Study Session
M E M O R A N D U M

TO: Members of Council

FROM: Jane S. Brautigam, City Manager
David Gehr, Deputy City Attorney
Susan Richstone, Deputy Director of Planning
Chris Hagelin, Senior Transportation Planner
Kristin Hyser, Community Investment Program Manager
Devin Billingsley, Senior Budget Analyst
Matt Chasansky, Office of Arts & Culture Manager
Chris Meschuk, Senior Planner

DATE: Oct 13, 2015

SUBJECT: Study Session on the Development-related Impact Fees and Excise Tax Update Study

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PURPOSE

The purpose of this study session is to introduce the consultant team to council, provide an update on the development-related impact fee and excise tax studies underway, and to provide the opportunity for council questions and input. The city's consultant team of Julie Herlands (TischlerBise) and David Doezema (Keyser Marston Associates) will be present at the study session.

QUESTIONS FOR COUNCIL

The following questions are included to guide the discussion at the study session:

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

COMMUNITY SUSTAINABILITY ASSESSMENTS AND IMPACTS:

- **Economic:** Any increase in development-related taxes and or fees will increase the overall cost of housing and non-residential development. Impact fees and development excise taxes directly fund the facilities to serve new development and therefore also

directly benefit the residents and employees of new development and redevelopment. Alternatively, if current fees and excise taxes are not adequate, existing residents pay for these facilities through either declining levels of services or by bearing the capital costs.

- **Environmental:** Inadequate funding of the capital facilities to serve new growth may result in overuse of existing facilities, leading to negative impacts to existing land resources such as parks as well as potential traffic impacts if residents need to drive further for facilities or the transportation infrastructure is not adequate.

- **Social:** Impact fees and/or development excise taxes ensure that new growth pays the costs of the facilities needed to adequately serve new development including affordable housing, parks, and city human service facility needs, and conversely, that existing residents do not bear the impacts of new development through decreasing service levels at existing facilities. The prime beneficiaries will be future residents of affordable housing as well as all future city residents who will benefit from the provision of adequate public parks, libraries, senior centers, transportation facilities, and other needed municipal facilities.

OTHER IMPACTS:

- Fiscal: The cost of the studies is $262,820.
  The breakdown by component is:
  Impact Fee/Excise Taxes: $69,160
  Transportation: $84,160
  Housing: $91,900
  Public Art: $17,600
  The departments that benefit from the study are sharing in the costs to fund the study, and the relevant excise tax/impact fee funds can be used to fund the study. Increases in excise taxes or impact fees will increase the city's ability to fund needed capital improvements in the city.

- Staff time: The Department of Planning, Housing and Sustainability is providing project management and each of the affected departments are providing support to the consultant's work. This is included in 2015 and 2016 work programs.

BACKGROUND

The city has a policy that new growth should pay its own way, which is articulated in the Boulder Valley Comprehensive Plan (BVCP). Policy 1.30 states:

> ***1.30 Growth to Pay Fair Share of New Facility Costs***
> Since the public costs of annexation and developing several areas concurrently could prove excessive, the city will limit said costs to those, which can reasonably be accommodated within the Capital Improvements Program and are compatible with anticipated revenues. When permitting additional development or redevelopment, the city will consider whether public facilities and services are adequate to reasonably maintain

> current levels of service or service standards given the impacts of such additional development or committed funding sources for such adequate facilities are sufficient to ensure their provision in a timely fashion. 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.

This policy is implemented through the BVCP Service Standards and Criteria, (BVCP Policy 1.27) Departmental Master Plans, regulations, and development excise taxes, impact fees, city sales and use tax, and user fees.

The city requires private development to construct any city infrastructure that directly benefits the site (such as sewer, water and storm sewer mains, detention facilities, road improvements, sidewalks, multi-use paths) and dedicate to the city any necessary easements on the site (such as flood control & conveyance, utility, and pedestrian easements).

When a development enters the discretionary review process (such as site review), additional items are requested to be provided by private development such as higher quality and enduring materials, enhanced site amenities, (landscaping, lighting, benches, bike racks, etc.) energy performance upgrades and public spaces.

Facilities that are directly attributable to new growth, such as basic infrastructure like streets, utilities, and drainage, are required to be provided by the developer creating the impacts or the need for infrastructure. The land use code also includes laws that allow property owners to construct infrastructure early and collect assessments for later developing properties that also directly benefit from the construction of facilities.

For properties that require annexation to come into the city, in addition to the improvements described above, are also required to demonstrate "community benefit" under the BVCP Policy 1.24.

Impact Fees & Excise Taxes

In general, fees (as opposed to taxes) pay for the cost of services or facilities. Funds collected are required to be used to fund the services or facilities for which they are collected. On the other hand, taxes are funds collected from people to support the costs of government.

Colorado's Taxpayer's Bill of Rights (TABOR) amendment requires that "any new tax" must be approved by the voters in the jurisdiction imposing the tax. A true "impact fee," however, is not subject to voter approval because there is a distinction between a "fee" and a "tax." A fee is a charge imposed on persons or property to defray costs of a particular government service or public facility. A tax is a means of distributing the general burden of the cost of government.

Development Excise Taxes (DET)
Excise taxes are one-time revenues often used to fund new infrastructure needed to accommodate new development. An excise tax is imposed on the performance of an act, the

engaging in an occupation, or the enjoyment of a privilege. In some states, home-rule cities may impose excise taxes using general taxation powers. Other states have limited the use of excise taxes to jurisdictions that have special enabling legislation. The City of Boulder has legislative authority to impose development excise taxes upon approval of the voters.

Excise taxes differ from impact fees in that they are primarily a tool for raising revenue, as opposed to a land use regulation designed to provide growth-related facilities. In addition, excise taxes do not have to be earmarked or accounted for separately from the City's general revenue, do not have to specifically benefit new growth, and are generally more flexible than impact fees. Excise taxes can be applied in several ways. Some communities apply a rate to the construction value of the new development; others use a flat fee per acre of development, while other communities apply a straight fee by type of housing unit or square-foot of development. In Boulder, the current DET is assessed per housing unit by size and type of unit (detached and attached) and per square foot of nonresidential development regardless of type.

Prior to 1998, the city had 5 different excise taxes to fund new infrastructure to accommodate new development:

- Development Excise Tax (including municipal office space, library, fire, police, and human services)
- Transportation Excise Tax
- Housing Excise Tax
- Park Land Acquisition & Development Excise Tax
- Educational Excise Tax (public education facilities and services)

In 1996, the firm of Tischler and Associates prepared a study for the city that recommended significant increases to the city's development excise taxes in effect at that time. In 1997, City Council placed a proposal on the ballot that reduced the rates recommended in the 1996 study. That ballot measure failed. In 1998, a proposal that basically took the previous rate and increased it by the rate of inflation was placed on the ballot. That measure passed and new rates were set beginning in 1999. In addition, the measure consolidated the Transportation Excise Tax and Park Land Acquisition and Development Excise Tax into the Development Excise Tax.

In 2008, the firm of TischlerBise prepared a study to evaluate the city's development excise tax and consider changes to implement impact fees. The impetus for the study was that the Development Excise Tax and Housing Excise Tax were at or near the limits the city could charge based on the ballot item approved by the voters, and the belief was that the level of the excise taxes did not cover the growth-related costs for the services included. At the beginning of 2010, the city implemented capital facility impact fees and allocated DET capacity to address growth-related costs for fire, human services, library, police, municipal facilities, parks and recreation capital improvements, transportation, and parkland. This was a significant change to the city's development-related tax/ fee structure and, due to concerns about the overall cost increase in fees and taxes (including Plant Investment Fees for the various city utilities), City Council reduced the Education Excise Tax to zero. In addition, City Council approved placing an increase to the Housing Excise Tax (based on the rates in the 2009 study) on the ballot. The ballot item did not pass. In 2011, City Council amended Section 9-8-1 Table 8-2 "Floor Area Additions"

B.R.C. 1981 to allow for floor area additions of up to a maximum of 1.0 for commercial uses in DT-5 zone district and establish a housing linkage fee that would apply to the additional commercial square footage. In 2015, the housing linkage fee was expanded to all commercial uses in all zoning districts in the city.

Impact Fees

Impact fees have become popular with local governments over the past twenty-five years as a way to recover the cost of public improvements made necessary by new development, and of ensuring that growth pays its own way. Boulder has had plant investment fees for water and sewer going back to the late 1950s as part of its "pay as you go" approach to financing capital facilities.

In 2001, Colorado passed Senate Bill 15 in order to promote growth management on a state-wide level. The bill, which was codified as Section 29-20-104.5 C.R.S. explicitly authorized municipalities to impose impact fees (or similar development charges) to defray the cost of any improvements that are necessary to accommodate new developments, and also set out requirements for the adoption of impact fees by municipalities. An impact fee is a one-time payment used to construct system improvements needed to accommodate new development. An impact fee represents new growth's fair share of capital facility needs. Impact fees have strict legal requirements and tests that must be met, including:

- The fee is for capital facilities needed to serve new development, but cannot be used for operating or maintenance costs.
- The amount of the fee must be based upon "the reasonable impacts of proposed development on existing capital facilities" and must be assessed at a level no greater than necessary to defray the impacts directly related to the proposed development
- A "capital facility" is "any improvement or facility that: (a) is directly related to any service that a local government is authorized to provide; (b) has an estimated useful life of five years or longer; and (c) is required by the charter or general policy of a local government pursuant to resolution or ordinance."
- An impact fee cannot be imposed to remedy any deficiency in capital facilities that exists without regard to the proposed development.
- The fee needs to be based on a study that quantifies the impacts.
- The fee needs to be accounted for separately and earmarked for the capital expenses for which they were collected

When applied in this way, it is clear that an impact fee is a fee and not a tax, and is therefore not subject to TABOR. It is important to not extend an impact fee beyond its intended use; if such a fee was assessed at a level greater than was necessary to defray the impacts directly related to proposed development, resulting in the collection of more money than was needed to defray the costs of improvement, then the "fee" would become a tax. Similarly, if the money raised from an impact fee was simply spent on types of projects other than that for which the fee was initially collected, the fee would be viewed not as a fee but as a tax. Since in either case the "tax" wouldn't have been approved by the voters, it would be in violation of TABOR.

In 2009, the city implemented impact fees for the first time, as described above in the excise tax section.

Current Excise Taxes and Impact Fees
The city of Boulder currently charges new development impact fees and excise taxes, depending on the type of development. Current Excise Taxes include:

- Housing Excise Tax
  - Used to fund the construction, rehabilitation and acquisition of affordable housing; charged on residential and non-residential development.
- Park Land Excise Tax
  - Used to fund park land purchases; charged on residential development.
- Transportation Excise Tax
  - Used to fund transportation system capital improvements and enhancements such as road improvements, intersections, bike lanes, underpasses, and pedestrian enhancements. Charged on residential and non-residential development.

Current Impact Fees include:

- Library Impact Fee
  - Used to fund library facilities and materials in the library's collections, charged on residential development.
- Parks & Recreation Impact Fee
  - Used to fund outdoor parks, recreation center and pool facilities, and support facilities; charged on residential development.
- Human Services Impact Fee
  - Used to fund senior center facilities and the Children, Youth and Family Center facility; charged on residential development.
- Municipal Facilities Impact Fee
  - Used to fund additional municipal building space; charged on residential and non-residential development.
- Police Impact Fee
  - Used to fund police station facilities, and communication center space; charged on residential and non-residential development.
- Fire Impact Fee
  - Used to fund fire station facilities, land, and fire apparatus; charged on residential and non-residential development.
- Affordable Housing Commercial Linkage Impact Fee
  - Used to fund additional affordable housing; charged on non-residential development.

Currently, the city's Housing Excise Tax is at the maximum rate approved by voters, and the Development Excise Tax for transportation and park land is at the maximum approved by the voters for non-residential development, but due to the shift of many of the general fund departments from DET to Impact Fees, additional taxing capacity remains for residential development. The city's current fee schedule and rates are included in **Attachment A**.

Current Study Update
At the January 2015 Council Retreat, updating the 2009 Impact Fee and Excise Taxes was placed on the city work plan. On Feb. 3, 2015 Council directed staff to move forward with an update to the development-related impact fees and excise taxes, and to bring forward an ordinance to

impose an affordable housing linkage fee (impact fee) on non-residential development. The commercial linkage fee Ordinance No. 8034 was adopted on May 19, 2015.

On May 5, 2015 staff discussed the next steps for the RFP related to updating the development related Impact Fees and Excise Taxes. The city issued an RFP on May 29, 2015, seeking consultants to prepare studies for one or all of the following components: 1: Update to the city's 2009 Impact Fee Study; 2: Capital and operating multimodal transportation facilities and services study; 3: Affordable Housing linkage fee on non-residential development; and 4: A study to create a public art program for new development.

The city directly emailed the RFP to 25 firms specializing in this type of work nationwide, and posted the RFP on Rocky Mountain E-Purchasing System (BidNet), The American Planning Association website, Colorado Chapter of the American Planning Association website, and the Colorado Municipal League website. Three proposals were received. City staff interviewed all three respondents on July 13, 2015, which were open to the public. Following the interviews the city hired two consultants to assist with the project, TischlerBise and Keyser Marston Associates.

TischlerBise will be conducting the update to the Impact Fee & Excise Tax Studies, as well as the Multimodal Transportation Study. Keyser Marston Associates, Inc. (KMA) will be conducting the affordable housing linkage fee study, as well as the public art program study.

Comparative Fee Analysis
TischlerBise's scope of work includes providing a summary of comparison communities' impact fees and excise taxes. The comparison is included in **Attachment B.** The purpose of the comparison is to see the city's development excise taxes and impact fees in the context of other communities. It should be noted that these comparisons are a subset of total development costs in each community. Examples of other one-time costs are utility (water, wastewater, stormwater) plant investment fees; utility permits, taps, inspections, and meter fees; building permit fees; plan check fees; construction use taxes, or entitlement costs (Site review, use review, etc.) and inclusionary housing requirements which are not included in the comparison, Therefore, any "cost of development" comparisons among localities should be viewed and used with caution as there are typically a range of costs and other factors that are considered in location decisions. Additionally, several of the communities are in the process of also updating their impact fee studies.

PROJECT SCOPE

Impact Fee & Excise Tax Study Update

General Approach
Impact fees are fairly simple in concept, but complex in delivery, as described above. Generally, the jurisdiction imposing the fee must: (1) identify the purpose of the fee, (2) identify the use to which the fee is to be put, (3) show a direct relationship between the fee's use and the type of development project, (4) show a direct relationship between the facility to be constructed and the type of development, and (5) account for and spend the fees collected only for the purpose(s) used in calculating the fee. In Colorado, impact fees are authorized by the Colorado Impact Fee Act (C.R.S. 29-20-104.5).

Reduced to its simplest terms, the process of calculating impact fees involves the following two steps:

1. Determine the cost of development-related improvements, and
2. Allocate those costs equitably to various types of development.

Any one of several methods may be used to calculate impact fees. Each method has advantages and disadvantages given a particular situation, and to some extent they are interchangeable because they all allocate facility costs in proportion to the needs created by development. The three basic methods for calculating impact fees are:

Plan-Based Fee Calculation: The plan-based method allocates costs for a specified set of future improvements to a specified amount of development. The improvements are identified in a capital improvement plan and/or facility master plan. In this method, the total cost of relevant facilities is divided by total demand to calculate a cost per unit of demand. The plan-based method is often the most advantageous approach for facilities that require engineering studies, such as roads and utilities.

Cost Recovery Fee Calculation: The rationale for the cost recovery approach is that new development is paying for its share of the useful life and remaining capacity of facilities from which new growth will benefit. To calculate an impact fee using the cost recovery approach, facility cost is divided by the ultimate number of demand units the facility will serve. An oversized arterial roadway is an example.

Incremental Fee Calculation: The incremental expansion method documents the current level-of-service (LOS) for each type of public facility in both quantitative and qualitative measures, based on an existing service standard such as square feet per capita or park acres per capita. The LOS standards are determined in a manner similar to the current replacement cost approach used by property insurance companies. However, in contrast to insurance practices, clients do not use the funds for renewal and/or replacement of existing facilities. Rather, the jurisdiction uses the impact fee revenue to expand or provide additional facilities as needed to accommodate new development. An incremental expansion cost method is best suited for public facilities that will be expanded in regular increments with level of service standards based on current conditions in the community.

Scope of Work

TischlerBise will update Impact Fees for Fire, Human Services, Library, Municipal Services, Parks and Recreation, Police; and the Excise Tax for Park Land. The scope includes the following tasks with the goal of calculating the maximum supportable fee by land use type:

- Collect data and conduct interviews: TischlerBise will interview staff in each of the relevant departments on available data and reports/studies relevant to the study.
- Prepare land use assumptions: Document existing estimates of residential and nonresidential development as well as prepare projections to identify growth-related facility needs.

- Determine Capital Facility Needs and Service Levels: For each Impact Fee/Excise Tax category and component in each category, TischlerBise will identify facilities and costs eligible for Impact Fee/Excise Tax funding and identify level of service standards.
- Evaluate different allocation methodologies for each component of each Impact Fee/Excise Tax.
- Calculate credits where appropriate to account for potential double payment situations.
- Conduct funding and cash flow analysis to document growth-related capital expenses and revenue sources available to fund growth-related needs.
- Prepare Impact Fee/Excise Tax Report and Conduct Presentations.

Multimodal Transportation Capital and Operating Impacts Funding Strategy

General Approach
The Multimodal Transportation Impact Fee/Excise Tax and operating and maintenance funding strategy effort will employ new thinking regarding traditional Transportation Impact Fee and other funding programs. TischlerBise will employ innovative approaches toward Multimodal Mobility Fees that consider different requirements for infill/redevelopment; variations due to geographic subareas and multimodal access; and approaches to recognize the need to move people in all modes, and finding ways to pay for those improvements.

A successful revenue enhancement strategy must consider the variation in transportation costs and the potential funding that may be available for each cost factor. Various transit options, such as buses and streetcars, require operating revenue in addition to the user charges collected from patrons. Because stable, ongoing funding is needed to cover operating costs, revenue sources tied to development activity are not sufficient for operating costs. This also holds true for covering basic road maintenance costs.

The evaluation of infrastructure and operating funding options forces decision makers to wrestle with a dynamic tension between sources of funds and the demand for public facilities and services. For instance, area specific assessments are based on known capital costs in a specific location and are paid by those directly benefiting from the new infrastructure. In contrast, general tax revenue may be used by the City to fund facilities and services with very little, if any, connection between those paying the tax and the need for services and facilities. Unfortunately, the funding options with the closest nexus to the demand for services and facilities also have the smallest demand base to bear the cost. Given these relationships, there is often pressure to “cast a broad net” and collect a relatively small amount of revenue from a large tax base rather than ask a small group to make a large contribution of funds. To select the “best” funding strategy for transit, decision makers will have to consider two key questions, “Who pays?” and “How much?”

Scope of Work
The Multimodal funding strategy will go beyond impact fees for capital infrastructure and into operational funding tools. This portion of the Study will include impact fee and/or excise tax calculations as appropriate as well as other mechanisms to potentially fund initial and ongoing

operations and maintenance associated with new development. Specific elements of the scope are as follows:

- Project initiation to frame issue and outline desired outcomes including a SWOT analysis of current transportation and multimodal funding practices.
- Determine transportation demand factors coordinated with the Impact Fee/Excise Tax study as well as additional factors specific to travel and travel demand in the city.
- Review literature, best practices, and legal guidelines for transportation and multi-modal funding strategies as well as investigate relevant case studies from Colorado and elsewhere.
- Develop preliminary recommendations for feedback.
- Determine capital facility needs and service levels based on growth projections and need/desire for additional transportation and multimodal improvements and evaluate appropriate levels of service standards.
- Evaluate different allocation methods for identified improvements and calculate draft fees
- Calculate credits where appropriate to account for potential double payment situations
- Conduct funding and cash flow analysis to document growth-related capital expenses and revenue sources available to fund growth-related needs.
- Determine operational costs for ongoing multimodal transportation operations and maintenance and complete quantitative analysis of funding mechanism by type of development or land use category.
- Prepare report(s)
- Conduct presentations on the above findings.

Affordable Housing Commercial Linkage Fee

General Approach

KMA will prepare a jobs housing nexus study in support of the city's commercial linkage fee program. The study will demonstrate the relationships between construction of new workspace buildings in the City of Boulder, the impact on the need for affordable housing, and the cost to mitigate the increased affordable housing need. The nexus analysis will establish a set of maximum supported fee levels applicable to each of a series of non-residential building types. In addition to the nexus analysis itself, KMA will prepare analyses to provide additional information and context that may be useful in the design of the city's program and selection of fee levels including:

1. Market Context for Non-Residential Development - Preparation of a summary of market conditions for non-residential development to provide general context on the market strength of building types subject to the linkage fee.

2. Development Cost Context for Non-Residential Development – Understanding non-residential fee levels in the context of total development costs is another consideration many cities include in their fee setting discussions. Development costs for up to five non-residential building types or configurations will be reviewed to enable fee levels to be understood in the context of total development costs. Development costs will include land and all direct and indirect costs. As part of this task, the potential for non-residential

fees to impact commercial rent levels and land values will be reviewed based upon the analysis of total development costs and KMA's experience in real estate markets.

3. Overview of Jobs Housing Linkage Fee Programs - KMA will research and summarize jobs housing linkage fee programs in up to four other communities in Colorado or elsewhere for comparison. In addition, KMA will provide summary materials on jobs housing linkage fee programs in California assembled for past assignments.

Scope of Work, Nexus Methodology and Data Sources

KMA's nexus methodology was developed for the purpose of supporting commercial linkage fee programs and has been applied for numerous affordable housing nexus studies. The nexus analysis links new non-residential buildings with new workers in the City; these workers demand additional housing in proximity to the jobs, a portion of which needs to be affordable to the workers in lower income households. Below is an overview of the analysis and data sources used.

- Number of Employees - The analysis begins with an estimate of the number of employees in prototypical non-residential buildings (i.e. office, retail, etc.). Employment is estimated based on average employment densities.
- Worker Compensation Levels – Worker compensation levels are estimated by first identifying applicable worker occupation categories for each building type using data from the Occupational Employment Survey produced by the U.S. Bureau of Labor Statistics. Next, local compensation levels specific to Boulder County as of 2014 are attached to each worker occupation category using compensation data that is also from the Occupational Employment Survey.
- Worker Households - Census data indicates that many workers are members of households where more than one person is employed and that there is a range of household sizes. Factors derived from the Census are used to translate the number of workers into the number of households, translate individual worker compensation levels into estimated household incomes, and reflect the range of worker household sizes in the analysis.
- Affordable Housing Need – Estimated incomes for worker households are compared to published income limits to determine the number of worker households that need housing affordable at various income levels such as Extremely Low, Low, Low to Moderate, and Middle-income.
- Conversion to Per Square Foot Level – The affordable housing need is divided by the size of the non-residential prototype buildings to arrive at the number of housing units per square foot of building area for each income category.
- Determine Mitigation Cost / Maximum Fee Level - In the last step, the number of housing units per square foot in each income category is multiplied by the cost of producing the affordable units. This establishes the mitigation cost or maximum fee level supported by the analysis. Wherever possible, KMA will use cost information from actual affordable units built in the City for purposes of this step.

Public Art

General Approach
KMA's scope of service is designed to assist the City in establishing the basic framework for a private sector arts requirement. These programs mandate that private development projects provide on-site art for public enjoyment. Most typically the art must be valued at a percent of building permit valuation. Alternatively, projects may pay an in lieu fee.

Scope of Work
KMA's scope of service related to a public art program includes the following tasks:

- Materials on other Programs - KMA will survey six to eight public art programs in other cities to be selected in consultation with the City. KMA will prepare a summary chart comparing the programs and will also assemble materials describing the programs in more detail, ordinances for adoption, and other useful information as may be available.
- Program Framework and Preliminary Recommendations – KMA will develop program recommendations for the City's consideration addressing issues such as the basic requirement, the types of projects to be subject to the requirement, project size thresholds, and approval processes unique to a public arts requirement.
- Revenue Estimate - KMA will prepare an estimate of annual revenue, or revenue over a projected period, likely to be generated by a program.

PUBLIC PROCESS & OUTREACH

Updating the development-related impact fees and excise taxes is expected to garner significant community interest. Because the project includes four components ranging from general fund municipal services to transportation, housing and public art, there are many pieces to the overall project. As a result, a combination of community-wide information and open houses will be used, as well as a series of three smaller stakeholder group meetings to provide more detailed analysis and consideration.

In addition, council will continue to be briefed through the process and will make decisions on any fee changes or taxing changes to be considered on the ballot. Information items to relevant advisory boards will be provided as necessary. For the public art component, the Arts Commission will be engaged in helping shape the program recommendations.

PROJECT TIMELINE & NEXT STEPS

The project has three main phases:

1. *Background research and analysis (Aug – Nov. 2015).* This phase is focused on gathering the background information, analysis of current capital needs and plans, housing data and art program research.
2. *Technical Analysis and Allocation Scenarios (Nov. 2015 – March 2016).* This phase is focused on the technical analysis of the various fees, taxes, and programs, and will

engage the stakeholder group and community in shaping scenarios for consideration within the legal framework of impact fees and excise taxes.

3. *Recommendations and Decision Making (March – May 2016).* This phase is focused on developing final recommendations based on the consultant work, community and stakeholder group feedback, and council direction.

Next Steps

Staff will continue to proceed with the first phase of the project, gathering the background research, data collection, and analysis of capital facility needs.

This project is related to the Development Pay its Own Way ballot initiative that will be considered by voters this fall. Additional staff analysis of the implementation actions for the initiative can be found in the Oct. 6 2015 Information Packet. If the initiative passes, the project will proceed, but additional analysis will need to be conducted regarding the operating costs and services of the city to ensure new development complies with the initiative language. Additionally, the scope of the current fee studies related to capital costs will need to be expanded to include the additional areas included in the ballot initiative and to establish service levels for all components of the studies.

ATTACHMENTS

A – Current DET & Impact Fee Rates
B – Comparative Analysis

EXCISE TAXES

Section 3-8-3, and Section 3-9-2

Development Excise Taxes fund the cost of future capital improvements. The Housing Excise Tax was established to promote the development and provision of housing in the city that is affordable to low-income people.

Development and Housing Excise Taxes are assessed on new residential and nonresidential development and nonresidential additions. Excise taxes are paid prior to final inspection for new construction, or at the time of permit issuance for all other types of construction. The tax rate in effect at the time of application applies.

Tax Name	Nonresidential	Residential	
	Per Square Foot	*Per Detached Dwelling Unit*	*Per Attached Dwelling Unit or Mobile Home*
Development Excise Tax			
Park Land	N/A	$1,144.84	$795.98
Transportation	$2.48	$2,226.93	$1,650.29
Total	$2.48	$3,371.77	$2,446.27
Housing Excise Tax	$0.51	$0.23 per square foot	$0.23 per square foot

CAPITAL FACILITY IMPACT FEES

Section 4-20-62

Capital facility impact fees will be collected for capital improvements to serve new development. Residential development will be charged impact fees based on unit size. Residential additions will be charged on net additional square footage. Non-residential development will be charged impact fees based on square footage by type of use. Redevelopment will be charged for net new square footage and a change of use. Capital facility impact fees are paid prior to final inspection for new construction, or at the time of permit issuance for all other types of construction. The tax rate in effect at the time of application applies.

Impact Fee Rates for Single Family Residential per Dwelling Unit

Square Feet	***Library***	***Parks & Recreation***	***Human Services***	***Municipal Facilities***	***Police***	***Fire***	***TOTAL***
900 or less	$218	$1,489	$70	$133	$139	$99	$2,148
901-1000	$252	$1,728	$80	$154	$162	$115	$2,491
1001-1100	$282	$1,935	$91	$172	$182	$127	$2,789
1101-1200	$310	$2,126	$100	$189	$199	$140	$3,064
1201-1300	$335	$2,301	$109	$205	$216	$154	$3,320
1301-1400	$359	$2,463	$116	$219	$231	$163	$3,551
1401-1500	$382	$2,616	$123	$232	$244	$173	$3,770
1501-1600	$402	$2,758	$130	$247	$258	$183	$3,978

Impact Fee Rates for Single Family Residential per Dwelling Unit (con't)

Square Feet	*Library*	*Parks & Recreation*	*Human Services*	*Municipal Facilities*	*Police*	*Fire*	*TOTAL*
1601-1700	$421	$2,893	$136	$257	$271	$191	$4,169
1701-1800	$442	$3,017	$141	$268	$282	$200	$4,350
1801-1900	$458	$3,135	$148	$279	$294	$209	$4,523
1901-2000	$474	$3,248	$154	$289	$304	$216	$4,685
2001-2100	$489	$3,354	$158	$298	$313	$222	$4,834
2101-2200	$505	$3,457	$163	$308	$325	$229	$4,987
2201-2300	$519	$3,554	$167	$315	$333	$235	$5,123
2301-2400	$533	$3,649	$172	$326	$343	$241	$5,264
2401-2500	$545	$3,738	$176	$333	$350	$249	$5,391
2501-2600	$559	$3,824	$181	$341	$357	$254	$5,516
2601-2700	$570	$3,906	$185	$348	$366	$259	$5,634
2701-2800	$582	$3,986	$188	$354	$374	$265	$5,749
2801-2900	$593	$4,064	$191	$361	$381	$270	$5,860
2901-3000	$604	$4,138	$194	$368	$388	$275	$5,967
3001-3100	$614	$4,208	$197	$375	$394	$280	$6,068
3101-3200	$625	$4,279	$201	$381	$401	$285	$6,172
3201-3300	$635	$4,346	$205	$388	$408	$289	$6,271
3301-3400	$645	$4,413	$209	$393	$414	$294	$6,368
3401-3500	$653	$4,476	$212	$399	$419	$297	$6,456
3501-3600	$663	$4,538	$215	$405	$424	$301	$6,546
3601-3700	$673	$4,598	$217	$409	$429	$304	$6,630

Impact Fee Rates for Multifamily Residential per Dwelling Unit

Square Feet	*Library*	*Parks & Recreation*	*Human Services*	*Municipal Facilities*	*Police*	*Fire*	*TOTAL*
600 or less	$229	$1,573	$73	$139	$148	$171	$2,333
601-700	$278	$1,904	$90	$168	$179	$207	$2,826
701-800	$319	$2,192	$103	$194	$205	$238	$3,251
801-900	$356	$2,445	$116	$218	$229	$267	$3,631
901-1000	$390	$2,671	$125	$237	$251	$291	$3,965
1001-1100	$419	$2,875	$136	$256	$270	$313	$4,269
1101-1200	$448	$3,062	$143	$273	$287	$334	$4,547
1201-1300	$473	$3,234	$152	$288	$302	$353	$4,802
1301-1400	$494	$3,394	$160	$302	$318	$370	$5,038
1401-1500	$517	$3,543	$166	$314	$332	$388	$5,260
1501-1600	$537	$3,680	$173	$328	$345	$402	$5,465

Impact Fee Rates for Nonresidential

			Impact Fee Rates Per Square Foot of Nonresidential Floor Area			
		Municipal Facilities	***Police***	***Fire***	***Affordable Housing****	***TOTAL***
Nonresidential Uses	Retail / Restaurant	$0.14	$0.50	$0.40	$1.74	$2.78
	Business Park	$0.17	$0.11	$0.10	$1.93	$2.31
	Office	$0.21	$0.17	$0.59	$2.38	$3.35
	Hospital	$0.18	$0.15	$0.51	$2.06	$2.09
	School	$0.04	$0.08	$0.13	$.56	$.81
	Mini-Warehouse	$0.00	$0.02	$0.00	$0.02	$0.04
	Warehousing	$0.07	$0.04	$0.04	$0.78	$0.93
	Light Industrial	$0.12	$0.06	$0.08	$1.41	$1.67
			Impact Fee Rates for Other Nonresidential Uses Based on Unique Demand Indicators			
		Municipal Facilities	***Police***	***Fire***	***Affordable Housing****	***TOTAL***
Other Nonresidential Uses	Nursing Home (per bed)	$19.80	$22.00	$53.89	$219.41	$315.10
	Day Care (per student)	$7.70	$19.80	$24.19	$97.40	$149.09
	Lodging (per room)	$24.19	$52.80	$67.10	$268.11	$412.20

Affordable Housing Linkage Fee (DT-5 nonresidential density bonus only) Nonresidential developments in the DT-5 zoning district that receive a density bonus (additional floor area) are assessed an affordable housing linkage fee of **$9.53** per square foot for the bonus floor area. This fee is due prior to the issuance of a building permit.

***Affordable Housing Impact Fee for Non-residential:** This fee is currently in a phased implementation, starting on September 7, 2015 at 25% of the final fee rate. On December 7, 2015 the fee will increase to 50%, March 7, 2016 the fee will increase to 75%, and on June 6, 2016 the fee will be increased to 100%.

TischlerBise
FISCAL | ECONOMIC | PLANNING

4701 SANGAMORE ROAD | SUITE S240 | BETHESDA | MD 20816
T: 800.424.4318 | F: 301.320.4860

300 UNO LAGO DRIVE | SUITE 405 | NORTH PALM BEACH | FL 33408
T: 800.424.4318 | F: 301.320.4860

WWW.TISCHLERBISE.COM

To: Chris Meschuk, AICP,
Senior Planner, Department of Community Planning & Sustainability
City of Boulder

From: Julie Herlands, AICP, Principal
TischlerBise

Date: September 29, 2015

RE: Impact Fee/Excise Tax Comparisons

As part of TischlerBise's scope of work for the City of Boulder Impact Fee/Excise Tax update, we are providing a brief summary of comparison communities for the categories of Impact Fees/Excise Taxes being updated by TischlerBise.

City of Boulder Impact Fee** categories are:

- Fire
- Human Services
- Library
- Municipal Services
- Parks and Recreation
- Police

City of Boulder Excise Tax** categories are:

- Transportation
- Park Land

** Note: For comparison purposes the attached figures **include** the City of Boulder's current Housing Excise Tax (assessed on new residential and nonresidential development) and Affordable Housing Impact Fee at the full phased-in amount[1] (assessed on new nonresidential development). The City of Boulder Affordable Housing Linkage Fee/Excise Tax is being updated by Keyser Marston.

In addition to the evaluation of the Transportation Excise Tax, TischlerBise is evaluating options to fund ongoing Operating Impacts to Multimodal Transportation Facilities and Services.

[1] The Affordable Housing Impact Fee is being phased in from September 7, 2015, to June 6, 2016 at 25 percent increments. The full amount (100 percent of the rate) is reflected herein.

The attached comparisons capture the fees that are comparable to City of Boulder Impact Fee/Excise Taxes. In several jurisdictions, similar fees are called “capital expansion fees” or “improvement fees.” Regardless of the name, if it is a one-time fee on new development for capacity expansions or improvements, it is included in the attached table and chart.

It is anticipated that at the end of the Impact Fee/Excise Tax update process, these comparisons will be revisited to reflect the updated calculated amounts for the City of Boulder (as well as other jurisdictions that are in the process of updating their impacts fees where applicable and noted on the attached).

It should be noted that these comparisons are a subset of total development costs in each community. Examples of other one-time costs are utility (water, wastewater, stormwater) plant investment fees; water rights fees; utility permits, taps, inspections, and meter fees; building permit fees; trade fees; plan check fees; construction use taxes; and school impact fees/excise taxes. Therefore, any “cost of development” comparisons among localities should be viewed and used with caution as there are typically a range of costs and other factors that are considered in location decisions.

Figure 1. Impact Fee/Excise Tax Comparison Table

		UNIT	Boulder	Broomfield	Ft. Collins [1]	Longmont [1]	Louisville	Loveland [1] [2]	Westminster	Windsor
Transportation	*SF [a]*	*Hsg Unit*	$2,227	$0	$3,112	$901	$225	$2,280	$0	$2,115
	MF [b]	*Hsg Unit*	$1,650	$0	$2,143	$448	$144	$1,584	$0	$1,483
	Retail [c]	*1,000 sf*	$2,480	$0	$11,930	$2,294	$430	$6,960	$0	$3,476
	Ofc [d]	*1,000 sf*	$2,480	$0	$5,190	$2,294	$230	$3,170	$0	$2,840
	Ind [e]	*1,000 sf*	$2,480	$0	$2,200	$1,199	$100	$1,660	$0	$1,799
Parks, Rec, Trails, Open Space	*SF*	*Hsg Unit*	$4,393	$0	$3,410	$5,480	$4,423	$6,608	$2,730	$5,493
	MF	*Hsg Unit*	$3,467	$0	$2,962	$3,197	$2,517	$4,553	$1,346	$5,493
	Retail	*1,000 sf*	$0	$0	$0	$211	$0	$0	$0	$0
	Ofc	*1,000 sf*	$0	$0	$0	$336	$0	$0	$0	$0
	Ind	*1,000 sf*	$0	$0	$0	$115	$0	$0	$0	$0
Police	*SF*	*Hsg Unit*	$304	$0	$198	$0	$0	$880	$0	$0
	MF	*Hsg Unit*	$251	$0	$171	$0	$0	$612	$0	$0
	Retail	*1,000 sf*	$500	$0	$160	$0	$0	$390	$0	$0
	Ofc	*1,000 sf*	$170	$0	$160	$0	$0	$390	$0	$0
	Ind	*1,000 sf*	$60	$0	$40	$0	$0	$50	$0	$0
Fire	*SF*	*Hsg Unit*	$216	$0	$395	$0	$0	$894	$0	$0
	MF	*Hsg Unit*	$291	$0	$343	$0	$0	$621	$0	$0
	Retail	*1,000 sf*	$400	$0	$301	$0	$0	$300	$0	$0
	Ofc	*1,000 sf*	$590	$0	$301	$0	$0	$300	$0	$0
	Ind	*1,000 sf*	$80	$0	$73	$0	$0	$30	$0	$0
Library [3]	*SF*	*Hsg Unit*	$474	$0	$0	$0	$475	$1,333	$0	$0
	MF	*Hsg Unit*	$390	$0	$0	$0	$144	$927	$0	$0
	Retail	*1,000 sf*	$0	$0	$0	$0	$0	$0	$0	$0
	Ofc	*1,000 sf*	$0	$0	$0	$0	$0	$0	$0	$0
	Ind	*1,000 sf*	$0	$0	$0	$0	$0	$0	$0	$0
Municipal Facilities [4]	*SF*	*Hsg Unit*	$443	$0	$469	$1,121	$604	$1,090	$0	$0
	MF	*Hsg Unit*	$362	$0	$406	$1,058	$344	$758	$0	$0
	Retail	*1,000 sf*	$140	$0	$654	$401	$270	$420	$0	$0
	Ofc	*1,000 sf*	$210	$0	$654	$401	$370	$420	$0	$0
	Ind	*1,000 sf*	$120	$0	$155	$401	$220	$60	$0	$0
Other [5]	*SF*	*Hsg Unit*	$460	$2,000	$0	$250		$0	$0	$0
	MF	*Hsg Unit*	$230	$1,000	$0	$0		$0	$0	$0
	Retail	*1,000 sf*	$7,470	$0	$0	$0		$0	$0	$0
	Ofc	*1,000 sf*	$10,040	$0	$0	$0		$0	$0	$0
	Ind	*1,000 sf*	$6,130	$0	$0	$0		$0	$0	$0
Totals	*SF*	*Hsg Unit*	**$8,517**	**$2,000**	**$7,584**	**$7,752**	**$5,727**	**$13,085**	**$2,730**	**$7,608**
	MF	*Hsg Unit*	**$6,641**	**$1,000**	**$6,025**	**$4,703**	**$3,149**	**$9,055**	**$1,346**	**$6,976**
	Retail	*1,000 sf*	**$10,990**	**$0**	**$13,045**	**$2,905**	**$700**	**$8,070**	**$0**	**$3,476**
	Ofc	*1,000 sf*	**$13,490**	**$0**	**$6,305**	**$3,031**	**$600**	**$4,280**	**$0**	**$2,840**
	Ind	*1,000 sf*	**$8,870**	**$0**	**$2,468**	**$1,715**	**$320**	**$1,800**	**$0**	**$1,799**

Notes:

[1] Current adopted fees shown; jurisdiction is in process of updating their Impact Fee Program

[2] City of Loveland also has Transportation Maintenance Fee:

Description	Monthly Fee
Residential (per dwelling unit)	$1.97
Industrial (per acre)	$21.91
High Traffic Retail (per acre)	$219.11
Retail (per acre)	$86.10
Miscellaneous Retail (per acre)	$55.97
Commercial (per acre)	$28.44
Institution (per acre)	$28.44

Land Use Categories

[a] Single Family Unit of 2,000 sf

[b] Multifamily Unit of 1,000 sf

[c] Retail less than 50,000 sf

[d] Office less than 50,000 sf

[e] Light Industrial

[3] Includes Cultural Fee where applicable

[4] Includes other Government Facilities such as Human Services where applicable

[5] Other: Boulder: Affordable Housing Excise Tax; Affordable Housing Impact Fee on nonresidential (full amount shown, which will be fully phased in by June 6, 2016).
Broomfield: Service expansion fee covering wide range of infrastructure
Longmont: Air Quality fee
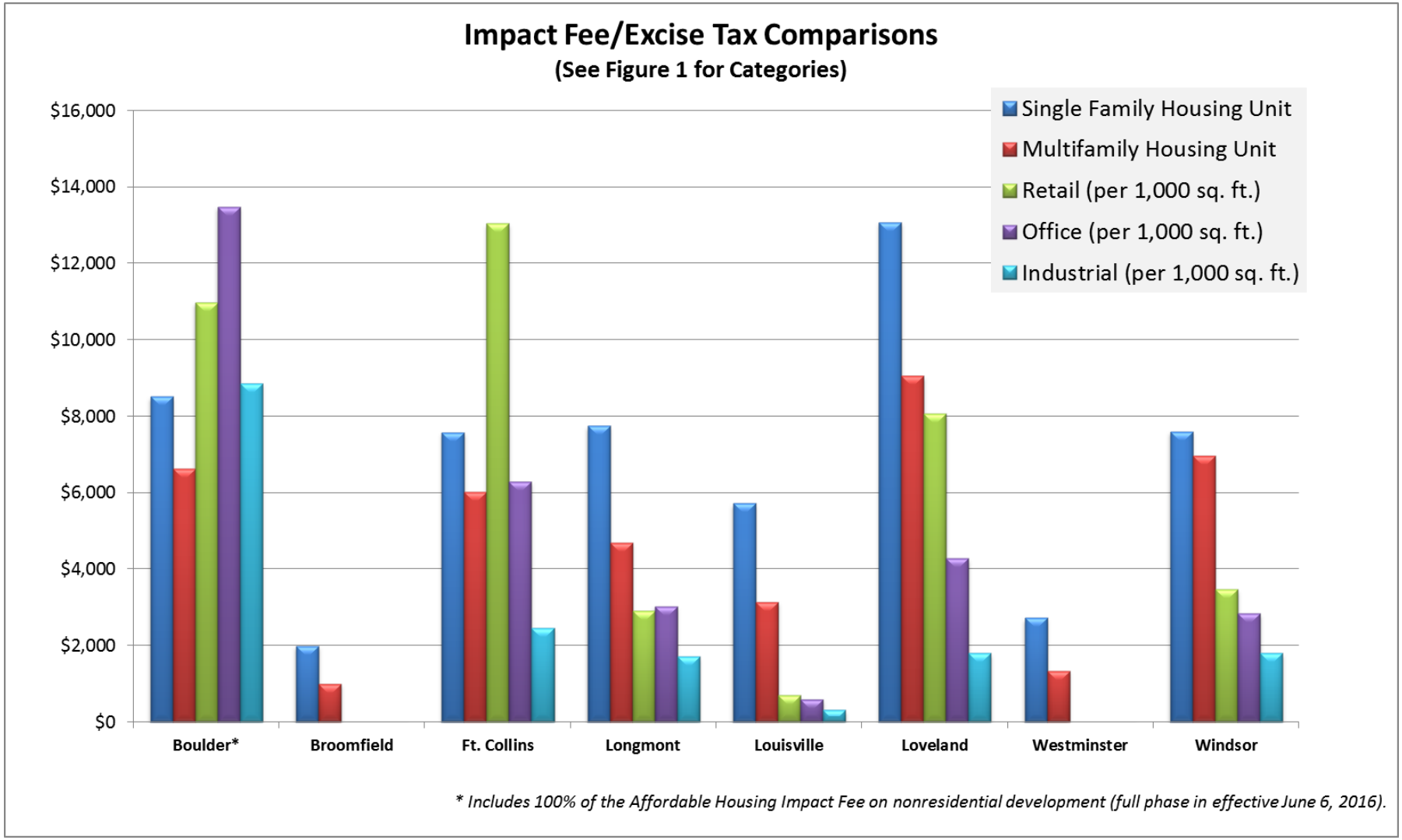
Figure 2. Impact Fee/Excise Tax Comparison Chart