

# Development Impact Fees

City Council Work Session

December 13, 2022



# Background on Discussions to Date

October 27, 2020	September 13 <sup>th</sup> , 2022	November 15 <sup>th</sup> , 2022	December 13 <sup>th</sup> , 2022
<p><b>Focus of Discussion:</b></p> <ul style="list-style-type: none"> <li>Impact Fee Fundamentals</li> <li>Project Overview</li> <li>Fee Proposal Detail</li> <li>Funding Alternatives</li> </ul> <p><i>Two prior Council Worksessions in April and August 2020.</i></p>  <p><b>Council Feedback:</b> Given uncertainty, Council accepted study with tiered fee proposal but did not adopt recommended fee changes.</p>	<p><b>Focus of Discussion:</b> Given significant growth and post COVID environment, staff presented funding gap impact and requested reconsideration of 2020 Impact Fee Study.</p>  <p><b>Council Feedback:</b> Council requested clarity on how funds would be used if 2020 study proposed fees were adopted.</p>	<p><b>Focus of Discussion:</b> Staff presented detail on proposed fee adjustments and detail on which projects additional fee revenue fund.</p>  <p><b>Council Feedback:</b> Council requested more time to consider the proposal and additional detail on the Impact Fee Study methodology</p>	<p><b>Focus of Discussion:</b> Staff to present detail on the 2020 Impact Fee Study methodology and options for Council to consider to move forward.</p> 

# 2020 Development Impact Fee Study Detail



# The 2020 Impact Fee Study Method

The City contracted with Raftelis Consulting to update the fee methodology in 2020. This process involved a series of steps summarized below using the parks fee as an example –

- Step 1: Determine existing service levels for each public facility.  
*Example: 5.07 acres of parks per thousand residents*
- Step 2: Assign cost to each service level.  
*Example: Parks cost \$350,000 per acre to develop*
- Step 3: Project future need based on growth projections.  
*Example: +23,091 residents over 10 years = 117 park acres at \$40,950,000; \$1,773.40 per person*
- Step 4: Allocate growth cost across development types.  
*Example: residential is based on persons per household (pph). Tier 4 pph = 2.89, for parks this equals a \$5,124 fee*

# Greeley's Proposed Fee Structure Changes

## Residential Tiers vs Flat Fee

- Why did the 2020 Study recommend residential tiers?
  - Equitable fee structure (lower cost for smaller units, higher cost for larger units)
  - Proportionate assessment of infrastructure demand based on size of development
- How were the tiers developed?
  - Greeley-specific analysis of persons per household, number of bedrooms and new residential building permits
  - Persons by square feet of living space plotted to determine four size thresholds
- What other fee structures exist?
  - Flat and tiered are the most common residential structures (of our peer group Fort Collins and Berthoud also utilize a tiered structure). Other structures include a bedroom/bathroom count or rely on some other project-specific metric.

## Reduction in Nonresidential Categories

Reduction of nonresidential categories (from six to three in this case) follows best management practice across peer municipalities and supports a simplified structure by grouping like development categories together.

## Stormwater by Impervious Area vs Flat Fee

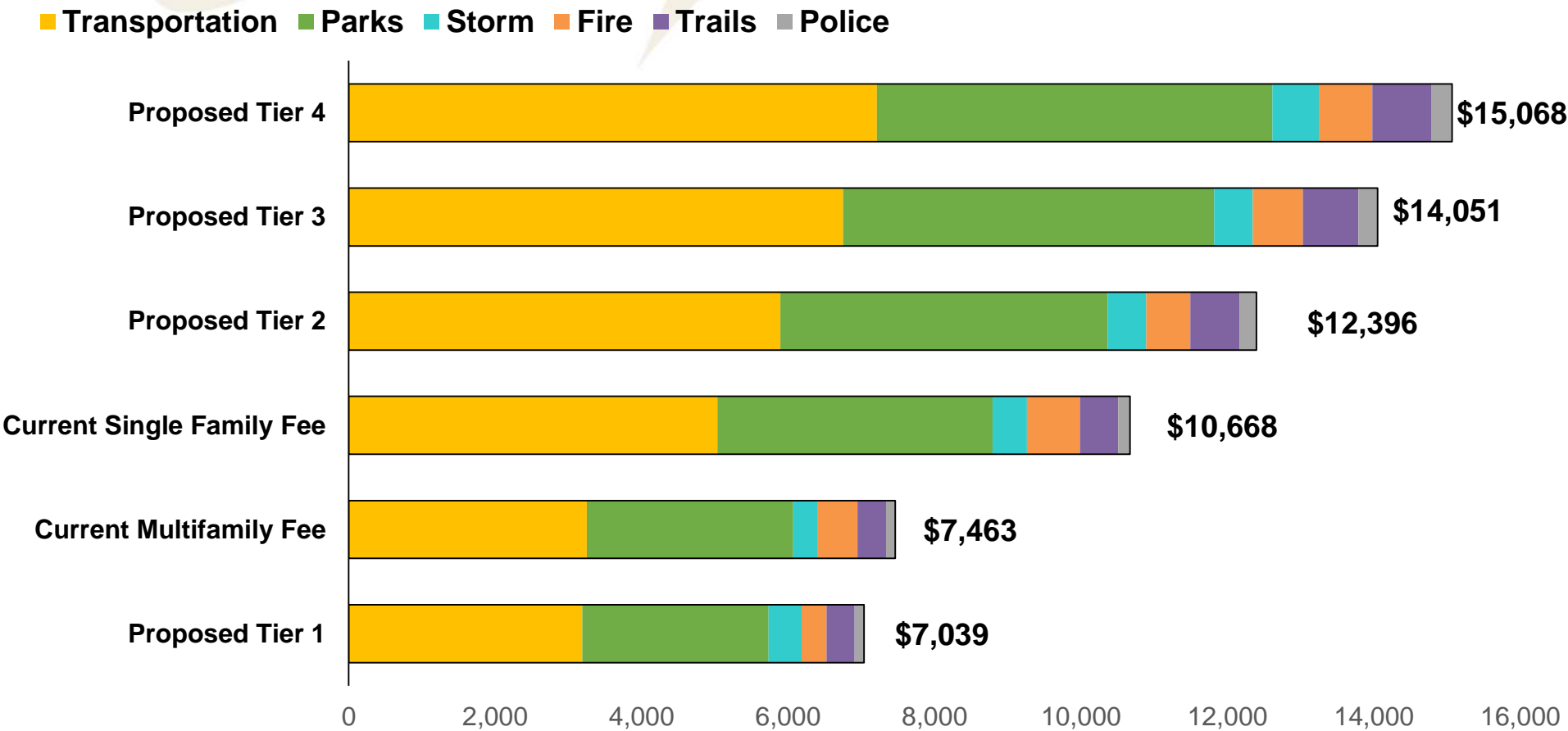
Assessing storm fees by impervious area (as most other municipalities do) provides an incentive to future development to mitigate impacts to the storm drainage system through minimizing impervious area.

# Proposed Development Impact Fee Adjustments



# Fee Comparison Residential

## 2023 Residential Impact Fee Comparison



**Tier Key**  
Tier 1 (1,200 or less)  
Tier 2 (1,201 to 1500)  
Tier 3 (1,501 to 1,800)  
Tier 4 (1,801 or more)

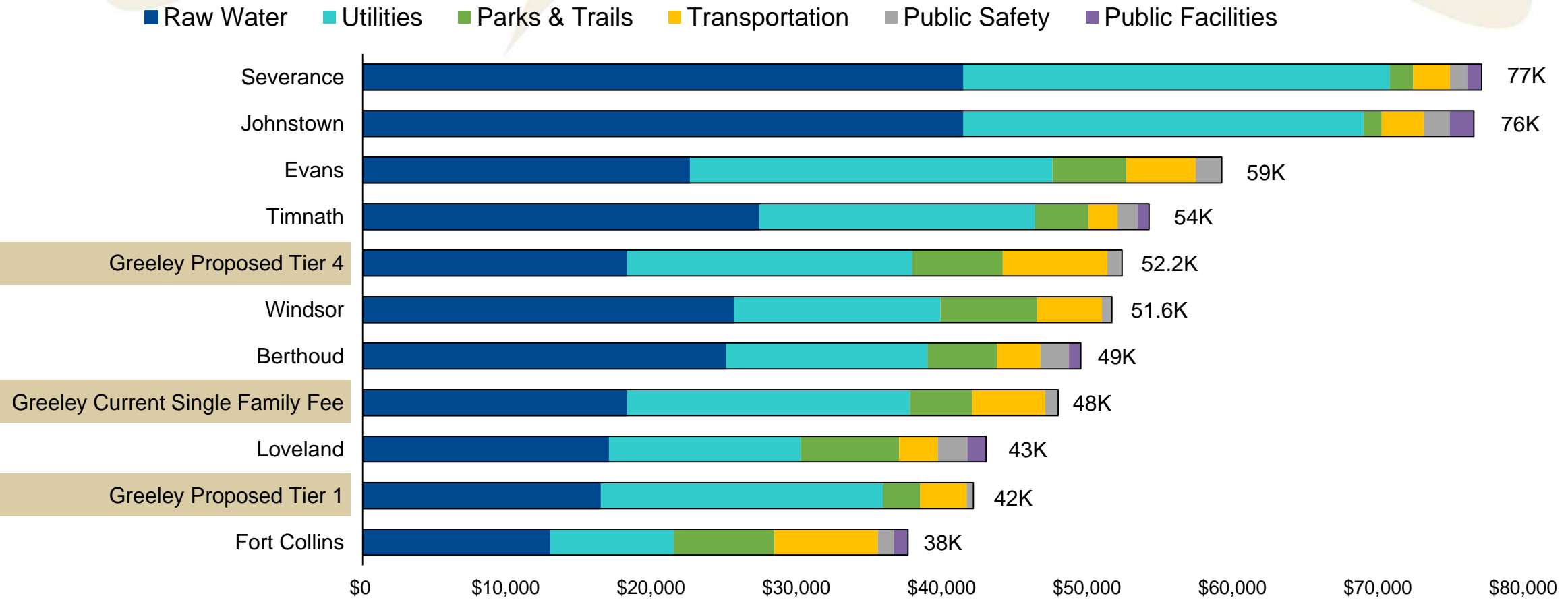
Tiers are based on square footage of heated living space (excludes garages, outdoor patios/porches/balconies and unfinished basements)

Current fees represent 2023 inflated figures

# Fee Comparison Residential

## Single Family Residential Impact Fee Comparison

Data Source: Aug 2022 review of municipality's published fees.  
Single family example: 6,000 sf lot, 2,000 sf living space



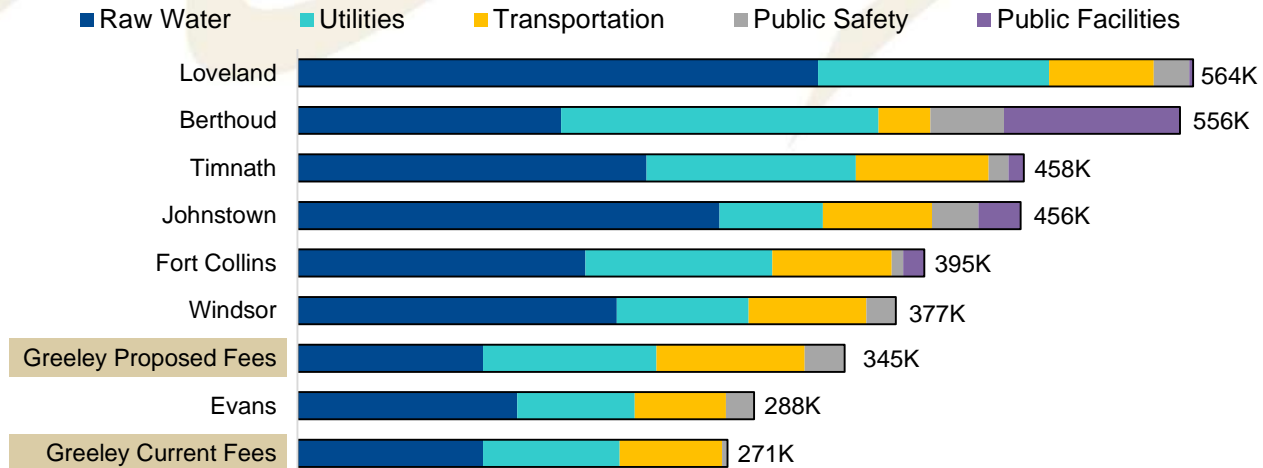
Note: Total fees represented here do not include other development-imposed costs such as application fees which vary widely between municipalities, the requirement by some municipalities to construct off-site improvements in addition to paying development fees and the timing of raw water dedication.



# Fee Comparison Non-Residential

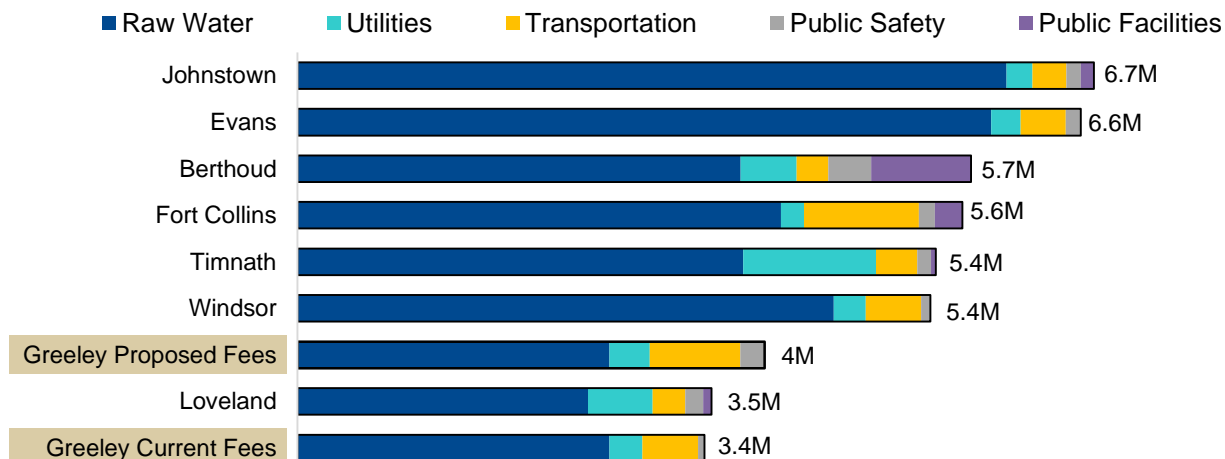
## Sample Development: Warehouse

Example Project: Industrial Flex Property 34,000 sqft



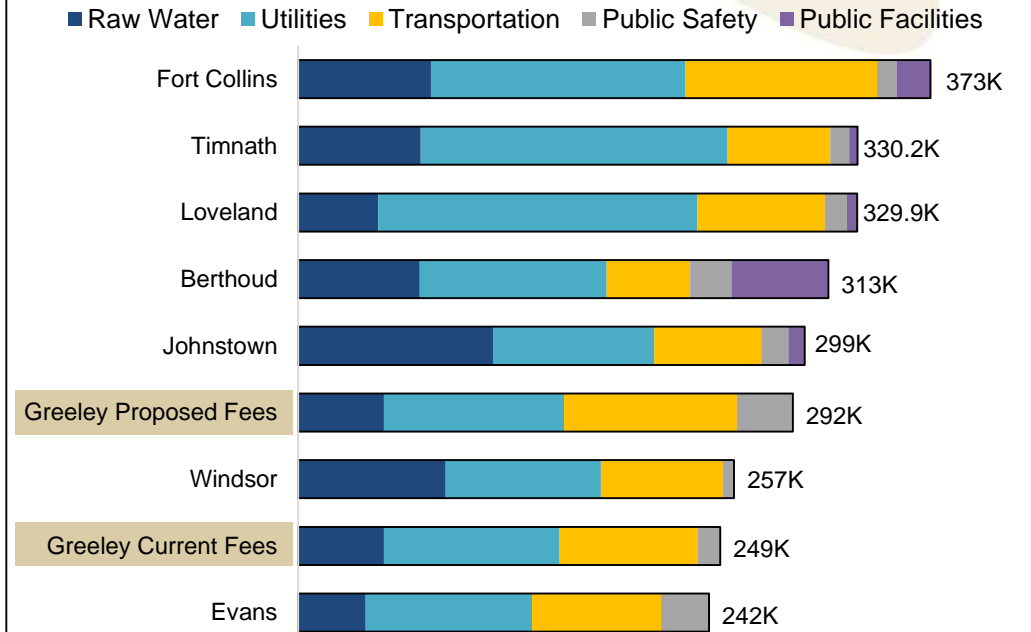
## Sample Development: Institutional

Example Project: K-8 School Campus, 142,000 sqft



## Sample Development: Commercial

Example Project: Core & Shell Commercial 12,000 sqft



FOR ILLUSTRATION PURPOSES ONLY

Source: Nov 2022 review of municipality's published fees.

Includes Fire, Police, Public Facilities, Transportation, Water, Sewer and Storm.  
Parks and Trails fees are not charged to nonresidential development.

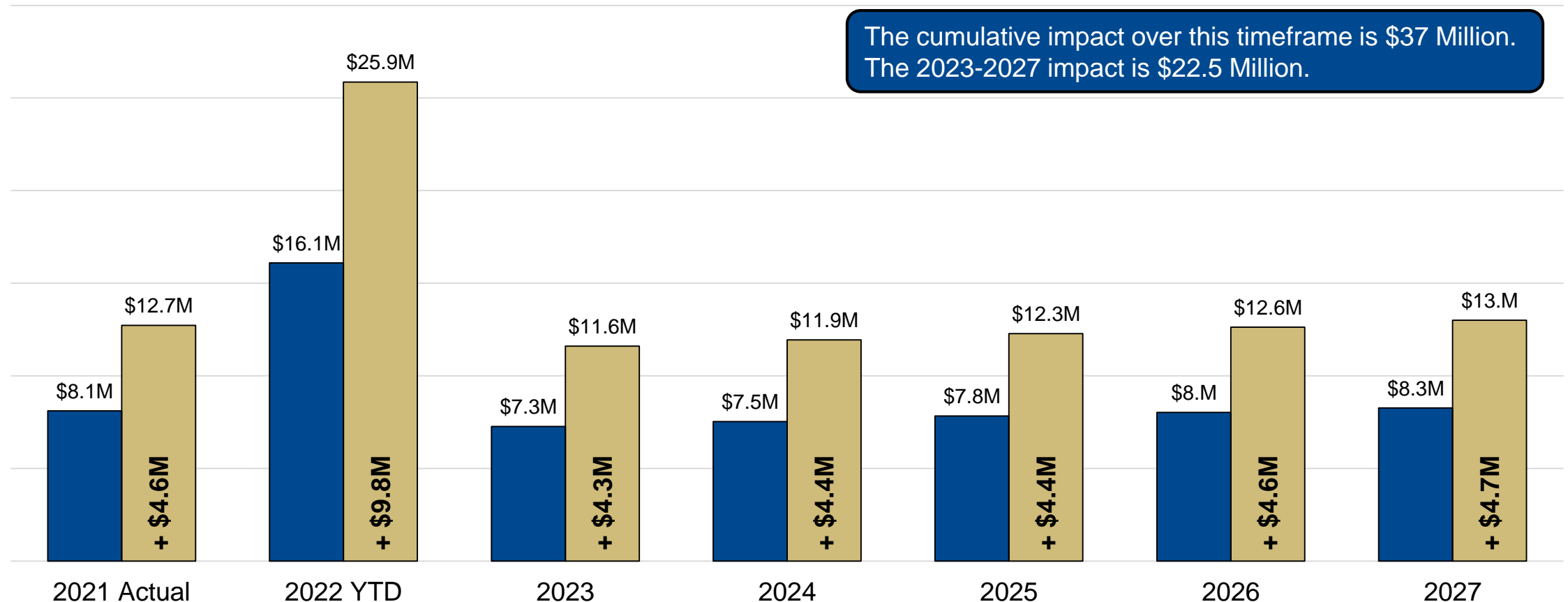
# Use of Additional Development Impact Fee Funding









# A Growing Funding Gap

## Development Fee Revenue Comparison

■ Existing Fees ■ Proposed Fees



# How Additional Fees Will be Spent

	Facility Type	Estimated 5 Year Impact of Increased Fees	Project Planned with Additional Revenue/Future Needs
	Parks	+ \$7 Million	<ul style="list-style-type: none"> <li>✓ Sanborn Dog Park,</li> <li>✓ Two land purchases for park expansion, and</li> <li>✓ Funding for 50% of the Hazelton Park expansion project</li> </ul>
	Trails	+ \$1.2 Million	<ul style="list-style-type: none"> <li>✓ Complete Sheep Draw Trail connection to Poudre River</li> </ul>
	Transportation	+ \$12.7 Million	<ul style="list-style-type: none"> <li>✓ Eliminate the \$2.5M annual transfer from KGM to Road Development. Will result in 10.6 miles of pavement rehab and additional concrete work each year.</li> </ul>
	Stormwater	+ \$720 Thousand	<ul style="list-style-type: none"> <li>✓ Reduce the amount needed for future stormwater bonding</li> </ul>
	Police	+ \$571 Thousand	<ul style="list-style-type: none"> <li>✓ Reduce the amount needed for bonding of new police facility</li> </ul>
	Fire	+ \$287 Thousand	<ul style="list-style-type: none"> <li>✓ Reduce the amount needed for bonding of new fire station</li> </ul>

# Council Direction and Timeline



# The Why Behind Adopting New Fees – Considerations



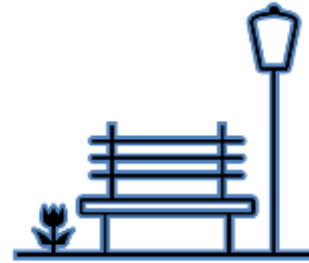
## Fiscal Constraints

- Many development impacted projects are not optional.
- Funding requirements come at cost to other City priorities/goals.



## Equity Considerations

- Subsidies come at the expense of existing tax-payers and rate payers to support the impact of new development.
- Equitable Development fees reduce the burden on utility ratepayers for projects and/or required debt levels.



## Maintain Existing Service Levels

- Maintain fire and police response times
- Every resident is within ½ mile of a neighborhood park
- Every resident is within 1 mile of a community park
- Every resident is within a 10-minute walk to trails and open space



## Planning for Greeley's Future

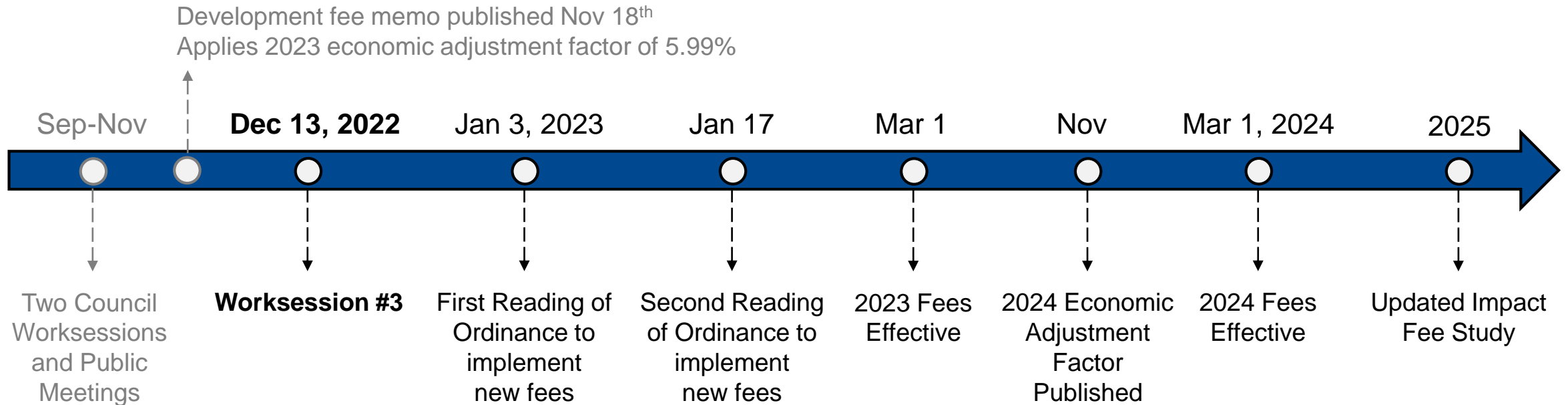
- One-time revenues
- No opportunity to recapture in future
- Development Fee projects are critical to ensuring Greeley remains competitive and for maintaining quality of life for citizens

# Options

1. **Implement the 2020 Impact Fee Study with residential tiered structure** *(Staff Recommendation)*
  - ✓ Adjust fees to better fund the true impact of development
  - ✓ Follows the study's recommended progressive fee structure
  - Eliminates need for service reductions and subsidies from other City priorities
2. **Implement the 2020 Impact Fee Study with residential flat structure**
  - ✓ Increases fees to better fund the true impact of development
  - Eliminates need for service reductions and subsidies from other City priorities
  - X Maintains a “one size fits all” fee structure; does not consider size of development/impact.
3. **Do not implement the 2020 Impact Fee Study and instead pursue a new study**
  - Fee methodology and calculations can be revisited
  - X Service reductions and/or subsidies from other City activities required
  - X Does not address the growing funding gap; rollout schedule would push up to 2025 planned update

# Implementation Timeline

If Council recommends change to existing fee structure, the timeline is:





# Appendix



# Development Fee Study Revisited

- Development fees can only be used toward new or expanded facilities.
- Fees can be no greater than necessary to defray the impacts of new development.
- Greeley's current fees are based on a 2014 Study.
- Per Greeley municipal code, development fee methodology must be reviewed every five years.
- The City contracted with Raftelis Consulting to update the fee methodology in 2020. Council accepted the study but decided against the recommended fee structure.
- The next regularly scheduled fee update is in 2025.
- Given the significant growth Greeley is experiencing, staff propose revisiting the 2020 study's recommended fees to ensure the City can support growth-related capital needs into the future.

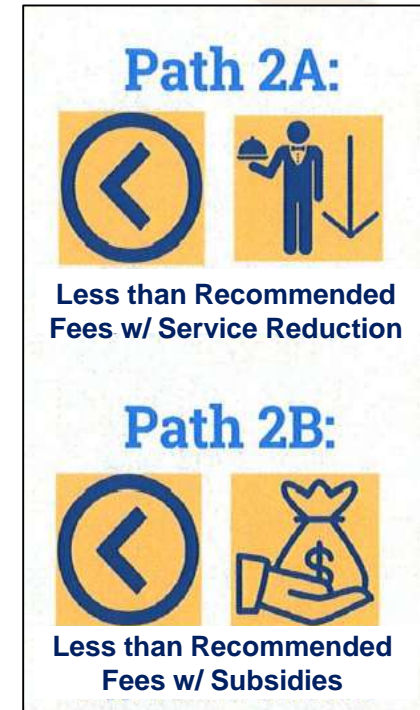
# The Why Behind Adopting New Fees

## Greeley Quality of Life Targets:

- All residents within ½ mile of a neighborhood park
- All residents within 1 mile of a community park
- All residents within a 10-min walk to trails and open space
- Maintain fire and police response times
- Maintain existing transportation network service levels

## Fiscal and Equity Considerations

- Eliminate funding subsidies from sources otherwise dedicated to maintenance of existing infrastructure
- Reduce the burden on utility ratepayers and/or debt levels we need to take on for capital investments



# The 2020 Impact Fee Structure

	Current Fee Structure		Proposed Fee Structure	Description of Change
Residential	Single Family	Dwelling	Tier 1 - 1,200 or less of heated living space	The flat residential fee structure is replaced by four tiers. All single family, multi-family and mobile homes will be assessed based on square footage.
	Multi-Family	Dwelling	Tier 2 - 1,201 to 1500 of heated living space	
	Mobile Home Park	Site	Tier 3 - 1,501 to 1,800 of heated living space	
			Tier 4 - 1,801 or more of heated living space	

Nonresidential	Retail/Commercial	1,000 sqft	Retail/Restaurant	1,000 sqft	No change to fee structure
	Office	1,000 sqft	Office & Other	1,000 sqft	Now includes category "other"
	Industrial	1,000 sqft	Industrial	1,000 sqft	No change to fee structure
	Warehouse	1,000 sqft			Warehouse will fall under industrial
	Public/Institutional	1,000 sqft			Institutional will fall under other
	Oil and Gas Well	Well Head			Oil & Gas will fall under industrial

Storm	Residential	Flat	Fee assessed per impervious sqft	Flat fee replaced by fee per sqft
	Nonresidential	Impervious sqft	Fee assessed per impervious sqft	No change to fee structure

# Proposed Fee Structure Detail

## Current 2023 Fees

	Parks	Trails	Police	Fire	Transportation	Storm	
Single Family	3,757	521	161	724	5,033	471	<b>\$10,668 / unit</b>
Multifamily	2,819	391	123	542	3,250	338	<b>\$7,463 / unit</b>
Industrial	0	0	38	163	2,039	0.130	<b>\$2,240 /1k building sf + storm</b>
Retail/Commercial	0	0	198	886	6,663	0.130	<b>\$7,747 /1k building sf + storm</b>
Office	0	0	93	415	5,892	0.130	<b>\$6,400 /1k building sf + storm</b>

## Proposed 2023 Fees

	Parks	Trails	Police	Fire	Transportation	Storm*	
Residential Tier 1 (1,200 or less)	2,543	382	131	342	3,192	449	<b>\$7,039 / unit</b>
Residential Tier 2 (1,201 to 1500)	4,469	671	231	602	5,895	528	<b>\$12,396 /unit</b>
Residential Tier 3 (1,501 to 1,800)	5,067	759	263	683	6,751	528	<b>\$14,051 /unit</b>
Residential Tier 4 (1,801 or more)	5,403	810	280	728	7,213	634	<b>\$15,068 /unit</b>
Industrial	0	0	230	513	2,742	0.264	<b>\$3,485 /1k building sf + storm</b>
Retail/Restaurant	0	0	841	1,872	8,347	0.264	<b>\$11,060 /1k building sf + storm</b>
Office & Other Services	0	0	452	1,006	5,383	0.264	<b>\$6,841 /1k building sf + storm</b>

\* Stormwater fees will be assessed \$0.264 per impervious square foot. For comparison purposes, an average impervious sf total was assigned to each residential tier based on an analysis of recent development. The figures used are as follows: Tier 1 - 1,700 sf / Tiers 2&3 - 2,000 sf / Tier 4 - 2,400 sf

# Notes and Assumptions

## Revenue Projections:

- The Budget Division's methodology for projecting fee revenue was followed which bases future years on community development's annual growth and development report's residential unit projections plus 20% as a placeholder for nonresidential growth. A conservative 1% inflation factor is applied to fees each year.
- To project future revenue in the proposed tiered fee structure, future multi-family and single-family development were assigned to Tiers 2 and 4 respectively. The full range of possible 5-year revenue for each facility type is shown below. This represents the total amount collected if all development were to come in at Tier 1 vs. all development at Tier 4:
  - Parks: \$10.5M - \$22.4M
  - Trails: \$1.6M - \$3.3M
  - Transportation: \$15.8M - \$35.8M
  - Stormwater: \$2.2M - \$3.1M
  - Police: \$647K - \$1.4M
  - Fire: \$1.7M - \$3.6M
- Stormwater fees will be applied per impervious square foot. For comparison purposes, an average impervious sf total was assigned to each residential tier based on an analysis of recent development. The figures used are as follows: Tier 1 - 1,700 sf / Tiers 2&3 - 2,000 sf / Tier 4 - 2,400 sf