



Development-Related Fees and Taxes Options

Presentation

City of Boulder, Colorado

February 10, 2015



History with City of 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

Boulder One-Time Fee Structure

- Impact Fees
 - Library
 - Parks and Recreation
 - Human Services
 - Municipal Services
 - Police
 - Fire
- Excise Taxes
 - Park Land
 - Transportation
 - Affordable Housing

Impact Fee vs. Excise Tax

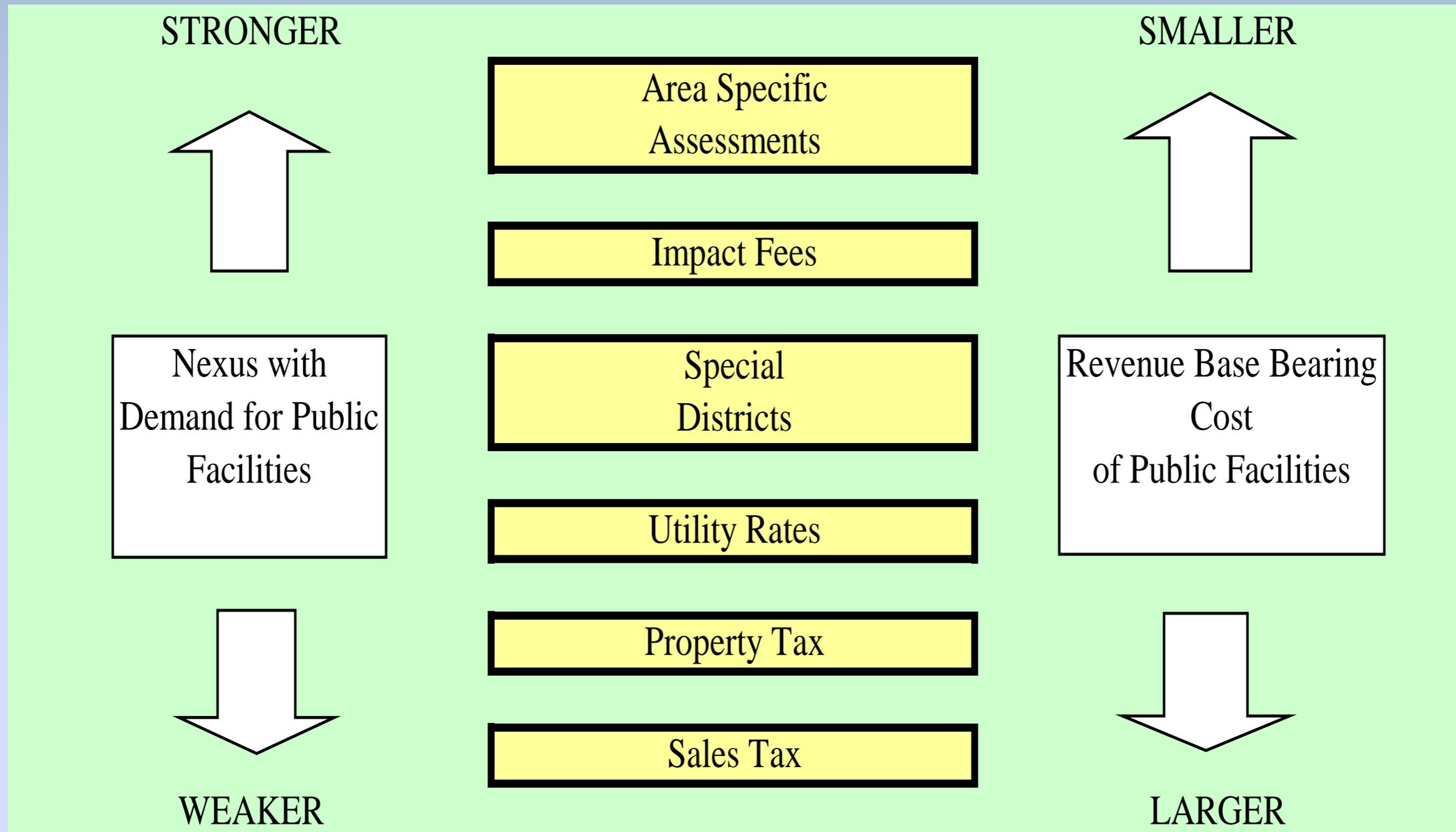
■ Impact Fees

- Land use regulation intended to provide growth-related infrastructure
- Governed by SB15 and national case law
- Must show nexus (need, proportionality and benefit)
- Must be earmarked and accounted for

■ Excise Taxes

- Primarily a tool for revenue raising
- Do not have to be earmarked or accounted for
- Calculated in a more flexible manner (proportionality not required)
- Authority must be expressed
- Relatively few communities use Excise Taxes

Infrastructure Funding Context



Source: TischlerBlise, Inc.

Why Impact Fees?

- Maintain existing levels of service
- New growth pays its equitable share
 - Anti-growth pressure may be eased
- Encourages disciplined capital improvement planning
 - Earmarks money for capital improvements
- Promotes comprehensive planning and growth management
 - Helps ensure adequate public facilities
- Guarantees level playing field

Basic Options to Fund Growth-Related Infrastructure

- Funding from broad-based revenues (general taxes)
 - Property tax
 - Sales and use tax
- Growth pays for itself
 - Dynamic tension between “could” vs. “should”
- Accept lower levels of service
- Shift funding burden from collective system improvements to individual projects-level improvements, or a Special District / Authority

Impact Fee Methodologies

- Three time perspectives (past, present, and/or future)
- Policy coordination of project-level vs. system improvements
- Match system improvements to service area
- Collaborative process to balance infrastructure list and fees

Impact Fee Process

- Determine existing development base and project future growth/redevelopment
- Determine existing levels of service and capital needs due to new growth
- Determine appropriate indicators of demand
- Evaluate methodological alternatives
- Evaluate need for credits
- Calculate fees
- Meetings with stakeholders
- Adoption process

New and Innovative Approaches

- Progressive residential impact fee schedules
- Impact fees that increase with distance from urban areas/encourage infill development
- Link impact fees to plans and a funding strategy for infrastructure
- Linkage fees
- Mobility fee
- Transportation utilities (*Transportation Maintenance Fee*)

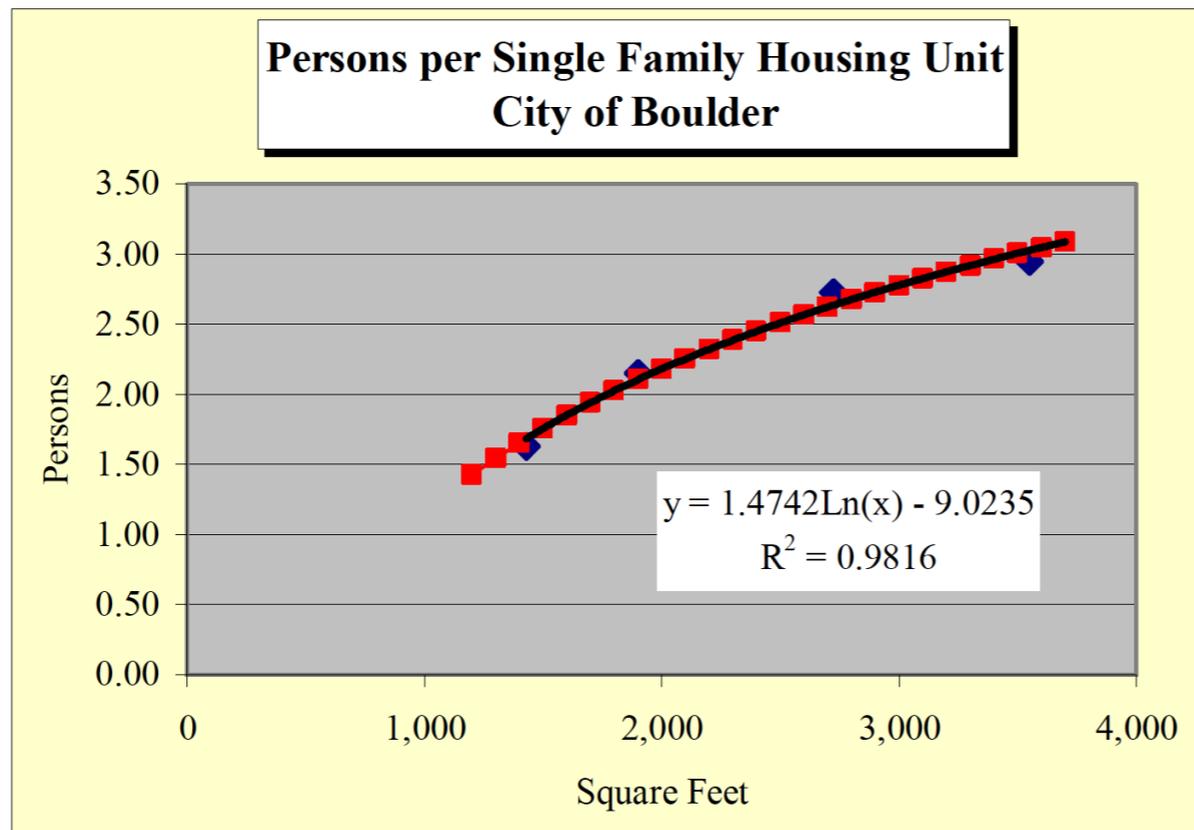
Progressive Residential Fees

- Better proportionality and housing equity

Source: Persons by bedroom range from 2006 ACS PUMS. Finished square feet from Boulder County Assessor parcel database.

Single Family Averages		
Bedrooms	Square Feet	Persons
2 or less	1,428	1.63
3 bedrooms	1,903	2.15
4 bedrooms	2,724	2.73
5 or more	3,552	2.95

Estimated	
Square Feet	Persons
1,200	1.43
1,300	1.55
1,400	1.66
1,500	1.76
1,600	1.85
1,700	1.94
1,800	2.03
1,900	2.11
2,000	2.18
2,100	2.25
2,200	2.32
2,300	2.39
2,400	2.45
2,500	2.51
2,600	2.57
2,700	2.62
2,800	2.68
2,900	2.73
3,000	2.78
3,100	2.83
3,200	2.87
3,300	2.92
3,400	2.96
3,500	3.01
3,600	3.05
3,700	3.09



Linking Impact Fees to Land Use and Economic Development Policy

- Bozeman, MT
 - 29% reduction in trip generation in Downtown core as a function of “D” variables
 - Fee schedule supported economic development and planning objectives

“D” Variables Can Define the Urban Service Area

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*

Linking Impact Fees to Overall Infrastructure Financing Strategy

	TYPE OF INFRASTRUCTURE					
	ROADS	SCHOOLS	PARKS	FIRE	EMS	LIBRARY
	GROSS FUNDING NEEDS					
	\$253,924,000	\$135,090,000	\$56,279,330	\$7,150,000	\$600,000	\$21,002,667
	LESS CURRENT FUNDING SOURCES					
Impact Fees	\$38,885,529	\$0	\$13,458,312	\$7,500,000	\$0	\$25,262,221
Unspent STIP Funds	\$15,000,000	\$0	\$0	\$0	\$0	\$0
New STIP Funds	\$15,000,000	\$0	\$0	\$0	\$0	\$0
Rural/Critical Lands			\$5,000,000			
	EQUALS ESTIMATE OF FUNDING GAP					
NET FUNDING NEEDS	(\$185,038,471)	(\$135,090,000)	(\$37,821,018)	\$350,000	(\$600,000)	\$4,259,554
	POTENTIAL FUNDING OPTIONS TO MEET FUNDING NEEDS					
Revision to Existing Impact Fees	\$45,000,000 (\$1,200 per du)		\$10,000,000 (\$840 per du)	N/A		
Implementation of New Impact Fee				N/A	\$600,000 (\$20 per du)	
Local Option Sales Tax	\$140,038,471 (15 years)		\$27,821,018 (15 years)	N/A		\$5,019,158 (15 years)
Bond Issue (backed by Property Tax)		\$135,090,000 (\$9.94 m/yr)		N/A		

Housing Mitigation Concepts

- Inclusionary Housing Requirement
 - Requirement that certain percentages of new housing in residential development be set aside for affordable workforce housing
- Linkage Fee
 - Fee imposed on nonresidential development to address affordable workforce housing need created by new development
- Comprehensive Mitigation
 - Mitigation requirement imposed on residential and nonresidential development to address workforce housing needs created by new development

Commercial Linkage Fees

- Proportionately links the impacts on housing to the sources that generate the demand
- Methodologies are typically based on land use or type of employment
 - Define gaps based on supply and demand
 - Shouldn't be used to correct existing deficiencies
- Predominately found in California and high cost resort communities
- Economic considerations include
 - Impact to project viability
 - Impact to market receptivity

General Linkage Fee Methodology

- Conduct needs assessment
- Identify gaps in the market
 - Tenure
 - Income levels
- Evaluate potential tools and solutions
- Define role for linkage fees and/or affordable housing impact fee program

Multi-Modal Impact Fee (Mobility Fee)

- New emphasis in transportation is moving people and not cars
- Move away from strictly road capacity to multi-modal improvements
 - Road capacity
 - Bike lanes
 - Trails
 - Transit
 - Intelligent transportation systems
- Encourages infill/redevelopment, compact development
- Sensitive to vehicle- or person-miles traveled
- Vary by location *and* development type
- Best used with another dedicated funding source(s)

Infrastructure Financing Evaluation Criteria

Beaufort County, SC

Infrastructure Financing Funding Criteria

	Revenue Potential	Technical Ease	Proportionate to Demand	Public Acceptance
Bonds	positive	negative	negative	negative
Special Districts	negative	negative	positive	positive
Developer Exactions	negative	neutral	negative	positive
Impact Fees	positive	negative	positive	positive
Excise Taxes	positive	neutral	positive	positive
Property Tax	positive	positive	negative	positive
Sales Tax	positive	positive	negative	negative
Transfer Tax	positive	positive	negative	neutral
User Charges	positive	positive	negative	negative



Questions and Answers

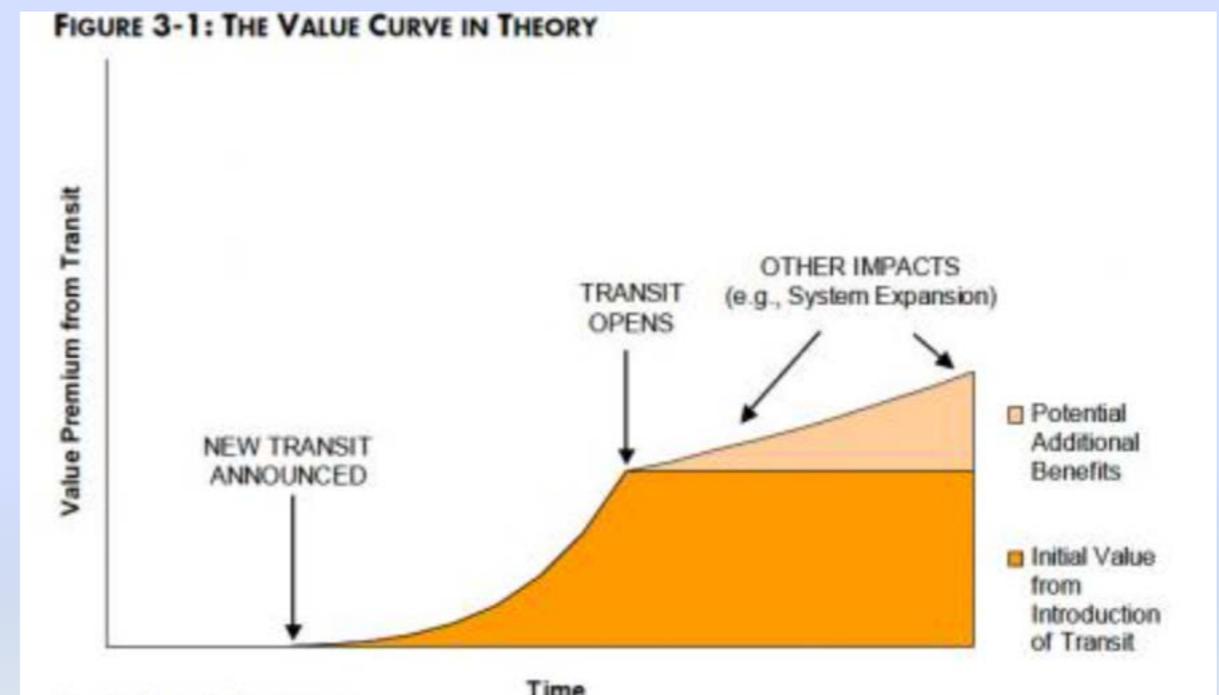
Adequate Public Facilities Ordinances

- Program that links development approval under zoning and subdivision ordinances with availability of infrastructure needed to serve that development
- Calibrated to maintain desired levels of service in a community
 - Must develop a CIP that shows planned investments in these capital facilities
 - Application of APFO must be associated with a funding source to remedy the constraint
- Requires considerable staff resources for tracking and monitoring
- APFO's are not a substitute for a coherent growth management policy
- Growth outside a jurisdiction can sometimes affect the capacity of systems (e.g., roads)

■ Environmental standards can also have an impact

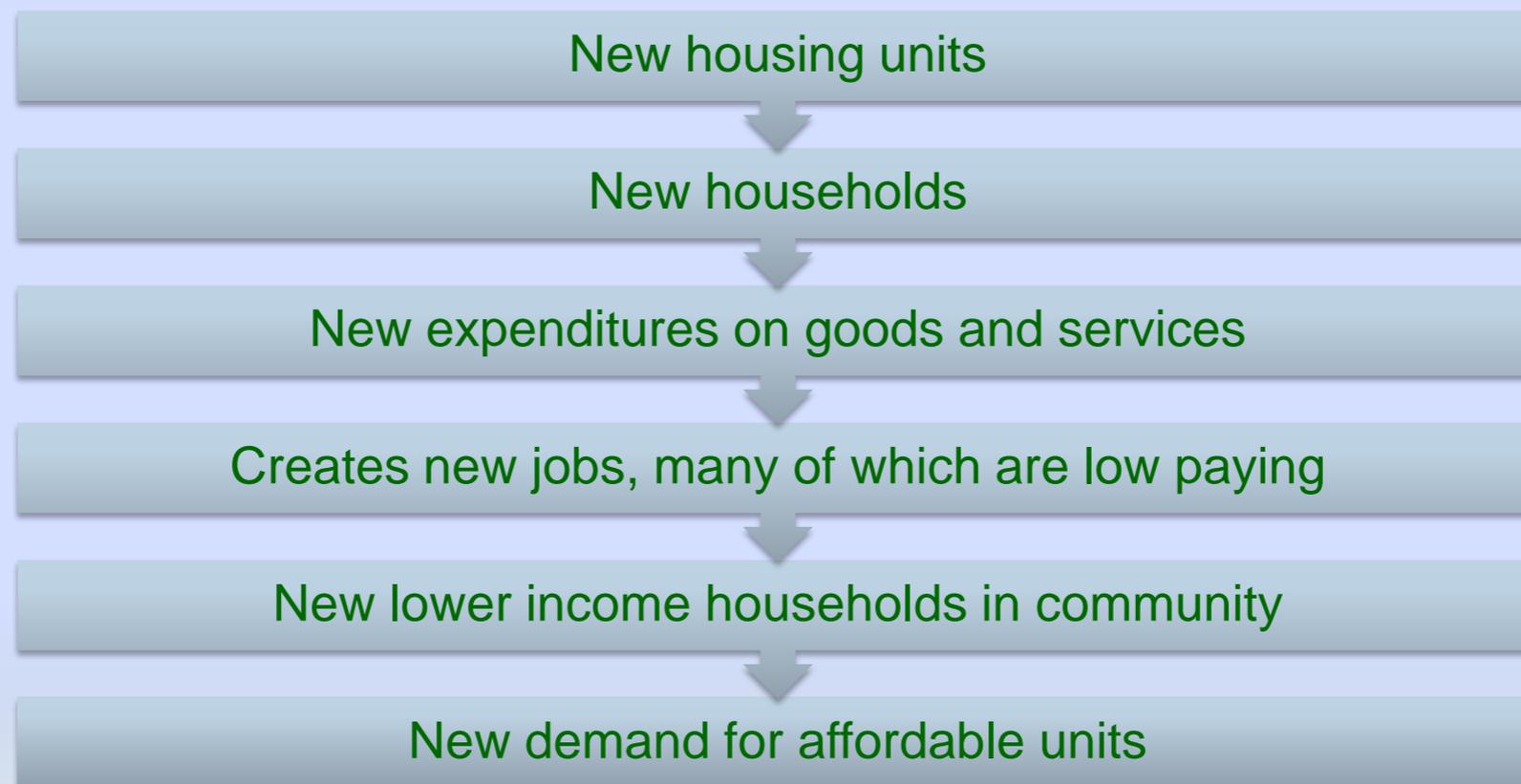
Value Capture

- Public actions can affect the value of private property
 - Infrastructure
 - Provision of public services
 - Land use regulations
- Tax a portion of increased value that results from public actions
- Broader acceptance in Canada, Europe and South America



Affordable Housing Impact Fees

- Proportionately links the impacts of new housing to the need for affordable housing
- Usually employ econometric modeling of the local/regional economy
- Predominately found in California and high cost resort communities





TischlerBise

30-year consulting practice serving local government nationwide

- Impact fees/infrastructure funding strategies
- Fiscal impact analyses
- Economic impact analyses
- Market feasibility
- Revenue enhancement options
- Special taxes and assessments



Colorado Experience

- Arapahoe County
- Aurora
- Boulder
- Castle Pines
- Castle Rock
- Centennial
- Eaton
- Erie
- Evans
- Garfield County
- Grand Junction
- Greeley
- Johnstown
- Lone Tree
- Longmont
- Louisville
- Mesa County
- Pitkin County
- Pueblo
- Steamboat Springs
- Thorntown
- Westminster