

Development Impact Fees

City Council Meeting January 17, 2023

Second Reading and Public Hearing



Development Fee Study Overview

- Development fees
 - can only be used toward new or expanded facilities.
 - can be no greater than necessary to defray the impacts of new development.
 - Greeley's current fees are based on a 2014 Study.
 - methodology must be reviewed every five years (per Greeley Municipal Code).
- The City contracted with an external consulting firm to update the fee methodology in 2020.
 - Council accepted the study but did not implement the recommended fee structure.
 - The next regularly scheduled fee update is in 2025.
- Given the significant growth Greeley is experiencing, staff proposed revisiting the 2020 study's recommended fees to ensure the City can support growth-related capital needs into the future.

Background on Discussions to Date

Meeting Date	Focus of Discussion	Council Feedback
October 27, 2020	Staff and the study consultant gave a presentation focused on impact fee fundamentals, fee proposal detail and funding alternatives. There were two prior Council Worksessions in April and August 2020.	Given uncertainty, Council accepted the study with tiered fee proposal but did not adopt recommended fee changes.
September 13 th , 2022	Given significant growth and post COVID environment, staff presented funding gap impact and requested reconsideration of 2020 Fee Study.	Council requested clarity on how funds would be used if 2020 study proposed fees were adopted.
November 15 th , 2022	Staff presented detail on proposed fee adjustments and detail on which projects additional fee revenue fund.	Council requested more time to consider the proposal and additional detail on the Fee Study methodology.
December 13 th , 2022	Staff presented detail on the 2020 Impact Fee Study methodology and options for Council to consider to move forward.	Council consensus was to bring forward a new fee Ordinance for consideration in January 2023.
January 3 rd , 2023	First Reading of new fee Ordinance	Consent Agenda Approval
January 17 th , 2023	Second Reading with summary presentation of the proposed impact fee changes	Pending vote

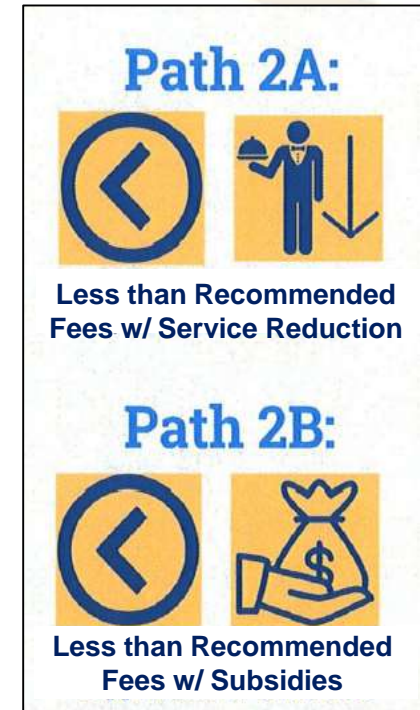
The Why Behind Adopting New Fees

Greeley Quality of Life Targets:

- All residents
 - within ½ mile of a neighborhood park
 - within 1 mile of a community park
 - 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

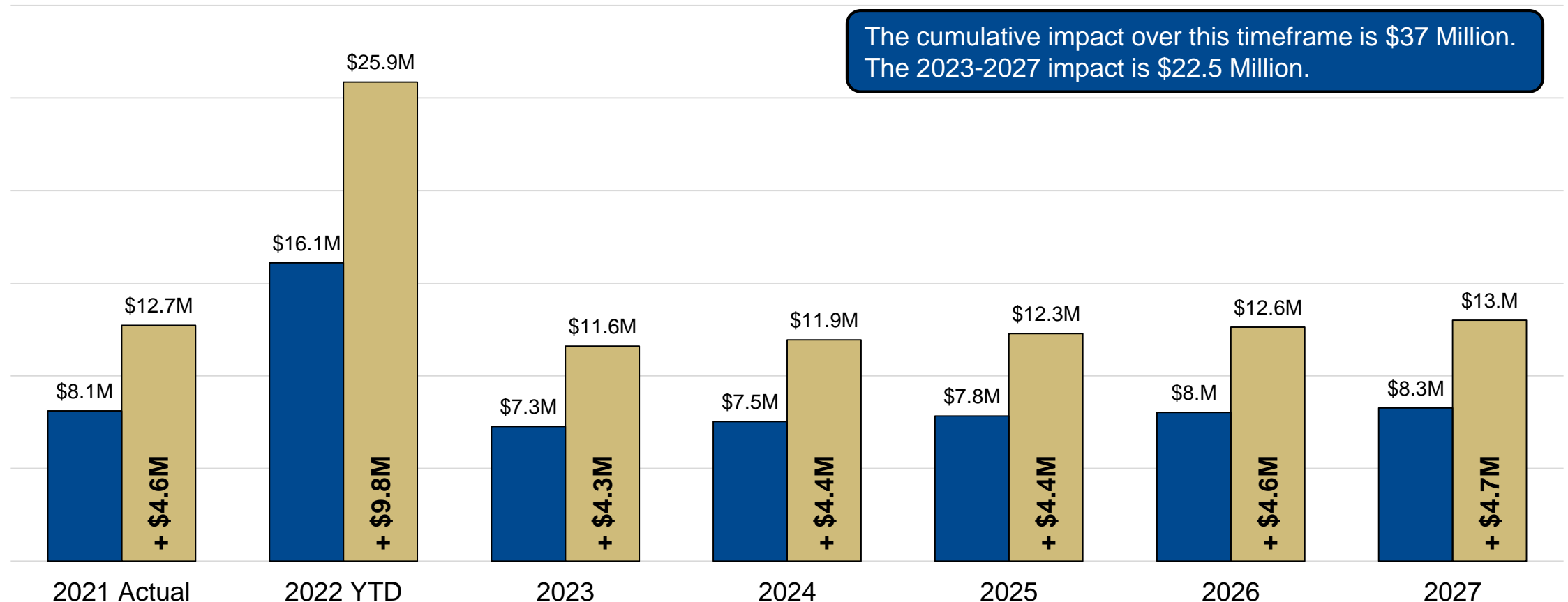
- Eliminate funding subsidies from sources otherwise dedicated to maintenance of existing infrastructure
- Reduce the burden on utility ratepayers and/or debt levels needed to take on for capital investments







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
 <p>Parks</p>	<p>+ \$7 Million</p>	<ul style="list-style-type: none"> ✓ Sanborn Dog Park, ✓ Two land purchases for park expansion, and ✓ Funding for 50% of the Hazelton Park expansion project
 <p>Trails</p>	<p>+ \$1.2 Million</p>	<ul style="list-style-type: none"> ✓ Complete Sheep Draw Trail connection to Poudre River
 <p>Transportation</p>	<p>+ \$12.7 Million</p>	<ul style="list-style-type: none"> ✓ 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.
 <p>Stormwater</p>	<p>+ \$720 Thousand</p>	<ul style="list-style-type: none"> ✓ Reduce the amount needed for future stormwater bonding
 <p>Police</p>	<p>+ \$571 Thousand</p>	<ul style="list-style-type: none"> ✓ Reduce the amount needed for bonding of new police facility
 <p>Fire</p>	<p>+ \$287 Thousand</p>	<ul style="list-style-type: none"> ✓ Reduce the amount needed for bonding of new fire station

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.

The Why Behind Adopting New Fees – Considerations



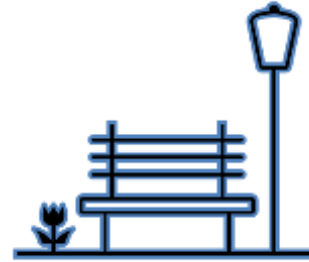
Fiscal Constraints

- 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 taxpayers 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

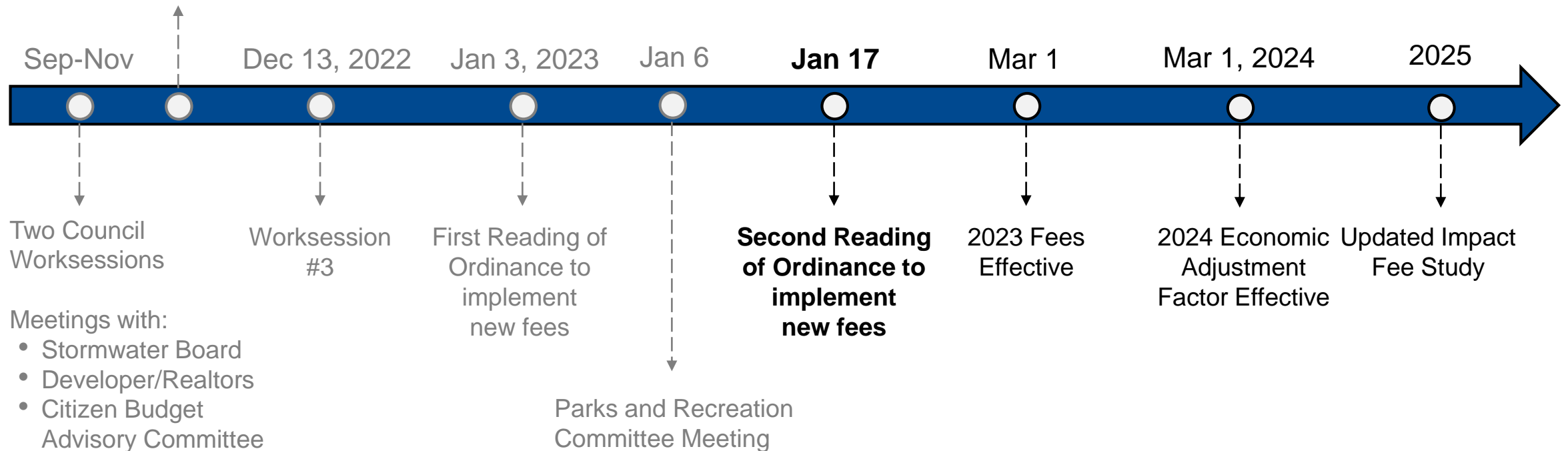


Planning for Greeley's Future

- 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

Implementation Timeline

If Council adopts the updated development impact fee structure, the timeline is as follows:



Applies 2023 economic adjustment factor of 5.99%

Appendix



The Proposed 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 retail 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 industrial 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 non-res storm fee structure

Proposed Fee Structure Detail

Existing 2023 Fees

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

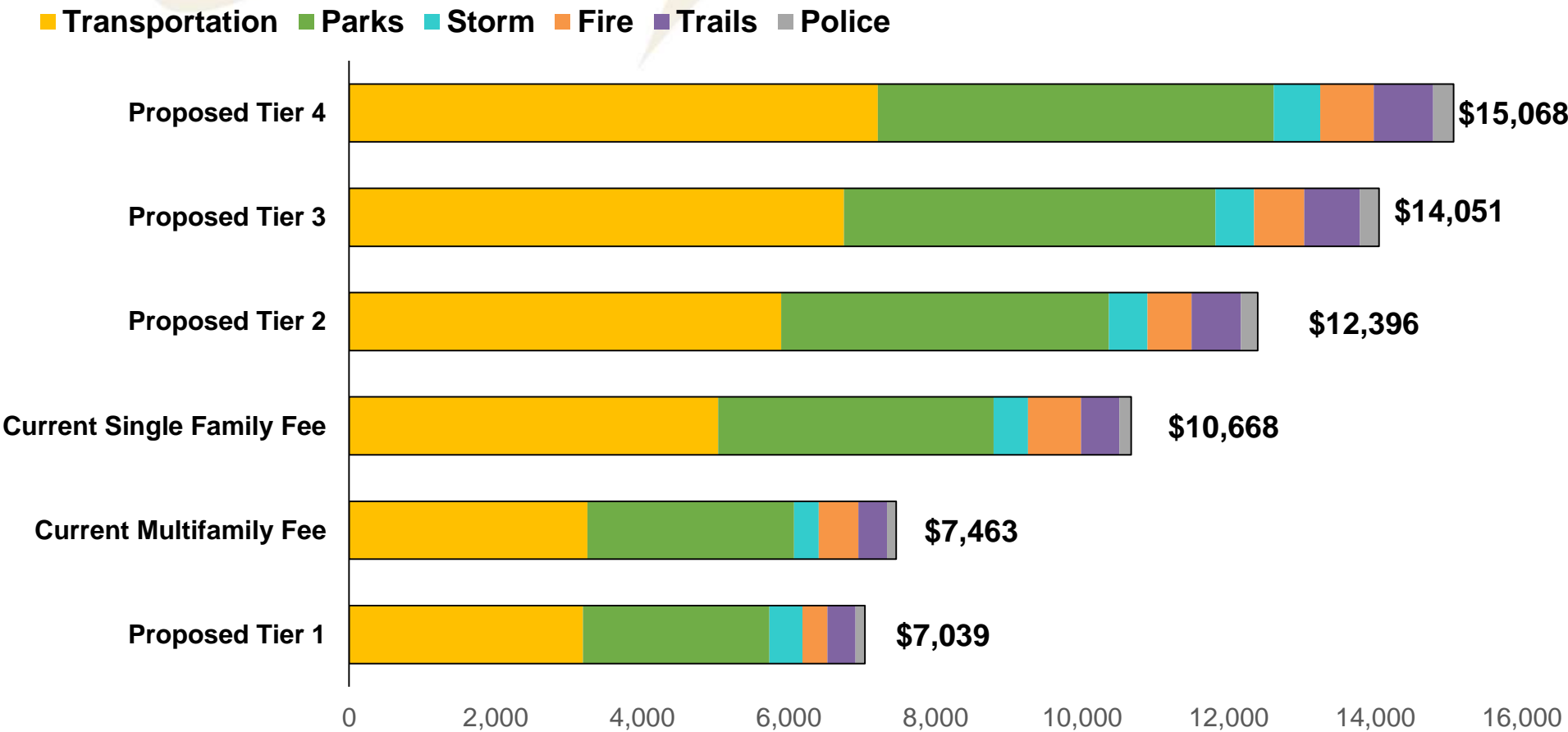
Proposed 2023 Fees

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

* 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

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)

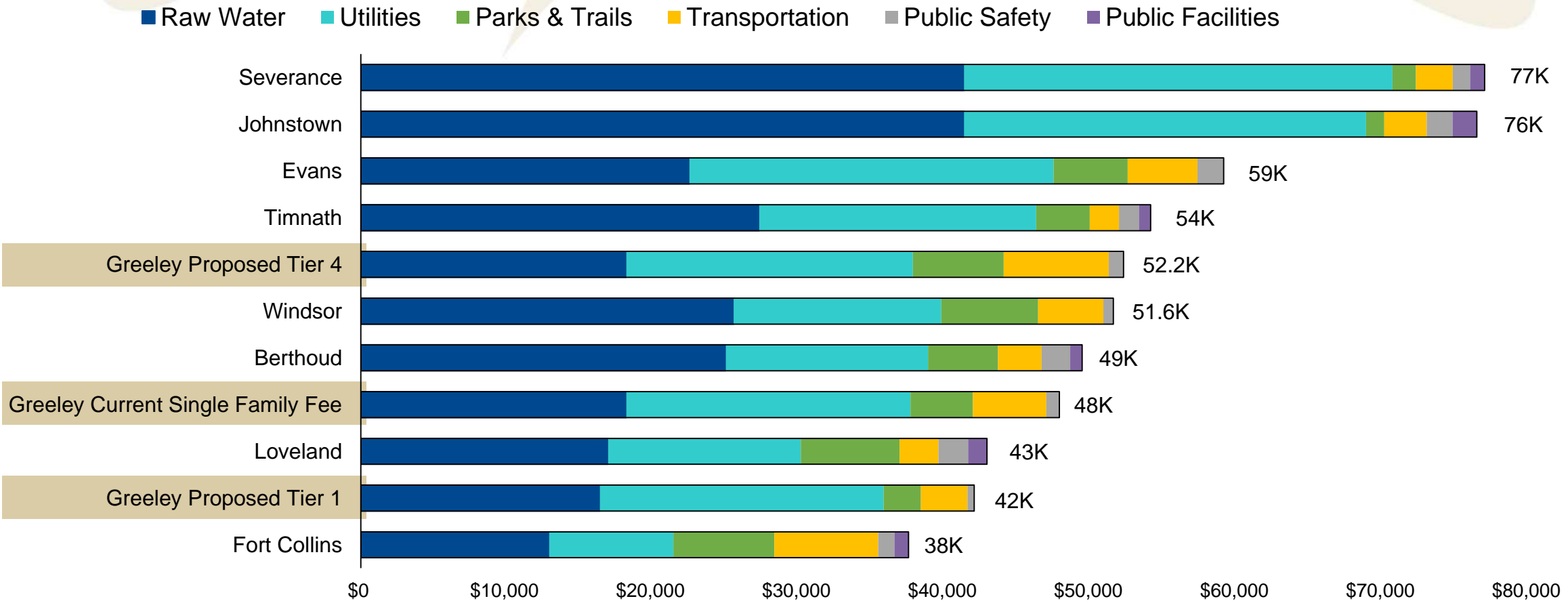
Tiers are based on square footage of heated living space (excludes garages, outdoor patios/porches/balconies and unfinished basements)

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

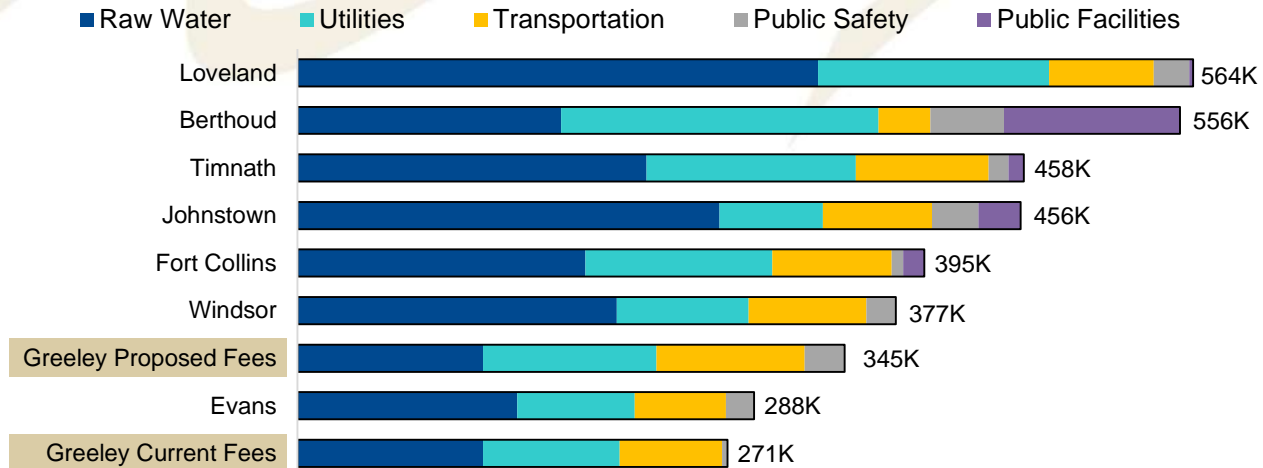


Note: Total fees represented here do not include other development-imposed costs such as application fees which vary widely between municipalities, the requirement by some municipalities to construct off-site improvements in addition to paying development fees and the timing of raw water dedication.

Fee Comparison Non-Residential

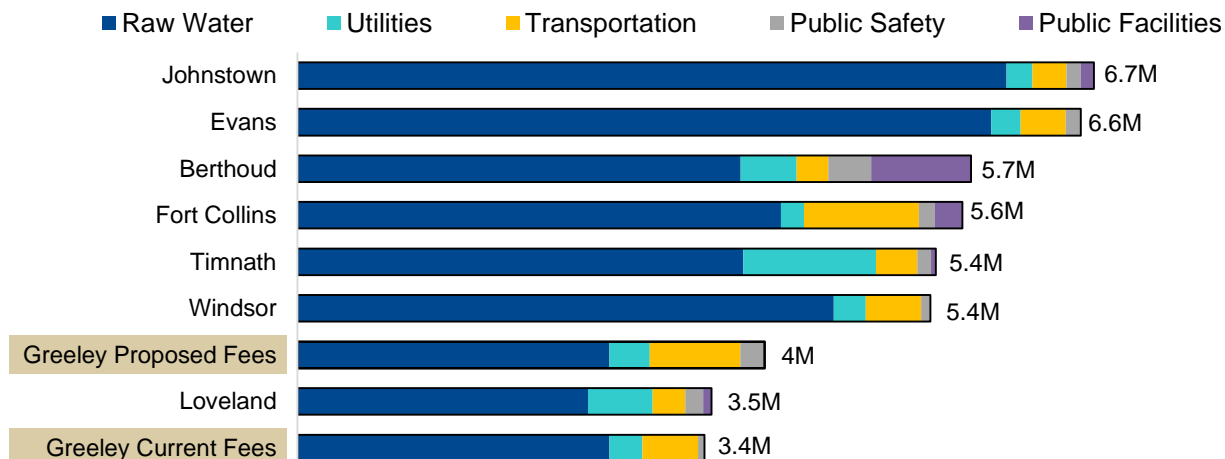
Sample Development: Warehouse

Example Project: Industrial Flex Property 34,000 sqft



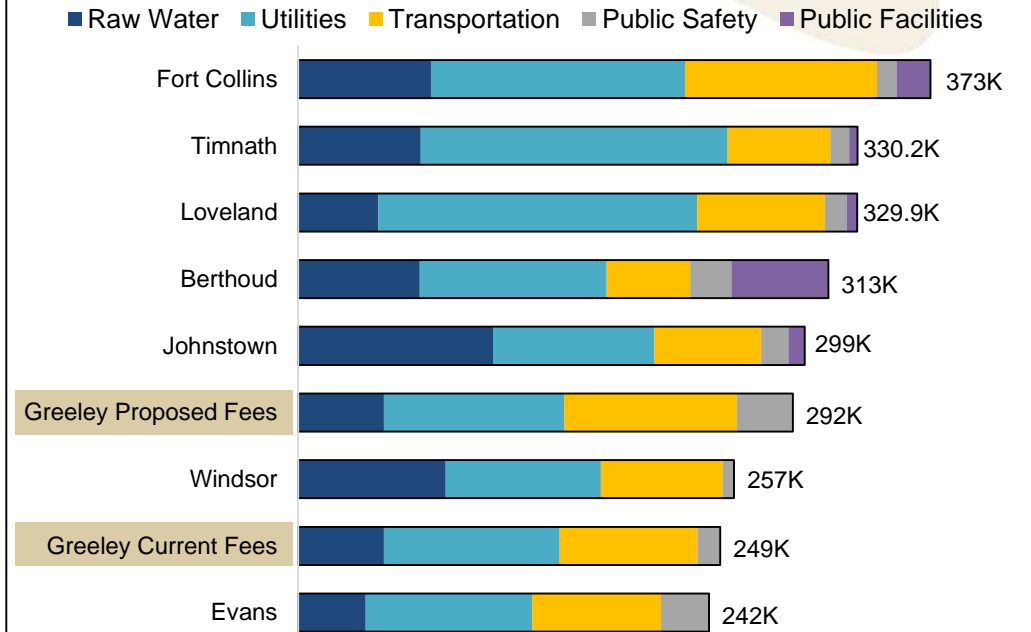
Sample Development: Institutional

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.

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

Phased Fee Adjustments

If Council phases the fee adjustments over two years, the adjustments would be structured in a manner where half the proposed changes will be applied in 2023 and the remainder in 2024. In this case the following criteria will apply:

- Any fee decreases will not be phased, they will be fully implemented in 2023
- Phased fee increases for residential tiers will be calculated using single family as a baseline
- The phased increase for the stormwater fee will be calculated using nonresidential as a baseline

Phased Fee Adjustment Examples

Fee Category	Total Increase	2022 Fee	2023 Fee	2024 Fee*
Example	+ \$100	\$50	\$100 (+\$50)	\$150 (+\$50)
Police - Tier 2 Residential	+ \$79	\$152	\$192 (+\$40)	\$231 (+\$39)
Transportation - Industrial	+\$818	\$1,924	\$2,333 (+\$409)	\$2,742 (+\$409)
Fire - Office & Other Services	+\$614	\$392	\$699 (+\$307)	\$1,006 (+\$307)

*Subject to 2024 economic adjustment factor