



AGENDA ITEM SUMMARY

City Council

STAFF

David Lenz, Director, Financial Planning & Analysis
John Duval, Legal

SUBJECT

First Reading of Ordinance No. 121, 2022 Amending Chapter 7.5 of the Code of the City of Fort Collins to Increase for Inflation the Capital Expansion Fees and the Transportation Expansion Fee.

EXECUTIVE SUMMARY

The purpose of this item is to make annual inflation updates effective January 1, 2023, associated with the City’s Capital Expansion Fees and its Transportation Expansion Fee. Inflation updates are 8.6% for the Capital Expansion Fees and 7.1% for the Transportation Expansion Fee.

STAFF RECOMMENDATION

Staff recommends adoption of the Ordinance on First Reading

BACKGROUND / DISCUSSION

Since the fall of October 2016, staff has worked to coordinate the process for updating all development related impact fees that require Council approval. This resulted in the completion of two studies, the Capital Expansion Fee Study dated August 2016 (CEF Study) for the neighborhood park, community park, fire, police and general government capital expansion fees (CEFs) and the Transportation Capital Expansion Fee Study dated April 2017 (TCEF Study) for transportation capital expansion fee (TEF).

Development related impact fees that are approved by Council are CEFs and TEFs, as well as the five Utility plant investment fees (Utility PIFs).

Type of Fee	Fee Name
Capital Expansion	Neighborhood Park
Capital Expansion	Community Park
Capital Expansion	Fire
Capital Expansion	Police
Capital Expansion	General Government
Capital Expansion	Transportation
Utility	Water Supply Requirement
Utility	Electric Capacity
Utility	Sewer Plant Investment
Utility	Stormwater Plant Investment
Utility	Water Plant Investment

Previously, fee updates were presented to Council on an individual basis. However, it was determined that updates should occur on a regular two and four-year cadence and fees updates should occur together each year to provide a more holistic view of the impact of any fee increases.

Fee coordination includes a detailed fee study analysis for CEFs and the TEF every four years. This is achieved through contracting with an outside consultant with data provided by City staff Findings by the consultant are also verified by City staff. For Utility PIFs, a detailed fee study is planned every two years. These are internal updates by City staff with periodic consultant verification. In the future, fee study analysis will be targeted in the odd year before Budgeting for Outcomes (BFO).

Due to competing work objectives in both 2021 and 2022, the planned study updates to the Capital Expansion Fees and Transportation Capital Expansion fees were deferred, and agreement reached to update the fees to be effective January 1, 2023, would reflect inflation adjustments only. The revised cadence of updates and inflation adjustments is summarized below.

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Capital Expansion Fees		Update	Step II	Step III	Inflation	Inflation	Inflation	Update	Inflation	Inflation	Inflation	Update
Transportation Expansion Fee		Update	Step II		Inflation	Inflation	Inflation	Update	Inflation	Inflation	Inflation	Update
Electric Capacity Fee		Update		Update	Inflation	Update	Inflation	Update	Inflation	Update	Inflation	Update
Water Supply Requirement		Update		Update	Inflation	Update	Inflation	Update	Inflation	Update	Inflation	Update
Water, Sewer, Stormwater PIFs			Update	Update	Inflation	Update	Inflation	Update	Inflation	Update	Inflation	Update

Currently, the work has been re-engaged on both the CEF and TEF updates. The fee study updates are now targeted for completion in 2023. This timeline allows for integration and scoping with other significant City workflows (revenue diversification, East Mulberry annexation evaluation), as well as allowing for more outreach and engagement. The 4-year update cycle originally envisioned will then commence as planned.

The proposed fee updates in the Ordinance to be effective January 1, 2023, only include inflation adjustments for the CEFs and the TEF. (*The adjustments for the Utility PIFs are being presented to Council in a separate agenda item at this meeting*).

As provided in City Code Section 7.5-18, the CPI-U index for Denver-Aurora-Lakewood is used for CEFs inflation (**8.6%**) and the Engineering News Record Construction Cost Index for TEF inflation (**7.1%**). Below is a summary of the inflation adjustments for all six of these fees including the total adjustment for each fee category:

Fees Effective January 2023

Land Use Type	Unit	N'hood Park	Comm. Park	Fire	Police	Gen. Gov't	TEF	Total	Total % Δ
Residential, up to 700 sq. ft.	Dwelling	\$2,108	\$2,977	\$516	\$289	\$703	\$2,703	\$9,296	8.2%
Residential, 701-1,200 sq. ft.	Dwelling	\$2,822	\$3,985	\$698	\$391	\$948	\$5,020	\$13,864	8.1%
Residential, 1,201-1,700 sq. ft.	Dwelling	\$3,082	\$4,351	\$759	\$425	\$1,035	\$6,518	\$16,170	8.0%
Residential, 1,701-2,200 sq. ft.	Dwelling	\$3,114	\$4,396	\$772	\$431	\$1,051	\$7,621	\$17,385	7.9%
Residential, over 2,200 sq. ft.	Dwelling	\$3,470	\$4,901	\$859	\$480	\$1,170	\$8,169	\$19,049	8.0%
Commercial	1,000 sq. ft.	0	0	\$650	\$364	\$1,777	\$9,946	\$12,737	7.4%
Office and Other Services	1,000 sq. ft.	0	0	\$650	\$364	\$1,777	\$7,327	\$10,118	7.5%
Industrial/Warehouse	1,000 sq. ft.	0	0	\$152	\$85	\$419	\$2,365	\$3,021	7.5%

For comparison purposes, the 2021 Fee updates (effective January 1, 2022) were 1.9% for the CEFs and 7.4% for the TEF.

CITY FINANCIAL IMPACTS

Fee updates will result in increases to fee payers. Total impact to City finances will be dependent on level of development activity.

BOARD / COMMISSION / COMMITTEE RECOMMENDATION

Reviewed Capital Expansion Fee update schedules with Council Finance Committee on April 7, 2022. Agreement to proceed with the revised schedule presented above and the update for fees effective January 1, 2023, would reflect inflation adjustments only.

PUBLIC OUTREACH

None.

ATTACHMENTS

1. Ordinance for Consideration
2. Council Finance Committee Minutes, April 7, 2022 (excerpt)