

# WORK SESSION AGENDA ITEM SUMMARY

City Council



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## STAFF

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## SUBJECT FOR DISCUSSION

**Impact Fees Discussion.**

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## 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. Additionally, the preliminary work from the ongoing Water Utility 2024 updates and City and Front Range Communities' approaches to fee offsets have been incorporated into the holistic analysis. The fee studies were last updated comprehensively in 2017, with rates implemented over a three-year timeframe from 2018 to 2020.

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## GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

1. Prior to consideration of ordinances updating fees for 2025, what questions do Councilmembers have related to the Fee Studies and Utility model updates?
2. What policy considerations and/or options do Councilmembers want to investigate further?

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## BACKGROUND / DISCUSSION

### **Work to Date:**

During 2023, staff worked both internally and with external consultants to update the City's development related impact fees. This resulted in two study updates: the Capital Expansion Fee Study (CEF), covering neighborhood and community parks, fire, police and general governmental services Capital Expansion Fees, and the Transportation Capital Expansion Fee Study (TCEF).

Additionally, the City's utility organizations underwent their biennial internal update of their impact fee models, composed of Plant Investment Fees (PIFs), Electric Capacity Fee (ECF), Water Supply Requirement (WSR), excess water use and allotments. During the August 8, 2023, work session with Council, the WSR and excess water use were discussed, and a decision was made to defer decisions around these two items until more work was undertaken (expected to last throughout 2024).

During Council Finance Committee meetings on October 5, 2024, and December 14, 2024, the CEF and TCEF Study updates were discussed with the committee. The Utility Water, Wastewater (Sewer), and Stormwater PIFs, and ECF updates were also discussed. Staff presented the background, methodologies, and findings of the external study updates and internal utilities fee model updates. New fee schedules for all impact fees reflecting the study and model updates were presented.

After discussion with the committee about the results of the study and fee model updates, the Committee recommended that staff proceed with inflation-only adjustments to the CEF, TCEF, Utility PIFs and ECF for 2024.

These inflation updates were adopted by Council on second reading on February 20, 2024, and became effective on March 1, 2024. The CEFs increased by **5.6%**; the TCEF and Utility fees increased by **7.4%**.

**Study/Model Updates:**

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.

The City contracted with TischlerBise for the current TCEF study update. The 2023 TCEF study uses a combination of incremental expansion for roadways and plan-based methodologies to provide improvements for Active Modes.

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 maximum supportable fee schedule is broken down by roadway capacity and active modes.

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

Residential		Roadway		Active		Update	2023	Change	% Change
Unit	Fee	% of Total	Modes	% of Total	Total	Total	Total		
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		Roadway		Active		Update	2023	Change	% Change
Unit	Fee	% of Total	Modes	% of Total	Total	Total	Total		
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%

Other 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 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.

In the spring of 2023, the City solicited bids and contracted with Economic & Planning Systems, Inc. (EPS) to update the Capital Expansion Fee Study. The EPS Study Update adheres to the existing standard-based approach to fee calculation, continuing to use construction cost replacement valuations.

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 Commercial and is aligned with TCEF categories based on differing demand impacts.

The study update had differing results for the neighborhood and community parks. The most recent neighborhood park builds (Bucking Horse, Crescent, Traverse) were all significantly more expensive to buildout on \$/acre basis than prior facilities, leading to much higher fee calculations than for the community parks. A new maintenance facility also contributed to higher overall costs.

The table below summarizes the study fee calculations for residential and non-residential properties compared to the 2023 fees. Full detail is included in the 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%

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 PIFs and ECF were updated.

Each model was updated this year to capture current inputs, including current escalation factors and each of the various drivers as 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 by fund.

Utility Fee	Model Updates for 2024
Electric Capacity Fee (ECF)	14.8%
Water Plant Investment Fee (PIF)	5.7%
Wastewater Plant Investment Fee (PIF)	4.1%
Stormwater Plant Investment Fee (PIF)	7.0%
Water Supply Requirement (WSR)	No Change

The CEF and TCEF study updates and the Utility fee model updates (including a low/high range of 2025 estimates for the ongoing Water Utility work in progress), are combined in the tables below to present a summary of the total fee component of development activity costs for both a multi-unit complex and a detached, single/duplex example. The multi-family example is for a 48,000 square foot development with 55 units. The single-family example is an 1,890 square foot floorplan.

City Charged Fees: Multi-Unit Residence Example (48,000 sq. ft. development w/ 55 units)										
Type	2020	2021	2022	2023	2024		2025		2025 - \$/Unit	
					Actual	Study	Lo WSR	Hi WSR	Lo WSR	Hi WSR
CEF	\$ 448,585	\$ 460,753	\$ 469,536	\$ 509,916	\$ 538,471	\$ 587,572	\$ 608,137	\$ 608,137	\$ 11,057	\$ 11,057
TCEF	\$ 160,512	\$ 161,403	\$ 173,366	\$ 185,675	\$ 199,415	\$ 209,865	\$ 217,210	\$ 217,210	\$ 3,949	\$ 3,949
Dev Review/Permits/Other	\$ 67,695	\$ 67,846	\$ 58,850	\$ 58,850	\$ 58,850	\$ 58,850	\$ 60,910	\$ 60,910	\$ 1,107	\$ 1,107
Water PIF	\$ 62,707	\$ 64,365	\$ 71,102	\$ 77,501	\$ 83,236	\$ 81,919	\$ 84,786	\$ 84,786	\$ 1,542	\$ 1,542
Water Supply Requirement	\$ 245,004	\$ 252,354	\$ 196,039	\$ 196,039	\$ 196,039	\$ 196,039	\$ 172,181	\$ 334,876	\$ 3,131	\$ 6,089
Wastewater PIF	\$ 142,450	\$ 146,740	\$ 151,745	\$ 165,385	\$ 177,623	\$ 172,166	\$ 178,192	\$ 178,192	\$ 3,240	\$ 3,240
Stormwater PIF	\$ 20,639	\$ 21,257	\$ 22,055	\$ 24,040	\$ 25,819	\$ 25,723	\$ 26,623	\$ 26,623	\$ 484	\$ 484
Electric Capacity Fee	\$ 111,209	\$ 117,836	\$ 121,972	\$ 132,949	\$ 142,788	\$ 152,626	\$ 157,968	\$ 157,968	\$ 2,872	\$ 2,872
<b>Combined Fees</b>	<b>\$ 1,258,801</b>	<b>\$ 1,292,554</b>	<b>\$ 1,264,665</b>	<b>\$ 1,350,356</b>	<b>\$ 1,422,242</b>	<b>\$ 1,484,759</b>	<b>\$ 1,506,006</b>	<b>\$ 1,668,701</b>	<b>\$ 27,382</b>	<b>\$ 30,340</b>
<b>Percentage Change</b>	<b>Baseline</b>	<b>2.7%</b>	<b>-2.2%</b>	<b>6.8%</b>	<b>5.3%</b>	<b>10.0%</b>	<b>11.5%</b>	<b>23.6%</b>	<b>11.5%</b>	<b>23.6%</b>
		vs. 2020	vs. 2021	vs. 2022	vs. 2023					

City Charged Fees: Single/Duplex Residence Example (1,890 sq. ft. floorplan)									
Type	2020	2021	2022	2023	2024		2025		
					Actual	Study	Lo WSR	Hi WSR	
CEF	\$ 8,591	\$ 8,824	\$ 8,992	\$ 9,764	\$ 10,310	\$ 12,223	\$ 12,650	\$ 12,650	
TCEF	\$ 6,586	\$ 6,623	\$ 7,115	\$ 7,621	\$ 8,185	\$ 8,106	\$ 8,390	\$ 8,390	
Dev Review/Permits/Other	\$ 2,532	\$ 3,314	\$ 2,792	\$ 2,792	\$ 2,792	\$ 2,792	\$ 2,890	\$ 2,890	
Water PIF	\$ 4,084	\$ 4,192	\$ 4,393	\$ 4,807	\$ 5,162	\$ 5,081	\$ 5,259	\$ 5,259	
Water Supply Requirement	\$ 13,869	\$ 14,285	\$ 22,813	\$ 22,813	\$ 22,813	\$ 22,813	\$ 20,037	\$ 38,970	
Wastewater PIF	\$ 3,590	\$ 3,698	\$ 3,824	\$ 4,168	\$ 4,476	\$ 4,339	\$ 4,491	\$ 4,491	
Stormwater PIF	\$ 1,119	\$ 1,153	\$ 1,197	\$ 1,305	\$ 1,402	\$ 1,397	\$ 1,446	\$ 1,446	
Electric Capacity Fee	\$ 2,855	\$ 3,025	\$ 3,764	\$ 4,391	\$ 4,716	\$ 5,041	\$ 5,217	\$ 5,217	
<b>Combined Fees</b>	<b>\$ 43,226</b>	<b>\$ 45,114</b>	<b>\$ 54,891</b>	<b>\$ 57,662</b>	<b>\$ 59,856</b>	<b>\$ 61,792</b>	<b>\$ 60,379</b>	<b>\$ 79,313</b>	
<b>Percentage Change</b>	<b>Baseline</b>	<b>4.4%</b>	<b>21.7%</b>	<b>5.0%</b>	<b>3.8%</b>	<b>7.2%</b>	<b>4.7%</b>	<b>37.5%</b>	
		vs. 2020	vs. 2021	vs. 2022	vs. 2023				

2024 above is presented for both what is currently in force after the inflationary updates were approved and what the study/model updates total. For 2025, the rates presented reflect the 2024 study/model updates plus a projected assumption of 3.5% for inflation during 2024 in addition to the low/high estimate ranges for WSR.

## Fee Offsets and Credits:

In response to feedback from the Council Finance Committee meeting in December 2023, staff have compiled an assessment of the current City approaches to help mitigate cost pressures impacting affordability of local housing as well as a survey of other Front Range communities' approaches to incentivizing affordable housing through fee reductions. A summary of the approaches is highlighted below.

	Fort Collins	Longmont	Loveland	Boulder	Denver	Colorado Springs
<b>Impact Fee Type / Structure</b>	Varies by dwelling size and Sq. ft. of non-residential	Varies by dwelling size and sq. ft of non-residential	Flat fee per unit type	<ul style="list-style-type: none"> <li>Fees vary by dwelling size <i>plus</i></li> <li>Transportation Excise Taxes</li> </ul>	Water and Sewer tap fees	Police/Fire/Parks with rates based on units/structure plus water taps
<b>Eligibility / Framework</b>	<ul style="list-style-type: none"> <li>30% AMI</li> </ul>	<ul style="list-style-type: none"> <li>80% AMI – Sale</li> <li>50% AMI – Rental</li> <li>Minimum 12% Inclusionary housing</li> </ul>	<ul style="list-style-type: none"> <li>80% AMI</li> </ul>	<ul style="list-style-type: none"> <li>Less than 30% of income on housing</li> <li>25% inclusionary housing requirement</li> </ul>	Tiered Options <ul style="list-style-type: none"> <li>Hi / Lo- cost markets</li> <li>Sale/Rental</li> <li>Minimum of: 8% @ 60% AMI to 15% @ 90% AMI</li> </ul>	<ul style="list-style-type: none"> <li>All units reserved for below 120% AMI</li> </ul>
<b>Other Program Items</b>	2022 ARPA funding	Fee Deferral – pay at certificate of occupancy	Investigating variance of fees by dwelling size	Non-Residential Linkage Fee charged based on job generation	Incentives: <ul style="list-style-type: none"> <li>Reduced parking space requirements</li> </ul>	Point system rebate based on scoring rubric
<b>Amount</b>	\$14K per unit – fixed fee credit	Fee Waivers For Sale Units: 50 – 100% Rental Units: 20 – 50%	100% Fee waiver for non-profits using Low Income Housing Tax Credit	TBD - researching	\$6.5K - \$10k capped at 50% of total fees	0 – 100% fee rebate
<b>Funding Sources</b>	Affordable Housing Capital Fund (AHCF) or General Fund	Affordable Housing Fund funded by fee-in-lieu and allocated local funds	General Fund	Revenue from linkage fees funds Affordable Housing fund	Linkage fee for projects with 9 or fewer units	Housing /Community Vitality Department & Utilities Dept

Options that staff are investigating to potentially expand the City's efforts include waiving all fees for 30% AMI units, waiving some/all fees for a broader income range, and creating a tiered approach that waives fees for some units (e.g., 30 – 50 % AMI) and partially credits others.

## NEXT STEPS

- Evaluate and incorporate Councilmembers' feedback on fee structures, policy considerations and options.
- Continue coordination with Utilities for consolidated approach to 2025 fee updates and schedules.

## ATTACHMENTS

- Transportation Capital Expansion Fee Draft Report
- Capital Expansion Fee Draft Report
- Presentation