



**CITY OF BOULDER
CITY COUNCIL AGENDA ITEM**

MEETING DATE: November 10, 2015

AGENDA TITLE: Consideration of a motion to accept the Study Session Summary from October 13, 2015 regarding Development-related Impact Fees and Excise Tax Update Study

PRESENTERS:

Jane S. Brautigam, City Manager
David Gehr, Deputy City Attorney
Susan Richstone, Deputy Director of Planning, Housing & Sustainability
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

EXECUTIVE SUMMARY:

This agenda item provides a summary of the October 13, 2015, study session on the Development-related Impact Fees and Excise Tax Update Study. The purpose of the study session was 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.

STAFF RECOMMENDATION:

Suggested Motion Language:

Staff requests council consideration of this summary and action in the form of the following motion:

Motion to accept the Study Session Summary from October 13, 2015 regarding Development-related Impact Fees and Excise Tax Update Study (**Attachment A**)

ATTACHMENT

A: Study Session Summary from October 13, 2015 regarding Development-related Impact Fees and Excise Tax Update Study

City Council Study Session Summary
October 13, 2015
Development-related Impact Fees and Excise Tax Update Study

PRESENT

City Council: Mayor Matt Appelbaum, Macon Cowles, Mayor Pro Tem Suzanne Jones, George Karakehian, Lisa Morzel, Tim Plass, Andrew Shoemaker, Sam Weaver, and Mary Young

Staff Presenters: Susan Richstone, Deputy Director of Planning, Housing & Sustainability; David Gehr, Deputy City Attorney; Chris Hagelin, Senior Transportation Planner; Chris Meschuk, Senior Planner; Julie Herlands, TischlerBise; David Doezema, Keyser Marston Associates

PURPOSE

The purpose of the study session was 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.

OVERVIEW OF PRESENTATION

Susan Richstone, Deputy Director for Planning, introduced the item and the presenters. Chris Meschuk, Senior Planner introduced the staff team and reviewed the policy framework and background of development excise taxes and impact fees. He highlighted the timeline for the project, which began in January 2015, with the RFP issued in May 2015, and the consultant firms began work in August 2015. Mr. Meschuk introduced the four components of the study and which consulting firms are working on each component.

Julie Herlands of TischlerBise introduced the firm of TischlerBise, covered their scope of work, gave more detailed information on impact fees and excise taxes, and reviewed the scope of work for the impact fee study and excise tax study updates.

David Doezema of Keyser Marston Associates introduced the firm of Keyser Marston Associates, and covered their scope of work. Mr. Doezema provided information on the methodology for the affordable housing commercial linkage fee nexus study, as well as for the public art component.

Ms. Herlands presented the multimodal transportation and funding strategy component, and the scope of work and analysis that will be completed.

Mr. Meschuk concluded the presentation by outlining the public process, and the three phases of the project which are underway, and is anticipated to conclude in the second quarter of 2016, contingent upon the outcome of the election related to initiative 301.

Questions and Comments on the Background & Basics of Impact Fees & Excise Taxes

Capital vs. Operating

The major focus of the impact fee and excise tax study centers on capital infrastructure and capital asset expansion. However, the transportation component includes an operational aspect.

Impact Fee Credit

Impact fee credits relate to netting out future property and sales taxes that development will

generate to make sure that taxpayers are not being charged twice for the same growth-related capital expansion. The credit can be included in the impact fee calculation and a full analysis of this issue will be included in the study. Several council members expressed interest in understanding the role that credits can play as an incentive tool for certain land uses.

Level of Service Standard

The typical basis of impact fees are current levels of service and what is needed to maintain those levels. There is the possibility of using a plan-based calculation methodology which entails the city having a *funded* plan to improve levels of service for everyone (existing and new residents). This approach would allow an impact fee to be charged to help the city meet that higher service level, but requires the city to have a plan to fund the higher service level for the portion not attributable to new growth. Additional information on the levels of service will be brought forward as a part of the study.

Comparable Cities

The criteria used to find comparable cities for the transportation component is communities that have similarities to Boulder and have operational/maintenance based fees. This is an uncommon practice and the set of peer cities is small. The criteria for finding comparable cities for the housing linkage fee is also difficult since a relatively small number exist. The comparable range will likely include select California cities and an additional four cities located on the east coast and/or in Colorado resort communities. As a result, the various components of the project will have different peer cities.

Stakeholder Group

The stakeholders will be identified and selected at the end of 2015 and beginning of 2016. The intent is to have one group, although it may be appropriate to do some work in smaller groups based on the different components.

Context of Impact Fees and Excise Taxes

The current impact fee and excise tax study is one piece of the way the city implements the policy that growth pay its own way. There are other fees and taxes including construction use tax, permit fees, and plant investment and tap fees that are paid by new development. The results of this study will be placed within the context of these revenue sources as well as in the context of planning and development regulatory mechanisms, e.g. inclusionary housing, exactions, the Boulder Valley Comprehensive Plan policies and the city's comprehensive financial strategy. Staff will provide some additional comparative information related to development-related fees and excise taxes with other communities when options are being presented in phase 3 of the project.

Questions and Comments on the Affordable Housing component

Fee Study Maximum amount and Relation to Inclusionary Housing

The affordable housing commercial linkage fee nexus study typically results in a mathematical maximum fee level which is significantly higher than what is adopted by cities due to policy considerations and financial feasibility. The fees should calibrate with and achieve the goals and intentions of the municipality, and several additional factors and policy tradeoffs must be made. In addition, several council members expressed a desire to examine the fee level in partnership with the Inclusionary Housing program and fees. Other communities have assessed the goals of the fee and the strength of the market. For instance, in the case of Cupertino, CA, the intention was increase the fee from \$6 while not deterring or impeding development or incentivizing development moving to other jurisdictions.

Best Practices and literature review related to linkage fees and affordable housing

Several council members inquired on the relationship of the linkage fee to the local economy, and any research and analysis on the relationship of linkage fees on low income populations and affordable housing. The study will look at generalized impacts including potential increase in development costs, escalation of rents, financial impact on nonprofits and small businesses. This analysis will explore the possibility of exemptions, and will be performed in the context of the local real estate market.

Middle Income Housing

The nexus study will include analysis to determine if there is a need for mitigating impacts to middle income housing. If a nexus is identified, staff will explore programming of funds to meet this need. This is being performed in parallel with the Housing Boulder project, which is examining the current market conditions related to middle income housing, and what market interventions such as programs, regulations, or mechanisms could be created to produce middle income products.

Affordable Housing Levels of Service

The linkage fee study will include examining what the current and desired level of service is for affordable housing. If data is available, it may be possible to examine the level of service by affordability level. Additionally, Boulder is an employment center where many of the jobs are occupied by workers who do not live in the city.

Questions and Comments on the Public Art component

Definition of “Public Art”

Several council members expressed interest in understanding what type of art will fall under this definition and potential program, such as public performance art or visual art or architectural enhancements to a building. The study will examine other programs across the county, and will provide recommendations on programmatic implementation such as this.

Regulatory Approach

The public art program analysis will be explored under the basis of the city’s police powers and development regulations, not the impact fee statutes. The study will examine and provide recommendations on how regulations could be implemented, and requirements such as an on-site requirement vs. buy-out payments, and requirement parameters will be included.

Questions and Comments on the Transportation component

Comprehensive Transportation funding

The scope of this study will look at the transportation programs and capital costs related to new development, in relation to the revenue streams, including the existing transportation portion of the development excise tax, the potential for a new transportation impact fee, utility fee, as well as other on-going transportation operating funding. Council members expressed interest in understanding what other funding tools and potential programs are under consideration that are related to this effort, such as the community-wide eco pass, and head tax, and policy discussions such as the BVCP.

Location and Use-based fee adjustments

The study will include examining location-based fees taking into account all the various modes of transportation available in a geographic area. However, this is a complex effort due to the open nature of the transportation system. In addition, different land uses result in different

impacts, including commute distance, adjacent services and densities (transect approach), and the demographics of the area.