Pagosa Fire Protection District Impact Fee Study

Draft Final Report

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Prepared for
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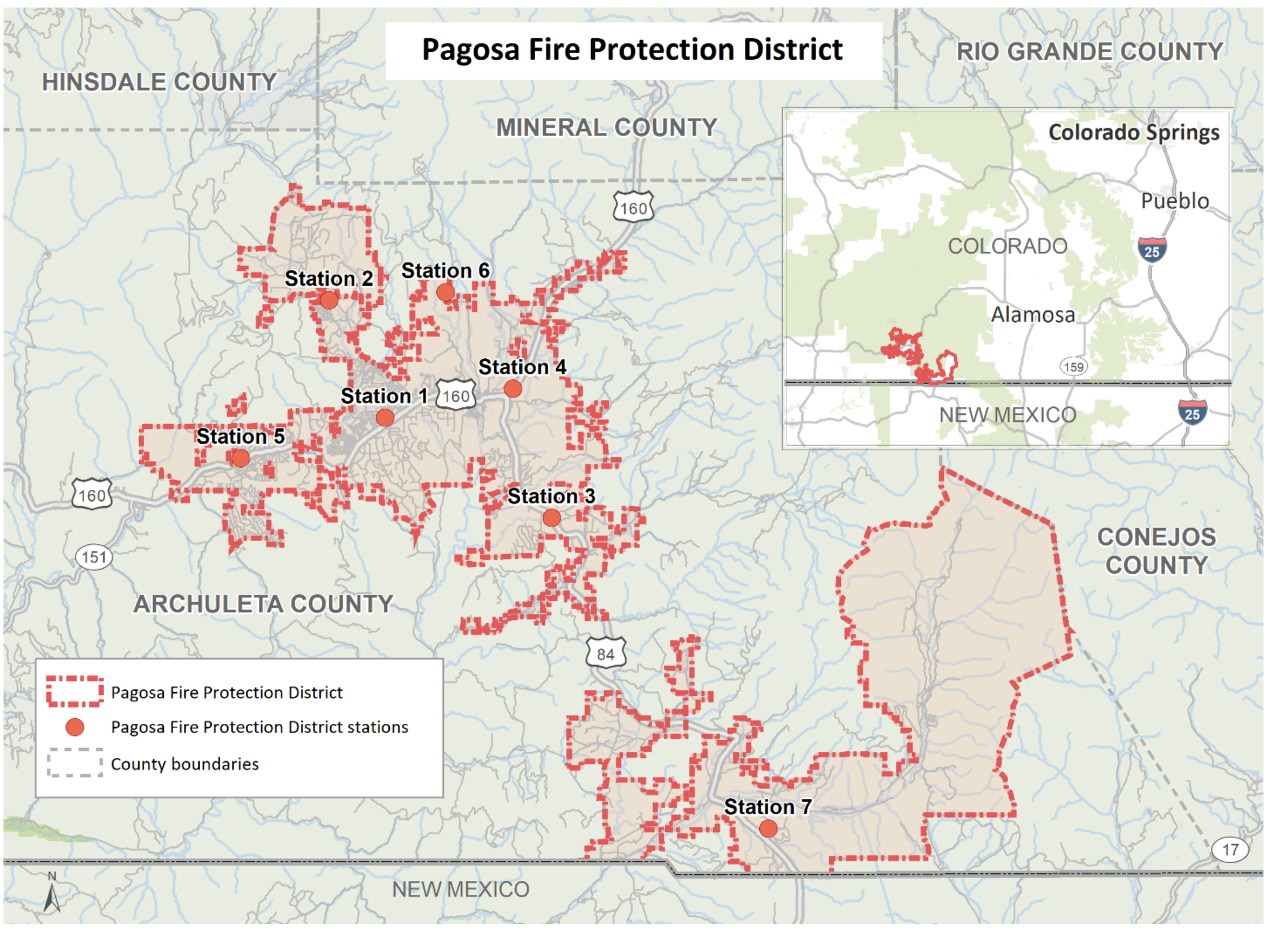
SECTION I.
Introduction

This report presents the analysis underlying calculation of proportional development impact fees for Pagosa Fire Protection District (PFPD or the District). This section describes fee design requirements and various implementation considerations.

PFPD provides fire rescue and emergency services to more than 12,350 residents across 319 square miles in Archuleta County,[1] serving the Town of Pagosa Springs as well as much of the unincorporated and rural county areas shown in Figure I-1.

Figure I-1.
Pagosa Fire Protection District Service Area



Source: BBC Research & Consulting from ArcGIS shapefiles, 2024.

[1] Pagosa Fire Protection District, https://www.pagosafire.org/

Objectives

Many fire districts in Colorado impose development impact fees for expansion of public infrastructure. Colorado statute and a series of United States Supreme Court decisions dictate the amounts that districts can charge in impact fees and how they can devise, impose, and spend them. Because of those requirements, PFPD retained BBC Research & Consulting (BBC) to prepare a report documenting the calculation of proportional and defensible impact fees to ensure it can maintain its existing service standards as development occurs in its service area.

This report documents BBC's analysis and recommendations for an impact fee that recovers the proportional capital costs associated with new development and in a manner consistent with the Colorado Revised Statutes.

Colorado Impact Fee Requirements

Development impact fees have been used in Colorado going as far back as the 1920s, when cities began charging developers for the water rights required to serve new development.[2] Other states also charged impact fees to new development, and in 1947 one of the first legal challenges to impact fees was filed in Illinois. In that case, the Illinois Home Builders Association sued the Hinsdale Sanitary District over its tap fee. The case was appealed all the way to the Illinois Supreme Court, which ruled that the District's fee was legal so long as the revenues were used for capital expenditures and not operating expenses.[3]

In Colorado, impact fee requirements were heavily influenced by a 1999 lawsuit between Krupp and the Breckenridge Sanitation District. The case, known as Krupp v. Breckenridge Sanitation District, was heard by the Colorado Supreme Court, which ruled that impact fees are legal so long as they meet certain requirements. The requirements defined in the ruling on Krupp v. Breckenridge Sanitation District were formally codified by the Colorado Legislature with the passage of Senate Bill 01S2-015, "An Act Concerning Land Development Charges That May Be Imposed by Local Governments."

The Bill, which modified Section 29-20-104.5 of Title 29 of Colorado Revised Statutes, allowed local governments to impose impact fees on new development to fund expenditures on capital facilities needed to maintain existing service standards.[4] The impact fees are applicable to a broad set of land uses and can be calculated based on development characteristics of local land uses that roughly approximate each land use's burden on capital facilities. This enabling legislation allowed municipalities to charge a single impact fee to each type of development (e.g., residential, commercial, and industrial) rather than calculating fees on a case-by-case basis.

In 2016, the Colorado Legislature passed House Bill 16-1088, known as the "Public Service Fairness Act," which authorized fire protection districts organized under Article 1 of Title 32,

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[2] Lillydahl, J.H, 1987. Impact Fees in Colorado: Economic, Political, and Legal Overview. Presented at A Symposium on Impact Fees, 1987 Conference of the American Planning Association. New York City. Cited in White and Dahl, 2001.

[3] Carswell, A.T, 2012. The Encyclopedia of Housing, Second Edition. SAGE Publications. p. 385. ISBN 978-1-4129-8958-9. Retrieved 2023-04-03. Cited in Wikipedia, "Impact Fee;" accessed 2023-11-08 at https://en.wikipedia.org/wiki/Impact_fee.

[4] Local governments were defined as counties; home rule municipalities; and statutory cities, towns, territorial charter cities.

C.R.S., or a fire authority established pursuant to Section 29-1-203.5, to levy impact fees on new development. The bill amended C.R.S. 29-20-104.5 to allow fire protection districts to charge development impact fees as a condition of issuance of a development permit and to use the funds for expenditures on capital facilities that provide fire protection, rescue, and emergency services related to the new development.

In May 2024, the Colorado Legislature passed SB24-194, known as the “Special District Emergency Services Funding Act,” allowing special districts to impose and directly collect impact fees on new development without the requirement of an intergovernmental agreement between the district and the local government body.

To meet the requirements of current Colorado legislation, development impact fees charged by a fire protection district must:

- Be a one-time charge imposed on new development;
- 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;
- Be reasonably related to the overall cost of the capital. Fees must be fairly calculated and rationally based. Mathematical exactitude is not required, however, and the particular mode adopted by the district in assessing the fee is generally a matter of that district’s discretion;
- Ensure no impact fee or other similar development charge shall be imposed to remedy any deficiency in capital facilities that exists without regard to the proposed development; and
- Ensure that impact fees adopted by a local government do not require individual landowners to provide any site-specific dedication or improvements that meet the same need for capital facilities for which the district’s impact fee is imposed.

Because the setting of rates and fees involves many questions of judgment and discretion, districts have the flexibility to choose the most appropriate rate-setting method so long as it uses reasonable assumptions and logic in the basis of calculating the development impact fee schedule.

U.S. Supreme Court Decisions

In *Sheetz v. County of El Dorado* (2024), the U.S. Supreme Court unanimously ruled that impact fees are subject to the Takings Clause of the Fifth Amendment of the U.S. Constitution. The two most notable court decisions that are used to analyze takings clause cases are often referred to as *Nollan* and *Dolan*[5].

Guidance from these decisions requires that there be an "essential nexus" between the exaction/fee and the state interest being advanced by that exaction. In the more recent *Dolan v.*

5 *Nollan v. California Coastal Commission*, 483 U.S. 82; 1987 and *Dolan v. City of Tigard* (1994) 114S.Ct. 2309.

City of Tigard (1994) decision, the U.S. Supreme Court held that in addition to an essential nexus, there must be a "rough proportionality" between the proposed exactions and the project impacts that the exactions are intended to mitigate. In *Dolan,* the court further states that rough proportionality need not be derived with mathematical exactitude but must demonstrate some relationship to the specific impact of the subject project:

> *"We think a term such as 'rough proportionality' best encapsulates what we hold to be the requirements of the Fifth Amendment. No precise mathematical calculation is required, but the city must make some sort of individualized determination that the required dedication is related both in nature and extent to the impact of the proposed development."*[6]

Over the past two decades since *Dolan*, many fire districts have imposed impact fees; thus, there now is a broad set of common practices when considering how best to reflect these judicial and statutory requirements in fee design efforts.

Fee Applicability

As noted above, fire districts can only use impact fee revenue to cover the costs of any necessary expansion of capital facilities that are required to serve new development. In addition, fee amounts can only be set in a manner that is proportional to the cost of capital facility expansion needed to maintain—but not improve—existing standards of service.

Capital facilities. *Capital facilities* are the physical component of public services. Under Colorado statute, the definition of *capital* can include all equipment that has at least a five-year lifetime. It does not include personnel or any operational elements of service costs, even in circumstances where new staff are required to operate new facilities. Capital facilities generally include buildings, apparatus, vehicles, office furniture, or other support facilities.

Nature of capital investments. Not all capital facility costs are associated with community growth or with the expansion of capacity. Most fire districts make investments in capital facilities not because of growth pressures but for the repair and replacement of existing capital. For example, fire districts often make capital investments related to:

- *Repair and replacement of existing facilities*, such as annual building maintenance or replacing a roof;
- *Betterment of existing facilities*, such as introducing new services or improving existing capital facilities without increasing service capacity; and
- *Facilities expansions*, such as expanding an existing building to accommodate growing personnel requirements.

Fire districts are not allowed to account for such investments as part of impact fee calculations nor are they allowed to expend impact fee funds on such investments.

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[6] *Dolan v. City of Tigard* (1994) 114S.Ct. 2309.

Capital Standards

In designing impact fees, fire districts must determine the appropriate capital standards applicable to each category of infrastructure. Facility standards can vary widely between districts. Whereas some states have legislation that describes such criteria with great specificity, other states—like Colorado—use more general standards. There are two primary approaches for calculating capital standards.

Capital buy-in approach. Capital standards can be estimated using the replacement value of specific capital facilities and the qualified equipment necessary for each category of capital facilities. For example, a city of 2,500 homes with a 20,000 square foot recreation center that has a replacement value of $5 million would have a recreation center standard of 8 square feet per housing unit (i.e., 20,000 square feet/2,500 homes = 8 square feet per home) and a replacement value of $250 per square foot (i.e., $5 million/20,000 square feet = $250 per square foot). Thus, each existing residence would have an embedded recreational investment of $2,000 per home (i.e., $250 x 8 square feet = $2,000 per home), representing the community's recreational facility standard, which is what a developer could be charged for recreational facilities for each new unit.

One important dimension of the capital buy-in approach is the use of the replacement value of each asset. As mentioned earlier, the purpose of impact fees is to maintain the current level of service. Therefore, the value of each asset should be assessed by its current functionality, not its dollar value. For example, even if a dump truck were purchased in 1980 and its present resale value is less than $10,000, the replacement value for that dump truck would be equal to the market rate of a new unit that performs the same function as the original vehicle.

If capital standards are defined using a capital buy-in approach, then calculations of those standards must account for any debt that applies against the relevant capital facilities. Because current residents are already responsible for that debt, it would be duplicative and inappropriate to charge developers impact fees that also include that debt.

Plan-based approach. Fire districts can also use a *plan-based approach* to set capital standards, which relies on capital improvement or other specific plans to estimate the value of capital required to serve future development. A plan-based approach requires forecasts of residential and commercial growth and detailed data on capital expansion plans and costs. Plan-based approaches must focus on expansion-related projects or the expansion portion of projects rather than betterment or replacement projects.

Other Considerations

Over time, some consensus has emerged on how best to ensure that impact fees comply with state statutes and court rulings. Many of the factors that fire districts must consider in designing fees appropriately are described above, but BBC also presents other considerations to be made:

- **Land use allocation**. Courts have indicated that all forms of development that have facility impacts—that is, residential, industrial, and commercial developments—must pay their fair share of expansion costs. If one type of development is exempted from fees, then fees may not be sufficient to cover expansion costs that result from new development.

- **Use specificity**. Impact fee calculations vary between different forms of land use. When compelling evidence is available that the forms, sizes, or uses of particular types of development will result in substantially different demands for fire protection services, then a district's impact fees should reflect that information.
- **Fund balance.** A fire district's impact fee fund balance represents cash investments the existing community has made in capital expansion. When utilizing the capital buy-in approach for calculating development impact fees, these cash investments are combined with capital facilities valuations to arrive at the total capital investment that the community has made.
- **Redevelopment**. The application of impact fees raises questions about how to deal with the redevelopment of existing properties. The redevelopment of a residence—even if it involves full scraping—does not lead to an increase in service demands, because it is still one residential unit with no implications for service delivery costs or capital needs. In contrast, the redevelopment of a larger lot into multiple homes would be assessed an impact fee based on the net number of new residential units, because there would be clear implications for service delivery and capital needs. Commercial redevelopment would be subject to the same considerations.
- **Waivers**. Fire districts should not waive fees unless the funds are reimbursed from other sources such as the general fund or other contributions by the developer to system expansion that meets or exceeds the calculated fees.
- **Timing.** Fees should be assessed at the time that building permits are issued.
- **Updates**. Impact fee calculations should be updated periodically to account for changes in costs and asset values. Most fire districts update their fees every year using an inflation multiplier and conduct updates to their impact fee studies every three to five years.
- **Fee design costs.** The cost of fee design studies can be recovered through impact fees and used to reimburse districts' expenditures on the studies.

SECTION II.
Impact Fee Derivation

As described in Section I, there are several types of information that fire protection districts must consider to appropriately set their development impact fees, including determining capital standards. BBC used data from various sources to make appropriate considerations in developing development impact fees for Pagosa Fire Protection District.

- **Capital standards.** BBC used PFPD's current investment in capital facilities as the basis for determining capital standards for the fee update – known as the capital buy-in approach. We obtained the information directly from the District. The valuation included estimates of investments in furniture, fixtures, and durable equipment. Calculations of capital standards must account for any debt that exists in connection with relevant infrastructure. At the time of this study, PFPD does not have a debt obligation against its assets.
- **Land use allocation**. It is important for fire districts to determine how impact fees should be allocated according to land use so that all forms of development pay their fair share of expansion costs. Although PFPD does not maintain a database of relevant land use, data from the Archuleta County Assessor's Office indicates that the majority of current development in the District's service area is for residential purposes (86.4 percent single family residential; 5.7 percent multi-family residential; and 7.9 percent non-residential). BBC allocated the value of PFPD's capital facilities following the above land use distribution, as future development in the region is not expected to differ substantially from existing land use patterns.
- **Use specificity.** To the extent possible, impact fees should reflect the degree to which different forms, sizes, and uses of particular types of development will result in different demand for fire protection services.
- **Fund balance.** When using the capital buy-in approach, the balance of a fire district's impact fee fund must be combined with capital facilities valuations to arrive at the total capital investment. As the District is establishing development impact fees for the first time, it does not have an impact fee fund balance.
- **Fee design costs.** The cost of impact fee studies can be recovered through impact fees, so BBC has included the cost of this report in the fee calculations.
- **Proportionality.** By using PFPD's current investment in capital facilities to derive capital standards and then setting fee rates to replace the current standards of facility investment, BBC has ensured that proportionality has been reasonably and fairly derived. New growth is simply replicating its proportional share of an existing facility standard. Existing standards will be the standards to which new growth will be held accountable.

PFPD Budget Overview

Property tax revenues for PFPD are collected through the District's 8.025 property tax mill of properties in Archuleta County that are within the District's service area. A millage rate is the tax rate used to calculate local property taxes and represents the amount per every $1,000 of a property's assessed value that a community would charge.

The 2024 PFPD Budget shows the District budgeted revenues of approximately $4.5 million for fiscal year 2024, more than 95 percent of which was tax-related revenue from property taxes. PFPD's anticipated expenditures for 2024 are $4.5 million, and this is allocated to personnel costs—including salaries, benefits, and volunteer incentives—as well as medical supplies, training, maintenance, capital purchases, and more. As discussed in Section I, capital investments are generally used for repair and replacement, betterment of facilities and service standards, and facilities expansion.

Property tax revenue that funds PFPD's operating budget will continue to be dedicated to the District's ongoing operational expenses and may not be sufficient to fund the District's growth-related capital infrastructure needs. By implementing a schedule of impact fees as an additional source of revenue, PFPD will ensure new development pays for its equitable share of new infrastructure and existing taxpayers will not be responsible for subsidizing growth. In addition, PFPD's capital and operating funds can be reserved for other, non-growth-related uses.

Impact Fee Calculations

BBC's methodology for updating PFPD's impact fee includes the following tasks:

1. Quantify the capital facilities investment needed to maintain current level of service;
2. Develop estimates of PFPD's current land use pattern; and
3. Calculate the fire protection capital costs per unit of development (per residential dwelling unit or per square foot of non-residential development).

Capital facilities investment. A conservative method of establishing PFPD's current level of service for fire protection is to quantify its financial investment in capital facilities. Specifically, the District has five types of capital facility-related assets that should be included in a calculation of current infrastructure investment:

- Land and buildings, including fire stations;
- Major apparatus, such as fire engines and specialized vehicles;
- A variety of lifesaving and fire-fighting apparatus;
- Equipment such as furniture, computers, and related durable assets; and
- The cost of this impact fee study.

Figure II-1 presents PFPD's current capital facilities and the value eligible to be included in impact fee calculations. As shown in the last row of Figure II-1, the total replacement value of the District's current capital facilities is approximately $12.5 million.

Figure II-1.
PFPD's Current Assets, 2024

Type of Capital Facilities	Total Replacement Value	Portion to Include in Impact Fees (1)	Allocated Replacement Value (2)
Buildings and Land			
Buildings and Land	$1,717,180	100%	$1,717,180
Vehicles and Apparatus			
1996 International 1250	$700,000	100%	$700,000
1998 Freightliner FL70	$335,000	100%	$335,000
E-One HP-75	$1,000,000	100%	$1,000,000
1998 Freightliner FL80	$700,000	100%	$700,000
1997 Ford F-800	$335,000	100%	$335,000
2003 Ford 550	$160,000	100%	$160,000
2003 Ford 550	$160,000	100%	$160,000
2003 International 7400	$335,000	100%	$335,000
2003 International 7400	$335,000	100%	$335,000
2003 International 7400	$335,000	100%	$335,000
2003 Spartan	$500,000	100%	$500,000
2003 Spartan	$500,000	100%	$500,000
2003 Spartan	$500,000	100%	$500,000
2005 International 7400S	$600,000	100%	$600,000
2006 Spartan HA40M	$700,000	100%	$700,000
2008 Ford Expedition	$40,000	100%	$40,000
2008 Ford Ranger	$40,000	100%	$40,000
2008 Ford Ranger	$40,000	100%	$40,000
2008 Spartan GA40M	$700,000	100%	$700,000
2009 Dodge 5500	$100,000	100%	$100,000
2010 Dodge 550	$85,000	100%	$85,000
2010 Snow Wolf Blade	$4,891	100%	$4,891
2005 Catapillar 248B	$34,235	100%	$34,235
2010 Erskine 2010X	$9,083	100%	$9,083
2011 Ford Explorer	$40,000	100%	$40,000
2011 Ford Expedition	$40,000	100%	$40,000
2018 Chevy Tahoe	$66,311	100%	$66,311
2019 International HV507	$566,688	100%	$566,688
2020 Ram 2500	$68,520	100%	$68,520
2022 Ram 5500	$216,628	100%	$216,628
Mobile Equipment and Business Property			
Self-contained breathing apparatus	$442,007	100%	$442,007
Other equipment and property	$1,042,468	100%	$1,042,468
Fee Study			
Cost of study	$12,000	100%	$12,000
Total Value of Fire Capital Facilities for Fee Calculation			**$12,460,011**

Notes: [1] Reflects PFPD's equity in each capital facilities asset net of any outstanding debt service obligation.
[2] Total replacement value x Portion to include in impact fees = Allocated replacement value.

Source: Pagosa Fire Protection District; BBC Research & Consulting, 2024.

Current land use. BBC used the current pattern of development in PFPD's service area as a basis for allocating capital expansion costs between different types of land uses. Figure II-2 presents the distribution of residential and non-residential building square footage, based on current data from the Archuleta County Assessor. As shown in Figure II-2, about 86 percent of development in the region is single family residential, 6 percent is multifamily residential, and 8 percent is non-residential commercial or industrial space.

Figure II-2.
Distribution of Residential and Non-residential Square Footage in the PFPD Service Area, 2024

Source:

Archuleta County Assessor; BBC Research & Consulting, 2024.

Development Type	Unit Count	Total Square Footage	Percent of Total Square Footage
Residential	**8,192**	**17,652,482**	**92.1%**
Single family residential	7,546	16,555,276	86.4%
Multifamily residential	646	1,097,206	5.7%
Non-residential	**499**	**1,510,961**	**7.9%**
Commercial & retail	481	1,458,193	7.6%
Warehouse & industrial	18	52,768	0.3%

Impact fee calculation. Figure II-3 uses PFPD's current service standards and capital replacement costs to determine appropriate residential and non-residential fees. BBC used the existing land use patterns in the District's service area as a proxy for the assignment of costs to particular types of development. Figure II-3 presents fee calculations for each relevant type of development. The value of PFPD's capital facilities is presented in the top row of Figure II-3 (and is identical to the last row of Figure II-1).

- The first step in calculating impact fees was to allocate the total value proportionally to each type of development, based on existing land use patterns in PFPD's service area. Thus, BBC allocated $10,764,190 to single family residential development (or, 86.4 percent); $713,400 to multifamily residential development (or, 5.7 percent); and $982,422 to non-residential development (or, 7.9 percent).
- Next, BBC calculated the amount that each new unit of development must pay to replicate the existing service standard by dividing each development type's capital burden by the existing number of development units. For example, the $10,764,190 of capital associated with single family residential development was divided by the existing number of 7,546 single family dwelling units to derive a per-unit value.

The result of allocating the capital burden in the manner described above resulted in full cost-recovery impact fees, which, as shown in the last three rows of Figure II-3, are $1,426 per single family residential dwelling unit; $1,104 per multifamily dwelling unit; and $0.65 per square foot of non-residential development. PFPD can choose to charge less than the amounts shown in Figure II-3, but it must apply discounts uniformly to all land use categories.

Figure II-3.
Maximum Allowable Impact Fees for PFPD

Note:

[1] Non-residential includes commercial, retail, industrial, and warehouse development.

Source:

Pagosa Fire Protection District; Archuleta County Assessor; BBC Research & Consulting, 2024.

Calculation of Impact Fees	
Value of Fire Capital Facilities	$12,460,011
Current Land Use Distribution	
Single family residential	86.4%
Multifamily residential	5.7%
Non-residential (1)	7.9%
Costs by Land Use Category	
Single family residential	$10,764,190
Multifamily residential	$713,400
Non-residential	$982,422
Existing Development	
Single family residential (in dwelling units)	7,546
Multifamily residential (in dwelling units)	646
Non-residential (in square feet)	1,510,961
Impact Fee by Land Use	
Single family residential (per dwelling unit)	**$1,426**
Multifamily residential (per dwelling unit)	**$1,104**
Non-residential (per square foot)	**$0.65**

Impact fee comparison. BBC compared these fees with those of five other Colorado fire protection districts for which BBC conducted impact fee studies in 2023 and 2024. Figure II-4 shows the recommended residential and non-residential fees for the six fire districts.

Figure II-4.
Comparison of Impact Fees Recommended for PFPD and Other Colorado Fire Districts

Note:

*Residential fees are per dwelling unit; non-residential fees are per square foot.

Source:

BBC Research & Consulting, 2024.

	Residential*		Non-residential*
Fire District or Entity	*Single family*	*Multifamily*	
Pagosa Fire Protection District	$1,426	$1,104	$0.65
Brighton Fire Rescue	$1,377	$891	$0.69
Castle Rock Fire Protection District	$1,116	$1,116	$0.41
Elk Creek Fire Protection District	$2,583	$1,199	$1.52
Front Range Fire Rescue	$1,354	$1,247	$1.53
Elizabeth Fire Protection District	$1,819	$1,819	$0.75

As illustrated in Figure II-4, the recommended impact fee for a single-family house ranges from a low of $1,116 to a high of $2,583, with an average fee of $1,613. For a multifamily unit, the fee ranges from $891 to $1,819, with an average of $1,229. The non-residential impact fee varies from $0.41 to $1.53 per square foot, with an average of $0.92.

PFPD's fee structure ensures proportionality, supporting necessary facilities expansion in the face of new development without overburdening any particular development type. The alignment of fees with other fire districts in Colorado further positions PFPD's impact fees as fair and defensible.

Impact fee revenue projections. Impact fees can bring substantial revenue to the District, helping to support necessary facilities expansion as development occurs in the community. BBC developed low, medium, and high revenue estimates using population projections for Archuleta County as modeled by the Colorado State Demography Office (SDO), which provides population estimates and forecasts for Colorado's regions, counties, and municipalities.[1]

The SDO projects an 8.7 percent population increase in Archuleta County between 2024 and 2030. Given that the PFPD service area encompasses nearly 90 percent of the County's total population, BBC applied this growth rate to estimate development within the PFPD boundaries.

Figure II-5 summarizes annual growth projections for 2025 through 2030, offering revenue estimates based on this growth. Medium projections assume development aligns directly with current SDO growth projections, while low and high projections model a 25 percent reduction or increase, respectively, to account for potential variability in development. This equates to an annual population growth rate of 6.5 percent in the low scenario and 10.8 percent under the high scenario.

Figure II-5.
Projected Growth and Impact Fee Revenues for PFPD, 2025 to 2030

Development Type	Projected Growth in 2025	Projected Growth in 2026	Projected Growth in 2027	Projected Growth in 2028	Projected Growth in 2029	Projected Growth in 2030
Single family residential (dwelling units)	93	108	115	121	128	135
Impact fee revenue projection (low, $)	$99,053	$115,468	$122,826	$129,619	$136,977	$144,901
Impact fee revenue projection (medium, $)	$132,071	$153,957	$163,768	$172,825	$182,636	$193,201
Impact fee revenue projection (high, $)	$165,089	$192,447	$204,711	$216,031	$228,295	$241,502
Multifamily residential (dwelling units)	8	9	10	10	11	12
Impact fee revenue projection (low, $)	$6,565	$7,653	$8,140	$8,591	$9,078	$9,603
Impact fee revenue projection (medium, $)	$8,753	$10,204	$10,854	$11,454	$12,104	$12,804
Impact fee revenue projection (high, $)	$10,941	$12,754	$13,567	$14,318	$15,130	$16,006
Non-residential (square feet)	18,539	21,611	22,988	24,259	25,636	27,120
Impact fee revenue projection (low, $)	$9,040	$10,538	$11,210	$11,830	$12,502	$13,225
Impact fee revenue projection (medium, $)	$12,054	$14,051	$14,947	$15,773	$16,669	$17,633
Impact fee revenue projection (high, $)	$15,067	$17,564	$18,683	$19,717	$20,836	$22,041
Total projected annual revenue						
Low ($)	$114,659	$133,659	$142,177	$150,039	$158,557	$167,729
Medium ($)	$152,878	$178,212	$189,569	$200,052	$211,409	$223,639
High ($)	$191,098	$222,765	$236,961	$250,065	$264,261	$279,549

Note: Medium revenue projections assume that future growth aligns with current projections modeled by the State Demography Office. Low and high revenue projections assume a 25 percent reduction or increase, respectively, over the current projections.

Source: Colorado State Demography Office, 2024; BBC Research & Consulting.

[1] Colorado State Demography Office at https://demography.dola.colorado.gov/

As shown in Figure II-5, impact fees from future development within the PFPD service area are expected to generate between $153,000 and $224,000 annually, depending on growth rates, over the next five years. These projections, based on the recommended fees in Figure II-3, illustrate the potential for impact fees to contribute substantially to the District's funding for capital expansion, ensuring that the District's services keep pace with regional growth without overburdening existing development.

SECTION III.
Summary and Recommendations

The development impact fees of $1,426 per single-family residential dwelling unit, $1,104 per multifamily dwelling unit, and $0.65 per square foot of non-residential development that BBC recommends for PFPD's consideration represent maximum allowable amounts. PFPD may choose to adopt fees below these amounts, but the District should apply discounts uniformly to all land use categories if the fees are set below their maximum allowable level.

BBC offers the following recommendations regarding implementation of impact fees for Pagosa Fire Protection District:

- PFPD must maintain its impact fee fund in an interest-bearing account that is separate and apart from its general fund. All fees collected in accordance with the impact fee schedule shall be deposited and accounted for as required in Colorado Revised Statutes Title 29, Article 1, Part 8, Section 29-1-803.
- PFPD should adhere to a written policy governing expenditure of monies from its impact fee fund. Withdrawals from the impact fee fund should only be used to pay for growth-related capital infrastructure with a service life of five or more years. All proceeds shall be used in conformance with Colorado Revised Statutes Title 29, Article 20, Part 1, Section 29-20-104.5.
- PFPD should be prohibited from paying for operational expenses with impact fees, including the repair and replacement of existing infrastructure not necessitated by growth. In cases when PFPD expects new infrastructure to partially replace existing capacity and to partially serve new growth, cost sharing between its general fund (or capital fund) and its impact fee fund should be allowed on a proportional basis as determined by the Board.
- PFPD should update its impact fee studies periodically (e.g., every three to five years) as it invests in additional infrastructure and as future development occurs, to ensure its impact fees reflect its existing service standards.
- Between updates, PFPD should adjust its impact fees annually at the start of each year based on the U.S. Bureau of Labor Statistics' Western Information Office's consumer price index for the West Region.[1]

[1] https://www.bls.gov/regions/west/news-release/consumerpriceindex_west.htm