

AGENDA ITEM SUMMARY

City Council



STAFF

Travis Storin, Chief Financial Officer

SUBJECT

Items Related to Amending City Code to Adjust the Following Fees: Capital Expansion Fees; Transportation Expansion Fee; Electric Capacity Fee; and Stormwater Plant Investment Fee.

EXECUTIVE SUMMARY

A. First Reading of Ordinance No. 172, 2024, Amending Chapter 7.5 of the Code of the City of Fort Collins to revise the Capital Expansion Fees and Transportation Expansion Fee.

Three options are presented for Ordinance No. 172, 2024.

Alternative #1: Incorporates updated fees based on the results of the TCEF and CEF Study updates.

Alternative #1A: Provides for a two-step implementation of the TCEF and CEF fees, with 50% of the changes being proposed for 2025 and the balance of the full adjustments being made in 2026.

Alternative #2: Adjusts the current TCEF and CEF fee schedules for inflation only based on the underlying relevant index (**1.9% for TCEF and 2.7% for CEF's**). This is the same approach utilized in setting 2024 fee schedules. This alternative **does not** adopt the 2023 fee studies.

B. First Reading of Ordinance No. 173, 2024, Amending Chapter 26 of the Code of the City of Fort Collins Regarding Calculation and Collection of Development Fees Imposed for the Construction of New or Modified Electric Service Connections.

C. First Reading of Ordinance No. 174, 2024, Amending Chapter 26 of the Code of the City of Fort Collins to Revise Stormwater Plant Investment Fees.

The purpose of this item is to make adjustments effective January 1, 2025, associated with the City's Capital Expansion Fees, Transportation Expansion Fees, Electric Capacity Fees and Stormwater Plant Investment Fees. Along with updating Electric Capacity Fee tables in City Code, staff is proposing language clarifications related to costs included in the fee calculation.

STAFF RECOMMENDATION

Staff recommends the adoption of the Ordinances detailed in Alternative #1 on First Reading.

Historical Framework and Work to date

The City began collecting capital expansion fees (CEFs) in 1996 based on an internal study conducted by city staff. Transportation capital expansion fees (TCEFs) were first collected based on a staff study in 2000. External consultant CEF study updates were completed in 2013 and again in 2017 by Duncan & Associates. The TCEF study was also updated in 2017 an external consultant: TischlerBise. The 2017 CEF Study had rate increases ranging from 70% to 80% above the prevailing rates, depending on land use type and fee category. The 2017 TCEF Study had rate adjustments ranging from a decrease of 32% for commercial properties to an increase of 114% for the largest sized residential category. The number of non-residential categories was simplified and narrowed to three fee categories (down from the prevailing 38). Given the significant changes to the fee structures, Council approved a phase-in approach to adopting the new fee schedules (two years for TCEF and three years for CEFs). Additionally, a fee working group comprised of citizens, business-oriented individuals and staff formed and was activated in 2017 through 2019. 2019 work also included analysis of the development review fees.

Coordination of the timeline for updates and communication was a primary objective of the fee group:

- Detailed fee study analysis every 4 years for CEF, TCEF and Development Review;
- Detailed fee study every 2 years for Utilities;
- Conduct fee study analysis in the odd year before BFO;
- In years without updates, an annual inflation adjustment occurs.

With the onset of the COVID-19 pandemic and other competing workstreams, the TCEF and CEF Study updates planned for 2021 were delayed until 2023.

Primary Inputs and Assumptions

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

Key data input updates included:

- 2023 asset inventories for City of Fort Collins and Poudre Fire Authority;
- Neighborhood and Community Park development costs and current land valuation estimates;
- Current market cost of construction estimates and Larimer County property valuations;
- 2020 U.S. Census Longitudinal Employer-Household Dynamics (LEHD) data;
- Updated residential household size and non-residential occupancy factors;
- Alignment of existing conditions with the concurrent TCEF Study Update.

Primary drivers for the increase in CEFs are the significant asset value escalations (especially for police, fire protection and neighborhood parks) from higher unit replacement costs and skyrocketing land and property valuations. Lower average residents per housing unit based on the updated census information were offsets against the higher asset values.

Additionally, the City again contracted with TischlerBise to update the TCEF study. The 2023 TCEF study uses a combination of incremental expansion for roadways and plan-based methodologies to provide improvements for Active Modes. The methodology also utilized data from more updated sources:

- 2023 Transportation Capital Projects Prioritization Study
- 2022 Active Modes Plan
- 2022 Fort Collins Travel Diary Report
- Current anticipated 10-year buildout of additional lane miles through development

- Current City's Arterial Cost per Lane Mile (\$2.0M), along with baseline data and projections from the North Front Range MPO

Full assumption details and methodologies are available in the CEF and TCEF Studies included as Attachments 6 and 7.

Development fees are the mechanism for Utilities to recover the impact of adding new demand to the services Utilities provides, including electric, water, wastewater, and stormwater. Plant Investment Fees (PIFs) and Electric Capacity Fees (ECFs) are one-time charges for new development or re-development. These fees recover costs for excess capacity of infrastructure already in place to serve new customers based on the “buy-in” approach, where customers pay according to new demands they will put on the system and considers incremental costs of future infrastructure to serve them.

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.

Each model was updated in 2023 to capture current inputs, including current escalation factors and each of the various drivers such as costs, consumption, and future system needs. The costs pressures have been significant, primarily on the electric side, with higher material costs and supply chain disruptions for items such as transformers. Internal cost pressures on the utilities plant investment fees (PIF) have been more in line with the general inflation reflected in the market thus not requiring an alternative approach or option.

Options for Consideration

Staff has prepared three options for consideration for the TCEF and CEFs. The utility fees are the same in all three options (the Water Supply Requirements for 2025 were previously adopted on November 4, 2024 and there are no changes proposed for the Wastewater or Water Plant Investment Fees).

The results of the TCEF and CEF Study updates, as well as the 2023 Utility model updates, are included as Alternative #1. This option provides the best support to maintain existing levels of service. Proposed 2025 fees and change vs. 2024 rates are highlighted below. The full detail of scheduled fee adjustments is included in the attached ordinances. The complete TCEF and CEF Studies are included as attachments 6 and 7.

Alternative #1

2024 Actual					2025			2025 vs. 2024 Actual	
Residential	Unit	CEF	TCEF	Total	Proposed CEF	Proposed TCEF	Proposed Total	\$	%
up to 700 sq. ft.	Dwelling	\$6,962	\$2,903	\$9,865	\$6,865	\$3,195	\$10,060	\$195	2.0%
701-1,200 sq. ft.	Dwelling	\$9,339	\$5,391	\$14,730	\$10,395	\$5,579	\$15,974	\$1,244	8.4%
1,201-1,700 sq. ft.	Dwelling	\$10,194	\$7,000	\$17,194	\$11,670	\$7,121	\$18,791	\$1,597	9.3%
1,701-2,200 sq. ft.	Dwelling	\$10,310	\$8,185	\$18,495	\$12,553	\$8,260	\$20,813	\$2,318	12.5%
over 2,200 sq. ft.	Dwelling	\$11,489	\$8,774	\$20,263	\$14,269	\$9,171	\$23,440	\$3,177	15.7%
Development Type									
Commercial	1,000 sq. ft.	\$2,947	\$10,682	\$13,629	\$3,773	\$11,970	\$15,743	\$2,114	15.5%
Office and Other Services	1,000 sq. ft.	\$2,947	\$7,869	\$10,816	\$2,065	\$7,668	\$9,733	(\$1,083)	-10.0%
Industrial	1,000 sq. ft.	\$693	\$2,540	\$3,233	\$979	\$3,914	\$4,893	\$1,660	51.3%

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%)

As opposed to adopting the full changes outlined in the TCEF and CEF Study updates in 2025, Alternative #1A provides for a two-step implementation of the TCEF and CEF fees, with 50% of the changes being proposed for 2025 and the balance of the full adjustments being made in 2026.

Alternative #1A

2024 Actual					2025			2025 vs. 2024 Actual		2026		
Residential	Unit	CEF	TCEF	Total	Proposed CEF	Proposed TCEF	Proposed Total	\$	%	Proposed CEF	Proposed TCEF	Proposed Total
up to 700 sq. ft.	Dwelling	\$6,962	\$2,903	\$9,865	\$6,915	\$3,049	\$9,964	\$99	1.0%	\$6,865	\$3,195	\$10,060
701-1,200 sq. ft.	Dwelling	\$9,339	\$5,391	\$14,730	\$9,868	\$5,485	\$15,353	\$623	4.2%	\$10,395	\$5,579	\$15,974
1,201-1,700 sq. ft.	Dwelling	\$10,194	\$7,000	\$17,194	\$10,933	\$7,061	\$17,994	\$800	4.7%	\$11,670	\$7,121	\$18,791
1,701-2,200 sq. ft.	Dwelling	\$10,310	\$8,185	\$18,495	\$11,432	\$8,223	\$19,655	\$1,160	6.3%	\$12,553	\$8,260	\$20,813
over 2,200 sq. ft.	Dwelling	\$11,489	\$8,774	\$20,263	\$12,880	\$8,973	\$21,853	\$1,590	7.8%	\$14,269	\$9,171	\$23,440
Development Type												
Commercial	1,000 sq. ft.	\$2,947	\$10,682	\$13,629	\$3,361	\$11,326	\$14,687	\$1,058	7.8%	\$3,773	\$11,970	\$15,743
Office and Other Services	1,000 sq. ft.	\$2,947	\$7,869	\$10,816	\$2,506	\$7,769	\$10,275	(\$541)	-5.0%	\$2,065	\$7,668	\$9,733
Industrial	1,000 sq. ft.	\$693	\$2,540	\$3,233	\$836	\$3,227	\$4,063	\$830	25.7%	\$979	\$3,914	\$4,893

A third option is presented below as Alternative #2. The current TCEF and CEF fee schedules are adjusted for inflation only based on the underlying relevant index (**1.9% for TCEF and 2.7% for CEF's**). The combined increases for TCEF and CEFs ranges from 2.0% to 2.5%, depending on type of development. This is the same approach utilized in setting 2024 fee schedules. This alternative **does not** adopt the 2023 fee studies.

Alternative #2

2024 Actual					2025			2025 vs. 2024 Actual	
Residential	Unit	CEF	TCEF	Total	Proposed CEF	Proposed TCEF	Proposed Total	\$	%
up to 700 sq. ft.	Dwelling	\$6,962	\$2,903	\$9,865	\$7,150	\$2,958	\$10,108	\$243	2.5%
701-1,200 sq. ft.	Dwelling	\$9,339	\$5,391	\$14,730	\$9,591	\$5,493	\$15,084	\$354	2.4%
1,201-1,700 sq. ft.	Dwelling	\$10,194	\$7,000	\$17,194	\$10,470	\$7,133	\$17,603	\$409	2.4%
1,701-2,200 sq. ft.	Dwelling	\$10,310	\$8,185	\$18,495	\$10,588	\$8,341	\$18,929	\$434	2.3%
over 2,200 sq. ft.	Dwelling	\$11,489	\$8,774	\$20,263	\$11,799	\$8,941	\$20,740	\$477	2.4%
Development Type									
Commercial	1,000 sq. ft.	\$2,947	\$10,682	\$13,629	\$3,027	\$10,885	\$13,912	\$283	2.1%
Office and Other Services	1,000 sq. ft.	\$2,947	\$7,869	\$10,816	\$3,027	\$8,019	\$11,046	\$230	2.1%
Industrial	1,000 sq. ft.	\$693	\$2,540	\$3,233	\$711	\$2,588	\$3,299	\$66	2.0%

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 will include 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.”. The addition of the Office and Other Services category for the CEFs is also required.

Additionally, staff will work with the Poudre Valley Fire Protection District and the Poudre Fire Authority to enable use of fire protection capital expansion fees collected on behalf of the Poudre Fire Authority (PFA) by all parties to be authorized for use within the entire PFA service territory.

Future Work Efforts

Fee Schedule Updates as currently planned:

Utilities:

- Biennial model updates; resume in 2025
- Inflation adjustments in even numbered years

TCEF/CEF:

- Study updates every four years: 2027 next update
- Inflation adjustments in all other years

Alternatives:

- Accelerate TCEF/CEF Study updates to 2025 or 2026
- Adopt cadence of biennial study updates for TCEF/CEF

Additionally, there is a Work Session scheduled for March 11, 2025, to discuss impact fees and affordable housing.

CITY FINANCIAL IMPACTS

The amount of impact fee revenue collections by the City in a given year depends on the volume and composition of residential and non-residential development activity. Over the past four years (2020 – 2023), the City has collected an average of approximately \$19.6 million per year in CEF, TCEF and utility impact fees. Based on these volumes, the estimated impact in 2025 fee collections would be an annual increase of approximately \$1.545 million under Alternative #1 (CEF/TCEF study and utility model updates). Alternative #1A would realize an increase of half of this amount in 2025.

Financial Impact - CEF/TCEF Study and Utility Model Updates (Alternative #1)					
	Avg. Annual Fees (\$ 000)	Avg. Monthly Fees (\$ 000)	Fee Increase (%)	Annual Fee Increase (\$ 000)	Monthly Fee Increase (\$ 000)
CEF / TCEF	\$11,846	\$987	10.9%	\$1,288	\$107
Utility PIFs, ECF, WSR	\$7,729	\$644	3.3%	\$257	\$21
Total	\$19,575	\$1,631	7.9%	\$1,545	\$128

For comparative purposes, the table below highlights the estimated increase in fees that would be collected under Alternative #2 (inflation adjustments only for CEF/TCEF, and utility model updates).

Financial Impact - CEF/TCEF Inflation Adjustments and Utility Model Updates (Alternative #2)					
	Avg. Annual Fees (\$ 000)	Avg. Monthly Fees (\$ 000)	Fee Increase (%)	Annual Fee Increase (\$ 000)	Monthly Fee Increase (\$ 000)
CEF / TCEF	\$11,846	\$987	2.4%	\$281	\$23
Utility PIFs, ECF, WSR	\$7,729	\$644	3.3%	\$257	\$21
Total	\$19,575	\$1,631	2.7%	\$538	\$44

BOARD / COMMISSION / COMMITTEE RECOMMENDATION

At the October 24, 2024, Energy Board meeting, the Board supported a 9.3% increase to the Electric Capacity Fee for 2025 and clarifying language amendments by a 7-0 vote.

On September 19, 2024, the Water Commission voted 9-0 in support of a 1.5% increase to the Stormwater Plant Investment Fee for 2025.

PUBLIC OUTREACH

Staff met with the Fort Collins Area Chamber of Commerce LLAC on October 11, 2024, and discussed proposed Impact Fee Schedules for 2025.

ATTACHMENTS

1. Ordinance A for Consideration – Alternative #1
2. Ordinance A for Consideration – Alternative #1A
3. Ordinance A for Consideration – Alternative #2
4. Ordinance B for Consideration
5. Ordinance C for Consideration
6. 2023 Transportation Capital Expansion Fee Study
7. 2023 Capital Expansion Fee Study
8. Presentation