

WORK SESSION AGENDA ITEM SUMMARY

City Council



STAFF

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SUBJECT FOR DISCUSSION

Impact Fee Study Updates

EXECUTIVE SUMMARY

The purpose of this item is to propose revisions to the 2023 capital expansion fee studies that align with Council values and priorities. Studies conducted in 2023 for updates of capital expansion fees remain unadopted, with inflationary-only fee adjustments implemented in 2024 and 2025. Staff proposes adoption of revised fees to be effective January 1, 2026.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

1. Does the Council support impact fee study revisions?
2. Does the Council need any additional information ahead of proposed first reading on October 7th?

BACKGROUND / DISCUSSION

Fee History and Current State:

Impact fees (also known as capital expansion fees) are one-time payments imposed on new development that must be used solely to fund growth-related capital projects. An impact fee represents new growth's proportionate share of capital facility needs. Fees cannot be used for improvements which solely benefit adjacent development, existing deficiencies, and/or for maintenance. The City collects capital expansion fees for neighborhood parks, community parks, fire protection, police, general government, and transportation.

In November 2024, staff proposed adoption of capital expansion fees determined by studies conducted by external consultants in 2023. For the comprehensive study and update of fees, the City contracted with Economic & Planning Systems (EPS) to update the Capital Expansion Fees (CEFs) and with TischlerBise to update the Transportation Capital Expansion Fees (TCEFs). In place of adopting the full fees presented by the studies, inflationary adjustments were approved by City Council for both 2024 and 2025. All capital expansion fees have received inflationary-only adjustments since the most recent comprehensive studies conducted in 2017.

Concurrent with the capital expansion fee work of 2023/24, Utilities staff updated impact fee models that were ultimately adopted in full for 2025 implementation. Utilities development fees include Water, Wastewater, and Stormwater Plant Investment Fees (PIFs) and Electric Capacity Fee (ECF). Utilities will continue updating fee models on a bi-annual basis and are not planned for inclusion in the 2025 capital expansion fee review.

Realignment Objectives:

The 2023 studies largely relied on an incremental expansion (or level of service) methodology, which bases the fees on the existing levels of service of the City's facilities and capital assets. The incremental expansion method is a common technique and appropriate for the City's capital growth projections due to the limitation of detailed capital improvement plans. This approach catalogs the current level of service in the city and converts it to a value per unit of service demand (e.g. service population or vehicle miles traveled).

Considering discussions from previous Council Work Sessions, staff worked EPS and TischlerBise consultants to evaluate the assumptions and variables included in the level of service approach to understand the maneuverability within the study models to best reflect the City's policy objectives. Throughout the process staff has been committed to maintaining a data-driven and defensible approach provided by the existing models and conducting a legal review of the methodologies used.

Proposed 2023 Study Revisions:

The 2023 study revisions used an adjusted methodology to capture household size by product type. In both the EPS and TischlerBise revised 2023 studies, household sizes have been updated using the newer data and household size by type. In general, this has led to a shift in the fee calculations that is more representative of household size based on product type. For CEFs new household sizes drive new fees and for TCEFs new household size factors are used to adjust trip ends by unit size and type.

Three adjustments are recommended in the proposed study revisions. The first adjustment is a wider variety of dwelling unit sizes that better align with Larimer County's categories, a move from five to seven tiers. The current maximum is 2,200 square feet and the proposed maximum is 3,600 square feet.

The second adjustment is a move from one residential dwelling unit category to three categories: single family detached, single family attached and multifamily. The proposed average household size more accurately reflects household size across various housing unit types and sizes. Accessory dwelling units (ADU) fall into the multifamily dwelling unit category. For TCEFs specifically, household size changes increases vehicle trip ends demand from single family detached and decreases demand for single family attached and multifamily. For the vehicle trip ends per unit calculation, both the number of people and number of vehicles at the home are included.

The final proposed adjustment is from seven fee types to eight fee types with general government broken into two types: fleet and facilities. The move more accurately reflects how the funds are used. In the study, the replacement costs did not change but have been split out by type.

In the revised CEF study, parks costs have been updated with development and land costs revised with the most recent data. The cost per residential population shifted replacement cost per acre that increased for neighborhood parks and decreased for community parks. Overall, parks impact fees have gone up for single family detached and have gone down for single family attached and multifamily. Compared to the 2023 study, the total for all three housing types has gone down.

All fees have been adjusted for inflation since the 2023 studies. All capital expansion fees, except for the transportation capital expansion fees, are adjusted according to the Denver-Aurora-Lakewood Consumer Price Index. The transportation capital expansion fees are adjusted according to the Engineering News Record Denver Regional Construction Cost Index.

Study revisions for both CEF and TCEF studies are provided as attachments to this agenda item.

Revenue Comparison:

Using 2024 dwelling unit counts, the overall estimate for all impact fees is a 3% increase from current 2025 fees, with a 22% increase for single family detached, a 3% increase from for single family attached and an 16% decrease for multifamily. For CEFs this is a 13% increase from current 2025 fees, with a 29% increase for single family detached, 14% increase for single family attached and a 3% decrease for multifamily. For TCEFs this is a 12% decrease from current 2025 fees, with a 13% increase for single family detached, 14% decrease for single family attached and a 41% decrease for multifamily.

These figures are estimates based on 2024 dwelling unit counts and future fee revenue depends on actual development activity that occurs. For example, if more single family detached homes are built, TCEF revenue could increase. Based on the TCEF study, multifamily has less impact on vehicle miles travelled (VMT) resulting in less impact on transportation expansion demand.

Total Cost of Development:

Impact fees are a small percentage of overall development costs. For a single family detached home in Fort Collins (1,600 sq. ft. unit), impact fees are 3.3% of the total cost of development and would be 3.7% with the proposed fees. For a multifamily unit in Fort Collins (1,000 sq. ft. unit), impact fees are 6.0% of the total cost of development and would be 4.9% with the proposed fees. The proposed fee updates better align single family and multifamily as a percentage of the total overall cost of development.

Outreach:

For August and September 2025, outreach efforts are planned to include meetings with the Local Legislative Affairs Committee, the Affordable Housing Board, and the Economic Advisory Board.

NEXT STEPS

The next steps are Council adoption of the revised capital expansion fee studies at the October 7th and October 21st Council Meetings. If adopted, the new fees will be effective starting January 1, 2026.

ATTACHMENTS

1. EPS Revised Study
2. TischlerBise Revised Study
3. Presentation