Economic & Planning Systems, Inc.
The Economics of Land Use

FINAL REPORT

GFPD Impact Fee Study

Prepared for: Grand Fire Protection District No. 1

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Table of Contents

List of Tables

List of Figures

1. Executive Summary and Background

This report was prepared by Economic & Planning systems (EPS) for Grand Fire Protection District No. 1 (GFPD) to update the District's legally supportable impact fee levels. The previous fee study was completed in 2018 and needs to be updated to reflect current cost estimates, land use conditions, and growth projections. This Impact Fee Study documents the calculations for new impact fees and the nexus between the costs required to serve new development and the fees being charged on new development to fulfill the requirements of State Statute and other case law.

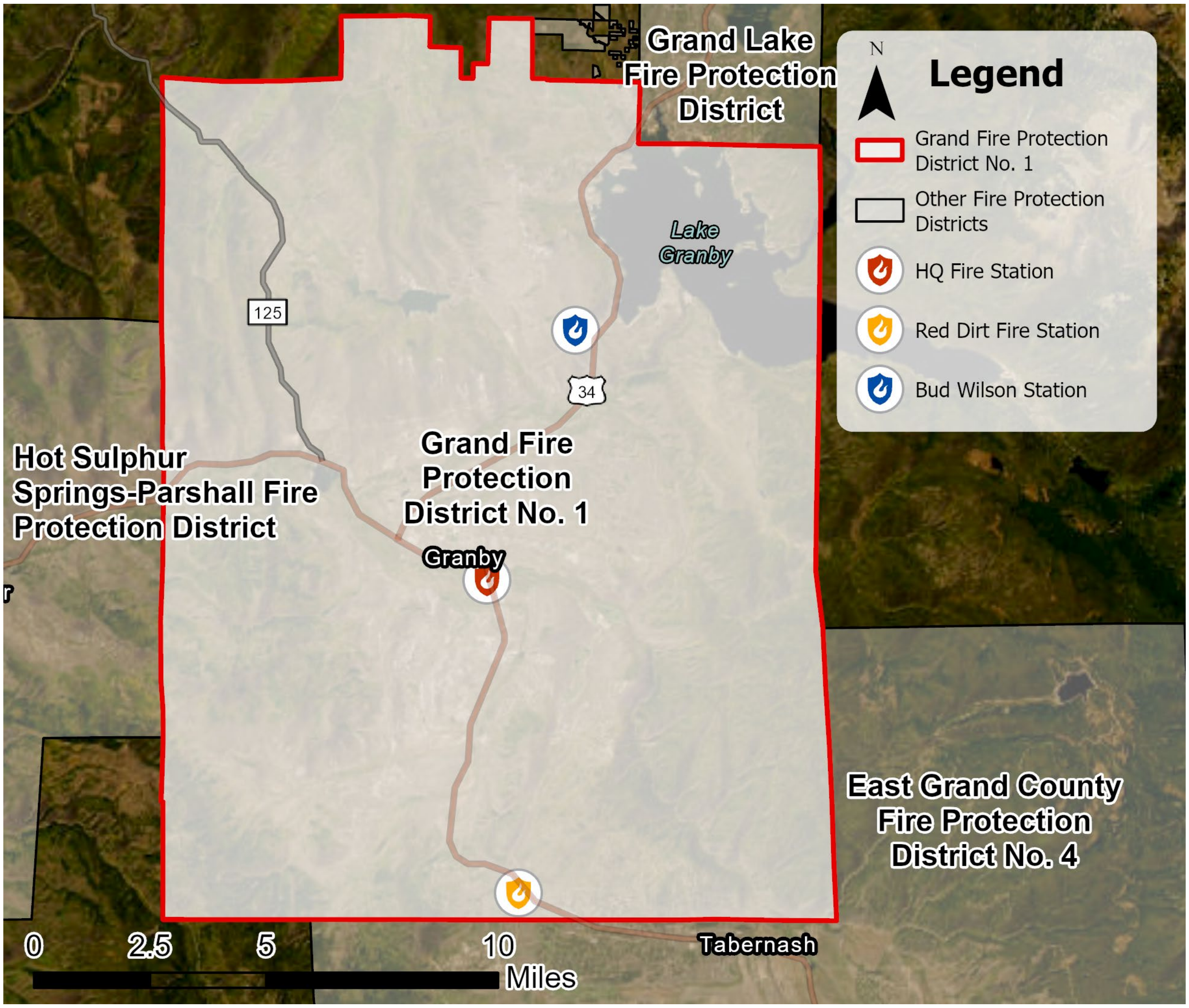
GFPD Background

GFPD provides fire protection, rescue operations, and hazardous materials response to the northeastern portion of Grand County including the Town of Granby, covering approximately 152 square miles. The District has approximately 25 volunteer firefighters, 5 full-time staff members, and 2 seasonal employees, with 3 stations and 17 apparatus. The District has mutual and automatic aid agreements with the four other fire districts in Grand County. The District may from time to time deploy wildland engines and/or personnel to regional and national wildland fire or all-hazard incidents. The District has three facilities:

- The Headquarters station is located at 60500 US Highway 40 in Granby.
- The District shares ownership of the Red Dirt Fire Station with the East Grand Fire Protection District.
- The District recently completed construction of Bud Wilson Station, which is located at 501 US Highway 40 in Granby and will help serve the northern area of the district.

District voters passed a general obligation bond issue in May of 2004, along with a mill levy operating increase. These bond funds provided for the construction of a new headquarters fire station and the purchase of apparatus and firefighting equipment. Following prior operating levy increases in both 2004 and 2018, District voters passed ballot issue 6A in November 2021, which authorized the combined operating and debt service mill levy rates to be 10 mills, subject to adjustments to offset refunds, abatements and changes to the percentage of actual valuation used to determine assessed valuation.

Figure 1. GFPD Boundary



GFPD Legally Supportable Fees

This report provides the maximum legally supportable impact fees that the District may charge to new development as the basis for an updated impact fee program. State law allows the District to adopt the maximum fees determined in this report, or to adopt lower fees for policy reasons determined to be in the interest of the District. If the District adopts lower fees for one land use category it may not raise fees for another land use category to make up the difference.

As shown in **Table 1**, the maximum supportable fee that could be adopted for residential development is $1.26 per square foot, or $3,434 per unit for the average sized home in 2024. The maximum supportable fee that could be adopted for nonresidential development is $6.03per square foot. The increases in the maximum fees compared to the 2018 study are attributed to inflationary cost increases and increases in the value of the District's assets as it constructed a new station (Bud Wilson Station) at a cost of $9.1 million.

Table 1. Maximum Supportable Impact Fees

Land Use Type	Max Fee	Current	% Change
Residential (per Sq. Ft.)	**$1.26**	**$0.34**	**269.8%**
1,000 Sq. Ft.	$1,257	$340	269.8%
2,000 Sq. Ft.	$2,515	$680	269.8%
2,731 Sq. Ft. (2024 Avg. Size)	$3,434	$929	269.8%
3,000 Sq. Ft.	$3,772	$1,020	269.8%
Nonresidential (per Sq. Ft.)	**$6.03**	**$1.40**	**330.9%**

Source: Grand Fire Protection District No.1; Economic & Planning Systems

Legal Standards for Impact Fees

Impact fees can be charged by local governments and Fire Protection Districts on new development to help pay for (in whole or in part) capital facilities and capital equipment needed to serve growth. The State of Colorado adopted a standard with the adoption of Senate Bill 15, codified as Section 29-20-104 and 104.5 of the Colorado Revised Statutes following a Colorado Supreme Court Decision.

Krupp v. Breckenridge Sanitation District

In 1999, the Colorado Supreme Court ruled in Krupp v. Breckenridge Sanitation District that the District could assess an impact fee based on a set of development characteristics that reflect the general performance of a proposed use, rather than the specific conditions of an individual proposal. While traditional exactions are determined on an individual basis and applied on a case-by-case basis, an "impact fee is calculated based on the impact of all new development and the same fee is shared to all new development in a particular class."[1] The finding of the Court distinguishes impact fees, as a legislatively adopted program applicable to a broad class of property owners, from traditional exactions, which are discretionary actions applicable to a single project or property owner.

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[1] Colorado Municipal League, *Paying for Growth*, Carolynne C. White, 2002.

Senate Bill 15, 2001

In 2001, the State Legislature provided specific authority in adopting Senate Bill 15 that "provides that a local government may impose an impact fee or other similar development charge to fund expenditures by such local government on capital facilities needed to serve new development."[2] The bill amended Title 29, of the Colorado statutes that govern both municipalities and counties and defines "local government" to include a county, home rule, or statutory city, town, territorial charter city, city, or county. In 2016, the Colorado Legislature passed House Bill 1088, the Public Service Fairness Act, which specifically authorized Title 32 Fire Protection Districts to levy impact fees.[3]

CRS 29-1-203.5

CRS 29-1-203.5 states that local governments must "quantify the reasonable impacts of proposed development on existing capital facilities and establish the impact fee or development charge at a level no greater than necessary to defray such impacts directly related to proposed development."[4] The standard that must be met within the State of Colorado requires mitigation to be "directly related" to impacts. This test has been used consistently to establish impact fee programs and has not been legally challenged to date. This report satisfies this by documenting the impact fee calculations used to determine the maximum impact fee that the GFPD may charge. The following definitions and practices guiding this study were developed from State law and other Colorado and U.S. Supreme Court case law.

- **Capital Facilities** – Fees may not be used for operations or maintenance. Fees must be spent on capital facilities, which have been further defined as directly related to a government service, with an estimated useful life of at least five years and that are required based on the charter or a general policy.

- **Existing Deficiencies** – Fees are formally collected to mitigate impacts from growth and cannot be used to address existing deficiencies. In the analysis used to establish an impact fee program, the evaluation must distinguish between the impacts of growth and the needs of existing development.

- **Credits** – In the event a developer must construct off-site infrastructure in conjunction with his or her project, the local government must provide credits against impact fees for the same infrastructure, provided that the necessary infrastructure serves the larger community. Credits may not apply if a

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[2] SB-15.
[3] C.R.S. 29-1-203.5.
[4] C.R.S. 29-1-203.5.

developer is required to construct such a project as a condition of approval due to the direct impact on the capital facility created by the project.

- **Timing** – The District must hold revenues in accounts dedicated for the specific use. Funds must be expended within a reasonable period or returned to the developer. The State enabling legislation does not specify the maximum length of time to be used as a "reasonable period." Because different types of improvements can vary in their size and cost, a reasonable period represents different lengths of time that correspond to the complexity of the improvement.

- **Accounting Practices** – The District must adopt accounting practices to track the collection and spending of impact fees.

Senate Bill 194, 2024

In 2024, the State Legislature provided specific authority to special districts that provide emergency services in adopting Senate Bill 194. The bill authorizes a fire district to impose its own impact fee on the construction of new capital improvements on real property within the fire district's jurisdictional boundary, without limitation from the local government entity, "so long as the fee is imposed pursuant to a legislatively adopted schedule that is:

- Generally applicable to a broad class of property; and

- Intended to defray the projected impacts on capital facilities caused by the proposed construction."[5]

The act does have some limitations on a fire district's authority to impose an impact fee, including the following:

- "No individual landowner may be required to provide any site-specific dedication or improvement to meet the same need for capital facilities for which an impact fee is imposed; and

- An impact fee may not be imposed on construction for which an individual or entity has submitted a completed application for a development permit to an approving local government prior to the fire district's adoption of a schedule of impact fees."[6]

Some other inclusions within the bill allow fire districts to waive impact fees on low- or moderate-income housing or affordable employee housing, as defined by the fire district, as well as the ability to levy as sales tax within the district's jurisdiction. The sales tax rate is determined by the district's board and must be approved by the majority of eligible electors within the district voting. The sales

[5] SB-24-194.
[6] SB-24-194.

tax must be collected, administered, and enforced by the executive director of the department of revenue, exactly like the state sales tax.

Process for Calculating Impact Fees

Within the framework described above, EPS has calculated the proposed 2025 impact fees following the general process outlined below. There are several technical approaches to calculating impact fees. The best approach varies according to the types of facilities being funded with impact fees, the characteristics of the service area, and the amount of predictability of expected growth.

Incremental Expansion Method

This Study used the incremental expansion method in calculating residential and commercial impact fees. This method calculates the cost required from each new unit of development required to maintain the current level of service in the district. The basic methodology is outlined here, with further explanation and analysis in the body of this report.

The current level of service is defined as the replacement cost of the District's capital assets (facilities and equipment) minus outstanding debt on existing assets and other funding sources likely to be used to pay for capital facilities and equipment. Dividing the replacement cost of the District's assets by the amount of residential and commercial development in the district yields the maximum impact fee.

$$\text{Fee per unit of development} = \frac{\text{(Replacement Cost – Debt on Existing Assets – Other Funding Sources)}}{\text{Existing Units of Development}}$$

Replacement cost is used because as the District expands its services, it will need to purchase new equipment and build new facilities (or expand existing facilities) at the cost of items either constructed or purchased. As described in this report, the cost of existing assets is also allocated to residential and nonresidential development to calculate the fee for each major land use type.

Other Methods

EPS determined that the incremental expansion method was most appropriate for the GFPD. Other methods such as a plan-based or Capital Improvement Plan (CIP) based approach were considered. These other approaches use future planned capital costs in the numerator and a forecast or estimate of buildout as the denominator. The impact fee calculations based on these methods are sensitive to the amount of forecasted or planned growth. Historically, this area of Grand County has a cyclical pace of development from which it is difficult to establish a reliable trendline for an average pace of growth going forward. To estimate the future buildout of the District, detailed area planning would need to be completed that contains sufficient data on buildable lands and infrastructure capacity to yield a reasonable estimate of buildout. This level of information is not available for the GFPD. For these reasons, EPS determined that the incremental expansion method was most appropriate.

2. GFPD Existing Conditions

Growth and Asset Cost Trends

Since 2018, The GFPD service area has seen rather significant growth. To better serve new growth, the GFPD has recently completed construction of the Bud Wilson Station, which will help serve the northern portion of its service area. This section of the report includes residential and nonresidential growth trends, changes in GFPD asset values, and changes in GFPD call types since 2018.

Growth Trends

Since 2018, the GFPD service area has gained 723 housing units, as shown in **Table 2**. This equates to an average annual growth rate of 2.7 percent. In addition, the average home size has increased by 43 square feet. As for nonresidential square footage, a total of 375,282 square feet has been added since 2018, which equates to an average annual growth rate of 4.8 percent.

Table 2. Residential and Nonresidential Growth Trends, 2018-2024

			2018-2024	
Description	**2018**	**2024**	**% Change**	**% Ann.**
Existing Development				
Housing Units	4,132	4,855	723	2.7%
Average Home Size (Sq. Ft.)	2,688	2,731	43	0.3%
Nonresidential Sq. Ft.	1,164,049	1,539,331	375,282	4.8%

Source: Grand Fire Protection District No.1; Economic & Planning Systems

Asset Values

When compared to 2018, the total replacement value, or asset value, of the GFPD has increased from $10.1 million to $35.8 million, as shown in **Table 3**. Much of the cost increases can be attributed to the addition of Bud Wilson Station ($9.1 million replacement cost) and the rising costs of construction and apparatus, particularly since 2020. Overall, the total replacement cost has increased at an average annual growth rate of 23.4 percent.

Table 3. Asset Value Trends, 2018-2024

Description	2018	2024	2018-2024 Total	2018-2024 % Ann.
Asset Value				
Fire Facilities	$7,471,673	$30,126,300	$22,654,627	26.2%
Fire Fleet Inventory	$5,625,000	$11,085,000	$5,460,000	12.0%
Equipment	$816,650	$1,473,350	$656,700	10.3%
Debt	-$3,770,000	-$6,880,000	-$3,110,000	10.5%
Total	**$10,143,323**	**$35,804,650**	**$25,661,327**	**23.4%**

Source: Grand Fire Protection District No.1; Economic & Planning Systems

Service Calls

Since 2018, the GFPD has seen an increase in the percentage of residential service calls and a slight increase in the percentage of nonresidential service calls, as shown in **Table 4**. In 2024, residential service calls accounted for 46.6 percent of all service calls, nonresidential service calls accounted for 25.9 percent of all service calls, and other service calls accounted for the remaining 27.5 percent of all service calls.

Table 4. Allocation of Service Calls by Incident Type, 2018-2024

Description	2018	2024	2018-2024 % Change
Allocation by Incident Type			
Residential	41.3%	46.6%	5.2%
Nonresidential	25.1%	25.9%	0.8%
Other	33.6%	27.5%	-6.1%
Total	**100.0%**	**100.0%**	**0.0%**

Source: Grand Fire Protection District No.1; Economic & Planning Systems

3. Fee Calculations

Replacement Cost

The first step in the incremental expansion method to calculate impact fees is to document the replacement costs of the District's existing assets. As shown in **Table 5**, replacement costs are itemized into three main categories: fire facilities, fire fleet inventory, and equipment. GFPD has a total of 3 fire stations, a small residential quarter for employees, a generator house, a training tower, 17 fleet vehicles, and necessary equipment for fire protection operations. The total asset value of these items is $42.7 million. When adjusting for outstanding debt on Bud Wilson Station, the total replacement value used in the impact fee calculation is $35.8 million.

Table 5. Existing Asset Inventory

Description	Factor	Cost Factor	Replacement Cost
Fire Facilities	**Sq. Ft.**	**Cost per Sq. Ft.**	
Headquarters	22,476	$650	$14,609,400
Training Tower	2,500	$350	$875,000
Generator House	300	$350	$105,000
Resident Quarters	5,800	$500	$2,900,000
Red Dirt Station (Station 2)	4,658	$550	$2,561,900
Bud Wilson Station (Station 3)	16,500	$550	$9,075,000
Subtotal	**52,234**	**$577**	**$30,126,300**
Fire Fleet Inventory	**Units**	**Avg. Cost per Unit**	
Ladder	2	$1,835,000	$3,670,000
Rescue	2	$600,000	$1,200,000
Engine	4	$1,012,500	$4,050,000
Tanker	2	$485,000	$970,000
Utility	7	$170,714	$1,195,000
Subtotal	**17**	**$652,059**	**$11,085,000**
Equipment	**Units**	**Avg. Cost per Unit**	
Equipment	180	$7,969	$1,434,350
Hoses	6,500	$6	$39,000
Subtotal	**6,680**	**$221**	**$1,473,350**
Total Asset Value			**$42,684,650**
Debt			**Outstanding Principal**
Bud Wilson Station (Station 3)			-$6,880,000
Total for Impact Fee Calculation			**$35,804,650**

Source: Grand Fire Protection District No.1; Economic & Planning Systems

Fee Calculation

Once the total replacement cost is determined, the costs should be allocated by land use. To do this, EPS has collected call volume data from the GFPD to determine the allocation of cost to each land use type. The process of allocation is described in more detail below.

Cost Allocation

Using call volume data from January 2019 through June 2024, as shown in **Table 6**, 46.6 percent of all calls were attributed to residential properties, 25.9 percent of all calls were attributed to nonresidential properties, and 27.5 percent of all calls were attributed to other types of calls (e.g., traffic incidents, wildlands). This remaining 27.5 percent of other calls is excluded from the impact fee calculation since it cannot be attributed to any specific land use.

Fee Calculation

To determine the maximum supportable fee for residential and nonresidential land uses, the total replacement cost allocated by land use type is divided by the total square footage to determine the cost per square foot. For example, the total replacement cost attributed to residential uses is $16.6 million, as shown in **Table 6**. This cost is then divided by the total number of housing units to determine the cost per housing unit, which is $3,434. The cost per housing unit, which is $3,434, is then divided by the average home size to determine the maximum defensible fee, which is $1.26 per square foot.

For nonresidential land uses, the cost per square foot fee is calculated by taking the total replacement cost attributed to nonresidential uses, which is $9.3 million, and dividing it by the total nonresidential square footage within the GFPD service area, which is 1.5 million square feet. This results in a maximum defensible fee of $6.03 per square foot.

It is at the discretion of the District to adopt any fee amount up to but not exceeding these maximums.

Table 6. Fee Calculation

Description			Factor
Total Replacement Cost		**$35,804,650**	
Allocation by Incident Type[1]			
Residential	46.6%	$16,671,373	***A***
Nonresidential	25.9%	$9,285,660	***B***
Other	27.5%	$9,847,617	
Total	**100.0%**	**$35,804,650**	
Existing Development, 2024[2]			
Housing Units		4,855	***C***
Average Home Size (Sq. Ft.)		2,731	***D***
Nonresidential Sq. Ft.		1,539,331	***E***
Maximum Residential Fee			
Per Housing Unit		$3,434	***F = A / C***
Per Residential Sq. Ft.		$1.26	***G = C / F***
Maxmum Nonresidential Fee			
Per Nonresidential Sq. Ft.		$6.03	***H = B / E***

[1]Based on call data volume from January 1, 2019 through June 20, 2024.
[2]Based on Grand County Assessor Data from June 2024.
Source: Grand Fire Protection District No.1; Economic & Planning Systems