

2015 Development Related Impact Fee & Excise Tax Studies Update

City Council

October 13, 2015

Purpose

- Introduce the consultant team
- Provide update on project
- Opportunity for council questions and input

Agenda

- Introduction & Background
- Impact Fee/Excise Tax Component
- Housing Linkage Fee Component
- Public Art Component
- Transportation Component
- Public Process & Next Steps

BVCP Policy 1.30: Growth to Pay Fair Share

“...Growth will be expected to pay its own way, with the requirement that new development pay the cost of providing needed facilities and an equitable share of services including affordable housing, and to mitigate negative impacts such as those to the transportation system.”

Where we have been

- 2009 - Impact Fee/Excise Taxes last updated
- Jan 2015 – Council identifies updating fees as a high priority
- May 2015 – Staff presented next steps for RFP with four components
- August 2015 – Retained two consultants to assist in the four components

Project Components

- Impact Fee/Development Excise Tax Update
- Affordable Housing Commercial Linkage Fee
- Public Art Program
- Multimodal Transportation Capital & Operating Funding Strategy

IMPACT FEE & EXCISE TAX STUDIES

Colorado Impact Fee Experience



Arapahoe County	Longmont
Boulder	Louisville
Castle Rock	Montezuma
Eaton	Pitkin
Erie	County
Evans	Pueblo
Fort Collins	Steamboat Springs
Garfield County	Thornton
Johnstown	Vail
Larimer County	



Experience in Boulder

- 1996 Development Excise Tax Study
- 2008 Impact Fee and Excise Tax Study
 - » Update to the 1996 Development Excise Tax Study
 - » Update land use assumptions and development projections
 - » Put fees into context with City's financial position at the time
 - » Use impact fee methodologies to give City the option of adopting as impact fees or excise taxes
- 2012 Transportation Maintenance Fee Study
- 2012 Disposal Bag Fee Nexus Study

Current Assignment for Boulder

- Impact Fee/Excise Tax Study Update
 - » Fire
 - » Human Services
 - » Library
 - » Municipal Services
 - » Parks and Recreation
 - » Police
 - » Park Land [Excise Tax]
- Capital and Operating Impacts to Multimodal Transportation Facilities and Services [Excise Tax]



Impact Fee Ground Rules

- One time payments to fund capacity system improvements
- Not a revenue raising mechanism but a way to meet growth-related infrastructure needs
- Impact fees typically do not cover the entire cost for new facilities but are part of an overall funding strategy
- Basic legal requirements need to be met:
 - » Need
 - » Benefit
 - » Proportionality

General Impact Fee Methodologies

- Cost Recovery (past)
 - » Oversized and unique facilities
- Incremental Expansion (present)
 - » Formula-based approach documents level-of-service with both quantitative and qualitative measures
- Plan-Based (future)
 - » Common for utilities but can also be used for other public facilities with non-impact fee funding

TischlerBise considers all methodologies for each component in all infrastructure categories.

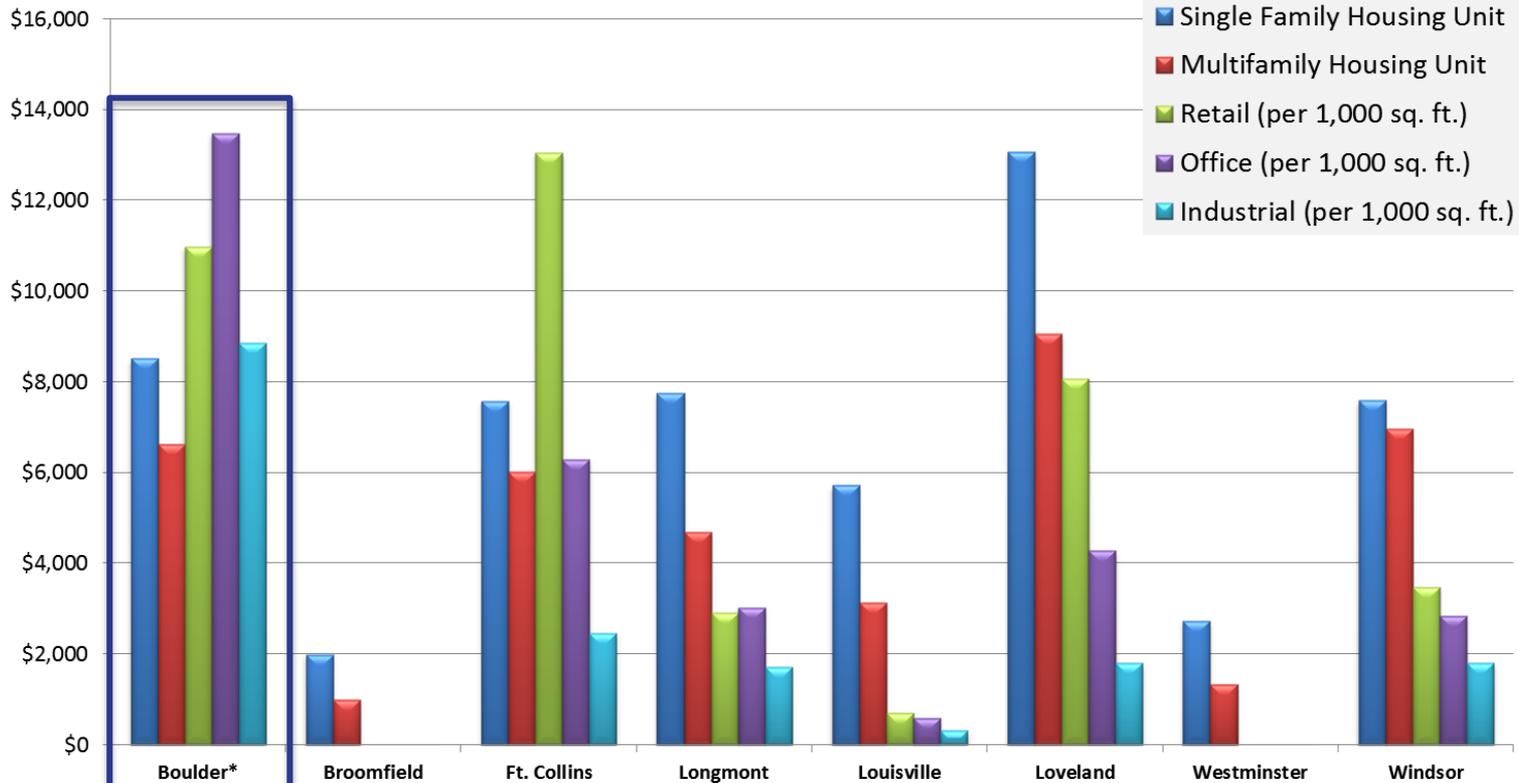
Impact Fees/Excise Tax Process

- Interview key staff and collect data
- Document existing development base, demand factors, and prepare growth projections
- * To be used for all fee/excise tax updates **
- Determine existing levels of service and capital needs due to new growth
- Evaluate methodological alternatives
- Evaluate need for credits
- Conduct cash flow analysis
- Calculate impact fees
- Prepare Impact Fee/Excise Tax Report

Coordinate with other consultant team
Participate in public outreach

Impact Fee^ Comparisons

Impact Fee/Excise Tax Comparisons



* Includes 100% of the Affordable Housing Impact Fee on nonresidential development (full phase in effective June 6, 2016).

^ Fees shown are comparable to those being updated in Boulder: Transportation, Parks/Rec/Open Space, Police, Fire, Library, Municipal Facilities

* Boulder fees include full phase-in of Affordable Housing Impact Fee

KMA: Introduction and Experience

- Economic Consulting Firm
- Three offices in California
- Public sector clients are our core clients
- Affordable housing nexus is a core service of the firm
 - Nine Commercial Linkage Assignments (Current & Past Year)
- Public Art Experience
 - Santa Monica, San Jose, San Ramon



KMA Work Program

Affordable Housing Linkage Fee

- Nexus study
- Analyses to provide context for fee level, other choices
- Participate in public outreach

Private Sector Arts Requirement

- Review of other programs
- Program recommendations
- Revenue estimate

AFFORDABLE HOUSING LINKAGE FEE

NEXUS CONCEPT

New Workplace Buildings Mean:

- New jobs, a share of which are lower paying
- New lower income households
- New demand for affordable housing

Analysis documents incremental affordable housing needs of new lower-income workers and establishes maximum fees based on the subsidy required to produce the new affordable units.

NEXUS ANALYSIS STEPS

1. Number of Workers by Building Type
2. Analysis of New Jobs / Worker Incomes
 - a. Worker Occupations
 - b. Worker Compensations using current data for Boulder County
 - c. Translate to household income recognizing a range of household Sizes and number of workers per household
 - d. Determine affordable housing need using published income limits
3. Mitigation Cost - determine the cost to provide the needed affordable housing based on the subsidy required to create a new affordable unit (affordability gap).

POLICY CONSIDERATIONS / SUPPORTING ANALYSES

- Nexus just establishes a ceiling or maximum for fees, typically very high, which provides significant discretion to consider other policy objectives
- Types of policy considerations often used in program design / fee setting:
 - Commute patterns and a share of worker housing needs to be met locally
 - Fees for other priorities such as parks and transportation
 - Place in overall affordable housing strategy / other tools such as inclusionary
 - Strength of the commercial market
 - Incentives for desired uses (i.e. mixed use, grocery stores, revenue generating uses)
- Tasks to provide context for policy choices
 - Market Context
 - Development Cost Context
 - Jobs-Housing Linkage Fees Programs in Other Cities

AFFORDABLE HOUSING LINKAGE FEE

FEE RANGE EXAMPLES – CALIFORNIA PROGRAMS

City	Office \$/SF	Retail \$/SF	Hotel \$/SF
Boulder (@full phase-in)	\$9.53	\$6.96	\$2.00*
High Fee Examples [San Francisco & Silicon Valley]			
San Francisco	\$24	\$22	\$18
Mountain View	\$25	\$3	\$3
Cupertino	\$20	\$10	\$10
Palo Alto	\$19	\$19	\$19
Medium Fee Examples [SF East Bay]			
Berkeley	\$4	\$4	\$4
Alameda	\$5	\$2	\$2
Walnut Creek	\$5	\$5	\$5
Emeryville	\$4	\$4	\$4
Low Fee Examples			
Sacramento	\$2	\$2	\$2
San Diego	\$2	\$1	\$1

- High fee examples are in very strong commercial markets
- Low fee examples are large cities with broad range of conditions
- KMA will research four programs nationally to be selected by the City

Note: fee levels are rounded and the presentation is simplified as some have minimum thresholds for fees or reduced fee levels below a certain threshold.

*to simplify comparisons, Boulder's \$1,072 fee per room fee was adjusted to a per square foot basis using an assumed average room size of 500 SF and rounded

PUBLIC ART

PRIVATE SECTOR ARTS REQUIREMENT

- Also called:
 - Art in Public Places
 - Public Art
- Key distinction – “**Private Sector Arts Requirement**” requires private sector development to incorporate or contribute to public art.
 - Some programs designate a share of public capital improvement expenditures for public art (but do not have a private sector requirement).
- Not an impact fee per se

PRIVATE SECTOR ARTS REQUIREMENT

CONSIDERATIONS FOR PROGRAM DESIGN

- Can offer choices: on-site art, off-site art, or in-lieu fee.
- Value of art or in-lieu fee amount usually set at percent of building permit valuation, most commonly around 1%.
- Can have threshold project sizes for encouraging or requiring on-site v. fee payment.
- Can apply to non-residential only, or also multi-family residential

PRIVATE SECTOR ARTS REQUIREMENT

KMA WORK PROGRAM

- Work with staff, Arts Commission and others to design a program for Boulder
- In-depth review of 6 – 8 programs elsewhere for ideas, experience and inspiration
- Recommend basic program framework. For example:
 - Kinds of art acceptable on-site
 - What counts toward value of art (in addition to the art itself, cost of transportation, installation, etc.)
 - Process for on-site art (application to do on-site arts, approval, etc.)
- Revenue estimate – rough estimate of annual revenue for planning purposes

Multimodal Transportation Funding



Multimodal Transportation Study

- Current Development Excise Tax for transportation and park land is at the voter-approved maximum amount for non-residential but has capacity for residential
- Multimodal Transportation study will look at **both capital and operating** impacts to facilities and services
- Comprehensive funding strategy will be examined

Multimodal Transportation Approach

Analysis of mixed-use developments in six regions of the United States found an average 29% reduction in trip generation as a function of **seven “D” variables**.

Land Use Characteristics

- *Density*
- *Diversity* (horizontal and vertical mixed use)
- *Development Scale*

People/Household Characteristics

- *Demographics* (college students, young professionals and aging boomers)

Transportation and Land Use Characteristics

- *Design* (place making and complete streets)
- *Destination Accessibility* (connectivity, urban grid, small blocks)
- *Distance to Transit*

Source: TischlerBise graphic based on Reid Ewing, Michael Greenwald, Ming Zhang, Jerry Walters, Mark Feldman, Robert Cervero, Lawrence Frank, and John Thomas. 2011. “Traffic Generated by Mixed-Use Developments: Six-Region Study Using Consistent Built Environmental Measures.” *Journal of Urban Planning and Development* 137(3): 248–61.

Multimodal Transportation Approach

<i>Old School Fees</i>	<i>Next Generation Fees</i>
"pay to play" revenue source	contractual arrangement to build improvements
driven by generic formulas	driven by plans and policy
long range to buildout	five to ten year planning horizon
one and done	ongoing planning and budgeting process
suburban focus	apply transect concept
uniform across jurisdiction	vary geographically
moving vehicles	moving people
vehicle trips	inbound vehicle miles of travel
one size fits all	residential by dwelling size
loose cost analysis and generous credits	specific improvements with a funding strategy

As density and mix of development decreases, Vehicle Miles of Travel (VMT) increases, thus remote areas should pay higher capital costs.

Multimodal Transportation Study

- Interview key staff and collect data: Frame issues and outline desired outcomes
- Determine transportation demand factors and analyze travel demand
- Review literature, best practices, and legal guidelines
- Develop list of tools to meet operational and capital needs
- Determine capital needs due to new growth
- Evaluate methodological alternatives
- Evaluate need for credits
- Conduct cash flow analysis
- Calculate funding mechanisms
- Prepare report(s)

Coordinate with other consultant team
Participate in public outreach

Public Outreach & Timeline

Public Outreach

- Stakeholder Group
- Public Meetings & Open Houses
- City Council

Timeline

Phase 1: Aug – Nov 2015
Background Research & Analysis

Phase 2: Nov. 2015 - Mar 2016

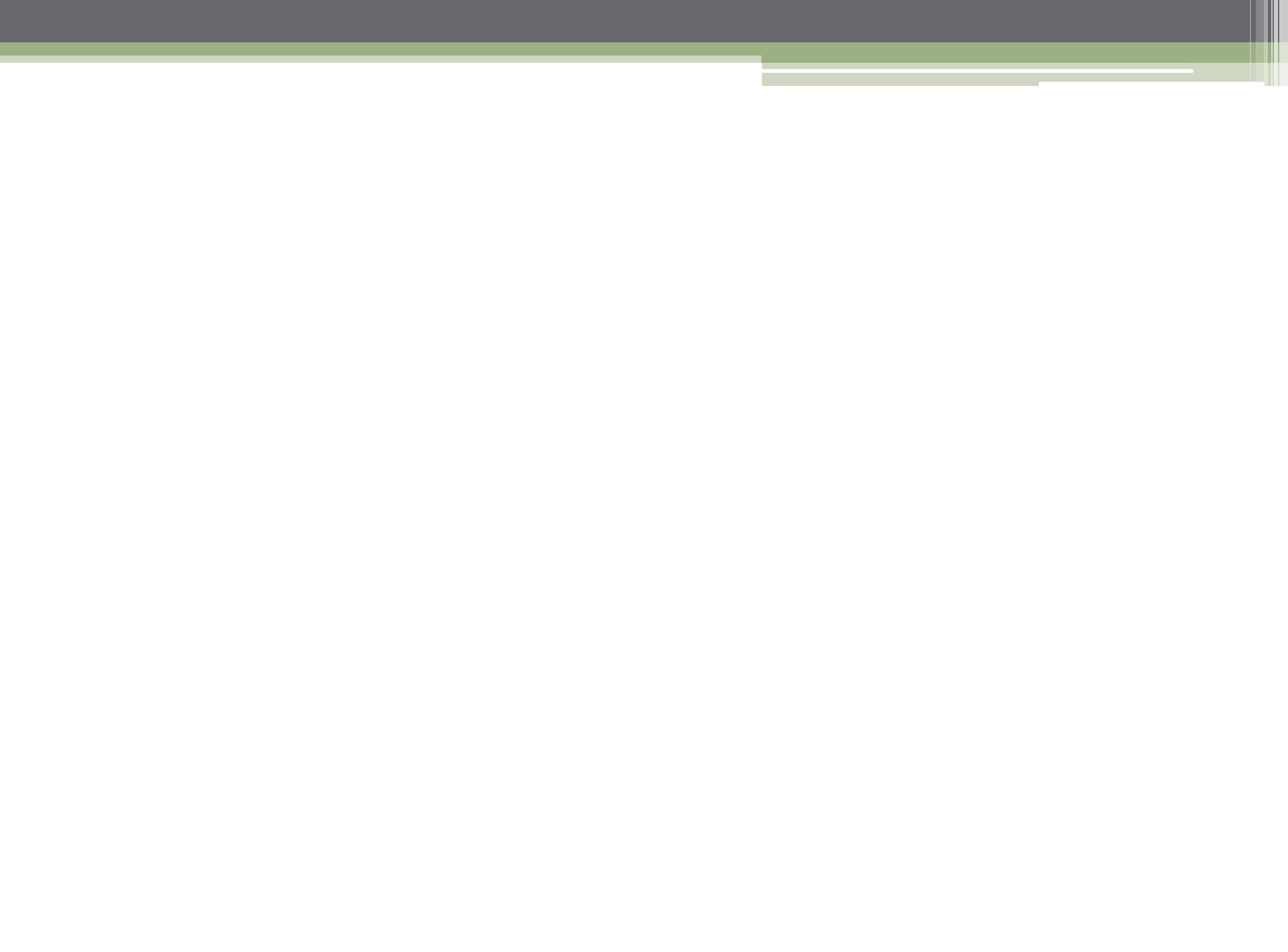
Technical Analysis & Allocation Scenarios

Phase 3: March – May 2016

Recommendations & Decision Making

Questions for Council

- Does Council have any questions on the background and basics of impact fees and excise taxes?
- Does Council have any questions for feedback on the project components, including the scope of work and methodologies?



6:30 – 6:40 Question 1 – Background & Basics of impact fee & excise taxes (10 min)

6:40 – 7:45 Question 2 – Questions or Comments on components of study

Impact Fee/Excise Taxes (10 min)

Affordable Housing (20 min)

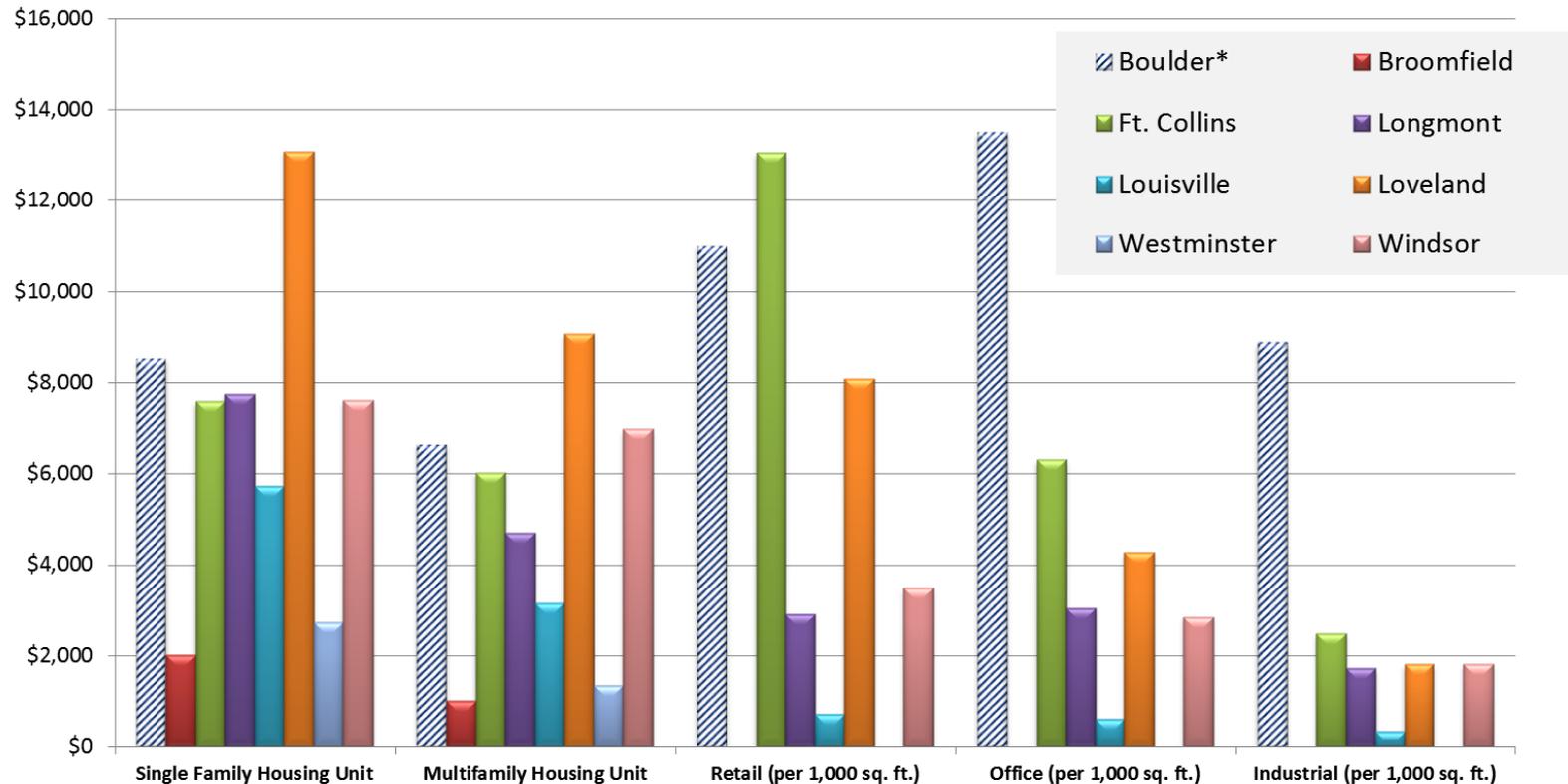
Public Art (5 min)

Transportation (20 min)

7:45 – 8:00 Wrap up and final questions

Impact Fee^ Comparisons

Impact Fee/Excise Tax Comparisons



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^ Fees shown are comparable to those being updated in Boulder: Transportation, Parks/Rec/Open Space, Police, Fire, Library, Municipal Facilities

* Boulder fees include full phase-in of Affordable Housing Impact Fee

Project Name Address	Solana Apartments 3100 Pearl 319 units	Two Nine North 1925 30th Street 238 units	Gas Lamp 910 28th Street 19 units	Province Apartments 950 28th Street 84 units (not including Clubhouse)	1600 Pearl (not including tenant finish)
Impact Fees & Taxes (DET & CFI)	\$1,764,195	\$1,329,914	\$49,907	\$636,584	\$68,730
Permitting Fees and Sales Tax	\$1,578,852	\$487,191	\$113,775	\$699,646	\$68,620
Plant Investment Fees	\$2,830,371	\$1,476,360	\$227,848	\$1,131,665	\$0
Affordable / Inclusionary Housing	\$5,376,903	\$4,536,571	\$394,886	\$2,205,857	\$94,504
Total Development Review Fees	\$165,283	\$10,146	\$22,081	\$363,645	\$16,074
TOTAL FEES	\$11,715,604.00	\$7,840,182.00	\$808,497.00	\$5,037,397.00	\$247,928.00
Affordable / Inclusionary Housing	\$5,376,903 \$28,808,111	\$4,536,571	\$394,886	\$2,205,857	\$94,504
Concept Plan Review	\$10,495	N/A	N/A	\$10,495	N/A
Site Review	\$30,107	N/A	\$17,453	\$36,791	\$14,939
Preliminary Plat Review	\$6,940	N/A	N/A	N/A	N/A
Technical Document Review	\$117,741	\$10,126	\$4,628	\$316,359	\$1,135
Total Development Review Fees	\$165,283	\$10,146	\$22,081	\$363,645	\$16,074

Impact Fees & Taxes (DET & CFI)

Permitting Fees and Sales Tax

Plant Investment Fees

Affordable / Inclusionary Housing

Total Development Review Fees

TOTAL FEES

Affordable / Inclusionary Housing

Concept Plan Review

Site Review

Preliminary Plat Review

Technical Document Review

Total Development Review Fees