

Development Fees

City Council Work Session
September 13, 2022



Presentation Agenda

- Development Fee Overview
- Revisiting the 2020 Impact Fee Study
- Peer Benchmarking
- Discussion & Next Steps



Development Fee Overview

Background:

- Development fees are imposed to offset the cost incurred by the City as result of new development
- Per State Statute, development fees must be legislatively adopted at a level no greater than necessary to defray the impacts of new development
- Fees fund new or expanded facilities only, *not* maintenance of existing facilities
- Fees are adjusted annually using an economic adjustment factor.
- Greeley Municipal Code requires review of fees every 5 years
- The last fee study was adopted in 2015; an updated 2020 study was not adopted

Example Projects Funded with Development Fees:



A Closer Look at the 2020 Fee Study

Study

- Fees were calculated for all public facility types (parks, roads, etc.) by determining the cost of growth-related capital improvements and allocating those costs equitably to various types of development
- The study proposed a four-tiered residential fee structure as opposed to the current “one size fits all” structure.
- Four paths were presented to Council in October 2020



Decision



- Council did not adopt the new proposed fees.



Outcome

- Over the last year, residential development fee revenue is an estimated \$11M lower than it would have been at the study's calculated rates

A Funding Gap

The 2020 Impact Fee study calculated fees based on Greeley's projected growth-related capital needs. By not updating fees, future infrastructure costs will need to be subsidized with other funding sources.

	Current Fees	Proposed Fees	Difference
Parks & Trails	\$5,800,000	\$10,100,000	\$4,300,000
Police	\$200,000	\$500,000	\$300,000
Fire	\$1,000,000	\$1,200,000	\$200,000
Transportation	\$6,200,000	\$11,600,000	\$5,400,000
Storm	\$600,000	\$1,500,000	\$900,000
Total	\$13,800,000	\$24,900,000	\$11,100,000

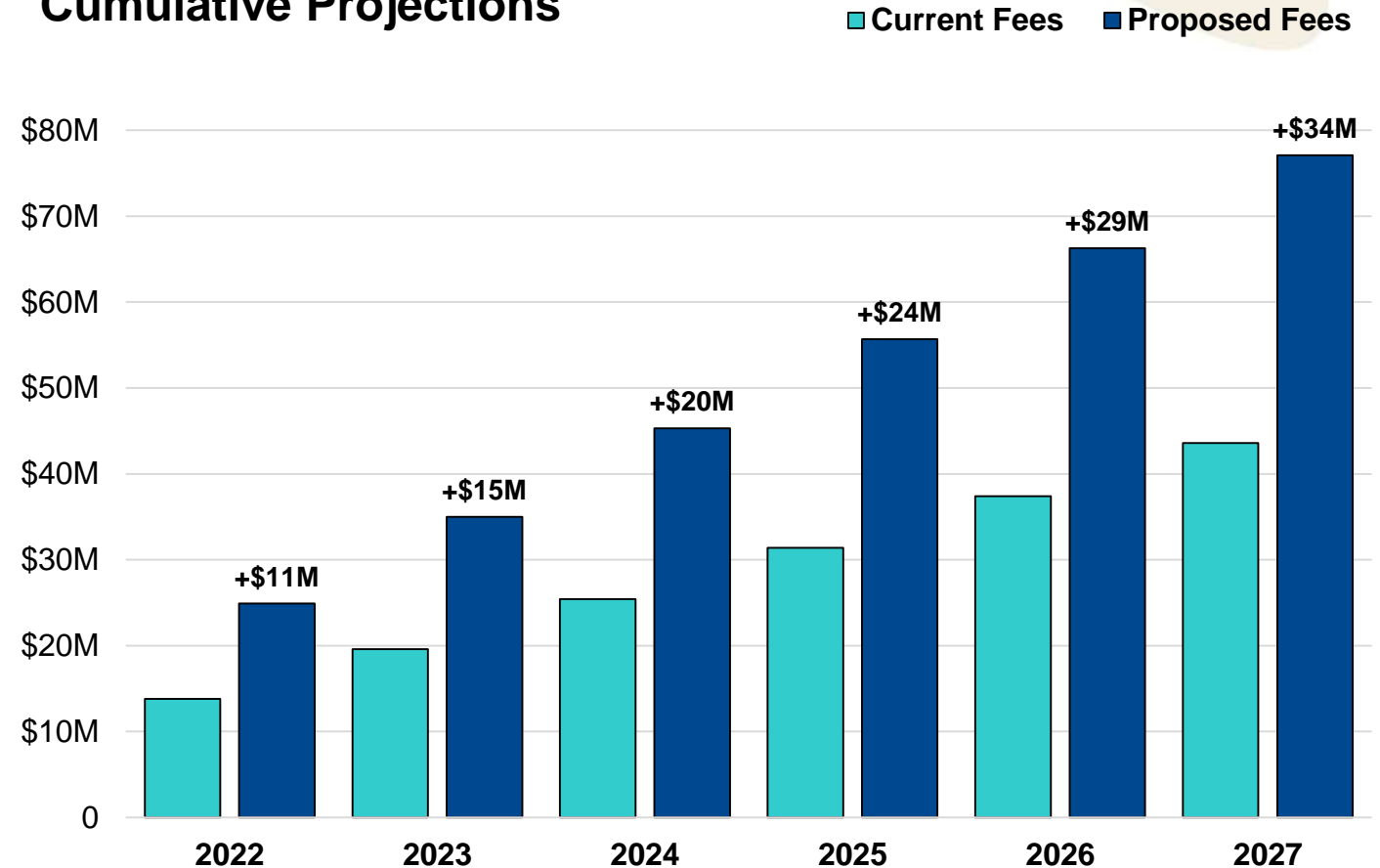
Dataset: New Development 6/1/2021-5/31/2022
466 Single Family and 1,460 Multi-Family



Impact of Keeping Fees at Current Levels

- City must still pay for infrastructure that is needed to support growth
- This means there will be a higher reliance on sales tax dollars to subsidize future infrastructure
- Growth-related projects will be competing/replacing other planned capital maintenance improvements
- If resources are insufficient the City will need to strategically adjust/reduce service levels

Residential Development Fee Revenue Cumulative Projections



Projected revenue includes parks, police, fire, transportation, trails and storm fees calculated using Community Development's five-year housing unit growth forecast.

Strategically Managing Fee Increases

Concern: We won't remain competitive with neighboring communities

Response: The City always monitors how we compare against regional peers for any City fee or tax burden and data shows that we would remain competitive if the 2020 study fee were adopted.

Concern: Housing affordability

Response: The tiered fee structure provides a path to keep homes affordable and with a tiered structure, lowers the cost for the entry level/more affordable housing stock.

Concern: We're charging too much

Response: The fee study methodology ensures we only charge what's necessary to recover the cost from the Impacts of development growth, in compliance with State law.

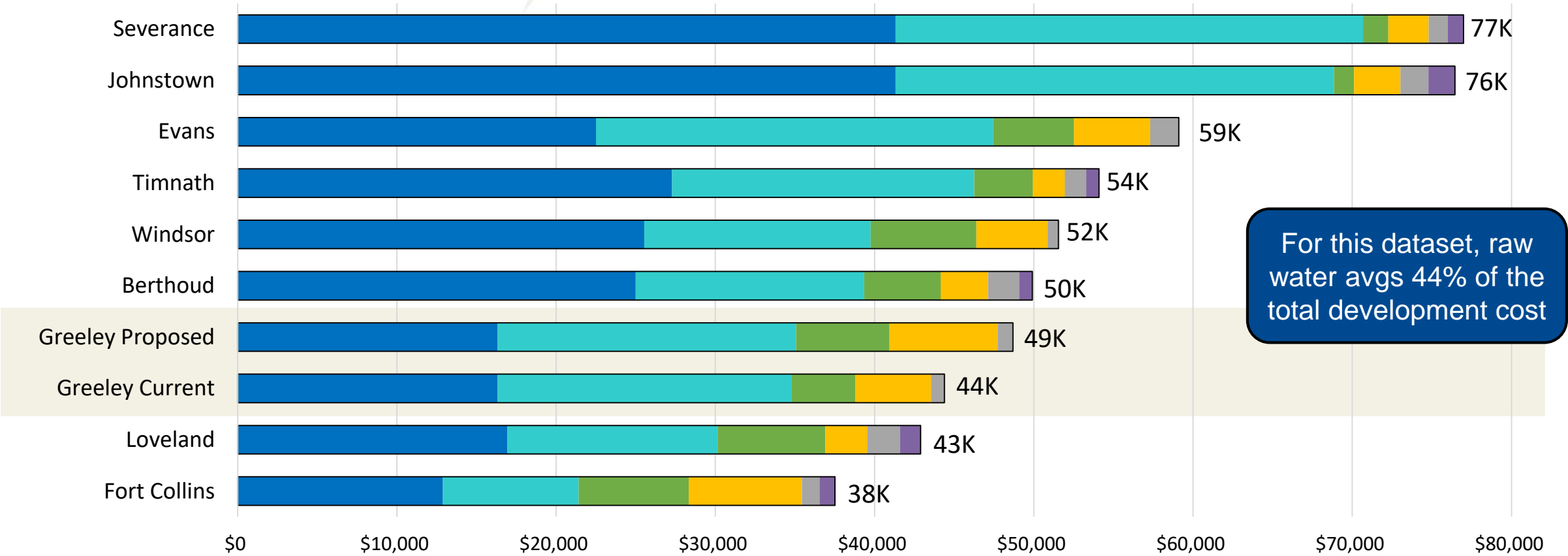
Concern: Development won't happen if we raise fees

Response: Research suggests the imposition of fees has not stifled development (APA Policy Guide on Impact Fees)

A Look at the Region - Development Cost

Single Family Residential Impact Fee Comparison

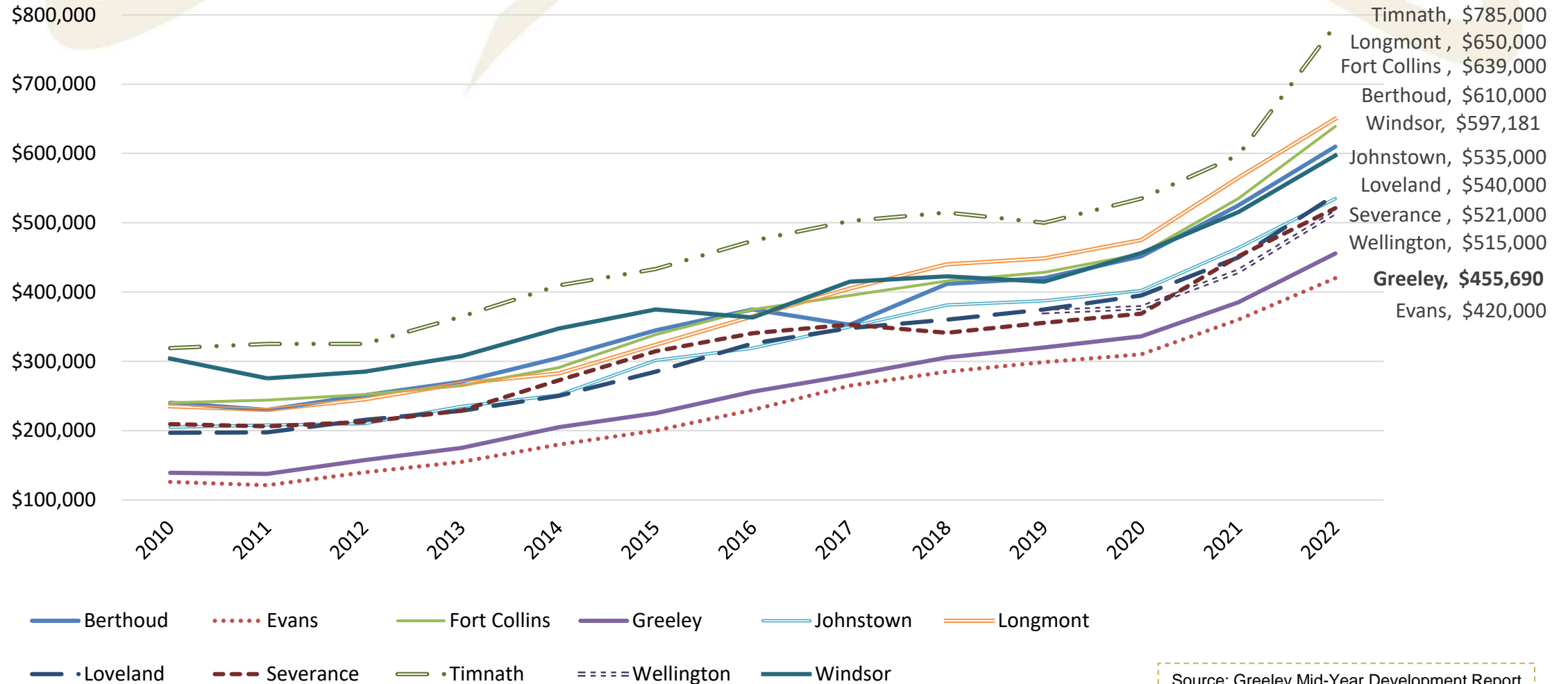
Raw Water Utilities Parks & Trails Transportation Public Safety Public Facilities



For this dataset, raw water avgs 44% of the total development cost

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

Median Home Price Comparison



Discussion & Next Steps

Option 1: Keep Development Fees aligned with 2015 Impact Fee Study

Staff to provide follow up presentation on options for subsidizing future growth/reducing services

Option 2: Explore adjustment to fees using updated Impact Fee Study

