plans proposed in the CIP must be amended into the CIP before impact fees are updated.

**STEP 3 – Categorize Improvements.** This step answers the basic question: Can an impact fee pay for all or part of an improvement that is in or being added to the CIP? Proposed improvements ordinarily fall into one of three categories: 1) those that primarily correct deficiencies in serving the existing population and cannot be funded by impact fees; 2) those that are necessary only due to anticipated growth and may be funded up to 100% by impact fees; and 3) those that both correct deficiencies and serve growth, which may be partially funded by impact fees. There may also be projects like the RV dump station listed in the current CIP that do not fit into these categories and cannot be funded by impact fees.

**STEP 4 – Apply Cash on Hand, as Appropriate.** Sound fiscal management has given Three Forks cash on hand that may be applied to some of the improvements proposed in the CIP. The current balances of impact fees previously collected for the wastewater system and fire protection should be used (the impact fees previously collected for the water system are committed to current projects), as should any grant funds that have already been committed to a project listed in the CIP. Other reserves may be used if the city determines that doing so leaves sufficient cash on hand.

**STEP 5 – Split Costs between Correcting Deficiencies and Serving Growth.** This step, which flows from Step 3, will be based on the project descriptions in the CIP and the buildout analysis. It is an easy step for improvements that may be funded 100% by impact fees. For almost all projects in the current CIP, however, the findings of the buildout analysis must be used to split costs between correcting deficiencies and serving growth.

**STEP 6 – Split Costs between Residential and Commercial.** The buildout analysis provides a basis for calculating both the total and per unit costs that may be funded by impact



fees. Before charging impact fees, however, costs must be allocated between (and possibly even among, see Step 7) uses and converted to unit costs. The most practical units are dwelling units and square feet of building area. But what part of the demand for a particular facility is generated by the city's homes and what part by its businesses, industries, and institutions? The answer is not the same for every facility. Each service area report uses an appropriate split.

**STEP 7 – Split Costs among Types of Residential and Commercial.** Determining the split between residential and commercial uses is not always sufficient. Different businesses and different types of dwelling units place different demands on some municipal facilities. Again, each service area report explains the necessary splits.

**STEP 8 – Allocate Costs by Benefit Area.** The results of Steps 5-7 are complicated by the fact that not all improvements serve the entire city. An example from the current CIP is the need for improvements to the existing wastewater lift station. Those improvements will not serve the Southeast Residential Area, where the developer will install a separate lift station. The number of dwelling units that will be served by that new lift station must be deducted from the total anticipated growth before trial impact wastewater fees are calculated. It may be necessary to identify benefit areas that are not used in these service area reports in future amendments to the CIP.

**STEP 9 – Calculate Trial Impact Fees.**

Finally! Once improvements have been identified and categorized; costs have been split in the necessary ways; and benefit areas have been identified and accounted for, trial impact fees pop out of the worksheet.