

WORK SESSION AGENDA ITEM SUMMARY

City Council



STAFF

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SUBJECT FOR DISCUSSION

Impact Fees Discussion.

EXECUTIVE SUMMARY

The purpose of this item is to share with the Council the findings of the Capital Expansion Fee Study, Transportation Capital Expansion Fee Study, and Utility model updates that were completed in Q4 2023 and the fee schedules proposed for a January 2025 effective date. Additionally, staff will provide updates to the ancillary work under way related to fee credits and offsets, and the development review systems and processes.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

1. What questions do councilmembers have related to the Fee Studies and Utility model updates?
2. What guidance do councilmembers have for staff prior to bringing 2025 Fee Update ordinances to council for adoption in November?

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BACKGROUND / DISCUSSION

Work to Date:

During 2023 and 2024, city staff worked both internally and with external consultants to update the city's development related impact fees. The City's utility organizations underwent their biennial internal update of their impact fee models during 2023. This work continued in 2024, primarily related to the Water utility fee environment. The City also contracted with Economic & Planning Systems, Inc. to update the Capital Expansion Fee (CEF) study and with TischlerBise to update the Transportation Capital Expansion Fee (TCEF) study.

After discussion with the Council Finance Committee in December 2023, staff proceeded with inflation only adjustments to the CEF, TCEF, Utility PIFs and Electric Capacity Fee for 2024 while the Water Utility discussions continued with no increase proposed for 2024. These inflation updates were adopted by

Council on 2nd reading on February 20, 2024 and became effective on March 1, 2024. The CEFs increased by **5.6%**; the TCEFs and Utility fees increased by **7.4%**.

Proposed fee schedules for 2025 will reflect the results of the 2023 model and study updates with adjustments added for 2024 inflationary impacts.

The development review process and fee structure underwent a comprehensive update in 2019. As part of that review, the new Development Review fees were updated and implemented effective January 2022. These administrative user fees, along with the building permit and inspection fees, are subject to annual review. The following 2025 fee adjustments have been included in the 2025 BFO offers:

Building Permits	7.2%
Inspections	7.2%
Development Review	No Change

Staff are in the process of replacing the existing Licensing, Permitting & Code Enforcement (LPCE) system that handles the City’s building permitting and development review activities. Estimated completion is targeted for the 2nd half of 2026.

Study/Model Updates:

Utilities Fees:

Utilities staff updates development fee models every two years. In alternating years, when models are not updated, an inflationary adjustment is applied to utility development fees. Staff use the Engineering News Record (ENR) construction cost index to apply inflationary adjustments. The Utility Water, Wastewater (Sewer), and Stormwater Plant Investment Fees (PIFs) and Electric Capacity Fee (ECF) were updated.

Each model was updated this year to capture current inputs, including current escalation factors and each of the various drivers such costs, consumption, and future system needs. Utilities have experienced extreme cost pressures, especially on the electric side. Some items such as electric transformers have increased dramatically in price due to supply chain issues and higher material costs. The table below shows the results of the modeling update for each of the development fees and the proposed fee adjustments for 2025.

Utility Fee	Model Update vs. 2023 Actual	2024 Actual vs. 2023 Actual	2025 Proposed vs. 2024 Actual
Electric Capacity Fee (ECF)	14.8%	7.4%	9.3%
Water Plant Investment Fee (PIF)	5.7%	7.4%	No Change
Wastewater Plant Investment Fee (PIF)	4.1%	7.4%	No Change
Stormwater Plant Investment Fee (PIF)	7.0%	7.4%	1.5%
Water Supply Requirement (WSR)	No Change	No Change	(6.5%)

Transportation Capital Expansion Fee (TCEF)

TCEF is a one-time fee collected from development and redevelopment to mitigate impacts to the transportation network. It is used to support growth share related infrastructure improvements which add

capacity to the system from both a roadway and multi-modal perspective. Fees cannot be used for improvements which solely benefit adjacent development, existing deficiencies, and/or for maintenance.

For residential development, updated amounts are based on square feet of finished living space. Garages, porches and patios are excluded from the TCEF assessment. For nonresidential development, TCEFs are stated per thousand square feet of floor area, using three categories. The TCEF schedule for nonresidential development is designed to provide a reasonable fee amount for general types of development. There has been further emphasis on active modes and to provide further clarity the fee schedule is broken down by roadway capacity and active modes.

Summary fees from the study are highlighted below with a comparison to the 2023 fees; the 2023 TCEF Draft Report with full detail is included as Attachment 1.

Residential	Unit	Roadway Fee	% of Total	Active Modes	% of Total	Update Total	2023 Total	Change	% Change
up to 700 sq. ft.	Dwelling	\$2,863	91%	\$272	9%	\$3,135	\$2,703	\$432	16%
701-1,200 sq. ft.	Dwelling	\$4,988	91%	\$487	9%	\$5,475	\$5,020	\$455	9%
1,201-1,700 sq. ft.	Dwelling	\$6,363	91%	\$625	9%	\$6,988	\$6,518	\$470	7%
1,701-2,200 sq. ft.	Dwelling	\$7,380	91%	\$726	9%	\$8,106	\$7,621	\$485	6%
over 2,200 sq. ft.	Dwelling	\$8,191	91%	\$809	9%	\$9,000	\$8,169	\$831	10%
Development Type	Unit	Roadway Fee	% of Total	Active Modes	% of Total	Update Total	2023 Total	Change	% Change
Commercial	1,000 sq. ft.	\$11,045	94%	\$702	6%	\$11,747	\$9,946	\$1,801	18%
Office & Other Services	1,000 sq. ft.	\$6,450	86%	\$1,075	14%	\$7,525	\$7,327	\$198	3%
Industrial	1,000 sq. ft.	\$2,897	75%	\$944	25%	\$3,841	\$2,365	\$1,476	62%

Capital Expansion Fees (CEFs)

The City has five separate CEFs, related to neighborhood and community parks, and fire, police and general government services. These fees were initially adopted in 1996 based on an internal study by City staff. External study updates were completed in 2013 and 2017 by Duncan Associates. The studies relied on the standards-based (or incremental expansion) methodology, which bases the fees on the existing levels of service. The new fees were adopted in 2017 and implemented over a three-year time period. The 2023 update by Economic & Planning Systems, Inc. adheres to the existing standard-based approach to fee calculation.

Almost all fee categories have increased from current 2023 fee levels. The biggest overall impact contributing to higher rates is the significantly higher asset valuations for police and fire services (and to a lesser extent, general governmental) outpacing the service population growth rates. These inflationary impacts have been realized locally in the higher cost of the City’s purchases of goods and services, especially in the post-COVID environment. In this update, the Office and Other Services type has been broken out from the general Commercial type and is aligned with TCEF categories based on differing demand impacts.

Highlighted below are the updated summary fee calculations for residential and non-residential properties compared to the 2023 fees. More detailed information is included in the Presentation appendix and the 2023 CEF Draft Report in Attachment 2.

Residential	Unit	N'hood Park	Comm. Park	Fire	Police	Gen. Gov't	Update Total	2023 Total	Change	% Change
up to 700 sq. ft.	Dwelling	\$2,813	\$2,140	\$604	\$382	\$745	\$6,684	\$6,593	\$91	1%
701-1,200 sq. ft.	Dwelling	\$4,260	\$3,241	\$914	\$578	\$1,129	\$10,122	\$8,844	\$1,278	14%
1,201-1,700 sq. ft.	Dwelling	\$4,783	\$3,638	\$1,026	\$649	\$1,267	\$11,363	\$9,652	\$1,711	18%
1,701-2,200 sq. ft.	Dwelling	\$5,145	\$3,913	\$1,104	\$698	\$1,363	\$12,223	\$9,764	\$2,459	25%
over 2,200 sq. ft.	Dwelling	\$5,848	\$4,448	\$1,254	\$794	\$1,549	\$13,894	\$10,880	\$3,014	28%
Development Type	Unit	N'hood Park	Comm. Park	Fire	Police	Gen. Gov't	Update Total	2023 Total	Change	% Change
Commercial	1,000 sq. ft.			\$1,281	\$811	\$1,582	\$3,674	\$2,791	\$883	32%
Office and Other Services	1,000 sq. ft.			\$701	\$444	\$866	\$2,010	\$2,791	(\$781)	-28%
Industrial	1,000 sq. ft.			\$332	\$210	\$410	\$953	\$656	\$297	45%

The methodology to roll the study results forward for a January 1, 2025 effective date is straightforward. The 2023 rate schedules are adjusted for the inflation in 2024 utilizing the relevant underlying index: an increase of **1.9%** for TCEF and **2.7%** for the CEFs. The table below provides the combined TCEF and CEF fees for 2025, with comparisons to the actual 2023 study values and to the existing 2024 rates.

Residential	Unit	2025			2023 Study Total	2025 vs 2023 Study			2024 Actual Total	2025 vs 2024 Actual		
		Proposed CEF	Proposed TCEF	Proposed Total		\$	%	\$		%		
up to 700 sq. ft.	Dwelling	\$6,865	\$3,195	\$10,060	\$9,819	\$241	2.5%	\$9,865	\$195	2.0%		
701-1,200 sq. ft.	Dwelling	\$10,395	\$5,579	\$15,974	\$15,597	\$377	2.4%	\$14,730	\$1,244	8.0%		
1,201-1,700 sq. ft.	Dwelling	\$11,670	\$7,121	\$18,791	\$18,351	\$440	2.4%	\$17,194	\$1,597	8.7%		
1,701-2,200 sq. ft.	Dwelling	\$12,553	\$8,260	\$20,813	\$20,329	\$484	2.4%	\$18,495	\$2,318	11.4%		
over 2,200 sq. ft.	Dwelling	\$14,269	\$9,171	\$23,440	\$22,894	\$546	2.4%	\$20,263	\$3,177	13.9%		
Development Type	Unit	Proposed CEF	Proposed TCEF	Proposed Total	2023 Study Total	\$	%	2024 Actual Total	\$	%		
Commercial	1,000 sq. ft.	\$3,773	\$11,970	\$15,743	\$15,421	\$322	2.1%	\$13,629	\$2,114	13.7%		
Office and Other Services	1,000 sq. ft.	\$2,065	\$7,668	\$9,733	\$9,535	\$198	2.1%	\$10,816	(\$1,083)	-11.4%		
Industrial	1,000 sq. ft.	\$979	\$3,914	\$4,893	\$4,794	\$99	2.1%	\$3,233	\$1,660	34.6%		

As part of the adoption of 2025 proposed fees summarized above, a number of ordinance adjustments and clean-up items will be addressed. Specifically, this includes the addition of the Office and Other Services category for the CEFs, the official adoption of the of the “Denver-Aurora-Lakewood, CO” index as the successor to “Denver-Boulder, CO” index, and the clarification of the non-residential fees for the TCEFs as being “per 1,000 sq. ft.”. Additionally, staff will seek clarity around the use of fire protection capital expansion fees collected on behalf of the Poudre Fire Authority.

NEXT STEPS

- Consideration of Fee Update Ordinances – 1st Reading November 19, 2024
- 2025 Fee Updates effective January 1, 2025

ATTACHMENTS

1. 2023 Transportation Capital Expansion Fee Draft Report
2. 2023 Capital Expansion Fee Draft Report
3. Presentation