



**CITY OF BOULDER  
CITY COUNCIL AGENDA ITEM**

**MEETING DATE: May 17, 2016**

**AGENDA TITLE:** Consideration of a motion to accept the summary of the April 12, 2016 Study Session on Development-Related Impact Fees and Excise Taxes

**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  
Lauren Holm, Associate Planner  
Chris Meschuk, Project Manager

**EXECUTIVE SUMMARY**

This agenda item provides a summary of the April 12, 2016, study session on Development-related Impact Fees and Excise Taxes. The purpose of this study session was to solicit council feedback on work to-date on the development related impact fees and excise tax studies prior to final reports and recommendations.

Key takeaways from the study session by component were:

Capital Facility Impact Fees

- There is a need for additional context information about the purpose of capital facility impact fees, the methodology behind calculating them, and how the funds are used to support capital infrastructure.
- Some council members questioned if affordable housing development should be paying these fees.

Multi-modal Transportation:

- A majority of Council members indicated support for the next-generation plan-based approach proposed for multi-modal transportation funding, rather than the more traditional level of service based funding approach.
- Some council members questioned if affordable housing development should be paying these fees.
- Some council members expressed interest in the credit/tiered rate system for development in areas where there is already a high level of multimodal transportation options.
- Some council members expressed interest in exploring a hybrid funding approach using an excise tax and an impact fee.

Affordable Housing Linkage Fee:

- Council members were generally supportive of the market factors that had been analyzed as a part of the draft nexus analysis.
- Council members were generally interested in exploring all of the policy considerations outlined for establishing a fee level.
- Some council members also expressed interest in exploring a goal-based approach to setting a fee level.

Public Art Requirement:

- Council members were generally supportive of public art, and furthering the funding and integration of art into the community.
- A majority of council members were supportive of transitioning further analysis of a private development requirement for art into the community cultural plan implementation efforts, following the development of the public art policy and creating of the municipal public art program.

**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 summary (**Attachment A**) of the April 12, 2016 Study Session on Development-Related Impact Fees and Excise Taxes

**NEXT STEPS**

Based on the feedback from city council, staff and the consultants will be developing options on fee levels, compiling a comparative analysis of development-related fees from surrounding communities, and preparing an economic impact analysis. The technical working group will

meet on May 9, 2016. Taking into consideration the technical working group's input, materials will be developed for a council study session on June 14 to discuss and narrow the options for any fee changes. Additional context information and background on impact fee methodology will also be presented on June 14. Based on feedback from council, the narrowed options will be presented for council consideration on July 19 in a public hearing. The economic impact analysis report will be completed prior to the July 19 city council public hearing.

#### **ATTACHMENT**

**A:** Summary of the April 12, 2016, study session on the Development-related Impact Fees and Excise Tax Update Study

**April 12, 2016 Study Session**  
**Development-Related Impact Fees and Excise Taxes**

**PRESENT**

**City Council:** Mayor Suzanne Jones, Mayor Pro Tem Mary Young, Matthew Appelbaum, Aaron Brockett, Jan Burton, Lisa Morzel, Andrew Shoemaker, Sam Weaver and Bob Yates

**Staff:** Jane S. Brautigam, City Manager; David Gehr, Deputy City Attorney; Susan Richstone, Deputy Director of Planning; Maureen Rait, Executive Director of Public Works; Chris Hagelin, Senior Transportation Planner; Kristin Hyser, Community Investment Program Manager; Devin Billingsley, Senior Budget Analyst; Matt Chasansky, Office of Arts & Culture Manager; Lauren Holm, Associate Planner; Chris Meschuk, Project Manager

**Consultants:** Julie Herlands, TischlerBise; Dwayne Guthrie, TischlerBise; David Doezema, Keyser Marston Associates

**PURPOSE**

The purpose of this study session is to solicit council feedback on work to-date on the development related impact fees and excise tax studies prior to final reports and recommendations, including:

1. The draft capital facilities impact fee study.
2. Utilizing an impact fee, excise tax or hybrid approach for multi-modal transportation capital funding.
3. The policy considerations to be evaluated and accounted for in setting the affordable housing commercial linkage fee.
4. Moving the public art component into the Community Cultural Plan implementation efforts, including further exploration of alternative funding approaches following the development of the public art policy and implementation plans.

**SUMMARY OF COMMENTS BY DISCUSSION SECTION**

Susan Richstone started off the study session by reminding the council that this project was identified in the 2015 work plan. The purpose of this meeting was to check in on progress to date, in preparation for the June 14 study session where council will be presented with a range of fee level options. Additionally, an economic impact analysis and a comparative analysis are being prepared which will help inform council's decisions. Chris Meschuk introduced the consultants and staff. Meschuk presented a brief overview of the process to-date of the Development-Related Impact Fees and Excise Taxes project including the technical working group process and public outreach, as well as a high level overview of impact fees and excise taxes.

Council asked clarifying questions about when and how these fees are charged on a project. Impact Fees are calculated and assessed during the building permit process. The fees are charged on all development (residential and non-residential) independent of geographic location within the city. The fees apply to additional square footage of the development. If the project is a redevelopment, then a credit is given at the time of calculation for the pre-existing square footage and type of use.

### **Capital facilities impact fees update**

#### *Presentation summary*

Chris Meschuk presented the scope of work for this component, and the progress to date. This includes: updated land use assumptions, demographics and demand factors, capital facility inventories, current levels of service, impact fee methodologies based on current capital plans, and cash flow analysis for each fee component and completed draft report. Finally, the next steps were discussed. Julie Herlands from TischlerBise responded to council questions.

#### *Feedback/comments summary*

Staff clarified what Capital Facilities Impact Fees can be used for. Impact fees can only be used to fund capital projects for expansion. The revenues needed to operate the additional capital facilities need to be funded from other sources. This funding burden often falls to the General Fund which is supported to a large extent with sales and use tax. It can be viewed that the additional sales and use tax generated by new development represents its fair share of the additional ongoing operating dollars now needed.

Staff also responded to several other questions regarding the way these fees are charged. Impact fees are designed to be used to offset growth's impact on the city's capital facility infrastructure on a system-wide or citywide basis, not on a localized basis. The Parks and Recreation impact fee is a good example. Parks and Recreation impact fees are used to expand capacity at capital facilities like recreation centers and city parks. Parks and Recreation impact fees are not used to expand capacity at neighborhood or pocket parks because these parks' benefits are limited to the immediately surrounding neighborhoods. It is possible to target specific geographic locations by setting up districts and charging fees against projects located in those districts. However, this impact fee study does not include analysis of any special districts. In light of the characteristics of impact fees, impact fee studies do not need to be conducted on a project-by-project basis. Rather, impact fee studies such as this one can be done on a citywide basis and applied uniformly to development projects all over the city. These studies should be updated on a 5-10 year schedule to reflect changing demand factors as well as evolving city capital planning.

There was council discussion about the relationship between square footage and persons per unit so the fees level off at a certain point. The basis of the logarithmic relationship comes from local data regarding persons per unit.

Some council members expressed concern about increasing impact fees, and that this could further exacerbate the housing affordability problem in Boulder.

Some council members expressed a desire to see the cumulative additional costs to development resulting from revised impact fees relative to current fees especially on residential development.

## **Multimodal transportation**

### *Presentation summary*

Chris Hagelin presented the current spending and funding breakdowns for transportation, demonstrating that new growth's share of capital infrastructures costs is a small portion of the overall capital spending. After a brief discussion of the two part nature of the transportation process including operations & maintenance costs vs. capital costs, the presentation focused on the methodology and approach to next generation transportation impact fees. Hagelin presented the two different reports prepared by Dwayne Guthrie of TischlerBise and the differences between them. Finally, the next steps were discussed. Dwayne Guthrie was available to answer questions.

### *Feedback/comments summary*

Staff clarified for Council that an impact fee can be enacted by the Council whereas taxes are voter approved and that the city's current DET is maximized for non-residential, but can be increased on residential development without going back to a ballot. Some Council members expressed concern that higher residential fees/tax could negatively impact affordable housing development. David Gehr explained that the original DET ballot language allows for exemptions for affordable housing.

Council members indicated support for the next-generation plan-based approach proposed for multi-modal transportation funding, rather than the more traditional level of service based funding approach.

Staff clarified for Council that excise taxes are more flexible and in a plan-based approach can cover a wider range of capital projects from both the Capital Improvement Program (CIP) and the Action Plan Investment Program. On the other hand, David Gehr explained that impact fees are less flexible, require more rigorous accounting, and can only be used for a more limited set of capital improvements from the CIP for which the city can fund the non-growth share cost of the projects.

In discussing funding options, staff explained that in a hybrid approach an impact fee could be added to the existing DET and that each would pay for different sets of capital projects. For example, the impact fee could be used primarily for street improvements while the DET would be used for multi-modal capital improvements. Some council members expressed interest in this approach.

Council questioned how the tax/fee methodologies would take into account the difference between "walkable" locations versus locations without multi-modal options. Staff explained that rather than applying geographic factors in the methodology that credits can be added afterwards to lower fees/taxes for developments located in walkable areas with high multi-modal level of service. Council also asked if credits on future sales tax or other community benefits are taken into account in the methodology. Staff responded that future sales tax revenue is not taken into account. Sales tax is the primary way of paying for on-going operations and maintenance.

### **Affordable housing linkage fee**

#### *Presentation summary*

Kristin Hyser presented the city's current financial resources to support the creation and preservation of affordable housing including local and federal resources. This included an update on the city's progress in reaching the city's affordable housing goal to secure 10% of all dwelling units to be permanently affordable.

The presentation continued with David Doezema, Principal with Keyser Marston Associates, reviewing the results from the jobs-housing nexus analysis establishing a set of maximum supported fee levels applicable to a variety of commercial building types. Aligned with common practices the maximum fees are very substantial and are not the recommended fees. While not the recommended fee, the maximums provides a pinnacle to which a broad range of policy considerations can be applied to arrive at a fee level that is below the maximum. David presented several factors to be considered in setting fees – market factors including market strength and development feasibility and fees charged in comparative cities. His presentation included several policy-based adjustments for City Council to consider in determining fee levels – commute factor to account for the workforce already housed locally, housing needs already met through the inclusionary housing ordinance, and the current income profile of the city reflecting the income ranges living in Boulder.

#### *Feedback/comments summary*

Council members expressed support for the market factors presented and requested all of the policy considerations presented be further developed to be evaluated in the setting of the fees. Several Council members expressed interest in evaluating fee levels using a goal-based approach. A request was also made to identify fees in cities comparable to Boulder such as Austin, Portland, and Seattle.

### **Private sector arts requirement**

#### *Presentation summary*

Matt Chasansky started the presentation off with excerpts from the Community Cultural Plan and described the process to date. David Doezema continued the presentation by describing the research that Keyser Marston Associates has done, including looking at nine comparable programs and understanding the elements needed for a land use regulation with a cash-in-lieu option. Staff's recommendation is that this component be revisited after the Public Art Policy and Municipal Funding Structure are in place in 2017-2018.

#### *Feedback/comments summary*

Council members were largely in support of continuing the work on public art in private development, but agreed it is best suited within the context of the Community Cultural Plan, with an updated public art policy and the development of a municipal program first and foremost. Council members expressed their support for public art and the role it plays in the community. Some council members expressed interest in an incentive-based model rather than additional fees or regulations.

**Closing**

Chris Meschuk closed the meeting by reminding council of the process and describing what the next steps for staff will be, including the next technical working group meeting, public information session, and what will be coming back to council on June 14.