Calhan Fire Protection District

Impact Fee Study

Final Report

Nexus Study for Development Impact Fees

Prepared by Calhan Fire Protection District Staff
September 15, 2025

Contact Information
Calhan Fire Protection District
725 4th Street
Calhan, CO 80808

Section I. Introduction and Legal Basis

Purpose

The Calhan Fire Protection District (CFPD) has undertaken this Nexus Study to establish proportional development impact fees in accordance with Colorado law. CFPD delivers fire suppression, rescue, emergency medical services, and related functions across approximately 255 square miles spanning El Paso and southern Elbert Counties, encompassing the Town of Calhan and adjacent unincorporated areas, located 40 miles east of Colorado Springs near the intersection of US-24 and County Road 121. This study, conducted by CFPD staff, outlines the methodology for calculating impact fees to recover capital costs of new facilities and equipment required to maintain existing service standards as development increases, ensuring compliance with Colorado Revised Statutes (C.R.S.) and U.S. Supreme Court precedents.

Objectives

Many fire districts in Colorado impose development impact fees for expansion of public infrastructure. Colorado statutes 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, CFPD conducted this Nexus Study to ensure it can maintain its existing service standards as development occurs in CFPD's service area.

Figure I-1.
Calhan Fire Protection District Service Area

[Insert District Map Here]

Legal Framework

Colorado law authorizes fire protection districts to impose impact fees under C.R.S. § 32-1-1001 et seq. and C.R.S. § 29-20-104.5, as amended by Senate Bill 01S2-015, House Bill 16-1088, and further expanded by SB24-194 (2024). These statutes stipulate that impact fees must:

- Be a one-time charge on new development; and
- Reflect costs directly attributable to development impacts, not exceeding the amount necessary to sustain existing service levels; and

- Be reasonably related to capital costs, allowing flexibility in calculation methods; and
- Exclude fees addressing pre-existing deficiencies; and
- Avoid duplicating site-specific dedications or improvements.

U.S. Supreme Court rulings, including *Sheetz v. County of El Dorado* (2024), *Nollan v. California Coastal Commission* (1987), and *Dolan v. City of Tigard* (1994), require an "essential nexus" and "rough proportionality" between fees and development impacts. This study adheres to these standards by leveraging CFPD's current capital investment, a methodology consistent with impact fee studies conducted by fire agencies within the State of Colorado, primarily within El Paso County.

Alignment with Colorado Practices

This self-conducted Nexus Study employs methodologies prevalent in recent Colorado impact fee studies, including the capital buy-in approach, land use allocation based on assessor data, and annual adjustments using inflation indices. CFPD staff reviewed publicly available studies (e.g., South Metro Fire Rescue, 2023; Poudre Fire Authority, 2022; Frederick-Firestone Fire Protection District, 2025; and Monument Fire Protection District Development Fire & Emergency Services Impact Fees) to ensure alignment with statewide standards, adapting them to CFPD's specific context due to budget constraints precluding external consultation.

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. 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.

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. 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, the "Public Service Fairness Act," which granted fire protection districts organized under Article 1 of Title 32, C.R.S., and fire authorities established under Section 29-1-203.5 the ability to levy impact fees on new development. The bill amended C.R.S. § 29-20-104.5, allowing these districts to charge development impact fees as a condition for issuing development permits and to use the revenue for capital facilities supporting fire protection, rescue, and emergency services related to new development. However, fire protection districts were not given unilateral authority to impose these fees; instead, they were required to enter into intergovernmental agreements with county or municipal governments, which would collect and remit the fees on their behalf.

In May 2024, the Colorado Legislature significantly expanded the authority of fire protection districts by passing SB24-194, the "Special District Emergency Services Funding Act." This law eliminates the requirement for intergovernmental agreements, allowing fire protection districts to impose and collect impact fees directly within their jurisdictions. Additionally, SB24-194 authorizes both fire and ambulance districts to levy a sales tax, subject to voter approval, to generate additional revenue for district services.

To comply with current Colorado law, any development impact fees charged by a fire protection district must:

- Be a one-time charge imposed on new development; and
- 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 which are directly related to proposed development; and
- Be reasonably related to the overall cost of 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; and
- 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 taking clause cases are often referred to as *Nollan* and *Dolan*.

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. 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.

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, and 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.

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 district with a single station and a replacement value of $5 million would have a capital standard based on its current infrastructure.

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 the following other considerations are 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.

Section II. Methodology and Data

Capital Facilities Inventory

CFPD staff utilized the capital buy-in approach, as permitted under C.R.S. § 29-20-104.5 and commonly applied by North Metro Fire Rescue District, to quantify current capital investment for establishing service standards. This method bases fees on the replacement value of facilities and equipment with a lifespan of five years or more, excluding debt and operational costs. CFPD, with no outstanding debt, reports the following assets:

- **Buildings and Land:** Station 1 ($5,000,000)
- **Vehicles and Apparatus:** 3 Fire Engines ($2,300,000), 1 Tender ($300,000), 2 Brush Trucks ($650,000), 2 ALS Ambulances ($600,000)
- **Equipment:** Medical, extraction, fire, hazardous materials, communications, furnishings, and IT ($1,250,000)
- **Impact Fee Fund Balance:** $0.00

Total Replacement Value: $10,100,000

Land Use Allocation

Using El Paso County Assessor data and Elbert County Assessor data, CFPD allocated costs based on existing development patterns: 80% residential (1,400 units, 2,800,000 sq. ft.) and 20% non-residential (180 units, 650,000 sq. ft.), consistent with practices in districts like Elbert County Fire Protection District and Monument Fire Protection District. This proportional allocation ensures equitable contribution from all development types to expansion costs.

Figure II-1.
Calhan Fire Protection District Current Assets, 2025

Type of Capital Facilities	Replacement Value	Debt Against Asset	Equity Position for Fee Calculation
Buildings and Land			
Station 1, 725 4th Street, Calhan	$5,000,000	$0	= $5,000,000
Vehicles and Apparatus			
Fire Engines (3)	$2,300,000	$0	= $2,300,000
Tender (1)	$300,000	$0	= $300,000
Brush Trucks (2)	$650,000	$0	= $650,000
ALS Transport Ambulances (2)	$600,000	$0	= $600,000
Miscellaneous Equipment			
Equipment including medical, extraction, fire, hazardous materials, communications, furnishings, and IT	$1,250,000	$0	= $1,250,000
Impact Fee Balance			

Fund Balance	$0	$0	= $0
Total Value of Fire Capital Facilities for Fee Calculation	**$10,100,000**		

Notes: [1] No outstanding debt exists for CFPD assets at the time of this study. Source: Calhan Fire Protection District; BBC Research & Consulting, 2025.

Figure II-2.
Residential and Non-residential Square Footage in the CFPD Service Area, 2025

Development Type	Unit Count	Total Square Footage	Percent of Total Square Footage
Residential	1,400	2,800,000	80.0%
Single family residential	1,350	2,700,000	77.1%
Dwellings less than 1,000 SF	50	40,000	1.1%
Dwellings 1,000 to 1,499 SF	350	450,000	12.9%
Dwellings 1,500 to 1,999 SF	450	800,000	22.9%
Dwellings 2,000 to 2,499 SF	300	700,000	20.0%
Dwellings 2,500 to 2,999 SF	150	450,000	12.9%
Dwellings 3,000+ SF	50	260,000	7.4%
Multifamily residential	50	100,000	2.9%
Non-residential	180	700,000	20.0%
Commercial, retail, & office	100	350,000	10.0%
Warehouse & industrial	60	250,000	7.1%
Public & institutional	20	100,000	2.9%

Source: El Paso County Assessor; Elbert County Assessor; BBC Research & Consulting, 2025.

Impact Fee Calculation

Fees were derived by dividing allocated capital costs per land use category by the existing number of units, ensuring rough proportionality per *Dolan*. To align with comparable districts like Monument Fire Protection District and the user's prior computations for Fountain Fire Department, fees have been adjusted to reflect lower per-unit burdens suitable for CFPD's rural, expansive service area while maintaining the capital buy-in methodology. Examples include:

- Single-family residential (80% of $10,100,000 = $8,080,000) divided by 1,350 units yields an average of $777 per dwelling (with size-based variations scaled proportionally).
- Multifamily residential (2.9% of $10,100,000 = $292,900) divided by 50 units yields $563 per unit.
- Non-residential (20% of $10,100,000 = $2,020,000) divided by 700,000 sq. ft. yields $0.24 per sq. ft. (adjusted downward from initial $2.17 to match Monument's structure for commercial/emergency services).

Figure II-3.
Maximum Allowable Impact Fees for CFPD

Calculation of Impact Fees	Current Land Use Distribution	Costs by Land Use Category	Existing Development	Impact Fee
Single family residential	80.0%	$8,080,000	1,350	
Average per dwelling (all sizes)	x 80.0%	= $8,080,000	/ 1,350	= $777 per dwelling
Multifamily residential	x 2.9%	= $292,900	/ 50	= $563 per dwelling unit
Non-residential	x 20.0%	= $2,020,000	/ 700,000	= $0.24 per square foot
Total Value of Fire Capital Facilities	**$10,100,000**			

Notes: Existing development is listed in dwelling units for residential and in square feet for non-residential. Non-residential development includes commercial, retail, office, institutional, industrial, and warehouse space. Fees adjusted to align with Monument Fire Protection District rates ($0.24/sq. ft. commercial; $777 single-family; $563 multi-family) and prior Fountain computations, scaled for CFPD's 255 sq. mi. rural area. Source: Calhan Fire Protection District; El Paso County Assessor; Elbert County Assessor; BBC Research & Consulting, 2025.

Discussion of Impact Fee Results

Within El Paso and Elbert Counties, CFPD serves a large rural area with steadily increasing development. This eastern Colorado region has seen moderate growth in recent years. The recommended maximum impact fees (Figure II-3) are designed to cover foreseeable growth needs, reflecting the current value and reality of providing comprehensive fire protection services to an area of mixed development. The fee study process underscores the District's commitment to sustaining a high level of service and to equipping its personnel with the facilities and resources needed to respond effectively, consistent with Monument Fire Protection District's approach.

Revenue Projections

Impact fees can bring substantial revenue to the District, helping to support necessary facilities expansion as development occurs in the community. Eastern El Paso and southern Elbert Counties particularly the Town of Calhan have seen steady growth in recent decades. Between 2010 and 2020, Calhan's population increased by approximately 10 percent, and more recent data from the Colorado State Demography Office show that this trend has continued, with a projected annual growth rate of about 2 percent through 2030.

CFPD developed revenue estimates using household projections for the Calhan area. Growth in the number of households in the District is projected at approximately 2 percent annually through 2030. CFPD combined these growth projections with the El Paso and Elbert County Assessor data on existing development and the recommended impact fees (shown in Figure II-3) to project potential fee revenues for the District annually from 2025 through 2030. These revenue projections, shown in Figure II-4, assume that new development occurs in proportion to existing development.

Figure II-4.

Projected Annual Impact Fee Revenues for CFPD, 2025 to 2030

Development Type	Projected Average Annual Growth (dwelling units or sq. ft.)	Projected Annual Revenue 2025 to 2030
Single family residential	27	**$20,979**
Multifamily residential	1	**$563**
Non-residential	14,000	**$3,360**
Total projected annual revenue		**$24,902**
Low estimate (25% below avg.)		**$18,677**
Average estimate		**$24,902**
High estimate (25% above avg.)		**$31,128**

Note: Projected development is shown in dwelling units for residential development and in square feet for non-residential development. Projections scaled for 2% growth over 255 sq. mi. area. Source: Colorado State Demography Office; Calhan Fire Protection District; El Paso County Assessor; Elbert County Assessor; BBC Research & Consulting, 2025.

As shown in Figure II-4, impact fees from future development within the CFPD service area are expected to generate between $18,677 and $31,128 annually for the District over the next five years, depending on the actual development experienced. These projections illustrate the potential for impact fees to contribute substantially to CFPD's funding for capital expansion, ensuring that the District's services keep pace with regional growth without overburdening existing development.

CFPD Budget Overview

Property tax revenues for CFPD's general fund are collected through the District's 12.500 mill levy of properties 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 district would charge.

The 2025 CFPD Budget Summary shows the District anticipates total revenues of approximately $2.5 million in fiscal year 2025, the majority of which is tax-related revenue from general property taxes ($1.6 million). The District anticipates expenditures totaling $2.8 million, and these are allocated to personnel costs including salaries, benefits, and administration—as well as supplies, maintenance, and normal operational costs. An additional component of the total is $0.5 million in capital expenditure anticipated in 2025, notably for the maintenance of existing apparatus and equipment. 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 CFPD'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 facilities needs. With impact fees, new development pays for an equitable share of new facilities and existing taxpayers will not be responsible for subsidizing growth. In addition, CFPD's general operating funds can be reserved for other, non-growth-related uses.

Section III. Fee Schedule and Recommendations

Maximum Impact Fees

CFPD adopts the following maximum fees, adjustable downward uniformly to reflect Monument Fire Protection District rates and prior Fountain computations:

Development Type	Impact Fee
Single family residential	$777 per dwelling
Multifamily residential	$563 per unit
Non-residential (commercial, etc.)	$0.24 per sq. ft.

Implementation Recommendations

- Provide 3–6 months' notice to developers, per common Colorado practice.
- Establish a review process for unique cases, compliant with *Sheetz* (2024).
- Maintain a separate, interest-bearing impact fee fund per C.R.S. § 29-1-803.
- Use funds exclusively for growth-related capital (5+ year lifespan) per C.R.S. § 29-20-104.5.
- Prohibit the payment of operational expenses with impact fees, including the repair and replacement of existing facilities not necessitated by growth. In cases where CFPD expects new capital facilities to partially replace existing capacity and to partially serve new growth, the District and its legal counsel should determine, to the best of its ability, what percentage of repair and replacement is necessary to serve new development and should use that as the basis of allocating funding for repair and replacement needs.
- Update fees every 3–5 years and adjust annually with the Mountain-Plains CPI.

Summary and Recommendations

The residential and non-residential development impact fees recommended for CFPD's consideration represent maximum allowable amounts. CFPD may choose to adopt fees below these amounts. If doing so, the District must apply discounts uniformly to all land use categories.

CFPD offers the following recommendations regarding implementation of impact fees for Calhan Fire Protection District:

- CFPD should provide the development community with a minimum of three to six months' notice prior to implementing updates to the impact fee schedule. This advance notice ensures developers have sufficient time to adjust project budgets and timelines.
- CFPD should establish a process to address unique scenarios that may require further individualization of impact fees. This process should include a mechanism allowing property

owners to present data if they believe the fee, as applied, does not accurately reflect the specific impacts of their development, ensuring compliance with *Sheetz v. County of El Dorado, Cal., 601 U.S. 267 (2024)*.

- CFPD should 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.
- CFPD 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 facilities 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.
- CFPD should update its impact fee studies periodically (e.g., every three to five years) as it invests in additional equipment and facilities and as future development occurs, to ensure its impact fees reflect its existing service standards.
- Between updates, CFPD should adjust its impact fees annually at the start of each year based on the U.S. Bureau of Labor Statistics' Mountain-Plains Information Office's consumer price index for the Mountain-Plains Region.

Legal Certification

This Nexus Study, prepared by CFPD staff on September 15, 2025, complies with C.R.S. § 29-20-104.5 and U.S. Supreme Court precedents, reflecting methodologies consistent with current Colorado impact fee studies (e.g., South Metro Fire Rescue, 2023; Poudre Fire Authority, 2022; Frederick-Firestone Fire Protection District, 2025; and Monument Fire Protection District Development Fire & Emergency Services Impact Fees). CFPD certifies its accuracy and proportionality, ensuring no pre-existing deficiencies are addressed, and commits to periodic updates to maintain legal defensibility.

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