

AGENDA ITEM SUMMARY

City Council



STAFF

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SUBJECT

First Reading of Ordinance No. 168, 2025, Amending Chapter 7.5 of the Code of the City of Fort Collins to Update the Capital Expansion Fees and the Transportation Expansion Fees. (Option #1 or Option #2)

EXECUTIVE SUMMARY

The purpose of this item is to propose revisions to the methodologies of calculating the capital expansion fees for updated fees that are set in better alignment with City land use laws and policy. Studies conducted in 2023 for Code updates were not adopted and inflationary-only fee adjustments were implemented in 2024 and 2025. At Council's request, staff has brought forward four options for adoption of the revised fees to be effective January 1, 2026:

1. Fees with continued, inflation-only adjustments ("Status Quo Option" or "Option #1");
2. Fees as proposed September 9, 2025 ("Proposed Option" or "Option #2");
3. Fees that are a phased-in implementation of the Proposed Option – two versions ("Phased-In Option" or "Option #3"); and
4. Fees that are a fractional implementation of the Proposed Option – three versions ("Fractional Option" or "Option #4").

STAFF RECOMMENDATION

Staff recommends, as presented at the Council Work Session on September 9, 2025, the adoption of updates to the Capital Expansion Fees (CEFs) and Transportation Capital Expansion Fees (TCEFs), based on the housing unit types and estimated impacts of developments and set pursuant to the 2025 updates to the 2023 fee studies.

BACKGROUND / DISCUSSION

Fee History and Current State

CEFs and TCEFs, as impact fees, are one-time charges imposed on new development generating revenue which may only be used to fund growth-related capital projects. An impact fee represents new growth's proportionate share of capital facility needs. Impact fees cannot be used for improvements which solely

benefit adjacent development, existing deficiencies, and/or for maintenance. The City collects impact fees for neighborhood parks, community parks, fire protection, police, general government, and transportation.

In November 2024, staff proposed adoption of updates to impact 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 CEFs and with TischlerBise to update the TCEFs. In place of adopting CEFs or TCEFs in regard to an adopted study, Council determined that inflationary adjustments were most appropriate for both the 2024 and 2025 rate updates. All CEFs and TCEFs have received inflationary-only adjustments since the most recent comprehensive studies conducted in 2017. All CEFs, except for the TCEFs, are adjusted according to the Denver-Aurora-Lakewood Consumer Price Index. The TCEFs are adjusted according to the Engineering News Record Denver Regional Construction Cost Index.

Concurrent with updates to the CEFs and TCEFs in 2023 and 2024, Utilities staff likewise 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 biennial 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 throughout 2025 with 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. (For reference, see AIS Attachment No. 1, "2025 EPS Revised Study," and AIS Attachment No. 2, "2025 TischlerBise Revised Study.") Throughout the process, staff has been committed to maintaining a data-driven and objective approach, as provided by the existing models, and conducting a legal review of the methodologies used.

Proposed 2023 Study Revisions

The 2023 study revisions (the "2025 Revised Studies") used an adjusted methodology to capture household size by product type, a change intended to align these impact fees with the City's Land Use Code. In both the 2025 Revised Studies for CEFs and TCEFs, 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 are more representative of household size based on product type. For example, for CEFs, new household sizes correlate with the fee rates, and, for TCEFs, new household size factors are used to adjust trip ends by unit size and type.

Three adjustments from the current impact fee structure were developed by staff pursuant to the adjusted study methods in the 2025 Revised Studies.

- The first adjustment is to reflect a wider variety of dwelling unit sizes to better align with the categories used by Larimer County for its impact fees, which would change the City's CEFs from the current five tiers to the proposed seven tiers. The current maximum unit size in City Code 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

categories more accurately reflect household size across various housing unit types and sizes. Accessory dwelling units (ADU) would fall into the *multifamily* dwelling unit category. For TCEFs specifically, household size results in a methodology which would result in an increase in the calculation of vehicle trips for the *single family detached* and decreases the number of vehicle trips for both the *single family attached* and *multifamily* category. For the vehicle trips per unit calculation, the 2025 Revised Study for TCEFs included data for both the number of people and number of vehicles.

- The final proposed adjustment would be to increase the number of types of fees from six to seven. The proposal would no longer have a general government fee type, but rather two separate fee types for capital equipment and facilities. This change would calculate these impacts with more specificity than the previous, single type. Please note that, in the 2025 Revised Study for CEFs, replacement costs continued to be utilized, but were differentiated by the new fee types.

In the 2025 Revised Study for CEFs, the following would apply to fees for both community and neighborhood parks:

- Costs in the study have been updated with the most recent data for both development and land costs;
- The adjusted methodology in the study would result in an increased CEF fee rate for neighborhood parks, but also a decreased rate for community parks;
- Compared to the current rate structure, CEFs for parks would increase for single family detached and decrease for single family attached and multifamily; and
- The total park CEFs for all three housing types would be less under the 2025 Revised Study for CEFs than in the unadopted 2023 study.

Compared to current fees adjusted for inflation (“Status Quo” fees), if impact fees were set pursuant to the 2025 Revised Studies, fees would generally increase across all residential land use types and square foot categories; except for community parkland fees and some categories of the TCEFs. Community parkland fees would decrease, compared to the Status Quo fees, across all land use and square foot categories. TCEFs would likewise decrease across all multifamily categories and most of the single family attached categories, compared to the Status Quo fees.

Options for 2026 Impact Fee Updates

At the September 9, 2025, Council Work Session, there was general feedback from some Councilmembers that options, in addition to the staff recommendation, may be helpful to prepare for Council’s consideration on first reading. To that end, staff has prepared the following options:

1. Status Quo (“Status Quo Option” or “Option #1”)

This Option #1 would continue the current inflation-only fee updates, set for the 2024 and 2025 fees, and would retain the existing types and categories: one land use type for residential and five square footage categories. This option would not make changes to align with the City’s updated Land Use Code. It also generates relatively similar revenue as fees overall are only adjusted for inflation.

2. As Proposed September 9, 2025, (“Proposed Option” or “Option #2”)

This Option #2 was presented to Council at the Work Session on September 9, 2025. The fees, set pursuant to the 2025 Revised Studies, would move from a single residential land use type to three types, and from five square footage categories to 17 categories. The 2025 Revised Studies updated the methodology that was designed to align with the City’s Land Use Code, which was updated to address policy-making necessary to increase the mixture and availability of different residential types. This option, if adopted would generate revenue based on the estimated impacts of new development and are consistent with historical trends. Using 2024 dwelling unit counts, the overall estimate for all residential impact fee revenue would be a 3% increase (\$330k) in the first year of the new fee structure, in comparison with revenue generated under the Status Quo option (Option #1 above).

3. Phased Implementation of Studies (“Phased-In Option” or “Option #3”)

Staff has prepared the following **two versions of Option #3** (shown on AIS Attachment No. 5, Charts for “Option 3: Phased-In-Implementation”) for, a phased-in adoption of the fees pursuant to the 2025 Revised Studies: a two-year phase-in period, or

- a three-year phase-in period.

Both versions phase-in the Proposed fees over two or three years. This Option #3 delays full alignment with the Land Use Code and generates less revenue in the initial year for the two-year version and in the first two years for the three-year version.

Effective January 1, 2026, of the two-year version of Option #3 is the Status Quo fees plus 50 percent of the difference between the Proposed fees and Status Quo fees. In 2027, the fees would be fully phased in plus inflation. Effective January 1, 2026, of the three-year version of Option #3 is the Status Quo fees plus 40 percent of the difference between the Proposed fees and the Status Quo fees. In 2027, fees would be 70 percent of the difference between the Proposed fees and the Status Quo fees plus inflation. In 2028, fees would be fully phased in plus inflation.

Based on 2024 dwelling unit counts, the overall estimate for all residential impact fees is a 7% revenue loss (\$830k) in 2026 for the two-year option and 10% revenue loss (\$1.1M) in 2026 for the three-year option compared to the Status Quo fees.

4. Fractional Implementation of Studies (“Fractional Option” or “Option #4”)

Staff has prepared the following **three versions of Option #4**, (as shown on AIS Attachment No. 6, Charts for “Option 4: Fractional Implementation”) for a fractional adoption of the fees developed for the Proposed Option pursuant to the 2025 Revised Studies:

- 70% of the Proposed fees,
- 80% of the Proposed fees, or
- 90% of the Proposed fees.

This option does provide some updated alignment with the Land Use Code but does not fully address the mix of residential types. The fiscal impact of all of these versions of Option #4 is decreased fee revenues collected in comparison with Options #s 1, 2, and 3. The magnitude of the fiscal impact would differ by the version adopted, and by the length of time that the option was applied. Because a fractional approach, over all CEFs and TCEFs, would reset collections at a lower amount, the negative fiscal impact in comparison with Options #s 1, 2, and 3 would grow over time. Different revenue sources, such as other tax revenue sources and fund sources, such as the general fund, as well as reduced expenditures, would need to be identified to absorb the impacts

of a fractional approach; further, reduced expenditures may be difficult to achieve in the near-term, based on adopted plans and development processes.

Based on the 2024 dwelling unit counts, the overall estimate is a 28% revenue loss (\$3.1M) at 70%, an 18% revenue loss (\$2.0M) at 80%, and a 7% revenue loss (\$810k) at 90% compared to the Status Quo fees.

Implications of Options for Nonresidential Categories

The Options #s 1-4 above have also been prepared for the nonresidential fees. For Options #2 (Proposed Option) and #3 (Phased-In Option), all nonresidential fees would generally increase in comparison with the Status Quo Option (Option #1). Where nonresidential fees would be higher if the proposal was phased-in over time; fees in those categories would be set at rates from Option #2 (Proposed Option).

For the nonresidential categories, if the 2025 Revised Studies are applied as in Options #s 2, 3, and 4, consistency between the CEFS and TCEFs would be achieved based on the application of the Institute of Transportation (ITE) land use code, which would be a change from the current approach, under which the nonresidential category of “office and other services” are set at the same rate as retail/commercial developments for CEFS.

TCEF Operational Implications of Fractional Fee Adoption

- If TCEFs are updated for 2026 pursuant to Option #4 (Fractional Option), PDT could experience near- and long-term impacts to levels of service from reduced resources for capital projects for which TCEF revenues may permissible be used. To implement these impacts, if Option #4 were adopted, PDT would prioritize fulfilling the City’s obligations to developers with development reimbursements to fulfill those obligations and to maintain the TCEF Program.
- Under Option #4, negative fiscal impacts to TCEF revenue collections would decrease the overall capacity to deliver transportation capital projects, including those focused on Active Modes.
- Limited funding would also constrain the ability to advance project design work that strengthens the City’s success and competitiveness for external grants, and reduces the City’s flexibility to support projects that are not grant eligible.
- Negative fiscal impacts under Option #4 could compound existing challenges, as all transportation funding streams including federal, state, and CCIP sources, are currently being negatively affected.
- These compounding impacts compromise the timely delivery of projects identified in the City’s Active Modes Plan and Transportation Capital Projects Prioritization Study, reducing overall levels of service. It may also move away from the estimated impacts and associated costs of necessary transportation delivery.

Parks Operational Implications of Fractional Fee Adoption

- If CEFS are updated for 2026 pursuant to Option #4 (Fractional Option), including neighborhood and community parks, there may be near- and long-term impacts both to planned projects as well as associated capacity to provide commensurate levels of service with new and necessary capital capacity associated with development.
- To implement these impacts, if Option #4 were adopted, Parks would prioritize fulfilling equitable access to core amenities but it could reduce public outreach, material durability or response to changing community recreation trends.
- Depending on which version of Option #4 were to be adopted, and the length of the use of that approach, there could be near- and long-term negative impacts to recreation revenue related to outdoor programming.

- The reduced revenue generated under Option #4 could also constrain the ability to advance project design work that pilots new products, meets City LEED standards or other return-on-investment decisions that have up-front costs.
- The existing challenges for a balanced total cost of ownership finance model would be compounded, if any version of Option #4 were adopted.

Note: Revenue estimates are 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.

CITY FINANCIAL IMPACTS

Based on 2024 dwelling unit counts, below are 2026 revenue estimates for the four options:

- Option #1 – Status Quo fees: relatively similar revenue as fees are only adjusted for inflation;
- Option #2 – fees as Proposed: 3% increase (\$330k) from the Status Quo fees;
- Option #3 - Phased-In fees: 7% revenue loss (\$830k) for the two-year option and 10% revenue loss (\$1.1M) for the three-year option compared to the Status Quo fees; and
- Option #4 – Fractional fees: 28% revenue loss (\$3.1M) at 70%, an 18% revenue loss (\$2.0M) at 80%, and a 7% revenue loss (\$810k) at 90% compared to the Status Quo fees.

BOARD / COMMISSION / COMMITTEE RECOMMENDATION

None.

PUBLIC OUTREACH

Council Meetings included the following:

- Council Finance Committee on February 11 and June 5, 2025
- Council Work Session on September 9, 2025

Public outreach included the following:

- Fort Collins Chamber of Commerce Local Legislative Affairs Committee (LLAC) on August 22, 2025
- Affordable Housing Board on September 8, 2025
- Economic Advisory Board on October 15, 2025

ATTACHMENTS

1. 2025 EPS Revised Study
2. 2025 TischlerBise Revised Study
3. Charts for “Option 1: Status Quo”
4. Charts for “Option 2: Proposed”
5. Charts for “Option 3: Phased-In-Implementation”
6. Charts for “Option 4: Fractional Implementation”
7. Parks Contextual Information
8. Total Cost of Development Revised Charts
9. Presentation
10. Ordinance No. 168, 2025 (Option #1)
11. Ordinance No. 168, 2025 (Option #2)