



**Study Session  
MEMORANDUM**

**TO:** Members of Council

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**DATE:** June 14, 2016

**SUBJECT:** Study Session on Development-Related Impact Fees and Excise Taxes

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**I. PURPOSE & EXECUTIVE SUMMARY**

The purpose of this study session is to review options for each component of the development-related impact fees and excise taxes project and to narrow the number of options to consider prior to completion of final reports and recommendations.

Following the April 12 study session on this topic, staff and the consultant team:

- Developed different options for potential fee changes in each component (capital facility impact fees, multimodal transportation, and affordable housing linkage fee).
- Compiled a comparative analysis of fees in other communities.
- Developed example scenarios to understand the market context of potential fee changes.
- Identified potential approaches to credits and rate structures for affordable housing and transportation.

Staff seeks input on which options within each component should or should not be considered further. Additionally, staff seeks council feedback on policy issues related to the parkland development excise tax and credits/fee waivers.

Following the June study session, staff will prepare final fee and tax change scenarios for council consideration in a public hearing on July 19. Based on direction from council, changes to the impact fees and excise taxes ordinances will be drafted for final approval as a part of the 2017 budget process.

## II. QUESTIONS FOR COUNCIL

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

1. Which options should be considered further for potential fee changes?
2. What feedback does council have regarding the allocation of the development excise tax?
3. Does council have any feedback on the options for affordable housing credits and transportation rate structure?

## III. BACKGROUND

The City Council directed staff to initiate this project in May 2015. Staff hired two consulting firms (TischlerBise and Keyser Marston Associates) in August 2015. City Council has held two study sessions on this project, [a scoping and approach check-in on Oct. 13, 2015](#) and a [review and discussion of initial findings on April 12, 2016](#).

### *April 12, 2016 Study Session*

The key take-aways from the April 12, 2016 study session by component were:

#### Capital Facility Impact Fees

- There is a need for additional contextual 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 pay these fees.
- Some council members expressed interest in the credit/tiered rate system for development in areas where a high level of multimodal transportation options already exists.
- 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 creation of the municipal public art program.

### ***Boulder Valley Comprehensive Plan***

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.

### ***Impact Fee Methodology***

Impact fees are fairly simple in concept, but complex in delivery, as described above. Generally, the jurisdiction imposing the fee must do the following: (1) identify the purpose of the fee, (2) identify the use to which the fee is to be applied, (3) show a direct relationship between the fee 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).

Any one of the following three 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. 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. A water treatment plant that is sized to serve a future population 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 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.

### ***City Investment in Capital Infrastructure***

The provision of adequate urban facilities and services to support the community's quality of life is a core BVCP tenet. The capital improvements program (CIP) is a critical tool to coordinate and target public capital expenditures within budget constraints. The goal is to maintain, and in some cases enhance, service levels and standards over time, with new growth required to pay an equitable share of the costs.

The city has a rich history of investing in the community and its quality of life, and prior to the 2000s, the community consistently invested significant resources in capital facilities. Funding was provided through a combination of ballot measures for specific facilities and land purchases, federal funds, and the city's annual budget.

The 2000s, by contrast, were economically difficult locally, regionally, nationally, and even globally. During that decade, the cost of services delivering and infrastructure maintenance increased dramatically. Investment in capital infrastructure slowed, and the CIP dropped from an annual budgeted amount of \$40 million to \$60 million in the early 2000s to \$20 million to \$25 million by 2011. Funds were focused on critical maintenance items, with minimal enhancements and expansion.

Although it focused on the city's operating revenue shortfall, the [2008 Blue Ribbon Commission Report](#), identified the need for additional revenues to cover capital costs and the importance of development excise taxes. The report specifically recommended that a new study be undertaken immediately.

As a result in 2008-2009, the city updated the development excise tax study and a new development impact fee study. The city also implemented new development impact fees for the majority of the city's capital facilities, shifting them from the development excise tax and reallocated the existing excise tax capacity to parkland acquisition and transportation.

A focus on improving the city's capital investments has continued, including:

- 2010: Significant revisions to the CIP document made information more accessible and readable. The document was also reorganized around departments rather than financial funds.
- 2010: CIP Guiding Principles were created.
- 2011: City launched a Capital Investment Strategy, and convened a Capital Investment Strategy Stakeholder Committee.
- 2011: Voters approved a \$49 million bond using existing revenues to address significant deficiencies and high-priority action items.
- 2012-2015: The city updated numerous department master plans.
- 2014: Voters approved a 3-year tax to fund significant community, culture and safety capital improvements.

Development excise taxes and impact fees can appear to be a deceptively small part of the city's overall budget. As the below charts illustrate, the city's capital budget represents 22 percent of the overall budget (**Figure 1**) and excise taxes and impact fees (which only fund capital) constitute 0.80 percent of the city's total funding sources (**Figure 2**).

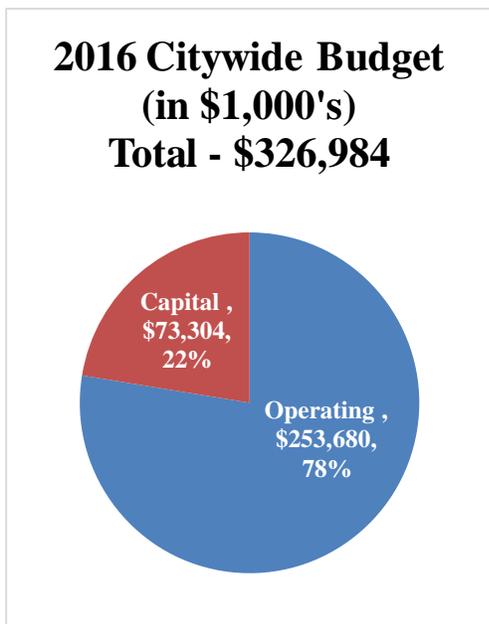


Figure 1

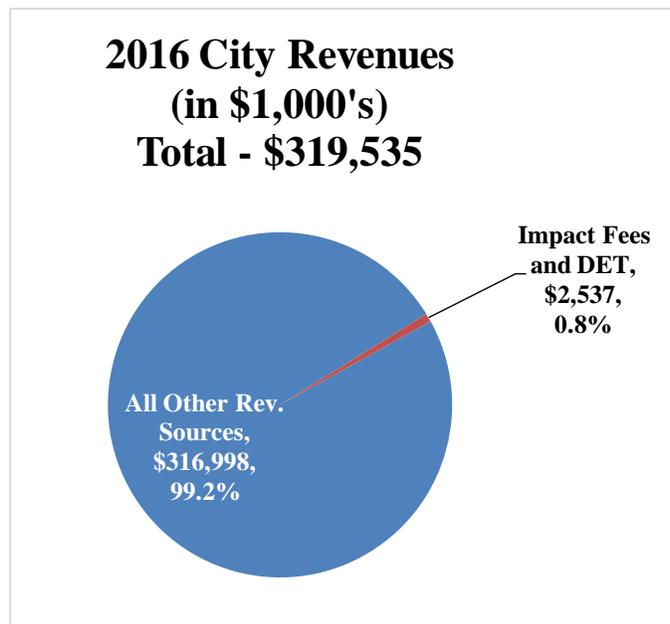


Figure 2

While this may seem like a small amount when considered as part of the city’s total budget, for some departments it is a crucial capital funding component. For example, departments such as Fire-Rescue, Police and Human Services have no other funding source for capital improvements outside of the general fund. As a result, this funding is typically focused on maintenance of existing assets. Funds to address expansion of capacity to accommodate new growth come from *accumulated* impact fees and excise taxes. In the proposed 2017-2022 draft Capital Improvements Program, 4 percent of the total 6-year CIP will be supported through impact fees and excise taxes (**Figure 3**).

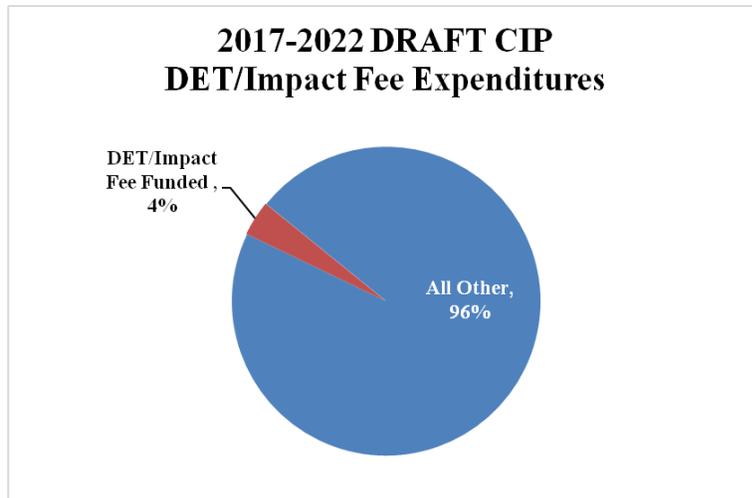


Figure 3

#### IV. CONTEXT

Based on Council feedback at the study session in April, the project team has developed options within each component. The options are described in detail in *Section V – Options and Analysis* below. To assist in the review and analysis of the options, and to provide additional context of the city’s impact fees and excise taxes, the project team also developed a comparative analysis, scenarios analysis, policy options for the development excise tax and evaluation criteria.

##### ***Market Context – Comparative Analysis***

The City Council requested additional contextual information about development-related costs in surrounding and comparative communities. **Attachment A** includes a table of select permit fees for development, based on a hypothetical residential development (**Figure 4**) and a hypothetical commercial development project (**Figure 5**).

The graphs below show Boulder’s current fees in comparison to the other communities and highlight how communities use impact fees and excise taxes versus other revenue sources to fund capital improvements.

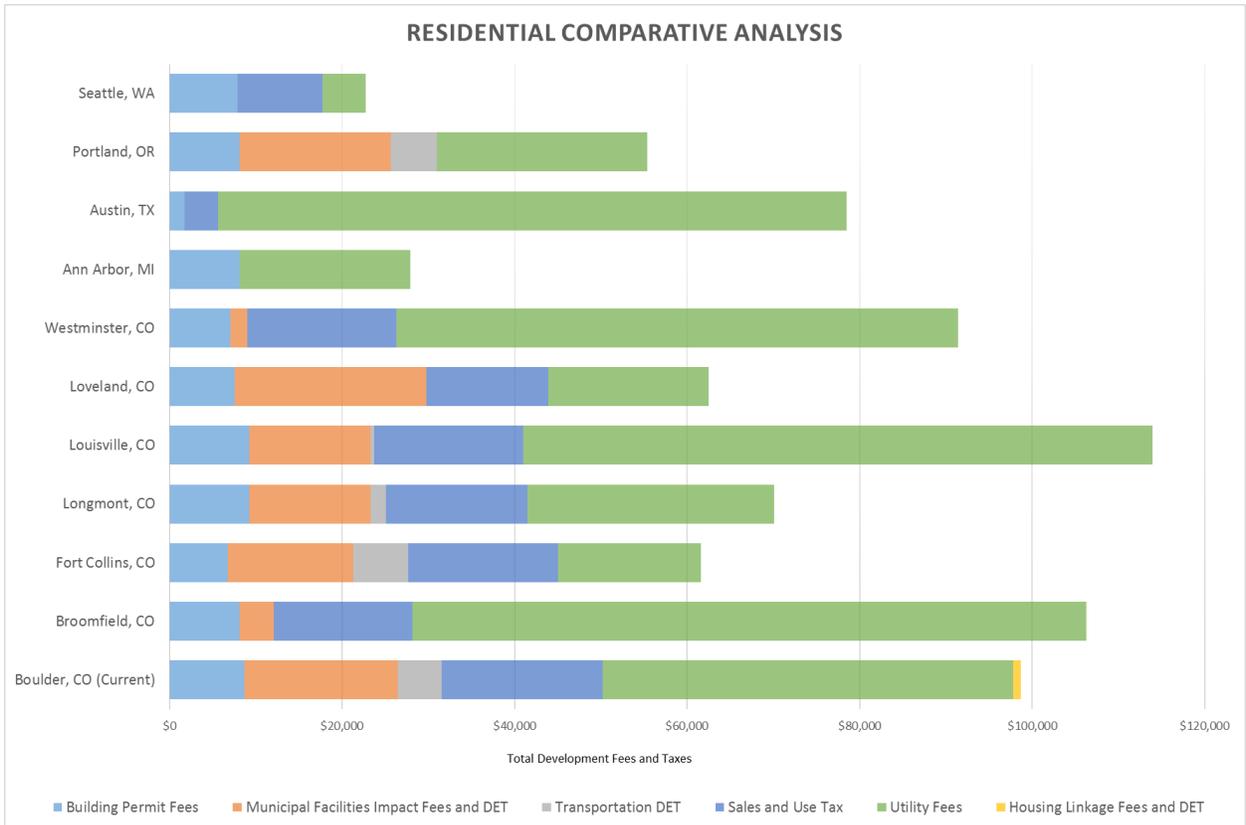


Figure 4

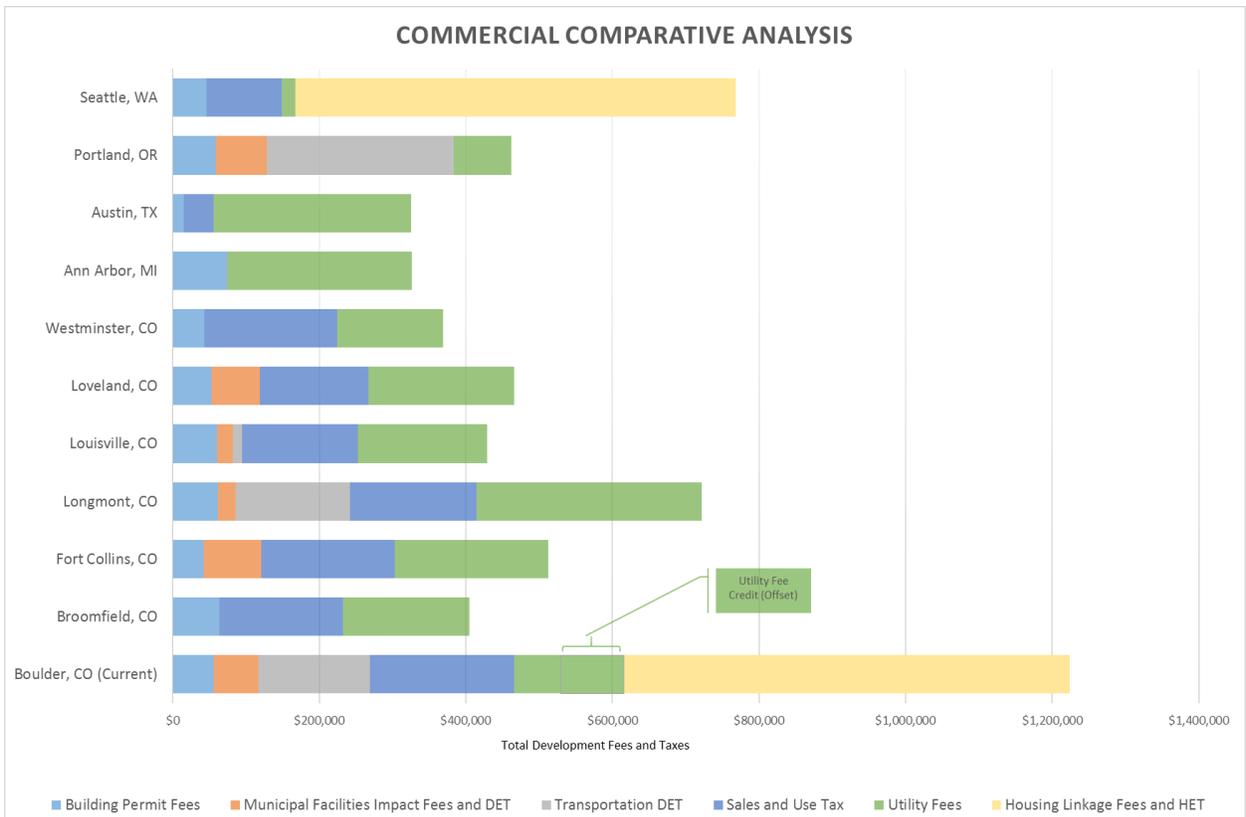


Figure 5

**Market Context - Scenarios**

At the April study session, council also expressed interest in understanding how any changes in fees would relate to the total development cost and what market adjustments would be necessary to absorb any fee changes. For illustration purposes, staff has assembled this information for two scenarios for all the lowest and highest fee level options described in *Section V – Options and Analysis*. The two scenarios “bookend” the range of scenarios for fee changes.

Staff also used the same example developments used in the above comparison to create a set of scenarios based on an example residential development and one based on a non-residential development. The full analysis of the scenarios are included in **Attachment B**. The summary of the results of the scenarios are as follows:

**Residential Scenarios**

|   | Current             | Scenario Low         | Scenario High        |
|---|---------------------|----------------------|----------------------|
| <b>Total Permitting and Development Fees/Taxes</b>  | <b>\$ 98,590.85</b> | <b>\$ 101,412.85</b> | <b>\$ 106,363.85</b> |
| <b>\$/Gross Square Foot (GSF)</b>   | <b>\$ 24.87</b>     | <b>\$ 25.58</b>      | <b>\$ 26.83</b>      |
| Net Increase \$/SF  |                     | \$ 0.71              | \$ 1.96              |
| <b>Total Development Cost Estimate<br/>@ \$302 / GSF based on KMA analysis</b>              | <b>\$ 1,200,000</b> | <b>\$ 1,200,000</b>  | <b>\$ 1,200,000</b>  |
| Total Fees as Percent of Development Cost   | 8.2%                | 8.5%                 | 8.9%                 |
| <b>Estimated Market Changes Sufficient to Absorb Increased Fees (based on KMA analysis)</b> |                     |                      |                      |
| Change in Land Values (@-1.4% for each \$1/SF Fee Increase)                                 |                     | -1.0%                | -2.7%                |

**Non-Residential Scenarios**

|   | Current                | Scenario Low           | Scenario High          |
|---|------------------------|------------------------|------------------------|
| <b>Total Permitting and Development Fees/Taxes</b>  | <b>\$ 1,137,297.97</b> | <b>\$ 1,304,139.97</b> | <b>\$ 3,306,087.57</b> |
| <b>\$/Gross Square Foot (GSF)</b>   | <b>\$ 18.50</b>        | <b>\$ 21.22</b>        | <b>\$ 53.79</b>        |
| Net Increase \$/SF  |                        | \$ 2.71                | \$ 35.28               |
| <b>Total Development Cost Estimate<br/>@ \$301 / GSF based on KMA analysis</b>              | <b>\$ 18,500,000</b>   | <b>\$ 18,500,000</b>   | <b>\$ 18,500,000</b>   |
| Total Fees as Percent of Development Cost   | 6.1%                   | 7.0%                   | 17.9%                  |
| <b>Estimated Market Changes Sufficient to Absorb Increased Fees (based on KMA analysis)</b> |                        |                        |                        |
| Change in Land Values (@-2% for each \$1/SF Fee Increase)                                   |                        | -5.4%                  | -70.6%                 |
| Change in Market Rents (@+0.3% for each \$1/SF Increase)                                    |                        | 0.8%                   | 10.6%                  |

Following the narrowing of the options at the June study session, staff plans to prepare these same scenario charts for the remaining option combinations.

## V. OPTIONS & ANALYSIS

The project team has developed charts to illustrate fee options for each component in order to frame the wide range of available approaches. The purpose of the charts is to summarize information in the detailed draft reports, provided to council at the April study session so that it can be easily compared across current levels and potential options. The Technical Working Group met on May 9, 2016, to review and refine the potential funding options and the group's feedback is included in **Attachment C**.

### *Affordable Housing Linkage Fee*

At the April study session, council members supported exploration of all the potential policy options for fee consideration based on the [draft affordable housing linkage fee analyses](#). Staff and Keyser Marston Associates have completed additional analysis and have developed four options. The Affordable Housing Fee Level Options memo prepared by Keyser Marston Associates is included in **Attachment D** and conveys the approach and methodology and calculations for each option.

- Option 1 explores fee levels needed to achieve the city's affordable housing goal of securing 10 percent of all residences as permanently affordable by 2025. This would result in a fee level of \$33.00/Sq. Ft. for office uses.
- Option 2 identifies fees at a level to address the city's middle income housing goals and efforts. This would result in a fee level of \$19.00/Sq. Ft. for office uses.
- Option 3 identifies fees based on maintaining Boulder's current income profile or level of income diversity. This would result in a fee level of \$43.10/Sq. Ft. for office uses.
- Option 4 provides a fee range that reflects economic/market factors and fee levels instituted in other programs regionally and nationally. This would result in a fee level of \$10 to \$15/Sq. Ft. for office uses.

\*Note: For comparison purposes, the current fee is \$9.53/Sq. Ft. for office uses.

Additionally, staff will be developing options for whether the existing Housing Excise Tax (HET), currently charged on all residential and non-residential development should continue to be assessed. As a part of the adoption of the commercial linkage fee in 2015, the current housing excise tax is credited for all new non-residential development. This analysis will be a part of the July 19, 2016 city council agenda item.

### *Multimodal Transportation*

At the April study session, council members generally expressed support for the next-generation approach to multimodal transportation funding. Three options are presented in the comparative chart for multimodal transportation funding, in **Attachment E**. The options are based on the [draft impact fee study](#) and [draft excise tax study](#) developed prior to the April study session.

- Option A includes increasing the existing transportation development excise tax to the maximum voter-approved levels. Based on growth projections, this would increase the estimated annual revenue to approximately \$1.79 million.
- Option B is based on adopting a new transportation impact fee and suspending the current transportation development excise tax. This option would reduce the estimated annual revenue by approximately \$900 thousand annually.

- Option C is based on adopting a new transportation impact fee while retaining the existing transportation development excise tax. This option would allow current development excise tax rates to remain the same, while adding additional funding capacity through an impact fee. Based on growth projections, this would increase the estimated annual revenue to approximately \$2.14 million.

\*Note: For comparison purposes, the current tax generates approximately \$1.15 million.

**Capital Facilities Impact Fees Update**

At the April study session, some council members requested additional context and background information on impact fees, which is included in *Section II – Background*, in this memo. The scope for this component is narrow, and focuses on updating the current impact fees with current growth projections and capital facility needs, as shown in the [draft development impact fee study for capital facilities](#). As a result, the comparative options chart for capital facilities impact fees has one proposed option, in **Attachment F**.

- The proposed option includes the maximum supportable fee for each capital facility category. This is based on the updated information and adjustments in methodology for a select few categories that were discussed in the April study session. Based on the hypothetical project scenarios, the changes would result in a 16 percent increase for residential development and 20 percent increase for commercial development.

**Options Evaluation Criteria**

While developing the evaluation criteria, staff began with the four base assumptions (**Figure 6**):

- implementation of BVCP Policy 1.30, balanced with other BVCP policies (including the built environment and transportation, housing, and economic vitality)
- Implementation of funding plans and projects identified in departmental master plans accepted by City Council, balanced with the development fiscal context, recognizing that development fees and taxes must be absorbed into the proforma for a development project.

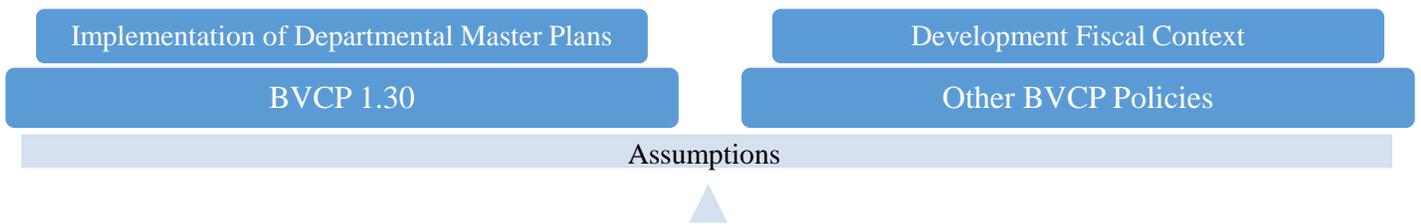


Figure 6

Based on those assumptions, staff has developed the following evaluation criteria:

1. **Addresses BVCP Policies** – How does this option implement the policies within the Boulder Valley Comprehensive Plan?
2. **Implements Goals in Master Plans** – How does this option address the goals contained in departmental master or strategic plans?
3. **Considers Market Context** – How does this option consider the broader market context of fee levels to comparative cities, overall development cost, and how development may absorb any fee change?

A simple evaluation symbol for each category was developed:

-  = N/A or Not much
-  = Somewhat
-  = Best

The evaluation criteria, as well as narrative of considerations is included in the options charts in **Attachments D, E, and F**. A summary of the analysis is below by component. To help focus the discussion in the June 14 study session, staff has made an initial recommendation for which options should be considered further, and which options should be eliminated. This recommendation is intended to be a catalyst for the conversation.

#### Affordable Housing Linkage Fee

| Option         | 1<br>10% Goal   | 2<br>Middle Income  | 3<br>Income Profile   | 4<br>Market Factors   |
|----------------|---|---|---|---|
| BVCP Policies  |  |  |  |  |
| Market Context |  |  |  |  |

**Recommendation:** Staff recommends that Options 1 and 4 be considered further. Options 2 and 3 should be eliminated from further consideration, due to the potential limitation of the use of the option 2 funds and the still evolving policy direction on middle income housing. Option 3 has a considerable fee increase that may have a significant impact on the financial viability of commercial development. See **Attachment D** for additional analysis.

#### Multi-modal Transportation

| Option                | A<br>DET  | B<br>Impact Fee   | C<br>Hybrid   |
|-----------------------|---|---|---|
| BVCP Policies         |  |  |  |
| Goals in Master Plans |  |  |  |
| Market Context        |  |  |  |

**Recommendation:** Staff recommends that Options A & C be considered further. Option B should be eliminated due to a decrease in potential funding, and limitation on the projects that can be implemented with the use of the fee. See **Attachment E** for additional analysis.

### Capital Facility Impact Fees

| Option                | Proposed Fees   |
|-----------------------|---|
| BVCP Policies         |  |
| Goals in Master Plans |  |
| Market Context        |  |

**Recommendation:** Staff recommends the proposed fees as shown in the draft development impact fee study for capital facilities be considered further. These updated fees are based on current service levels and current capital needs. See **Attachment F** for additional analysis.

Question for Council:

1. Which options should be considered further for potential fee changes?

### *Development Excise Tax*

The city's current development excise tax includes funding for two areas:

1. Parkland Acquisition
2. Transportation

The current development excise tax was approved by the voters in 1998, with a maximum rate to be charged on residential and non-residential development. The tax rates are currently at the voter approved maximum for non-residential development, but taxing capacity remains for residential development. The development excise tax can be allocated between parkland and transportation based on the excise tax studies.

The current parkland portion is based on the [2009 Excise Tax study](#). Revenues from the tax are being used to acquire the park in Boulder Junction and the plaza surrounding the depot in Boulder Junction. Both purchases will be complete in 2016.

In 2014 the Parks and Recreation Master Plan was completed, and it states:

“Given Boulder’s existing acreage and high LOS for urban parkland, the community is well poised to meet future needs. In fact, with the total supply of acreage available for development, the amount of open space supplied by OSMP and other providers, and the availability of land associated with schools, it is anticipated that there will not be any additional requirements to acquire new lands. This assumption is dependent on BPRD developing existing undeveloped lands in balance with growing recreation needs and maintaining a balance of developed and natural areas in urban parks.” (Parks & Recreation Master Plan, Page 42).

This would indicate that there is no longer a need for parkland acquisition funds following the purchase of the Boulder Junction parks.

However, the master plan was developed using the 2010 BVCP update and 2010 projections for future growth. The need for future neighborhood level parks may be necessary, given the history of evolution of the city’s land uses over time, and that the 2015 BVCP update is underway and contemplating land use changes for certain areas of the community, not unlike changes previously made that lead to the Transit Village Area Plan and need for Boulder Junction park land. BVCP policies, such as the Built Environment Chapter and Policy 2.31 – Design of Newly Developing Areas, recognize the importance that urban parks play in neighborhoods in the community. Additionally, the BVCP Urban Service Standards for Developed Urban Parks state that a neighborhood park should be provided within one-half mile of the population to be served. This would indicate that there is a need for future purchase of park land to serve areas that may be repurposed from commercial/industrial land uses to residential or mixed use.

As a result, there are policy options for the development excise tax (DET) that are interrelated to the options for transportation funding:

1. Keep the development excise tax revenues allocated to both parkland and transportation. (Status Quo)
2. Suspend parkland component of the development excise tax; allocate all of the development excise taxing capacity to transportation. (increase funding to transportation)
3. Suspend parkland component of the development excise tax; do not reallocate the development excise taxing capacity to transportation. (reduce the total DET)

**Recommendation:** Staff recommends pursuing option 1 – keep the development excise tax revenues directed to both parkland and transportation, and analyze the allocation split within the existing taxing capacity.

Question for Council:

2. What feedback does council have regarding the allocation of the development excise tax?

## VI. CREDITS & RATE STRUCTURE

### *Multimodal Transportation Rate Structure*

For each multi-modal transportation option discussed in *Section V – Options and Analysis*, staff is exploring a tiered rate structure. This would lower the rates in locations with high levels of multimodal access. To assess whether a property is within areas of high multimodal access, staff could use:

- A quarter mile buffer around our high frequency transit corridors
- The Transportation Master Plan’s (TMP) new Neighborhood Access Tool
- An approach based on existing parking and Transportation Demand Management (TDM) districts
- A method based on population and employment densities

A key consideration in how rate reductions are applied is the ease in which the policy can be analyzed and administered by applicants and the city's permitting staff. Illustrations of each of these options are included in **Attachment G**.

The high frequency routes of the Community Transit Network could potentially serve as a good surrogate for multimodal level of service. Generally a quarter mile around a transit route is considered the walk shed and developments located in that buffer area could qualify for reduced rates. Page 1 of **Attachment G** provides an illustration of what the buffer zones around the high frequency transit corridors could look like.

The TMP's Neighborhood Access Tool produces walk sheds based on a 15-minute walk to get to a variety of destinations. The number of destinations available by walking determines an access score. The 2015 TMP estimates that 26 percent of Boulder's population lives in a neighborhood with a score greater than 69, meaning that residents can walk to a grocery store, park, restaurant and a transit stop in less than 15 minutes. To use this tool to determine rate adjustments, staff may need to re-examine inputs and their weightings to better fit the context of both residential and commercial developments. Page 2 of **Attachment G** provides an illustration of how the Neighborhood Access Tool can be used to identify areas of high access scores.

Another option is to use existing (and future) parking and TDM districts as a means to identify where developments could qualify for rate adjustments. Current districts in the city include CAGID, UHGID and Boulder Junction. All of these districts had paid and managed parking and provide Eco Passes to employees. In Boulder Junction, residents also receive Eco Passes and both residents and employees also receive carshare and bikeshare benefits. One benefit of the districts is that they each have a mechanism to fund on-going programs like the Eco Pass. Page 3 of **Attachment G** provides a map illustrating Boulder's existing Parking and TDM districts.

The final option to consider is using the employment and residential densities to identify areas urban core areas which generally have higher levels of multimodal access compared to more suburban areas. Page 4 of **Attachment G** provides an illustration of Boulder's urban core.

Staff seeks council feedback on whether to consider any of these approaches to a tiered rate system for transportation.

### ***Affordable Housing Credits/Fee waivers***

At the April 12 study session, several council members questioned whether affordable housing should be credited development excise taxes and impact fees, in order to reduce the overall development costs for an affordable housing project. Currently, there is no credit mechanism for impact fees in the city's regulations; however a credit for affordable housing is authorized by the state impact fee statute.

For the development excise tax, the city code provides a waiver of the development excise tax for new housing developments that provide on-site permanently affordable units in excess of the required 20 percent. If that occurs, for every unit in excess of the required 20 percent, that additional unit plus one of the required 20 percent is granted a waiver of the development excise tax.

When the impact fees were created and converted from excise taxes in 2009, the council discussed whether an affordable housing credit should be included, and concluded to not allow

for any credits. Because impact fees must be based on a demonstrated need and can only be proportional to the additional demand created by that new development, that capital improvement is still necessary to address the demand created by the new development. As a result, a grant system or funding from another revenue source such as the general fund or other departmental capital funds and sales tax would have to be used to offset the expense.

Staff seeks council feedback about whether to consider additional analysis on a funding system. This would include analysis of the financial cost for examples such as:

1. Crediting all permanently affordable housing development.
2. Credit permanently affordable housing developed only by a non-profit housing developer.
3. A credit system similar to the current development excise tax credit for affordable housing above and beyond the required amount.

For each of these options, a system for budgeting funds from other sources including, without limitation, the General Fund to address the deficiencies created by not charging affordable housing developments would need to be developed.

**Recommendation:** Staff recommends pursuing a tiered transportation rate structure using either a quarter mile buffer around our high frequency transit corridors, or an approach based on existing parking and Transportation Demand Management (TDM) districts. For the affordable housing credits, staff recommends keeping the existing process (no credits except DET) for now, but exploring the development of a subsidy system in conjunction with other fee/tax waivers as a part of the Affordable Housing Benefit Ordinance that is identified in Housing Boulder project workplan.

Question for Council:

3. Does council have any feedback on the options for affordable housing credits and transportation rate structure?

## VII. NEXT STEPS

Based on the feedback from city council, staff and the consultants will develop final drafts of the reports and create final fee and tax change scenarios for council consideration. A public information session is scheduled for June 27, 2016.

Final options and recommendations will be presented to council on July 19 for a public hearing and decision. Based on council's direction, staff will implement changes through the 2017 budget approval process in the fall of 2016, with a potential phase in or other implementation actions based on council direction.

Based on council feedback at the October 2015 study session and technical working group and public feedback, staff has added the development of an economic impact analysis to the project

scope. An economic impact analysis is an evaluation of the economic benefit of an entity or industry on a defined geographic location—either with regard to its presence, expansion, or contraction. The key components of any economic impact analysis are typically measured by increases in personal income, value added (or gross regional product), business output, and/or job creation. The analysis will look at the direct, indirect, and induced effects of development, and summarize the citywide gross economic impacts. The report will also include summary multipliers by industry and activity where possible. This report will be completed prior to the July 19 city council public hearing.

## **VIII. ATTACHMENTS**

**A** – 2016 DET and Impact Fees Comparison Analysis Tables & Graphs

**B** – DRAFT Scenario Comparisons Table

**C** – Technical working group feedback

**D** – KMA Affordable Housing Fee Level Options Memo and Chart

**E** – Multi-modal Transportation Funding Options Chart

**F** – Capital Facilities Impact Fees Options Chart

**G** – Multimodal Transportation Rate Structure Maps

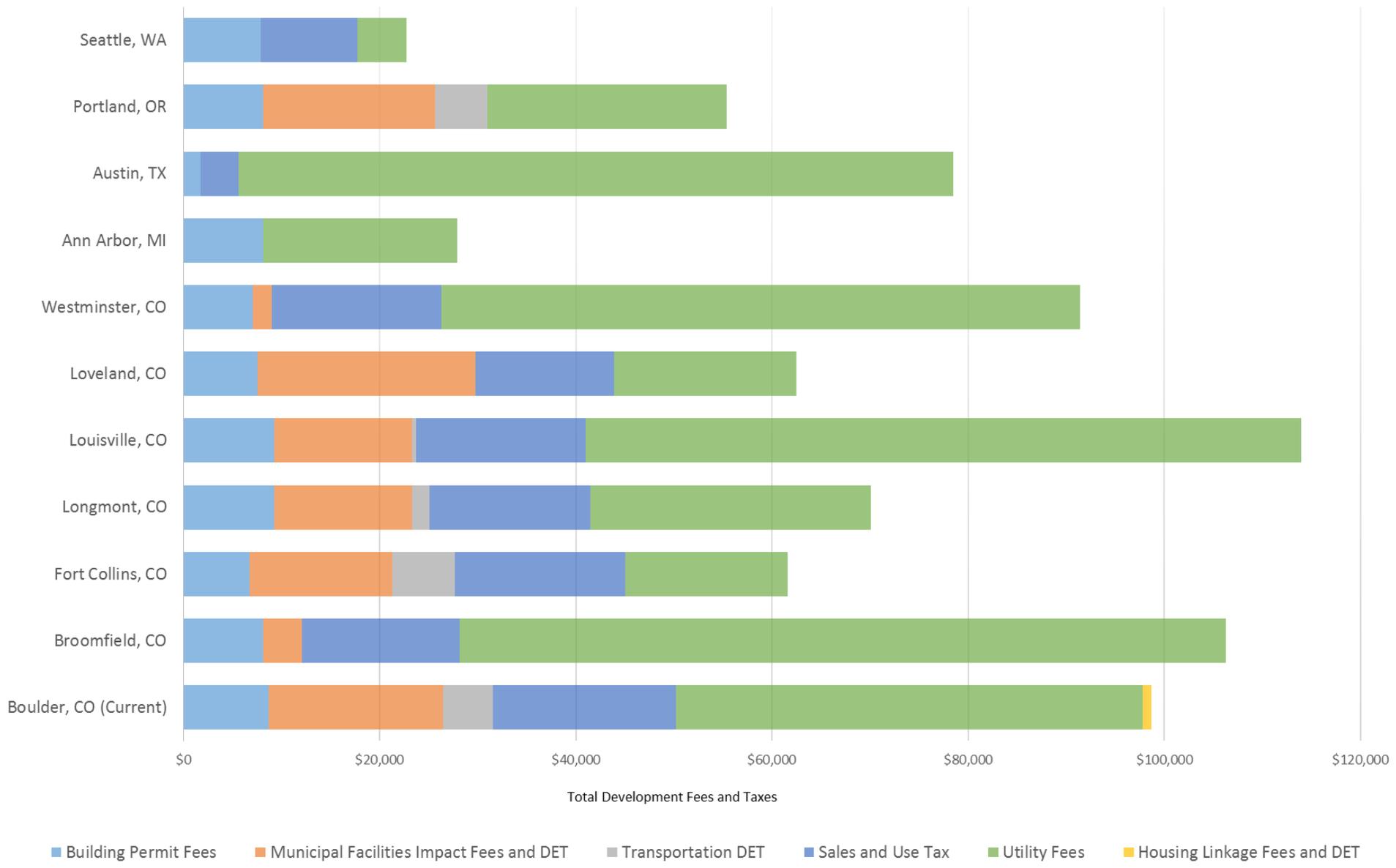
### 2016 DET and Impact Fees - Peer City Comparison | Residential

|  | Boulder, CO<br>(Current) | Broomfield, CO    | Fort Collins, CO | Longmont, CO     | Louisville, CO    | Loveland, CO     | Westminster, CO  | Ann Arbor, MI    | Austin, TX       | Portland, OR     | Seattle, WA      |
|--|--------------------------|-------------------|------------------|------------------|-------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| <b>Building Permit Fees:</b>                               | 8,659                    | 8,126             | 6,740            | 9,206            | 9,202             | 7,521            | 7,036            | 8,119            | 1,694            | 8,085            | 7,861            |
| Building Permit Fee  | 4,299                    | 4,035             | 4,550            | 4,640            | 4,843             | 4,035            | 3,350            | 5,799            | 1,396            | 3,742            | 3,427            |
| Mechanical Permit Fee                                      | 472                      | 442               | -                | 508              | 969               | 442              | 503              | -                | 73               | 587              | -                |
| Electrical Permit Fee                                      | 493                      | 462               | -                | 531              | 484               | 462              | 503              | -                | 114              | 972              | 1,015            |
| Plumbing Permit Fee  | 601                      | 563               | -                | 1,208            | 484               | 563              | 503              | -                | 111              | -                | -                |
| Plan Check Fee   | 2,794                    | 2,623             | 2,191            | 2,320            | 2,422             | 2,017            | 2,178            | 2,320            | -                | 2,784            | 3,419            |
| <b>Parks &amp; Recreation</b>                              | 12,774                   | -                 | 9,912            | 10,732           | 11,313            | 13,572           | 1,508            | -                | -                | 17,541           | -                |
| Parks and Recreation Impact Fee                            | 10,386                   | -                 | 9,912            | 10,732           | 4,500             | 3,276            | -                | -                | -                | 17,541           | -                |
| Park Development Fee                                       | -                        | -                 | -                | -                | -                 | -                | 1,508            | -                | -                | -                | -                |
| Parks and Trails Fee                                       | -                        | -                 | -                | -                | 6,813             | 10,296           | -                | -                | -                | -                | -                |
| Park Land Excise Tax                                       | 2,388                    | -                 | -                | -                | -                 | -                | -                | -                | -                | -                | -                |
| <b>Library</b>   |                          |                   |                  |                  |                   |                  |                  |                  |                  |                  |                  |
| Library Impact Fee   | 1,512                    | -                 | -                | -                | 1,215             | 1,506            | -                | -                | -                | -                | -                |
| <b>Fire</b>  |                          |                   |                  |                  |                   |                  |                  |                  |                  |                  |                  |
| Fire Impact Fee  | 1,131                    | -                 | 1,152            | -                | -                 | 1,851            | -                | -                | -                | -                | -                |
| <b>Police</b>  |                          |                   |                  |                  |                   |                  |                  |                  |                  |                  |                  |
| Police Impact Fee  | 972                      | -                 | 576              | -                | -                 | 1,824            | -                | -                | -                | -                | -                |
| <b>Human Services</b>                                      |                          |                   |                  |                  |                   |                  |                  |                  |                  |                  |                  |
| Human Services Impact Fee                                  | 489                      | -                 | -                | -                | -                 | -                | -                | -                | -                | -                | -                |
| <b>Municipal Facilities/Other</b>                          | 924                      | 3,965             | 2,902            | 3,363            | 1,545             | 3,516            | 468              | -                | -                | -                | -                |
| Municipal Facilities Impact Fee                            | 924                      | -                 | 1,356            | 3,363            | 1,545             | 2,259            | -                | -                | -                | -                | -                |
| Broomfield Services Expansion Fee                          | -                        | 3,965             | -                | -                | -                 | -                | -                | -                | -                | -                | -                |
| Cultural Services/Museum                                   | -                        | -                 | -                | -                | -                 | 1,257            | -                | -                | -                | -                | -                |
| School Land Dedication                                     | -                        | -                 | -                | -                | -                 | -                | 468              | -                | -                | -                | -                |
| School Impact Fees   | -                        | -                 | 1,546            | -                | -                 | -                | -                | -                | -                | -                | -                |
| <b>Transportation</b>                                      | 5,060                    | -                 | 6,348            | 1,745            | 391               | -                | -                | -                | -                | 5,307            | -                |
| Transportation Excise Tax                                  | 5,060                    | -                 | -                | -                | -                 | -                | -                | -                | -                | -                | -                |
| Multimodal Transportation Capital and Operating Impact Fee | -                        | -                 | -                | -                | -                 | -                | -                | -                | -                | -                | -                |
| Transportation Community Investment Fee                    | -                        | -                 | -                | 1,345            | -                 | -                | -                | -                | -                | -                | -                |
| Transportation Impact Fee                                  | -                        | -                 | -                | -                | 391               | -                | -                | -                | -                | 5,307            | -                |
| Street Improvement Fee                                     | -                        | -                 | -                | 401              | -                 | -                | -                | -                | -                | -                | -                |
| Street Oversizing Capital Expansion Fee                    | -                        | -                 | 6,348            | -                | -                 | -                | -                | -                | -                | -                | -                |
| <b>Housing</b>   |                          |                   |                  |                  |                   |                  |                  |                  |                  |                  |                  |
| Housing Excise Tax   | 912                      | -                 | -                | -                | -                 | -                | -                | -                | -                | -                | -                |
| <b>Sales and Use Tax</b>                                   |                          |                   |                  |                  |                   |                  |                  |                  |                  |                  |                  |
| Sales & Use Tax  | 18,718                   | 16,033            | 17,385           | 16,458           | 17,327            | 14,101           | 17,289           | -                | 3,863            | -                | 9,852            |
| <b>Utility Fees:</b>                                       | 47,549                   | 78,144            | 16,582           | 28,615           | 72,960            | 18,618           | 65,100           | 19,742           | 72,900           | 24,466           | 4,985            |
| Water Plant Investment Fees                                | 24,380                   | 40,417            | 3,115            | 13,063           | 62,160            | 8,760            | 22,704           | 8,644            | 13,500           | 5,842            | 4,452            |
| Wastewater Plant Investment Fees                           | 9,508                    | 37,727            | 7,689            | 10,960           | 10,800            | 6,780            | 17,799           | 11,098           | 59,400           | 17,601           | 533              |
| Stormwater Plant Investment Fees                           | 13,661                   | -                 | 575              | 812              | -                 | -                | -                | -                | -                | 1,023            | -                |
| Water Rights Fee   | -                        | -                 | 5,203            | 3,780            | -                 | 3,078            | 24,597           | -                | -                | -                | -                |
| <b>TOTAL</b>   | <b>\$ 98,700</b>         | <b>\$ 106,268</b> | <b>\$ 61,598</b> | <b>\$ 70,120</b> | <b>\$ 113,954</b> | <b>\$ 62,509</b> | <b>\$ 91,401</b> | <b>\$ 27,861</b> | <b>\$ 78,457</b> | <b>\$ 55,399</b> | <b>\$ 22,698</b> |
| <b>Sales and Use Tax Rate (City and County)</b>            | <b>4.85%</b>             | <b>4.15%</b>      | <b>4.50%</b>     | <b>4.26%</b>     | <b>4.49%</b>      | <b>3.65%</b>     | <b>4.48%</b>     | <b>0.00%</b>     | <b>1.00%</b>     | <b>0.00%</b>     | <b>2.55%</b>     |

**Residential Scenario**

3,965 sq. ft building  
 Units: 3 (Townhomes)(Unit 1 3 bed, 2.5 bath; Unit 2 2 bed, 2.5 bath; unit 3 3 bed, 2.5 bath)  
 Total Valuation (Sq. Ft Costs): \$443,601.60  
 Total Valuation (Applicant value): \$772,682.93  
 Electrical: \$32,000  
 Mechanical: \$30,000  
 Plumbing: \$42,000  
 Sprinklers: 4"  
 Water 1"  
 Sewer 4"  
 Irrigation: None  
 Impervious Area: 6,238

### RESIDENTIAL COMPARATIVE ANALYSIS



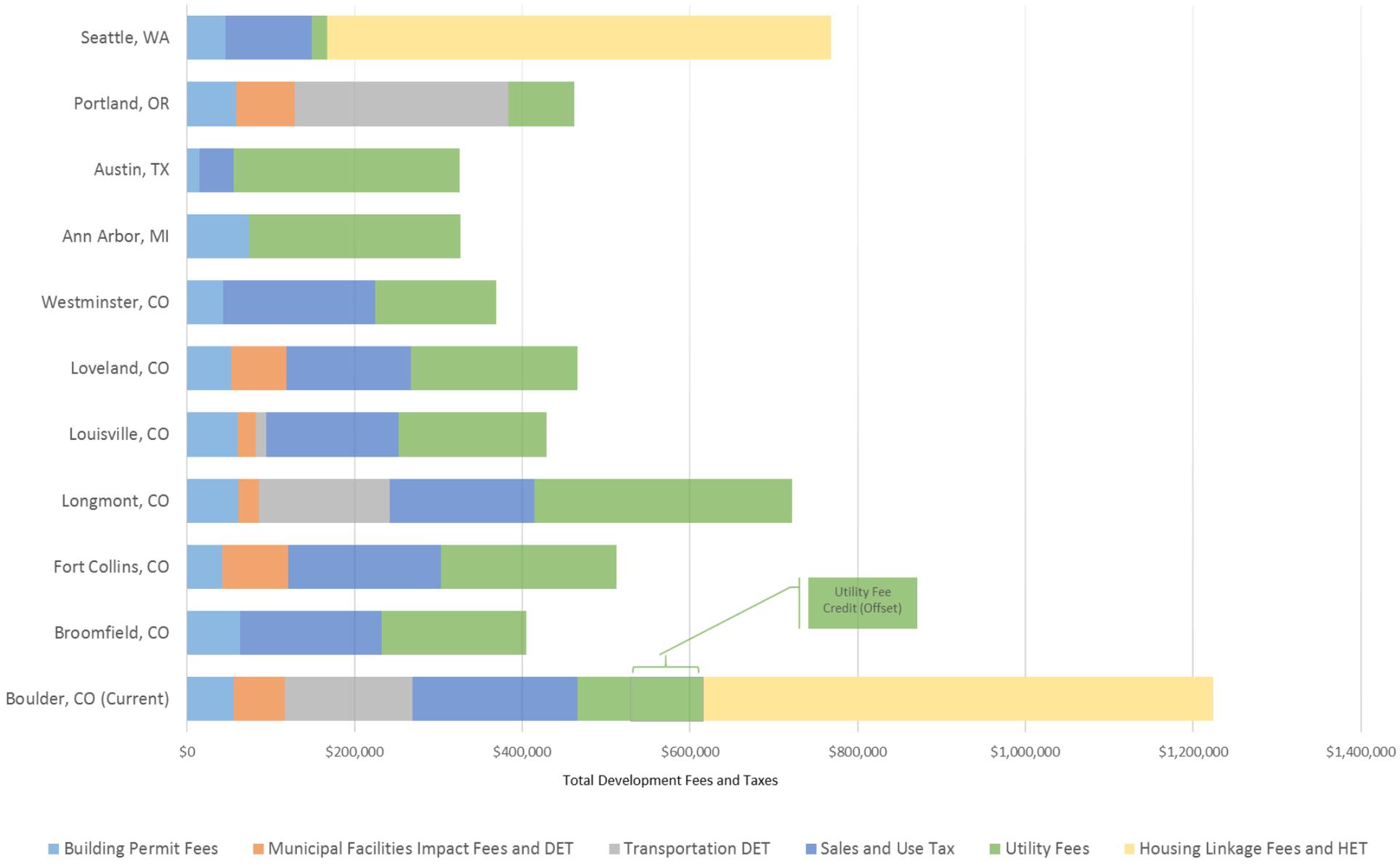
### 2016 DET and Impact Fees - Peer City Comparison | Commercial

|  | Boulder, CO<br>(Current) | Broomfield, CO | Fort Collins, CO | Longmont, CO | Louisville, CO | Loveland, CO | Westminster, CO | Ann Arbor, MI | Austin, TX | Portland, OR | Seattle, WA |
|--|--------------------------|----------------|------------------|--------------|----------------|--------------|-----------------|---------------|------------|--------------|-------------|
| <b>Building Permit Fees:</b>                               | 55,870                   | 63,569         | 42,224           | 61,405       | 60,974         | 52,795       | 42,818          | 74,157        | 15,412     | 58,786       | 45,748      |
| Building Permit Fee  | 28,832                   | 33,804         | 28,501           | 31,379       | 29,744         | 27,275       | 20,389          | 52,969        | 12,567     | 31,692       | 27,422      |
| Mechanical Permit Fee                                      | 3,977                    | 3,733          | -                | 4,938        | 5,949          | 3,733        | 3,058           | -             | 1,425      | 6,495        | -           |
| Electrical Permit Fee                                      | 2,725                    | 2,562          | -                | 2,958        | 2,974          | 2,562        | 3,058           | -             | 645        | -            | 4,615       |
| Plumbing Permit Fee  | 1,595                    | 1,498          | -                | 1,734        | 2,974          | 1,498        | 3,058           | -             | 775        | -            | -           |
| Plan Check Fee   | 18,741                   | 21,973         | 13,723           | 20,397       | 19,333         | 17,729       | 13,253          | 21,188        | -          | 20,600       | 13,711      |
| <b>Parks &amp; Recreation</b>                              | -                        | -              | -                | -            | -              | -            | -               | -             | -          | 69,609       | -           |
| Parks and Recreation Impact Fee                            | -                        | -              | -                | -            | -              | -            | -               | -             | -          | 69,609       | -           |
| Park Land Excise Tax                                       | -                        | -              | -                | -            | -              | -            | -               | -             | -          | -            | -           |
| <b>Library</b>   | -                        | -              | -                | -            | -              | -            | -               | -             | -          | -            | -           |
| Library Impact Fee   | -                        | -              | -                | -            | -              | -            | -               | -             | -          | -            | -           |
| <b>Fire</b>  | -                        | -              | -                | -            | -              | -            | -               | -             | -          | -            | -           |
| Fire Impact Fee  | 36,720                   | -              | 20,222           | -            | -              | 17,825       | -               | -             | -          | -            | -           |
| <b>Police</b>  | -                        | -              | -                | -            | -              | -            | -               | -             | -          | -            | -           |
| Police Impact Fee  | 11,666                   | -              | 10,142           | -            | -              | 23,357       | -               | -             | -          | -            | -           |
| <b>Human Services</b>                                      | -                        | -              | -                | -            | -              | -            | -               | -             | -          | -            | -           |
| Human Services Impact Fee                                  | -                        | -              | -                | -            | -              | -            | -               | -             | -          | -            | -           |
| <b>Municipal Facilities/Other</b>                          | 12,687                   | -              | 47,943           | 24,648       | 21,218         | 25,201       | -               | -             | -          | -            | -           |
| Municipal Facilities Impact Fee                            | 12,687                   | -              | 47,943           | 24,648       | 21,218         | 25,201       | -               | -             | -          | -            | -           |
| Broomfield Services Expansion Fee Excise Tax (See Note)    | -                        | -              | -                | -            | -              | -            | -               | -             | -          | -            | -           |
| <b>Transportation</b>                                      | 152,436                  | -              | -                | 155,693      | 12,564         | -            | -               | -             | -          | 255,342      | -           |
| Transportation Excise Tax                                  | 152,436                  | -              | -                | -            | -              | -            | -               | -             | -          | -            | -           |
| Multimodal Transportation Capital and Operating Impact Fee | -                        | -              | -                | -            | -              | -            | -               | -             | -          | -            | -           |
| Transportation Community Investment Fee                    | -                        | -              | -                | 140,972      | -              | -            | -               | -             | -          | -            | -           |
| Street Improvement Fee                                     | -                        | -              | -                | 14,721       | -              | -            | -               | -             | -          | -            | -           |
| Transportation Impact Fee                                  | -                        | -              | -                | -            | 12,564         | -            | -               | -             | -          | 255,342      | -           |
| Street Oversizing Capital Expansion Fee                    | -                        | -              | -                | -            | -              | -            | -               | -             | -          | -            | -           |
| <b>Housing</b>   | 607,640                  | -              | -                | -            | -              | -            | -               | -             | -          | -            | 600,891     |
| Housing Excise Tax   | 31,348                   | -              | -                | -            | -              | -            | -               | -             | -          | -            | -           |
| Affordable Housing Linkage Fee                             | 576,293                  | -              | -                | -            | -              | -            | -               | -             | -          | -            | 600,891     |
| <b>Sales and Use Tax</b>                                   | -                        | -              | -                | -            | -              | -            | -               | -             | -          | -            | -           |
| Sales & Use Tax  | 196,487                  | 168,301        | 182,495          | 172,762      | 157,554        | 148,024      | 181,482         | -             | 40,555     | -            | 103,414     |
| <b>Utility Fees:</b>                                       | 149,824                  | 172,784        | 209,106          | 307,683      | 176,381        | 198,527      | 145,005         | 252,460       | 269,000    | 78,121       | 18,604      |
| Water Plant Investment Fees                                | 104,925                  | 60,538         | 66,680           | 168,230      | 51,181         | 82,020       | 33,719          | 77,680        | 145,800    | 58,420       | 18,071      |
| Wastewater Plant Investment Fees                           | 10,135                   | 112,246        | 61,160           | 93,750       | 125,200        | 38,543       | 74,757          | 174,780       | 123,200    | -            | 533         |
| Stormwater Plant Investment Fees                           | 34,764                   | -              | 18,866           | 12,553       | -              | -            | -               | -             | -          | 19,701       | -           |
| Water Rights Fee   | -                        | -              | 62,400           | 33,150       | -              | 77,965       | 36,529          | -             | -          | -            | -           |
| <b>TOTAL</b>   | \$ 1,223,329             | \$ 404,654     | \$ 512,133       | \$ 722,192   | \$ 428,692     | \$ 465,730   | \$ 369,304      | \$ 326,617    | \$ 324,966 | \$ 461,858   | \$ 768,658  |
| <b>Sales and Use Tax Rate (City and County)</b>            | 4.85%                    | 4.15%          | 4.50%            | 4.26%        | 3.89%          | 3.65%        | 4.48%           | 0.00%         | 1.00%      | 0.00%        | 2.55%       |

**Non-Residential Scenario**

3 story office building, with surface parking  
 124,882 sq. ft. lot  
 61,466 sq. ft. building  
     57,778 sq ft occupancy B, Office - Professional  
     1,844 sq ft occupancy A-2, Resturant  
     1,844 sq ft occupancy M, Commercial/Retail  
 Total Valuation (Sq. Ft Costs): \$7,778,672.10  
 Total Valuation (Applicant value): \$8,110,910.00  
 Electrical: \$380,000  
 Mechanical: \$605,000  
 Plumbing: \$190,000  
 Sprinklers: 6"  
 Water 4"  
 Sewer 6"  
 Irrigation: 1"  
 Impervious Area: 96,485

### COMMERCIAL COMPARATIVE ANALYSIS



**Residential Scenarios**

Attachment B – DRAFT Scenario Comparisons Table

|   | Current      | Scenario Low  | Scenario High |
|---|--------------|---------------|---------------|
| <b>Permit Fees</b>  | \$ 8,658.85  | \$ 8,658.85   | \$ 8,658.85   |
| <b>Excise Taxes &amp; Impact Fees</b>   | \$ 22,753.00 | \$ 26,487.00  | \$ 31,438.00  |
| Parks & Recreation Impact Fee   | \$ 10,386.00 | \$ 14,913.00  | \$ 14,913.00  |
| Parkland Excise Tax   | \$ 2,388.00  | \$ -          | \$ -          |
| Library Impact Fee  | \$ 1,512.00  | \$ 2,382.00   | \$ 2,382.00   |
| Fire Impact Fee   | \$ 1,131.00  | \$ 1,083.00   | \$ 1,083.00   |
| Police Impact Fee   | \$ 972.00    | \$ 1,215.00   | \$ 1,215.00   |
| Municipal Facilities Impact Fee   | \$ 924.00    | \$ 1,458.00   | \$ 1,458.00   |
| Human Service Impact Fee  | \$ 489.00    | \$ 459.00     | \$ 459.00     |
| Transportation Excise Tax (Impact Fee)  | \$ 4,951.00  | \$ 4,977.00   | \$ 9,928.00   |
| <b>Affordable Housing</b>   | \$ 912.00    | \$ -          | \$ -          |
| Housing Excise Tax  | \$ 912.00    | \$ -          | \$ -          |
| Inclusionary Housing  |              |               |               |
| <b>Plant Investment Fees</b>  | \$ 47,549.00 | \$ 47,549.00  | \$ 47,549.00  |
| <b>Sales &amp; Use Tax</b>  | \$ 18,718.00 | \$ 18,718.00  | \$ 18,718.00  |
| <b>Total Permitting and Development Fees/Taxes</b>  | \$ 98,590.85 | \$ 101,412.85 | \$ 106,363.85 |
| <b>\$/Gross Square Foot</b>   | \$ 24.87     | \$ 25.58      | \$ 26.83      |
| Net Increase PSF  |              | \$ 0.71       | \$ 1.96       |
| <b>Total Development Cost Estimate @ \$302 / GSF based on KMA analysis</b>                  | \$ 1,200,000 | \$ 1,200,000  | \$ 1,200,000  |
| Total Fees as Percent of Development Cost   | 8.2%         | 8.5%          | 8.9%          |
| <b>Estimated Market Changes Sufficient to Absorb Increased Fees (based on KMA analysis)</b> |              |               |               |
| Change in Land Values (@-1.4% for each \$1/SF Fee Increase)                                 |              | -1.0%         | -2.7%         |

**Residential Scenario**

3,965 sq. ft building  
 Units: 3 (Townhomes)  
 (Unit 1: 3 bed, 2.5 bath; Unit 2: 2 bed, 2.5 bath; unit 3: 3 bed, 2.5 bath)  
 Total Valuation (Sq. Ft Costs): \$443,601.60  
 Total Valuation (Applicant value): \$772,682.93  
 Electrical: \$32,000; Mechanical: \$30,000; Plumbing: \$42,000  
 Sprinklers: 4"; Water 1"; Irrigation: None. Impervious area: 6,238

Scenario Low = Impact Fees: proposed option, Transportation: Option B, Housing: Option 4

Scenario High = Impact Fees: proposed option, Transportation: Option C, Housing: Option 3

## Non-Residential Scenarios

|   | Current         | Scenario Low    | Scenario High   |
|---|-----------------|-----------------|-----------------|
| <b>Permit Fees</b>  | \$ 55,869.97    | \$ 55,869.97    | \$ 55,869.97    |
| <b>Excise Taxes &amp; Impact Fees</b>   | \$ 213,509.00   | \$ 236,263.00   | \$ 388,699.00   |
| Parks & Recreation Impact Fee   | n/a             | n/a             | n/a             |
| Parkland Excise Tax   | n/a             | n/a             | n/a             |
| Library Impact Fee  | n/a             | n/a             | n/a             |
| Fire Impact Fee   | \$ 36,720.00    | \$ 52,517.00    | \$ 52,517.00    |
| Police Impact Fee   | \$ 11,666.00    | \$ 18,796.00    | \$ 18,796.00    |
| Municipal Facilities Impact Fee   | \$ 12,687.00    | \$ 33,179.00    | \$ 33,179.00    |
| Human Service Impact Fee  | n/a             | n/a             | n/a             |
| Transportation Excise Tax/Impact Fee  | \$ 152,436.00   | \$ 131,771.00   | \$ 284,207.00   |
| <b>Affordable Housing</b>   | \$ 607,641.00   | \$ 751,729.00   | \$ 2,601,240.60 |
| Housing Excise Tax  | \$ 31,348.00    | \$ 31,348.00    | \$ 31,348.00    |
| Affordable Housing Linkage Fee  | \$ 576,293.00   | \$ 720,381.00   | \$ 2,569,892.60 |
| <b>Plant Investment Fees</b>  | \$ 63,791.00    | \$ 63,791.00    | \$ 63,791.00    |
| <b>Sales &amp; Use Tax</b>  | \$ 196,487.00   | \$ 196,487.00   | \$ 196,487.00   |
| <b>Total Permitting and Development Fees/Taxes</b>  | \$ 1,137,297.97 | \$ 1,304,139.97 | \$ 3,306,087.57 |
| <b>\$/Gross Square Foot</b>   | \$ 18.50        | \$ 21.22        | \$ 53.79        |
| Net Increase PSF  |                 | \$ 2.71         | \$ 35.28        |
| <b>Total Development Cost Estimate<br/>@ \$301 / GSF based on KMA analysis</b>              | \$ 18,500,000   | \$ 18,500,000   | \$ 18,500,000   |
| Total Fees as Percent of Development Cost   | 6.1%            | 7.0%            | 17.9%           |
| <b>Estimated Market Changes Sufficient to Absorb Increased Fees (based on KMA analysis)</b> |                 |                 |                 |
| Change in Land Values (@-2% for each \$1/SF Fee Increase)                                   |                 | -5.4%           | -70.6%          |
| Change in Market Rents (@+0.3% for each \$1/SF Increase)                                    |                 | 0.8%            | 10.6%           |

## Non-Residential Scenario

3 story office building, with surface parking

124,882 sq. ft. lot

61,466 sq. ft. building

57,778 sq ft occupancy B, Office - Professional

1,844 sq ft occupancy A-2, Resturant

1,844 sq ft occupancy M, Commercial/Retail

Total Valuation (Sq. Ft Costs): \$7,778,672.10

Total Valuation (Applicant value): \$8,110,910.00

Electrical: \$380,000; Mechanical: \$605,000; Plumbing: \$190,000

Sprinklers: 6"; Water 4"; Sewer 6"; Irrigation 1". Impervious Area: 96,485

Scenario Low = Impact Fees: proposed option, Transportation: Option B, Housing: Option 4

Scenario High = Impact Fees: proposed option, Transportation: Option C, Housing: Option 3

## Captured Notes from Meeting #3 – May 9<sup>th</sup>

### Affordable Housing:

#### Board #1:

#1 How sensitive is the dollar productivity of housing linkage fees to projected growth of non-residential square feet? If growth is slower, how does that impact funding for housing?

#2 If #4 - Who would pay this difference to meet the cited goals? e.g., Increase property tax? Something else?

#3 Ongoing property & sales taxes and utility fee revenues should be considered by Council in understanding contributions made by non-residential development and the availability of the other revenues besides impact and excise taxes.

#4 What does this get you?

#### Board #2:

#1 Current taxes & fees are already very high in comparison to other metro cities. How will adding fees impact new development?

#2 1 & 2 together?

#3 What is the demand for deed restricted middle income units?

#4 Does commercial development generate more need for one income level than another? (Housing)

#5 Does not address changing income profiles.

#6 More than impact fees will be required to reach Housing goals. (Housing)

### Transportation Development Fee/Tax Options Summary

#### Board #1:

#1 What does this get in reality?

#2 Tranpor DET waive/lower for affordable housing – more dense typically will generate fewer trips/unit over time and different/lower impacts on traspo system

#3 Is there potential to increase the residential – DET through tiered or square footage basis (presump it is on “unit”, not size) like comml (sp)?

#4 Transportation What impact will each scenario have for each type of development?

#5 The whole trans analysis has no logical or legal basis because there are no identified LOS standards to be maintained

### Capital Facility Impact Fee Options Summary

#### Board #1:

#1 Capital Facilities – The land required for new facilities is not included in all areas (?) and should be using “buy-in” approvals as appropriate

#2 Clarify res/non-res

#3 Discuss where the funds come from when a waiver is granted

#4 Capital Facility Impact Fee – consider allowing affordable developers ability to defer payment of fees; belter yet, reduced fees; doesn't have to be 100% exemption

#5 Explain why Human Services flat (?)

#6 Impact fee may be supportable

Affordable Housing Commercial Linkage Fee Options Summary

| Option   | Current   | Option A # 1  | Option B # 2   | Option C # 3  | Option D # 4  |
|--|---|---|--|---|---|
| <b>Description</b>   | Existing Fees   | Fees to Reach city's 10% Goal by 2025   | Fees to Reach city's Middle Income Goal by 2025  | Fees Based on Boulder's Current Income Profile  | Fees Based on Combination of Factors, Including Economic / Market   |
| <b>Methodology (Approach)</b>  | Fees based on proportionate share attributable to non-residential growth for current <i>Affordable Housing Goal</i> to secure 10% of all dwelling units as permanently affordable to low- and moderate-income households. | Fees set to achieve the city's current <i>Affordable Housing Goal</i> to secure 10% of all dwelling units as permanently affordable to low- and moderate-income households.<br><br>Adjusts for needs met through Inclusionary and other funding sources | Fees set to achieve the city's current <i>Middle Income</i> goals to secure 450 units as permanently affordable to middle income households <u>and</u> Maintaining the Middle by housing a similar share of new middle income workers as the city currently does (roughly 18% from 80% to 120% of Area Median Income). | Fees reflective of providing a level of affordability to new workers that is consistent with Boulder's current income profile or level of income diversity.<br><br>Adjusts for needs met through Inclusionary | Fee range based on consideration of multiple factors including economic / market conditions and the context of linkage fees adopted elsewhere.<br><br><i>How much is the productivity of housing linkage fees to provide a level of affordability to new workers? (see also past meeting for housing)</i><br><br>①<br>② |
| <b>Fee Level (Office)</b><br><small>(See KMA Report for land use categories)</small> | \$9.53/Sq. Ft.  | \$33.00/Sq. Ft.   | \$19.00/Sq. Ft.  | \$34.49/Sq. Ft.   | \$10-\$15/Sq. Ft.<br><br>③  |
| <b>What the fee would support</b>  | Creation and preservation of Low and Moderate Income affordable housing units.  | Achieve 10% goal by 2025 through approximately 760 affordable units   | Achieve Middle Income goal by 2025 through approximately 330 units of middle income housing  | Expand affordable housing; house new workers at a variety of income levels.   | Expand affordable housing; house new workers at a variety of income levels.<br><br><i>What does this fee support?</i>   |
| <b>Potential Credits</b>   | None  | None  | None   | None  | None<br><br>④   |

|                              |  |   |  |   |  |
|------------------------------|--|---|--|---|--|
| <p><b>Considerations</b></p> | <p>Generates funds to create and preserve affordable units.<br/>Fees based on 2009 study.</p> <p>Financial resources available to support affordable unit production.</p> <p>Funds targeted to low and moderate income households may be leveraged/matched with other state and federal funds, ultimately bringing additional funds into Boulder</p> | <p>Financial resources available to support affordable unit production.</p> <p>Funds targeted to low and moderate income households may be leveraged/matched with other state and federal funds, ultimately bringing additional funds into Boulder</p> <p>With limited development opportunities and fluctuation of federal funds, future funding is uncertain.</p> <p>Fees under this option may exceed a level that can be sustained by many projects and may slow or reduce non-residential development.</p> | <p>Fees support subsidizing the creation of units serving middle income households.</p> <p>Annexation only means to secure MI units.</p> <p>Limited non-city subsidies available for MI units.</p> <p>Expensive subsidy/Costly investment = low yield</p> <p>Coordinate with IH program, expanding IH to create middle income units and linkage fee supplements the reduction in CIL.</p> <p>Fees for some building types under this option may exceed a level that can be sustained by projects and may slow or reduce non-residential development.</p> <p>Further policy conversations required to gauge city's position on subsidizing middle income housing.</p> | <p><b>Income Diversity:</b> reflects current income profile/does not assert changes to specific income tiers.</p> <p>Serves all LMI and middle income.</p> <p><b>Inclusionary Housing:</b> credit provided for affordable housing needs met through IH program.</p> <p>Fees under this option may exceed a level that can be sustained by many projects and may slow or reduce non-residential development.</p> | <p>Takes strong market conditions in Boulder into consideration in identifying a fee range not expected to significantly alter development decisions.</p> <p>Fees resulting from a combination of factors including economic and market factors.</p> <p>Provides flexibility to determine best and highest use of funds.</p> |
|------------------------------|--|---|--|---|--|

OPTION 1

OPTION 2

OPTION 3

OPTION 4

Note: Options based on Affordable Housing Fee Level Options memo dated 10/2/2016

Does not address changing income profiles

More than expected fees will be required to reach housing goals

What is the demand for deed restricted middle income units?

Does current development level support more mid to high income deed-restricted units?

What is the demand for deed restricted middle income units?

Does current development level support more mid to high income deed-restricted units?

Transportation Development Fee/Tax Options Summary

| OPTIONS                                     | Current  | Option A  | Option B  | Option C  |
|---|--|---|---|---|
| <b>Description</b>                          | Transportation Development Excise Tax                          | Increase existing Transportation DET to max voter approval  | Adopt new Transportation Impact Fee and <i>suspend</i> current Transportation DET                               | Adopt new Transportation Impact Fee and <i>retain</i> current Transportation DET  |
| <b>Methodology/ Approach</b>                | No changes   | Multimodal, plan-based approach<br><br>Increase DET to maximum voter approved levels for residential  | Multimodal, plan-based approach<br><br>Create new Transportation Impact Fee                                     | Multimodal, plan-based approach<br><br>Retain existing Transportation DET, with current rates.<br><br>Create new Transportation Impact Fee  |
| <b>Estimated Revenue (Annual)</b>           | \$1.15m  | \$1.79m before credits  | \$900K before credits   | \$2.14m before credits  |
| <b>What the fee/tax could support</b>       | Capital Improvement Program (CIP) and Action Plan enhancements | CIP and Action Plan enhancements  | CIP   | CIP plus Action Plan enhancements   |
| <b>Potential Credits/Policy Adjustments</b> | None   | Credits for developments in areas with high multimodal level of service   | Percentage reduction for developments in areas with high multi-modal level of service                           | Percentage reduction for developments in areas with high multimodal level of service  |
| <b>Considerations</b>                       | None   | Increased annual revenue over current Transportation DET<br><br>Maintain flexible use of funds<br><br>Residential portion can be raised to maximum voter approved level without new ballot. | Less Revenue than current Transportation DET<br><br>Less flexible use of funds<br><br>Can be enacted by Council | Increased annual revenue over current Transportation DET<br><br>Would need to identify which capital projects would be funded by fee and which by the tax.<br><br>Can be enacted by Council |

Note: Options Based on DRAFT 2016 Transportation Development Impact Fee Study and DRAFT 2016 Transportation Development Excise Tax Study

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Capital Facility Impact Fee Options Summary

| OPTIONS                                     | Current   | Proposed  |
|---|---|---|
| <b>Description</b>                          | Capital Facility Impact Fees  | Updated Capital Facility Impact Fees  |
| <b>Methodology/ Approach</b>                | Fire: Incremental Expansion   | Fire: Incremental Expansion   |
|   | Human Services: Incremental Expansion                                     | Human Services: Incremental Expansion   |
|   | Library: Incremental Expansion, Cost-Recovery                             | Library: Incremental Expansion, Cost-Recovery   |
|   | Municipal Facilities: Incremental Expansion                               | Municipal Facilities: Incremental Expansion, Plan-Based, Cost-Recovery  |
|   | Parks & Recreation: Incremental Expansion                                 | Parks & Recreation: Incremental Expansion   |
|   | Police: Incremental Expansion, Plan-Based                                 | Police: Incremental Expansion, Plan-Based   |
| <b>Fee Level</b>                            | Fire: \$102/Person; \$143/Job   | Fire: \$165/Person; \$244/Job   |
|   | Human Services: \$70/Person   | Human Services: \$70/Person   |
|   | Library: \$215/Person   | Library: \$363/Person   |
|   | Municipal Facilities: \$131/Person; \$54/Job                              | Municipal Facilities: \$222/Person; \$155/Job   |
|   | Parks & Recreation: \$1,474/Person  | Parks & Recreation: \$2,270/Person  |
|   | Police: \$138/Person; \$19/Job  | Police: \$185/Person; \$51/Job  |
|   | <b>What the fee/tax would support</b>                                     | Expansion of capacity for Buildings, Land, Parks, Library Materials, Fire Apparatus, Police Communications Infrastructure |
| <b>Potential Credits/Policy Adjustments</b> | None.   | Credit for Affordable housing could be considered under state statute.  |
| <b>Considerations</b>                       | Last completed in 2008, based on capital needs at that time.              | Includes updated capital improvements based on current capital plans.   |
|   | Based on 2008 service levels.   | Based on 2015 service levels  |
|   | This was completed before the city's Capital Investment Strategy process. |   |

Note: Options Based on DRAFT 2016 Capital Facility Development Impact Fee Study

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May 23, 2016

To: Chris Meschuk, City of Boulder

From: Clif Harald, Development Impact Fees & Taxes Technical Working Group Member

Re: Questions/Comments on the City of Boulder Development Impact Fee and Excise Tax Study

1. Will staff insert the new development tax and fee options developed by the consultants into the Peer City Comparison chart?
2. We'd recommend asking the consultants to provide some comment on how slower than anticipated growth will impact housing linkage and other development fees and taxes. Perhaps they could model some alternative scenarios?
3. We'd recommend asking the staff or consultants to provide Council with information about other revenue generated by development in addition to upfront development fees and taxes. Other important sources of revenue include property, sales and use taxes, and utility fees generated on an ongoing basis by occupants of residential and commercial development.
4. Since 2012, transportation O&M cumulative revenues have exceeded cumulative O&M expenses by over \$15 million – equaling almost half of the total 2016 budget for transportation O&M. What happens to these surpluses? If they're held in a transportation reserve fund, what is the current balance of that fund and how does that balance compare to the city's target for reserve funds? If the actual reserve exceeds the goal, what is the plan to deploy those resources and what is the justification for charging an excise tax on new development when the ongoing O&M budget already currently exceeds expenses?
5. Clarification – are the revenue estimates in the Transportation Options Summary the total or in addition to the current \$1.15m?
6. Transportation Options – Operations and Management are out; but does this include all known projects, at this point, such as infrastructure improvements that may come out of SH 119 BRT Feasibility Study which will be including the Broadway/28<sup>th</sup> Corridors, as well as connections to Boulder Junction, the downtown Walnut Station, and Table Mesa Park-n-Ride? East Arapahoe Transportation Study – identified and needed infrastructure improvements? SH 7 BRT Feasibility Study – any additional infrastructure needs that may be identified?

#### **Additional Comment & Feedback: Affordable Housing - Development Fees & Excise Tax Study**

Since this is an Impact Fee/Excise Tax study, it is understandable that the focus is solely on rates and dollars that can be charged. The consultants' report only identifies dollar amounts which would be assessed under a variety of scenarios to achieve City housing adopted goals. If the scope of the study was limited to identifying the maximum possible fees that could be charged under a variety of methodologies, then we anticipate they have adequately covered the options...and there doesn't seem to be a glaring omission. But as a document providing realistic options and a robust decision-making vehicle for Council discussion and deliberation, it is inadequate.

In the area of Affordable Housing, the study misses other powerful tools available to the City which could address some of the City's adopted housing goals without the necessity of charging new development with the full costs of additional housing. The tools are essential in conducting a sensitivity analysis to not only understand what MIGHT be the highest rate available under a variety of approaches, but what is the rate at which the risks of stopping development and risking other community benefits outweigh the intellectually-pure but misguided rates that could be charged.

#### **Alternate Policy Choices:**

For example, the City should adopt an Affordable Housing Benefit Ordinance which provides a guaranteed expedited review and approval process, accompanied by design flexibility (reduced parking, set-backs, on-site open space requirements, possible addition of a 4th floor in certain districts). This would allow developers of permanently affordable housing (rental and for-sale with permanent deed restrictions) to more quickly and with certainty design and build affordable units that are not wholly or perhaps even in part dependent on a subsidy from the City's Affordable Housing funds. The City should also exempt affordable housing projects

with permanent affordability restrictions from development fees. Currently the City charges Inclusionary Housing fees to developers who are building affordable housing units, then turns around and grants those fees as subsidies for affordable housing.

The City can also make land available through the dedication of City owned land (e.g. the Pollard and Boulder Community Hospital sites) for permanently affordable housing, both rental and deed-restricted home ownership. The land could be conveyed to the Housing Authority so it is not City owned land. Land is in very short supply and makes up a large portion of the costs of affordable housing. Additionally, the City could work with property owners to rezone some existing commercial and light industrial areas for affordable housing and/or mixed use.

**Middle Income Housing:** Using the tools mentioned above, the City should explore the real need for ANY City subsidy for middle-income units. It is possible, even likely, that with the changes identified above that are not part of the fee study, Boulder could benefit from the addition of the 344 middle income units remaining to achieve the 450 unit goal. (Note: elsewhere in the report, it says 318 middle income units.) If the City determined that some subsidy were needed, it could then examine a subsidy in exchange for a deed restriction for permanently affordable to the resulting middle income units (town homes/patio homes...we cannot anticipate single family detached as part of this program). But we believe the recommendations above, combined with the provision of land, may be sufficient without cash subsidies to achieve the City's middle income housing goals.

The City should not anticipate providing income subsidies or down-payment loan assistance to middle income buyers out of its affordable housing funds. Only 18% of the City population is 80%-120% of the AMI, and there are other alternatives identified above that should allow us to meet the need for 344 additional middle income units.

In addition, the chart on Commercial Linkage Fee Options Summary, Option B, incorrectly says that Area III annexation is the only means to secure Middle Income Units which, as we have shown above, is not true.

Thus, the charts and analysis are extremely complicated in that they have identified alternative methodologies for assessing fees in a variety of scenarios, but have not considered those potential fees in the context of non-fee policies and processes by which they City could meet or partially meet its identified housing goals apart from fees/excise taxes. They then over-estimate the dollars needed and inadequately frame the fee and policy options available to Council.

In the May 2, 2016 memo to Chris Meschuk and Kristin Hyser, the authors do begin to address policy options on page 3. Recommended scenarios should fully explore the policy options and provision of City-owned land as part of analyzing fees for the Council's consideration.

In addition, the interaction of Impact Fee/DET assessments and the Affordable Housing: Inclusionary Housing Assessment and the Commercial Linkage Fees needs to be included in any scenario modeling, along with the interaction (and addition) of the Impact Fee/DET charges for other City infrastructure already in place, together with contemplated increases. Examining the square footage charges (e.g. for office space on Page 17), without looking at the full range of fees that Boulder charges, is artificial. Boulder may, for example, appear to under-charge for affordable housing, but heavily charge developers in other areas that communities selected for comparison do not. So, the community comparison chart is of limited use.

Finally, the consultants recommend fees for a variety of commercial uses that do take into account their assessment of market strength and the percentage of costs generally adopted by other cities with exceptionally strong economies (moving Boulder from 2.5/3% to 5%), but the Council will need accompanying data on what amount of money for affordable housing that increase will produce under various building rate scenarios and how that will (or will not) address our housing goals and in what anticipated timeframe.

## Comments - Impact Fee study – May 10, 9:30 AM

Steve Pomerance

*Hi Chris et al,*

*Here are a few general points and some particulars, based on last night's meeting. Please feel free to circulate to the other relevant staff and consultants as appropriate.*

*Steve*

### General Comments:

Impact fees and similar charges are supposed to be designed to mitigate the negative impacts of new development on existing residents and businesses, not to provide funding to (help) meet city goals. Trying to use these fees for purposes for which they are not intended both undercuts the logic on which they are based, and undermines the legal defensibility of such charges.

In order to calculate legally defensible and logically sound charges on new development, the essential item is to have some standards that are to be maintained, or at least form the starting point for the discussion. Trying to avoid defining these undermines the foundation for all subsequent work.

What is being ignored in some discussions is that infrastructure is generally “lumpy”, meaning that the infrastructure unit sizes are generally much larger than the units of demand, like houses, apartments, stores, office buildings, etc. So it is inevitable that at some points in the cycle there will be excess capacity and sometimes there will be deficient capacity. So that there always will be points in time where the citizens have paid for, or are on the hook for, some assets (including land) that will ultimately be paid (back) for by future growth.

The various approaches to calculating fees are designed to take this fact of life into account. That is why for example a water tap fee may be based partly on incremental purchase of new resources (water rights), partly based on plans for major new facilities (water treatment plant), and partly based on buying in to existing facilities (reservoirs, pipes, pumps). This seems to keep being forgotten in the discussions.

I keep hearing that “utilities are different” and that “if there is no debt, then there is nothing to pay back.” I know of NO case law or statutory law that supports the view that utilities are to be treated specially, and the form of financing infrastructure never shows up in any law, at least as far as I know. So unless these statements can be fully justified by the facts and law, they should be removed from the discussion.

Specific Comments:

**Land and Paying the Citizens Back:**

The position that the City should not charge new development for the use of land already owned by the City for new general fund capital facilities is complete nonsense. Land is no different than any other asset that the citizens already own: If new development is not paying to provide more of it, then they should have to “buy in” to the existing resource.

Another way to think of it is that the existing citizens collectively gave (loaned, or invested in) the City the money to buy this land, and since new development is now going to be taking it over and using it to provide a place for the facilities needed because of this growth, these citizens should be paid back at the land’s current value, because that’s what their investment is worth. (It’s really not all that much different than a piece of city owned land being sold to a developer; just because the use of the facility will be shared doesn’t mean that there is a net gain for existing citizens.)

**Not Tying Jobs-Housing Linkage Fees to Goals:**

The attempt to provide some justifications for lowering linkage fees by tying them to current numerical City housing goals is a mistake. The problem is that impact fees, of which linkage fees are a particular type, are intended to maintain some defined level of service given the impacts of growth on that LOS. Impact fees are NOT designed to help meet goals that are not currently being met, i.e. improving the LOS. The problems with this “goal based” approach became apparent in the discussions, as people immediately ask, “Why is it new development’s job to do this?” And they are right – it’s not.

The only close-to-defensible measure of the ones proposed is the one about matching the current income profile; the idea is that at least the profile won't get worse due to the impacts of new development.

Also, that approach solves the "rate" problem that is created by tying linkage fees to numerical unmet goals. If the linkage fee is set to meet some goal in 10 years, and the rate of growth is slower than expected, then the fee becomes too low, and vice versa. That's why the fee should be based on not allowing some LOS to become worse because of growth; it works whatever the rate is. Of course, if the income distribution changes over time, and the employment occupancy changes (retail becomes more computerized, for example) then the fee will need to be adjusted, but those sorts of adjustments are inevitable anyway.

### **Transportation Capital, and LOS:**

The whole transportation process is not working. It's not that the programs are wrong; in fact they are now heading much more in the right direction. It's just that the whole way of calculating who to charge what is not tied to any particular logic or approach. In particular, the calculation process for impact fees for capital facilities doesn't make any sense to me, and could easily be subject to legal challenge.

First, the staff has not picked a short list of realistic LOS standards that are to be met; instead there is a long list of goals, some of which are actually means to other ends (SOV ratio), and some of which are so unrealistic as to be worthless (the 15 minute neighborhood goal). If I were to pick, I'd say that the fundamental LOS standards are travel time and total emissions.

Second, the CIP program may be inadequate to maintain LOS (whatever LOS measure or measures are finally chosen) or the CIP program may be too much to do that; this has not been evaluated, of course, since there are not LOS standards to measure it again. And since there is no defined plan that does maintain LOS, we just have a bunch of programs that may or may not keep things from getting worse, or may make things better; we just don't know. This is the perfect setup for a legal challenge to the transportation impact fee. (The only saving grace is that the DET is not subject to challenge, but that is no excuse for not doing things right in the first place.)

Third, the allocation of CIP costs to growth appears to be double charging and at the same time not paying its way: As best as I can tell, what was done was to say that the expected new development accounts for X fraction of the whole in terms of transportation use, and so we'll charge them X fraction of the CIP cost. But that means that (1) new development is being charged on some basis other than paying its way, since the CIP has not been divided up into capacity increases vs. capacity maintenance, and (2) new development is being double charged, since they will be paying twice – once through impact fees and a second time through taxes for the same facilities. I simply cannot make any sense of whatever logic there is in this system.

### **Transportation O&M:**

Then there is the O&M portion, and the effects on future levels of service. Let's suppose the capital side gets fixed by defining the appropriate LOS measures, laying out a real capital plan that will at least maintain this and appropriately figuring out growth's share, and then setting impact fees based on that work.

The next step then would be to figure out an operating system plan that will at least prevent LOS from degrading, and hopefully make things better. And we already know what will work best and cheapest – parking fees paying for transit, van-pools, delivery services, etc., as well as a major fraction of the system maintenance.

Now the final step will be to figure out the development requirements (the TDM requirements) that go along with this. The problem is that unless these requirements are net-zero, i.e. 100% offsets using both on and off site requirements, the result will be that over time the LOS will go down (get worse) because of the additional burden created by growth, and so the parking fees (or whatever) will have to be raised, which puts the burden back on the existing citizens to deal with growth's impacts.

So that's the framework that needs to be laid out. It really isn't that complex, it's legal, logical and complete (as far as I can tell), and it has the advantage of not requiring any hand waving such as has occurred to date.

—  
David Becher  
—

- Regarding the level of housing linkage fees that might begin to cause distortions in the market: the KMA analysis suggests that fees at 3% (or perhaps 3-5%) of development costs are unlikely to cause market distortions, while fees above that level could begin to have impacts (David may have verbally described this, can't recall if it is written in the report). Couple of questions/comments:
  - o It would seem more logical that market distortions would more likely be associated with the total stack of development fees rather than the housing linkage fee in isolation – e.g. one might imagine that the effects of a 5% linkage fee might be very different if there were no other development fees vs. if there were a high level of other development fees.
  - o It might be helpful to have a bit of discussion in the written report about what types of market distortions and undesirable/unintended consequences could occur as a result of distortionary high development fees, which might help the community be watchful for “danger signs”, or better understand the tradeoffs associated with high fees.
- Regarding the difference in TB's findings now vs. current impact fees, and why suggested supportable fees are higher than currently on the books: Could be helpful for TB to describe why. (Julie said it is likely in part due to higher levels of service; could be helpful to see that documented in the report, and/or other causes, e.g. costs rose faster than the ENR escalators since the last study.)
- Average persons per housing unit, by sqft of heated area (land use assumptions memo, Figure A8): This is probably not a huge issue, but I suspect the curve may understate (or somewhat mis-state) people per sqft of residential space for a couple of reasons (just a restatement of a couple of items from an earlier email):
  - o Apartments incompletely represented in the analysis?
    - David 2/22: Average dwelling size by bedroom range is from Assessor database. However, duplex, triplex, 4-8 unit, and 9+ unit buildings in Assessor database don't have unit-level bedroom detail (just aggregate number of bedrooms for the entire building, rather than for each unit within the building), at least in Assessor data I've seen. Thus, Assessor data is an imperfect data source, insofar as it excludes Boulder's apartment stock and some smaller multifamily units from the calculation. Cary Bruteig's Apartment Insights reports could be used for apartments of 50+ units to help fill in this gap (older sample report attached).
    - Chris 2/29: I believe we gave TischlerBise our detailed unit data, which was GIS based of DU's per building/parcel, not aggregated like the assessor does. We then took the assessors bedroom counts by account and matched them to our DU data for the complete picture.
    - David 5/17: I'm guessing that the combination of GIS and Assessor data would indicate that, for “Apartment complex X”, there were (for example) a total of 50 DUs and 120 BRs. If so, a couple of data challenges would be: 1) restating that data to estimate avg sqft per unit for 1, 2, 3, 4+ BR units separately (since I don't believe either data source reports # of units, and associated sqft, for each bedroom size); 2) whether the Assessor counts common areas/hallways as part of the sqft of the structure (if so, apartments would likely be treated differently than stacked flat condos, where only the individual unit space is counted in the Assessor records I believe). This gross vs. net sqft issue also would relate to how the fees are levied (are fees on apartments and stacked flat condos levied on the entire building floor area, or just the respective dwelling unit spaces?).
  - o Analysis overweights detached units (which likely have more sqft/BR and more sqft/person on average than attached units)?
    - David 2/22: Figure A7: based on PUMS, which includes City, but also a fairly significant part of the unincorporated area around the city which is disproportionately single-family detached; therefore single-family detached is overweighted in the PUMA relative to what it is for City only. To help control for this, could look at PUMS attached and detached separately; then aggregate the attached and detached based on their relative actual weights within the City only per ACS.

May 10, 2016

To: Chris Meschuk  
From: Mark Wallach  
Re: Last Thoughts

Chris, if yesterday was indeed the last meeting of the working group, I wanted to express my thanks for allowing me to participate in the process. I was extremely impressed with the professionalism of the staff and the consultants, as well as their responsiveness to comments and suggestions. I was equally impressed with the caliber of the members of the working group, the seriousness with which they approached their task and the thoughtfulness of their analysis. All in all, I found it to be a terrific experience.

My particular interest in this process was with the commercial development linkage fee, and after yesterday's meeting I have a few thoughts about the state of Boulder's efforts to address affordability and diversity. Some of them extend well beyond the specific mandate of our assignment, but I will be presumptuous enough to offer them anyway:

As an initial matter, it is clear that Boulder cannot reasonably tax commercial development at a level that will truly mitigate the housing needs created by new commercial development. Given the example of the tax burden placed upon a new small office structure, which is already a multiple of the tax burden placed upon similar projects in other municipalities, it is hard to justify taking the tax from \$9.53/psf to \$33.00/psf or even doubling it to \$19.00; either step would create a total tax burden on an \$8.8MM valuation project of between 22-32% of its total value. Even in Boulder, there are limits to how much expense can be downloaded to the ultimate tenants in the form of rent.

Since full mitigation of housing impacts by setting impact fees at the levels of the Nexus Study (or anything close) is commercially impractical, I have heard a number of people argue that the proper response to the problem is to restrain or limit economic growth and the housing needs that result from new job creation. When I attended the first study session with the council I was stunned to hear this view expressed by a couple of the council members. To me, this is dangerous, insular thinking that jeopardizes the future economic vitality of the city, and in a time when jobs are difficult to come

by and sought by almost every municipality in the country, is quite bizarre. It is also an approach that I believe fundamentally misunderstands what Boulder is today. There is a large element in the community that wants to preserve Boulder as the sleepy, quirky mountain town of 1980. Whether or not that is a desirable ambition, that ship has sailed, and the Deadhead vans of yesteryear are largely gone. Boulder is now a small city, characterized by high tech industry, innovative start-ups, sophisticated financial firms, an excellent university, world-class research facilities, even a well-regarded summer theatre festival. All of these, plus Boulder's recreational and outdoor assets means that this will continue to be a destination for business, workers and those who simply want to live here. There is no realistic option for keeping Boulder a small town; the only issue is whether the planning process will result in a vibrant, well-planned municipality focused on the future or one whose gaze is firmly fixed in the rear view mirror. Either way, business and people will continue to come; but without a forward-looking approach, newcomers will largely be restricted to those who can afford shelter costing in excess of \$1,000,000.

As part of the overall strategy to address housing pressures, I am perplexed at what appear to be arbitrary goals selected for the provision of low and middle income housing, unless those goals were adopted only because they can be achieved, not whether they seriously address the issue. I have asked why a goal of 10% affordable housing is appropriate in a city in which 32% of the households are low income, but have never heard a cogent explanation. Similarly, what is the purpose of a goal of creating a mere 450 units of middle income housing in a city in which only 18% of the households are middle income? It seems to me that Boulder should be focusing on growing the middle class, not merely preserving the small percentage of households that currently fall into that category. "Preserving the middle" strikes me as a rather weak approach to the middle class housing shortage, when the middle is already less than a fifth of all Boulder families.

Lastly, it is an axiom that to will the end requires one to will the means. The end everyone seems to support is to create the housing necessary to permit more of our workforce to reside in Boulder, and to create a more diverse community. Yet the current civic religion of Boulder makes it impossible to take the steps necessary to actually build affordable housing in sufficient quantity to meet the needs of lower and middle-income demand. It is just short of a hanging offense in Boulder to suggest that there exist areas within the community where higher rise residential structures could be built without

impacting established single home communities or blocking views. Perhaps it is my urban background, but I do not swoon over the prospect of a 15-story residence subject to our inclusionary housing requirements, or feel it is the first step on the road from Boulder to Brooklyn. No one is suggesting that there be such structures in Devil's Thumb, Mapleton Hills or Frazier Meadows, merely that there are locations where higher density and height could provide housing in quantity without disrupting the fabric of Boulder life. But there is no intelligent debate on the subject of whether some limited, area-specific revision of height limitations would be a useful tool to deal with the housing crisis.

Not only can't you build up, you cannot build out. Area 2 annexation is byzantine and difficult, and Area 3 annexation is not even considered. By the way, such annexations could probably be conditioned on their use exclusively for affordable and middle income housing, which might restrain the land value to a level where such developments are feasible and financially attractive. Again, there appears to be no serious consideration of these possibilities. We go on as we always have, and the problems remain intractable.

Instead, having abandoned the most efficacious tools available to create affordable housing in quantity, the City is left to scramble for the few remaining parcels of land on which to achieve its meager housing goals, and to come up with increasingly bizarre and desperate schemes to create additional housing in long-established residential neighborhoods. Recent proposals to permit the creation of more ADUs in backyards or to permit coop housing in areas like Chautauqua (confession of self-interest: I live in Chautauqua) or Mapleton Hills will do great damage to the neighborhoods (I suspect most of the coops will simply be student housing) without in the least addressing the need to create housing appropriate for families. These are suggestions that respond to the impulse, "Don't just stand there, do something," without being either effective or appropriate to achieve the larger housing goals everyone seems to share.

Like all current homeowners I am a beneficiary of the price increases resulting from the shortage of housing in Boulder relative to the demand to live here. But not everyone shares in that good fortune, and as a community we can do far more to permit our first responders, government workers (yes, even members of the planning staff) and service providers to live where they work and be invested in the community they serve. But I remain skeptical

that this community is prepared to have a clear-eyed discussion as to what needs to be done to truly meet the objectives of affordability and diversity. I hope that time and future developments will demonstrate that my pessimism is groundless, but we shall see.

As always, feel free to share these comments as you will. I am happy to stand behind them. Thanks again for the opportunity to participate and to serve.



**KEYSER MARSTON ASSOCIATES™**  
 ADVISORS IN PUBLIC/PRIVATE REAL ESTATE DEVELOPMENT

**MEMORANDUM**

**ADVISORS IN:**  
 REAL ESTATE  
 AFFORDABLE HOUSING  
 ECONOMIC DEVELOPMENT

**To:** Chris Meschuk and Kristin Hyser  
 City of Boulder

**SAN FRANCISCO**  
 A. JERRY KEYSER  
 TIMOTHY C. KELLY  
 KATE EARLE FUNK  
 DEBBIE M. KERN  
 REED T. KAWAHARA  
 DAVID DOEZEMA

**From:** David Doezema

**Date:** May 24, 2016

**Subject:** Affordable Housing Fee Level Options

**LOS ANGELES**  
 KATHLEEN H. HEAD  
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**SAN DIEGO**  
 PAUL C. MARRA

KMA has conducted a nexus study to link new non-residential, or workplace buildings, to the demand for additional affordable residential units in Boulder. The results of that analysis found very high supportable fee levels, even assuming affordable units are developed with the benefit of federal tax credits to reduce local costs and incorporating a 45% adjustment for commuting into the findings. The high maximum fee levels supported by the analysis are not unusual for high cost areas such as Boulder. The term maximum supported fees refers to fee levels that meet the legal standard of compliance with Colorado’s impact fee statute. However, the City has the discretion to consider a broad range of policy objectives and/or market factors in setting fee levels anywhere below the identified maximums.

**Summary of Nexus Findings – Maximum Supported Fees**

| Nexus Findings with 45% Commute Adjustment |               |
|--|---------------|
| Building Type                              | (per Sq. Ft.) |
| Office                                     | \$57.90       |
| Light Industrial                           | \$42.90       |
| Retail                                     | \$71.00       |
| Hospital                                   | \$57.90       |
| Lodging                                    | \$26.70       |
| Warehouse                                  | \$24.20       |
| Institutional                              | \$19.90       |
| Assisted Living                            | \$57.00       |

Note: Nexus findings are not recommended fee levels.

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Based upon direction from the City Council at the April 12<sup>th</sup> study session, the following memorandum explores four options or potential approaches to selecting affordable housing fee levels within the maximums established by the nexus analysis:

**Option #1: Fees to Reach 10% Goal by 2025** – this option explores fee levels needed to achieve, within the next 10 years, the goal that 10% of the total housing stock be secured as permanently affordable. Estimated funding from other sources and regulatory tools including the Inclusionary Housing program are reflected as “credits” toward funding needed to reach this goal by 2025.

**Option #2: Fees Based on Middle Income Goals** – this option identifies fees at a level reflective of the City’s middle income housing goals. Fees represent an average of two approaches. The first approach evaluates funding needs to achieve the City’s 450-unit middle income goal. The second approach applies a goal to “maintain the middle” by housing a similar share of new middle income workers as currently live in Boulder. This option does not reflect a cost for preservation of existing middle income housing stock.

**Option #3: Fees Based on Boulder’s Current Income Profile** – this option identifies affordable housing fees based on maintaining Boulder’s current income profile or level of income diversity. Fees reflect housing a similar share of new workers from 0% of 120% of Area Median Income (AMI) as currently live in Boulder. A credit for needs met through the Inclusionary Housing program is also included.

**Option #4: Fees Based on Combination of Factors, Including Economic / Market** – this option provides a fee range that reflects the added consideration of economic / market factors and a review of fee levels instituted in other programs nationally. Fees with this option are estimated to provide between approximately one-third and one-half of the remaining funding needed to reach the 10% Goal by 2025 as identified under Option #1.

Options #1 and #2 are separate goals focused on housing needs for separate income levels and so could be combined. Fees needed to achieve both goals would represent the sum of the two options.

It should be noted that, based on feedback provided by the Working Group, the analysis supporting Option #3 has been restructured and the resulting fee levels are revised since the prior draft of this memorandum. In response to City Council’s inquiry regarding the affordability gap analysis in terms of rental vs. ownership, Appendix A has been added to show the results of a sensitivity test identifying how nexus results would

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change if Low to Moderate and Middle Income households were assumed to be housed in rental apartments rather than ownership (townhome) units.

**Summary of Fee Levels with Identified Options**

The following table provides a summary of fees under the four options outlined above:

| Building Type                   | Option #1<br>Fees to Reach<br>10% Goal by 2025<br>(per Sq. Ft.) | Option #2<br>Fees based on<br>Middle Income<br>Housing Goals<br>(per Sq. Ft.) | Option #3<br>Fees based on<br>Current Income<br>Profile<br>(per Sq. Ft.) | Option #4<br>Fee Range Based on<br>Multiple Factors<br>Including Market<br>(per Sq. Ft.) |
|---------------------------------|---|---|--|--|
| Office                          | \$33.00   | \$19.00   | \$43.10  | \$10 - \$15  |
| Office Bonus FAR <sup>(1)</sup> | \$33.00   | \$19.00   | \$43.10  | \$15 - \$25  |
| Light Industrial                | \$21.20   | \$12.20   | \$27.70  | \$6 - \$8  |
| Retail                          | \$23.10   | \$12.00   | \$30.10  | \$6 - \$10   |
| Hospital                        | \$27.00   | \$15.50   | \$35.30  | \$6 - \$10   |
| Lodging                         | \$8.70  | \$3.50  | \$11.40  | \$6 - \$10   |
| Warehouse                       | \$8.50  | \$4.90  | \$11.00  | \$2 - \$5  |
| Institutional                   | \$7.50  | \$4.30  | \$9.70   | \$2 - \$6  |
| Assisted Living                 | \$19.30   | \$11.10   | \$25.20  | \$2 - \$8  |

(1) Suggestion under Option #4 is for a higher fee applicable to FAR additions in the Downtown similar to the structure of the program before being expanded City-wide.

Fees identified under Options #1, #2, and #3 are likely beyond a level that can be borne by many projects (with some exceptions within individual building type categories). Option #4 reflects a range based on consideration of multiple factors and tempered based upon review of economic / market factors and the context of linkage fees adopted elsewhere. Option #4 assumes an objective to establish fees within a range not expected to significantly alter development decisions and represents KMA's recommendation regarding a range that would be consistent with such an objective. In consideration of higher real estate values in Boulder's downtown and the original structure of the City's affordable housing fee program as applicable to bonus floor area, an additional suggestion under Option #4 is that the City consider a higher fee structure for bonus or additional floor area in a range of \$15 to \$25 per square foot (total fee applicable to additional floor area, not additive to the base fee). This suggestion would re-establish a premium or additional affordable housing fee payment for projects that exceed a base floor area allowance in the downtown.

Notwithstanding the fee range alternatives identified above, the City remains free to select fees anywhere above or below the levels shown, up to the maximums reflected in the nexus analysis, based on other policy objectives or overriding considerations that may take precedent.

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**Note on Middle Income and Coordination of Tools**

Option #2 identifies fee ranges reflective of the City's middle income goals and based upon the assumption of direct subsidy to middle income ownership units using affordable housing impact fee funds. To the extent the City chooses to direct resources and regulatory tools toward expanding middle income housing, coordination between the linkage fee and Inclusionary Housing (IH) tools may be appropriate.

As one example of how linkage fees and Inclusionary Housing could be coordinated, the City could restructure its Inclusionary Housing program to encourage on-site production of units restricted to middle income households (or add an alternative compliance option to encourage this). The City could then look to linkage fee funds as a replacement funding source for any decrease in Cash-In-Lieu funding that occurs from such a restructuring. This approach would allow linkage fees to be focused on cash contributions to 100% affordable projects in the lower income tiers where the greatest potential for leveraging of outside funding sources exists while promoting middle income housing through the regulatory tool of the Inclusionary Housing ordinance.

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**OPTION #1 – GOAL-BASED APPROACH: ACHIEVE 10% GOAL BY 2025**

**a. Option Description**

The City has a goal that 10% of its housing stock be permanently affordable to low- and moderate-income households. Approximately, 7.4% of the 10% goal has been achieved with these units secured as permanently affordable. This option identifies a target funding level and resulting fee levels necessary to reach the 10% Goal by the year 2025 (10 years).

**b. Fee Levels for Option #1**

| Building Type    | Fees to Reach 10% Goal<br>in 10 Years<br>(per Sq. Ft.) |
|------------------|--|
| Office           | \$33.00  |
| Light Industrial | \$21.20  |
| Retail           | \$23.10  |
| Hospital         | \$27.00  |
| Lodging          | \$8.70   |
| Warehouse        | \$8.50   |
| Institutional    | \$7.50   |
| Assisted Living  | \$19.30  |

**c. Analysis**

*Funding Level to Reach 10% Goal in 10 Years*

The following table presents an estimate of the additional funding needed to achieve the 10% Goal within the next 10 years:

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|   | <u>Total Units</u>             |       | <u>Affordable Units</u> |
|---|--------------------------------|-------|-------------------------|
| 10% Goal - Based on Existing No. of Units <sup>(1)</sup>                    | 44,725                         | X 10% | 4,473 Units             |
| Less: Progress Toward Goal <sup>(1)</sup>                                   |                                |       | <u>(3,319) Units</u>    |
| Remaining Goal  |                                |       | 1,154 Units             |
| <br>  |                                |       |                         |
| Add: 10% Goal for New Housing Units through 2015 <sup>(2)</sup>             | 1,015                          | X 10% | 102 Units               |
| Add: 10% Goal - Future Housing Production: 2016- 2025 <sup>(3)</sup>        | 2,817                          | X 10% | 282 Units               |
| Less: Credit for units produced by IH @ 0.38 / mkt rate unit <sup>(4)</sup> |                                |       | (776) Units             |
| <b>Affordable Units to Achieve Goal in 10 Years (Net of Units from IH)</b>  |                                |       | <b>761 Units</b>        |
| <br>  |                                |       |                         |
| Gross Funding Required (affordability gap)                                  | \$116,000 /Unit <sup>(5)</sup> |       | \$88 \$Million          |
| Less: Other Funding (CHAP, CDBG, HOME)                                      | \$3 \$M/Yr <sup>(6)</sup>      |       | <u>(\$30) \$Million</u> |
| <b>Estimated Funding Needed to Reach 10% Goal in 10 Years</b>               |                                |       | <b>\$58 \$Million</b>   |
| <br>  |                                |       |                         |
| Job Growth: 2016-2025 <sup>(3)</sup>  |                                |       | 6,336 Workers           |
| Cost Per Worker (used to compute fees for each building type)               |                                |       | \$9,198 /Worker         |

- (1) Per City of Boulder.
- (2) Reflects units added since effective date of City estimate / adjustment to tie to TischlerBise Land Use Assumptions memo.
- (3) Per TischlerBise Land Use Assumptions memo.
- (4) See Tables 1 and 2, attached, for calculation of this ratio. 776 affordable units = 0.38/1.38 X 2,817 total units.
- (5) Reflects KMA affordability gap analysis weighted by income tier based on income levels assisted from 2010-2015.
- (6) City of Boulder estimate. Includes \$2.5 M CHAP and annualized average of \$500k CDBG and HOME funds.

It is noted that the City has previously estimated that the 10% Goal may be achievable in approximately the next 8-10 years. This estimation reflects recent development trends and pace supporting the productivity of the Inclusionary Housing program which is dependent on market rate development activity. Future projections anticipate a slower pace of development impacting the generation of affordable units and Cash-in-Lieu revenue. In addition, the unit goal presented above reflects an increase in the 10% goal adjusted for the 2016 residential unit count as well as the projected residential unit growth over the next 10 years.

*Fee Levels to Achieve Target Funding Level*

The following table provides an illustration of fee levels that would be sufficient to produce the estimated \$58 million in additional funding needed to achieve the City’s 10% Goal by 2025. The illustration allocates fees based on employment by building type.

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**Illustrative Fee Levels Based on 10% Goal**

| Building Type    | Fees to Reach 10% Goal                     |   |
|------------------|--|---|
|                  | No. of Workers<br>(20,000 Sq.Ft. Building) | in 10 Years<br>(per Sq. Ft.) <sup>(1)</sup> |
| Office           | 71.8                                       | \$33.00                                     |
| Light Industrial | 46.2                                       | \$21.20                                     |
| Retail           | 50.2                                       | \$23.10                                     |
| Hospital         | 58.8                                       | \$27.00                                     |
| Lodging          | 19.0                                       | \$8.70                                      |
| Warehouse        | 18.4                                       | \$8.50                                      |
| Institutional    | 16.2                                       | \$7.50                                      |
| Assisted Living  | 42.0                                       | \$19.30                                     |

(1) Calculated as number of workers X cost per worker divided by 20,000 SF.

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**OPTION #2 – FEES BASED ON MIDDLE INCOME HOUSING GOALS**

**a. Option Description**

The City’s goals for middle income housing can be used to help inform selection of affordable housing fee levels. The approach below demonstrates the application of the City’s existing middle income housing goals to identify a target funding level and resulting fee levels by building type.

**b. Fee Levels for Option #2**

| Fees Based on Middle Income Goals |               |
|-----------------------------------|---------------|
| Building Type                     | (per Sq. Ft.) |
| Office                            | \$19.00       |
| Light Industrial                  | \$12.20       |
| Retail                            | \$12.00       |
| Hospital                          | \$15.50       |
| Lodging                           | \$3.50        |
| Warehouse                         | \$4.90        |
| Institutional                     | \$4.30        |
| Assisted Living                   | \$11.10       |

**c. Analysis**

*Middle Income Housing Goals*

The City of Boulder has adopted two specific affordable housing policy goals related to middle income housing including:

- (1) Middle Income 450 Unit Goal – The City has a goal to provide 450 units that are permanently affordable to middle income households earning between HUD Low Income to 120% of Area Median Income. Approximately 344 additional units are needed to fulfill this goal.
- (2) Maintain the Middle Goal – In 2015, City Council adopted this as one of six goals to help guide the development of a new housing strategy. The overarching goal is to “provide a greater variety of housing choices for middle-income families and for Boulder’s workforce.”

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*Funding Level Based on Middle Income Goals*

The following is an estimate of funding levels reflective of the City's middle income housing goals:

- (1) *450 Unit Middle Income Goal* – An estimated \$35 Million in funding (current dollars) would be needed to provide the remaining 344 units needed to achieve this goal.

**Estimated Funding to Achieve 450-Unit Middle Income Goal**

|  |                       |
|--|-----------------------|
| Adopted Middle Income Production Goal    | 450 Units             |
| Less: Units Produced Toward Goal         | (106) Units           |
| Remaining Units to Achieve 450 Unit Goal | 344 Units             |
| Per Unit Subsidy (affordability gap)     | \$101,700 /Unit       |
| <b>Total Funding Required</b>            | <b>\$35 \$Million</b> |

- (2) *Maintain the Middle Goal* – One way to approach the Maintain the Middle goal in relation to new non-residential development is to aim to house a similar share of new middle income workers as the city currently does (roughly 18% from 80% to 120% of Area Median Income). Based on projected employment growth over the next 10 years, this goal would translate into a need for approximately 318 middle income units requiring an estimated \$32 million (current dollars) in funding. This funding level reflects the needs of new workers (e.g. creation of new units) and does not include funding to preserve the existing middle income housing stock.

**Estimated Funding Based on Applying “Maintain the Middle” Goal to New Workers**

|   |                       |
|---|-----------------------|
| Projected City of Boulder Job Growth: 2016-2025   | 6,336 Workers         |
| Adjusted for Commute Share@45%                    | 2,851 Workers         |
| Adjusted from workers to households@1.62          | 1,765 Units           |
| Middle Income Units @18% Share (based on current) | 318 Units             |
| Per Unit Subsidy (affordability gap)              | \$101,700 /Unit       |
| <b>Total Funding Required</b>                     | <b>\$32 \$Million</b> |

Note: 10-year projection of job growth per TischlerBise land use assumptions memo.

Applying the two middle income goals results in a similar funding target in the range of \$32 - \$35 million, or approximately \$33.5 million as a mid-point.

*Fee Levels to Achieve Target Funding Level for Middle Income*

The following table provides an illustration of fee levels that would be sufficient to produce the estimated \$33.5 million funding target based on the City's middle income goals. The illustration allocates fees based on employment by building type.

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**Middle Income Goals – Per Worker Cost Used to Allocate Fees by Building Type**

|   |                  |
|---|------------------|
| Total Funding Required - 450 Unit Goal                        | \$35 \$Million   |
| Total Funding Required - Maintain the Middle                  | \$32 \$Million   |
| Average   | \$33.5 \$Million |
| Job Growth: 2016-2025 <sup>(1)</sup>                          | 6,336 Workers    |
| Cost Per Worker (used to compute fees for each building type) | \$5,286 /Worker  |

(1) Per Tischler Bise Land Use Assumptions memo.

**Illustrative Fee Levels Based on Middle Income Goals**

| Building Type          | No. of Workers<br>(20,000 Sq.Ft.<br>Building) | Fees Based on Middle<br>Income Goals<br>(per Sq. Ft.) <sup>(1)</sup> |
|------------------------|---|--|
| Office                 | 71.8  | \$19.00  |
| Light Industrial       | 46.2  | \$12.20  |
| Retail <sup>(2)</sup>  | 50.2  | \$12.00  |
| Hospital               | 58.8  | \$15.50  |
| Lodging <sup>(2)</sup> | 19.0  | \$3.50   |
| Warehouse              | 18.4  | \$4.90   |
| Institutional          | 16.2  | \$4.30   |
| Assisted Living        | 42.0  | \$11.10  |

(1) Calculated as number of workers X cost per worker divided by 20,000 SF.

(2) Fees in the Retail and Lodging categories were adjusted to limit fees based upon the maximum supported by the nexus analysis specific to the middle income category, prior to making a commute adjustment.

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### **OPTION 3 – FEES BASED ON CURRENT INCOME PROFILE**

#### **a. Option Description**

This option identifies affordable housing fees that are reflective of providing a level of affordability to new workers that is consistent with Boulder’s current income profile or level of income diversity. Using impact fee terminology, Boulder’s current income diversity is used as an existing “level of service” applied to calculate fee levels. With this approach, new development is not asked to provide for a greater level or depth of affordability than Boulder has today. In addition, this option also includes a “credit” for affordable housing needs estimated to be met through Boulder’s Inclusionary Housing program, an important way new development helps to address the need for affordable housing.

#### **b. Fee Levels for Option #3**

##### **Fees Reflective of Boulder’s Current Income Profile**

| Fees Applying Current Income Profile as Level of Service Standard (per Sq. Ft.) |         |
|---|---------|
| Building Type   |         |
| Office  | \$43.10 |
| Light Industrial  | \$27.70 |
| Retail  | \$30.10 |
| Hospital  | \$35.30 |
| Lodging   | \$11.40 |
| Warehouse   | \$11.00 |
| Institutional   | \$9.70  |
| Assisted Living   | \$25.20 |

#### **c. Analysis**

This option uses the current income profile of the City as a level of service standard to determine Affordable Housing Fees.

##### *City of Boulder Existing Income Profile: Non-Senior Family Households*

The estimated existing income profile for the City of Boulder is presented in the table below. Since the purpose of the Affordable Housing Fee is to address the housing needs of workers, data for non-senior family households was selected as a way to approximate the income profile of the working-age non-student population in Boulder.

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### Estimated City of Boulder Income Profile, Non-Senior Family Households

|                   | Percent of Households |
|-------------------|-----------------------|
| Extremely Low     | 14.4%                 |
| Low Income        | 12.9%                 |
| Low to Moderate   | 5.3%                  |
| Middle Income     | 18.2%                 |
| Total to 120% AMI | 50.8%                 |
| Above 120% AMI    | 49.2%                 |
| <b>Total</b>      | <b>100%</b>           |

Source: KMA analysis of U.S. Department of Housing and Urban Development, CHAS data set.

Estimates are derived from a special tabulation of U.S. Census American Survey 2008-2012 data available from the U.S. Department of Housing and Urban Development (CHAS data set). Since the income categories presented in this data are not a precise match with the income categories for the nexus technical analysis, linear interpolation was used to make the translation.

The above table does not make the argument that half the *existing* population requires affordable housing. Many existing residents, particularly homeowners, benefit from having entered the housing market at an earlier time when it was more affordable and do not require affordable housing. However, new workers and others seeking to enter the housing market in Boulder for the first time are facing a housing market that has become increasingly out of reach for those in the four affordable income categories.

#### *Affordable Housing Needed To Maintain Current Income Profile*

The total number of new units needed to house the increase in Boulder's workforce projected over the next 10 years is estimated in the table below. Then, the units are distributed by income category assuming the current income profile is to be maintained.

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**Workforce Housing Need by Income to Maintain Current Income Profile**

|  |            |                  |
|--|------------|------------------|
| <b>Total Workforce Housing Need - Next 10 Years</b>                        |            |                  |
| Projected City of Boulder Job Growth: 2016-2025 <sup>(1)</sup>             |            | 6,336 Workers    |
| Adjusted for Commute Share@45%   |            | 2,851 Workers    |
| Total Workforce Housing Need @ 1.62 workers per household                  |            | 1,765 Units      |
| <b>Workforce Housing by Income Tier to Maintain Current Income Profile</b> |            |                  |
| Extremely Low  | 14%        | 254 Units        |
| Low Income   | 13%        | 228 Units        |
| Low to Moderate  | 5%         | 94 Units         |
| Middle Income  | <u>18%</u> | <u>318 Units</u> |
| Subtotal Affordable Units  | 51%        | 894 Units        |
| Market Rate / Above Middle   | 49%        | 871 Units        |
| Total  | 100%       | 1,765 Units      |

(1) Per Tischler Bise Land Use Assumptions memo.

*Credit for Needs Met Through Inclusionary Housing Program*

A credit is applied for the portion of workforce housing needs estimated to be met through the Inclusionary Housing program. The credit reflects the fact that new workers in new market rate housing will “bring along” some affordable units by virtue of the City’s inclusionary housing requirements. Since most units produced by the Inclusionary Housing program have served the 31% to 60% income category, the credit is weighted toward that income tier.

The amount of the credit is based on data provided by the City of Boulder on affordable housing produced through its Inclusionary Housing program during the period from 2010-2015. Based on the data provided, it was estimated that, on average, approximately 0.38 affordable units are produced through the program for each market rate unit (which equates to an effective inclusionary percentage of approximately 27.5% = 0.38 affordable units / 1.38 market rate and affordable units). This figure includes units built to meet applicable inclusionary housing requirements as well as units produced using financial assistance resulting from Cash-In-Lieu funds, including the leveraging of those funds with other non-local funding sources such as tax credits. While a figure representing the affordable units that could be produced solely using Cash-In-Lieu, absent leveraging of outside sources, would have been lower, the 0.38 figure was selected as a conservative estimate for purposes of applying a credit in the fee analysis. See Tables 1 and 2, attached, for calculations supporting this ratio.

The credit calculation is presented in the table on the following page:

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**Workforce Housing Need After Credit for Inclusionary Housing Program**

|                       | Total Workforce Housing Need | Ratio: Affordable Units to Market Rate Under IH <sup>(1)</sup> | Estimated Units From IH <sup>(2)</sup><br>(=871 mkt rate units X IH ratio) | Re-allocate by Income Tier <sup>(3)</sup> | Workforce Affordable Unit Need Net of IH Credit |
|-----------------------|------------------------------|--|--|---|---|
| Extremely Low         | 254                          | 0.0491   | (43)   | -   | 211   |
| Low Income            | 228                          | 0.3113   | (271)  | 43  | -   |
| Low to Moderate       | 94                           | 0.0219   | (19)   | (43)                                      | 32  |
| Middle Income         | <u>318</u>                   | -  | -  | -   | <u>318</u>                                      |
| Subtotal Affordable   | 894                          | 0.3823   | (333)  | -   | 561   |
| Market / Above Middle | 871                          |  |  |   |   |
| <b>Total</b>          | <b>1,765</b>                 |  |  |   | <b>561</b>                                      |

(1) See Tables 1 and 2, attached, for derivation of the number of affordable units by income tier produced for each market rate unit under the IH program.

(2) Computed by multiplying the number of market rate units (871) by the ratio of affordable to market rate units produced by the IH program.

(3) Reallocation of 43 Low-Income Units estimated to be produced by IH toward needs within the Low to Moderate-Income category.

*Affordable Housing Fees Based on Maintaining Current Income Profile*

The estimated number of affordable units needed to maintain the current income profile is multiplied by the cost to produce each unit to determine the total cost, as shown in the table below:

**Cost to Provide Affordable Units Based on Maintaining Current Income Profile**

| Cost To Provide Needed<br>Affordable Units                    | Net Workforce Affordable Unit Need<br>Applying Current Income Profile as "Level of Service" | Per Unit Subsidy<br>from KMA Affordability Gap analysis | Total Cost              |
|---|---|---|-------------------------|
|   | Standard  |   |                         |
| Extremely Low   | 211   | \$173,300   | \$37 \$Million          |
| Low Income  | 0   | \$99,800  | \$0 \$Million           |
| Low to Moderate   | 32  | \$219,900   | \$7 \$Million           |
| Middle Income   | <u>318</u>  | \$101,700   | <u>\$32</u> \$Million   |
| <b>Total</b>  | <b>561</b>  |   | <b>\$76 \$Million</b>   |
| Job Growth: 2016-2025 <sup>(1)</sup>                          |   |   | 6,336 Workers           |
| Cost Per Worker (used to compute fees for each building type) |   |   | <b>\$11,995 /Worker</b> |

(1) Per Tischler Bise Land Use Assumptions memo.

In total, it is estimated that \$76 million in funding would be required over the next 10 years. No offset for other local funding sources is reflected under this option as other sources such as CHAP or federal funds are limited and are assumed to be applied

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toward meeting other existing needs in the community rather than offsetting the affordable housing impacts of new development. The total funding requirement of \$76 million is then converted into an amount per worker which is applied to compute Affordable Housing Fees by building type as shown in the table below.

**Fees that Reflect Maintaining Boulder’s Current Income Profile**

| Building Type    | No. of Workers<br>(20,000 Sq.Ft. Building) | Fees Applying Current<br>Income Profile as Level of<br>Service Standard <sup>(1)</sup><br>(per Sq. Ft.) |
|------------------|--|---|
| Office           | 71.8                                       | \$43.10   |
| Light Industrial | 46.2                                       | \$27.70   |
| Retail           | 50.2                                       | \$30.10   |
| Hospital         | 58.8                                       | \$35.30   |
| Lodging          | 19.0                                       | \$11.40   |
| Warehouse        | 18.4                                       | \$11.00   |
| Institutional    | 16.2                                       | \$9.70  |
| Assisted Living  | 42.0                                       | \$25.20   |

(1) Calculated as number of workers X cost per worker divided by 20,000 SF.

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**OPTION #4 – FEE RANGE CONSIDERING MULTIPLE FACTORS INCLUDING ECONOMIC / MARKET FACTORS**

**a. Option Description**

Option #4 represents a fee range based on review of a range of factors including market / economic factors and context regarding linkage fee programs implemented nationally. This option assumes an objective to establish fees within a range not expected to significantly alter development decisions and represents a KMA recommendation regarding a fee range that would be consistent with such an objective.

**b. Fee Levels for Option #4**

| Option #4<br>Fee Range Based on<br>Multiple Factors Including<br>Market<br>(per Sq. Ft.) |             |
|--|-------------|
| Building Type  |             |
| Office   | \$10 - \$15 |
| Office Bonus FAR <sup>(1)</sup>  | \$15 - \$25 |
| Light Industrial   | \$6 - \$8   |
| Retail   | \$6 - \$10  |
| Hospital   | \$6 - \$10  |
| Lodging  | \$6 - \$10  |
| Warehouse  | \$2 - \$5   |
| Institutional  | \$2 - \$6   |
| Assisted Living  | \$2 - \$8   |

(1) Suggestion is for a higher fee applicable to FAR additions in the Downtown similar to the structure of the program before being expanded City-wide.

**c. Analysis**

*1. Nexus Analysis Findings*

The KMA nexus analysis found very high supportable fee levels as shown in the table below. The fee levels shown are after a 45% adjustment factor for commuting. The high fee levels supported by the analysis are not unusual for high cost areas such as Boulder. As stated above, the nexus analysis only establishes the maximums for impact fees based on a legal standard of compliance with the impact fee statute and may bear little relationship to the lower fee levels the City may ultimately select.

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| Nexus Findings with 45% Commute Adjustment (per Sq. Ft.) |         |
|--|---------|
| Building Type  |         |
| Office   | \$57.90 |
| Light Industrial   | \$42.90 |
| Retail   | \$71.00 |
| Hospital   | \$57.90 |
| Lodging  | \$26.70 |
| Warehouse  | \$24.20 |
| Institutional  | \$19.90 |
| Assisted Living  | \$57.00 |

Note: Nexus findings are not recommended fee levels.

In our opinion, fee levels for cities should be selected based on a combination of the strength of the local real estate market for the building types that will pay the fee, and local policy objectives. We also believe it is appropriate to take into account the fee levels in neighboring jurisdictions and cities that are comparable to Boulder in real estate demand.

*Fees in Other Jurisdictions*

Affordable Housing Fees – Colorado

At this time, Boulder is the only jurisdiction on the Front Range that has an adopted commercial linkage fee. Denver is currently in the process of exploring a new program. Several mountain / ski-resort communities have affordable housing requirements applicable to non-residential development, including Aspen and Vail which were surveyed as part of the KMA work scope. The Aspen and Vail programs are not affordable housing impact fees, rather they are structured as regulatory requirements to provide affordable housing or pay an in-lieu fee instead (much like Boulder’s Inclusionary Housing program). While these resort communities are not comparable to Boulder, the programs represent precedents for non-residential affordable housing requirements in Colorado.

Affordable Housing Fees – Outside of Colorado

More than 30 cities and counties in California have commercial linkage fees, with the majority of programs within the San Francisco Bay Area and Sacramento region. In the Boston area, several communities have linkage fees, including Boston and Cambridge. Seattle recently expanded its linkage fee City-wide with fee levels varying by zone and ranging from \$0 to \$17.50 within the downtown and South Lake Union areas and \$5 to \$10 outside the downtown. Portland is also beginning a process of exploring a linkage fee adoption. Berkeley, Palo Alto, and Cambridge, MA were the only examples identified

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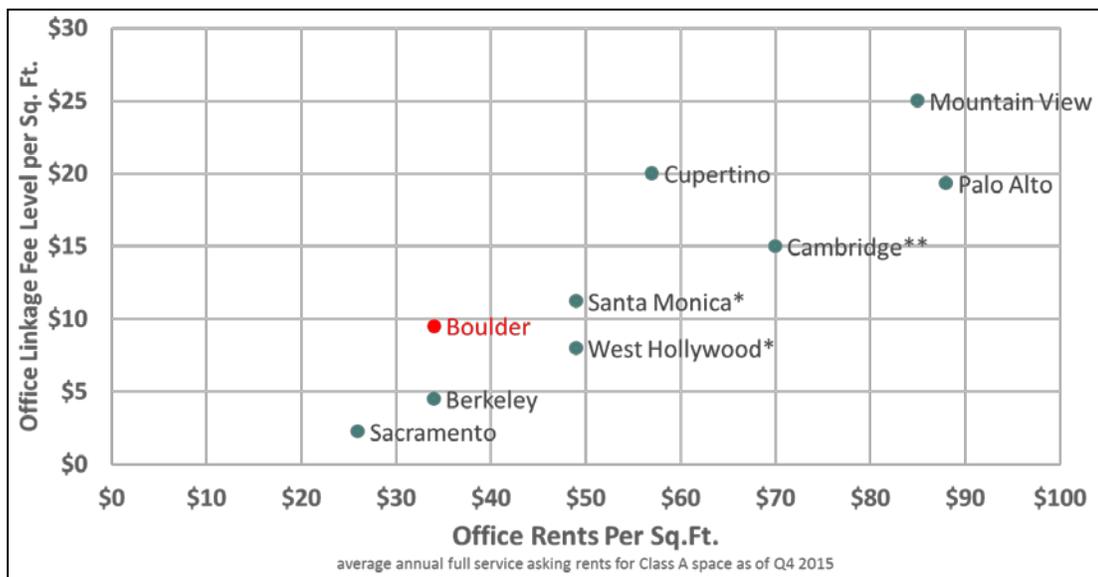
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of college / university towns with linkage fees. All located within high-cost metropolitan areas.

The table on the following page provides selected fee level examples. A more comprehensive listing was previously provided and will be incorporated as part of the full report. There are a wide range of fee levels represented among the adopted programs. The communities with the highest fees nationally are in Silicon Valley and San Francisco where the strength of the local real estate market is able to support high fee levels.

As a way to provide context in terms of the market conditions in each of the communities, a separate chart is also provided that shows office linkage fees (the building type that usually has the highest fees) for selected communities in relation to office rents by city. Office rents are an indicator of market strength and key driver of real estate values.

**Office Linkage Fees vs. Average Office Rents in Selected Communities**



\*Office rents are for "West. L.A." West Hollywood Fee will increase from \$4 to \$8 in FY 16-17 per staff. Shown in chart at \$8.

\*\*currently \$12, increases to \$15 (+CPI) over next 3 years. Shown in chart at \$15.

Sources: Office rents from research reports prepared by Colliers International and Cushman and Wakefield

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**Affordable Housing Fee Levels in Selected Communities**

| City                                      | Office<br>\$/SF                         | Retail<br>\$/SF | Hotel<br>\$/SF |
|---|---|-----------------|----------------|
| <b>Boulder Current Fees</b>               | \$9.53                                  | \$6.96          | \$1.79*        |
| <b><u>Linkage Fee Programs</u></b>        |   |                 |                |
| Mountain View, CA                         | \$25.00                                 | \$2.60          | \$2.60         |
| Cupertino, CA                             | \$20.00                                 | \$10.00         | \$10.00        |
| Palo Alto, CA                             | \$19.31                                 | \$19.31         | \$19.31        |
| Cambridge, MA**                           | \$15.00                                 | \$15.00         | \$15.00        |
| Santa Monica, CA                          | \$11.21                                 | \$9.75          | \$3.07         |
| West Hollywood, CA                        | \$8.00                                  | \$8.00          | \$8.00         |
| Berkeley, CA                              | \$4.50                                  | \$4.50          | \$4.50         |
| Emeryville, CA                            | \$4.10                                  | \$4.10          | \$4.10         |
| Sacramento, CA                            | \$2.25                                  | \$1.80          | \$2.14         |
| San Diego, CA                             | \$1.76                                  | \$1.06          | \$1.06         |
| Seattle: Downtown/S. Lake Union           | ranges from \$0 - \$17.50 based on zone |                 |                |
| Seattle: Outside Downtown                 | ranges from \$5 - \$10 based on zone    |                 |                |
| <b><u>Mountain Resort Programs</u></b>    |   |                 |                |
| (fees are alternative to providing units) |   |                 |                |
| Aspen, CO                                 | \$629                                   | \$629           | \$134          |
| Vail, CO                                  | \$48                                    | \$36 - \$101    | \$17           |

\* Per room fee expressed on a per square foot basis assuming 600 SF per room.

\*\* Currently \$12. Increase to \$15 (+CPI) phased in over next three years.

**Other Impact Fees (non-Affordable Housing)**

TischlerBise has examined impact fees and excise taxes in the communities of Broomfield, Ft. Collins, Longmont, Louisville, Loveland, Westminster, and Windsor. The following table provides a brief recap. The figures shown for Boulder do not include the affordable housing fees. Broomfield and Westminster have no impact fees for commercial uses. Ft. Collins has the highest fees of the surveyed communities and is currently in the process of updating its fees.

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**Other Impact Fees and Excise Taxes (Excludes Affordable Housing)**

|            | Boulder-<br>Current<br>(\$/SF) | Boulder Draft<br>Update <sup>(1)</sup><br>(\$/SF) | Low -<br>comparisaon<br>cities (\$/SF) | High -<br>comparison<br>cities (\$/SF) |
|------------|--------------------------------|---|--|--|
|            |                                |   | Broomfield and<br>Westminster          | Ft. Collins                            |
| Office     | \$3.52                         | \$5.63  | none                                   | \$13.05                                |
| Retail     | \$3.45                         | \$5.42  | none                                   | \$6.31                                 |
| Industrial | \$2.74                         | \$4.13  | none                                   | \$2.47                                 |

(1) Based on draft Tischler Bise analysis, uses the "Hybrid" scenario for transportation.

Source: *TischlerBise*

*Total Development Costs*

KMA estimated the total development cost associated with five prototypical building types and examined fee levels in the context of total costs. This facilitates an evaluation of whether the amount is likely to affect development decisions. The prototypes include flex commercial / light industrial, hotel, retail, lower density office, and higher density office. All cost summaries assume lower density surface-parked projects with the exception of the higher density office project which includes the cost of structured parking and higher land costs associated with a downtown or other higher density location.

The results are summarized below:

| Building Type                                | Approximate<br>Cost Range<br>(\$/Sq.Ft.) |
|--|--|
| Lower Density Office                         | \$275 - \$325                            |
| High Density Office<br>(Downtown & Vicinity) | \$475 - \$525                            |
| Flex Commercial / Light<br>Industrial        | \$200 - \$225                            |
| Retail                                       | \$250 - \$300                            |
| Hotel  | \$225 - \$275                            |

One useful way to evaluate alternative fee levels is to examine them as a percent of total development costs. Boulder’s adopted fees are currently in the range of 2.5% - 3% of cost for three of the five building types examined. Cities with exceptionally strong real estate markets have adopted linkage fees representing up to approximately 5% of costs.

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The table below identifies fee ranges reflective of benchmarks at 3% and 5% of development cost:

| Building Type                             | Fees at 3% of Costs (\$/Sq.Ft.) | Fees at 5% of Costs (\$/Sq.Ft.) |
|---|---------------------------------|---------------------------------|
| Lower Density Office                      | \$8 - \$10                      | \$14- \$16                      |
| High Density Office (Downtown & Vicinity) | \$14 - \$16                     | \$24 - \$26                     |
| Flex Commercial / Light Industrial        | \$6 - \$7                       | \$10 - \$11                     |
| Retail                                    | \$7 - \$9                       | \$12 - \$15                     |
| Hotel                                     | \$7 - \$8                       | \$11- \$14                      |

*Market Strength*

Boulder’s economy and commercial market conditions compare favorably to other submarkets in Boulder County and metro Denver. Within the Denver metro area, Class A office rents in Boulder are a close second to downtown Denver. Boulder exhibits strength in the retail sector with rents that are the third highest in the region and low vacancy rates of approximately 3%. The hotel sector is also demonstrating strength with two new hotels currently under development and healthy growth in room rates. High land costs and significant activity in the development pipeline also indicate a healthy market. In addition, Boulder’s diverse economy and high quality of life have historically made the city a desirable place to live and work and will likely continue to do so for the foreseeable future. Any moderate increase in non-residential impact fees will not alter these conditions, in our opinion.

*Option #4 Fee Level Range Based on Multiple Factors Including Economic / Market*

Given the maximums established by the nexus analysis, the strength of Boulder’s office, retail and hotel markets, and linkage fee examples from other communities, KMA recommends affordable housing fees in the range of \$10 to \$15 per square foot for office space, \$6 to \$10 per square foot for retail, lodging, and hospital uses, \$6 to \$8 per square foot for light industrial, and \$2 to \$5 for warehouse. While ranges are also identified for institutional and assisted living, it should be noted that these uses are sometimes exempted entirely based upon other policy considerations.

In recognition of the higher real estate values in Boulder’s downtown and the original structure of the City’s affordable housing fee program as applicable to bonus floor area for commercial projects located downtown, an additional suggestion is that the City consider instituting a higher fee structure in the range of \$15 to \$25 per square foot for

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bonus or additional floor area. This suggestion would re-establish a premium or additional affordable housing fee payment for projects that exceed a base floor area allowance.

*Option #4 Fee Level Range Based on Multiple Factors Including Economic / Market Factors*

| Building Type                   | Fee Range Based on Multiple Factors Including Market (per Sq. Ft.) | Adopted Fee (per Sq. Ft.) | Net Increase in Linkage Fee Under Option #4 (per Sq. Ft.) |
|---------------------------------|--|---------------------------|---|
| Office                          | \$10 - \$15  | \$9.53                    | \$0 - \$5   |
| Office Bonus FAR <sup>(1)</sup> | \$15 - \$25  | \$9.53                    | \$5 - \$15  |
| Light Industrial                | \$6 - \$8  | \$5.62                    | \$0 - \$2   |
| Retail                          | \$6 - \$10   | \$6.96                    | -\$1 - \$3  |
| Hospital                        | \$6 - \$10   | \$8.23                    | -\$2 - \$2  |
| Lodging                         | \$6 - \$10   | \$1.79                    | \$4 - \$8   |
| Warehouse                       | \$2 - \$5  | \$3.11                    | -\$1 - \$2  |
| Institutional                   | \$2 - \$6  | \$2.24                    | \$0 - \$4   |
| Assisted Living                 | \$2 - \$8  | \$2.19                    | \$0 - \$6   |

(1) Suggestion is for a higher fee applicable to FAR additions in the Downtown similar to the structure of the program before being expanded City-wide.

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**Appendix A. Sensitivity Test of Nexus Results: With Cost to House Low to Moderate and Middle Income Households Based on Apartments**

At the April 12<sup>th</sup> Study Session, the Council indicated an interest in understanding how the findings of the nexus analysis would change were the cost of providing affordable units to the Low to Moderate and Middle Income tiers based on a rental apartment rather than an ownership townhome unit.

For background, an ownership unit was assumed for the Low to Moderate and Middle-Income tiers because it is more typical that households in these tiers would be assisted in ownership units. This assumption also appears to be generally in line with the results of the City’s Housing Choice Survey and Analysis completed in May 2014.

Were an 800 square foot apartment unit assumed rather than an ownership unit, KMA estimates the affordability gap for each Low to Moderate unit would decrease from \$219,900 to \$167,900 and for each Middle Income unit the decrease is from \$101,700 to \$50,800. We note that a study prepared by the consulting firm BBC indicated middle income households could afford most existing market rate apartments in Boulder; however, BBC’s analysis is based on the assumption of a household earning 150% of AMI. In contrast, the \$50,800 affordability gap estimated by KMA for Middle Income is based on a household at 100% of AMI, near the mid-point of the range for the Middle Income tier as defined for purposes of the nexus analysis of 77.3% to 120% AMI.

The results of the sensitivity test if all affordable units are assumed to be provided as rentals is shown below:

**Sensitivity Test of Nexus Results: With Cost to House Low to Moderate and Middle Income Households Based on Apartments**

| Sensitivity Test: Nexus Result If Assume All Income Categories Housed in Apartments (Includes 45% Commute Adjustment) |               |
|---|---------------|
| Building Type   | (per Sq. Ft.) |
| Office  | \$43.30       |
| Light Industrial  | \$33.50       |
| Retail  | \$65.00       |
| Hospital  | \$43.50       |
| Lodging   | \$24.80       |
| Warehouse   | \$20.60       |
| Institutional   | \$16.40       |
| Assisted Living   | \$49.50       |

**TABLE 1**  
**AFFORDABLE UNITS PROVIDED / FUNDED THROUGH IH PROGRAM, RELATIVE TO NO. OF MARKET RATE UNITS**  
**JOBS HOUSING NEXUS ANALYSIS**  
**CITY OF BOULDER, CO**

|   | A.   | B.   | C.   |
|---|--|--|--|
| <b>Affordable Units Generated Through Inclusionary Program, Expressed Per Unit of Market Rate Housing</b> | <b>Avg. Across Projects Complying On-Site &amp; with CIL</b><br><i>avg. of col B. &amp; C.</i> | <b>With On-Site Compliance</b><br><i>33% comply on-site</i><br><i>Table 6, Section A</i> | <b>With Cash In-Lieu</b><br><i>67% comply with CIL</i><br><i>Table 6, Section B.</i> |
| Extremely Low (0% - 30% AMI)  | 0.05   | -  | 0.07   |
| Low Income (31% - 60% AMI)  | 0.31   | 0.21   | 0.36   |
| Low to Moderate (61% to 76% AMI)  | 0.02   | 0.03   | 0.02   |
| Middle Income (77% to 120% AMI)   | -  | -  | -  |
| <b>Total</b>  | 0.38   | 0.24   | 0.45   |

Note: Equates to effective inclusionary percentage of: 27.5% (= .38 affordable units / 1.38 market rate + affordable units)

Source: KMA using data provided by the City of Boulder

**TABLE 2**  
**SUMMARY OF AFFORDABLE UNITS GENERATED BY INCLUSIONARY HOUSING PROGRAM, 2010-2015**  
**JOBS HOUSING NEXUS ANALYSIS**  
**CITY OF BOULDER, CO**

**A. Summary of Inclusionary Units Produced through On-site Compliance by Income Level<sup>(2)</sup>**

Market Rate Units In Projects Complying with IH on-site <sup>(1) (2)</sup> 658

**Affordable Units Provided On-Site**

Extremely Low (0% - 30% AMI)

Low Income (31% - 60% AMI)

Low to Moderate (61% to 76% AMI)

Middle Income (77% to 120% AMI)

**Total**

**% Units**

0

0%

135

87%

20

13%

0

0%

155

| <b>Aff Units Per Market Rate Unit</b> |
|---------------------------------------|
| <b>(no. Aff Units / 658)</b>          |
| 0.000                                 |
| 0.205                                 |
| 0.030                                 |
| <u>0.000</u>                          |
| 0.236                                 |

**B. Affordable Units Funded with Contribution from Cash In-Lieu, 2010-2015**

Local Funding of Affordable Units, 2010-2015 <sup>(3)</sup> \$26,590,506

Average Cash In-Lieu Generated Per Mkt Rate Unit <sup>(4)</sup> \$21,400

Estimated No. Mkt Rate Units to Generate Funds 1,243

**Affordable Units Funded with CIL contribution**

Extremely Low (0% - 30% AMI)

Low Income (31% - 60% AMI)

Low to Moderate (61% to 76% AMI)

Middle Income (77% to 120% AMI)

**No. Aff Units**

**% Units**

91

16%

452

80%

22

4%

0

0%

565

100%

| <b>Aff Units Per Market Rate Unit</b> |
|---------------------------------------|
| <b>(no. aff units / 1,243)</b>        |
| 0.073                                 |
| 0.364                                 |
| 0.018                                 |
| <u>0.000</u>                          |
| 0.455                                 |

Notes:

(1) Not including 100% affordable projects.

(2) Includes 112 market rate units in projects that complied through a combination of CIL and on-site units.

(3) Includes CIL and other locally-controlled affordable housing funds.

(4) Based on CIL collections exclusive of small projects totaling \$29,062,088 divided by 1,358 market rate units in projects paying CIL from 2010-2015.

Source: Data provided by the City of Boulder, March 2016 and summarized by KMA.

## Affordable Housing Commercial Linkage Fee Options Summary

| OPTIONS   | Current   | Option 1   | Option 2   | Option 3   | Option 4  |
|---|---|--|--|--|---|
| <b>Description</b>  | <i>Existing Fees</i>  | <i>Fees to Reach city's 10% Goal by 2025</i>   | <i>Fees to Reach city's Middle Income Goal by 2025</i>   | <i>Fees Based on Boulder's Current Income Profile</i>  | <i>Fees Based on Combination of Factors, Including Economic / Market</i>  |
| <b>Methodology (approach)</b>   | The 2009 study applied the <i>Affordable Housing 10% Goal</i> to new residential development.<br><br>No adjustment for needs met through Inclusionary Housing (IH). | Fees set to achieve the city's current <i>Affordable Housing Goal</i> to secure 10% of all dwelling units as permanently affordable to low- and moderate-income households.<br><br>Adjusts for needs met through IH and other funding sources. | Fees set to achieve the city's current <i>Middle Income</i> goals to secure 450 units as permanently affordable to middle income households <u>and</u> Maintaining the Middle by housing a similar share of new middle income workers as the city currently does (roughly 18% from 80% to 120% of Area Median Income). | Fees reflective of providing a level of affordability to new workers that is consistent with Boulder's current income profile or level of income diversity.<br><br>Adjusts for needs met through IH. | Fee range based on consideration of multiple factors including economic / market conditions and the context of linkage fees adopted elsewhere.  |
| <b>Fee Level (Office)</b><br><small>*(See KMA Report for all land use categories)</small> | \$9.53/Sq. Ft.  | \$33.00/Sq. Ft.  | \$19.00/Sq. Ft.  | \$43.10/Sq. Ft.  | \$10-\$15/Sq. Ft.   |
| <b>What the fee would support</b>   | Creation and preservation of Low and Moderate Income affordable housing units.  | Achieve 10% Goal by 2025 through creation and preservation of approximately 760 affordable units.  | Achieve Middle Income goals by 2025 through creation and preservation of approximately 330 units of middle income housing units.<br><br>Does not reflect preservation of existing middle income housing stock.   | Expand affordable housing; house new workers at a variety of income levels.  | Expand affordable housing; house new workers at a variety of income levels.<br><br>Provides approximately one-third to one-half of funding to reach 10% Goal by 2025 under Option #1 (additional sources would be needed to reach adopted goals). |

|                       |   |   |  |   |  |   |
|-----------------------|---|---|--|---|--|---|
| <b>Criteria</b>       | <b>BVCP Policies</b>  | Evaluation  |   |    |   |  |
|                       | Analysis  | <p>Directly addresses BVCP Policy 7.02 - Permanently Affordable Housing, including:</p> <ul style="list-style-type: none"> <li>Financial resources available to support affordable unit production.</li> <li>Funds targeted to low and moderate income households may be leveraged/matched with other state and federal funds, ultimately bringing additional funds into Boulder</li> </ul> <p>Due to the high fee level, could limit implementation of BVCP Economic Policies:</p> <ul style="list-style-type: none"> <li>5.01 Revitalizing Commercial and Industrial Areas</li> <li>5.03 Diverse Mix of Uses and Business Types</li> <li>5.04 Vital and Productive Retail Base</li> <li>5.05 Support for Local Business and Business Retention</li> </ul> | <p>Addresses BVCP Policy 7.06 - Mixture of Housing Types by providing housing at a variety of prices, subsidizing the creation of units serving middle income households.</p> <p>Does not directly address the 10% goal stated in 7.02 - Permanently Affordable Housing.</p> <p>Due to the higher fee level for some building types, could limit implementation of BVCP Economic Policies:</p> <ul style="list-style-type: none"> <li>5.01 Revitalizing Commercial and Industrial Areas</li> <li>5.03 Diverse Mix of Uses and Business Types</li> <li>5.04 Vital and Productive Retail Base</li> <li>5.05 Support for Local Business and Business Retention</li> </ul> | <p>Addresses BVCP Policies:</p> <ul style="list-style-type: none"> <li>7.02 Permanently Affordable Housing</li> <li>7.06 Mixture of Housing Types</li> <li>7.09 Housing for a Full Range of Households</li> <li>7.10 Balancing Housing Supply with Employment Base</li> </ul> <p>Serves all income tiers - low and moderate income and middle income.</p> <p>Due to the high fee level, could limit implementation of BVCP Economic Policies:</p> <ul style="list-style-type: none"> <li>5.01 Revitalizing Commercial and Industrial Areas</li> <li>5.03 Diverse Mix of Uses and Business Types</li> <li>5.04 Vital and Productive Retail Base</li> <li>5.05 Support for Local Business and Business Retention</li> </ul> | <p>Provides flexibility to determine best and highest use of funds, ability to serve all income tiers - low and moderate income and middle income.</p> <p>Addresses BVCP Policies, and provides a balance between Housing Policies and Economic Policies:</p> <ul style="list-style-type: none"> <li>7.02 Permanently Affordable Housing</li> <li>7.06 Mixture of Housing Types</li> <li>7.09 Housing for a Full Range of Households</li> <li>7.10 Balancing Housing Supply with Employment Base</li> <li>5.01 Revitalizing Commercial and Industrial Areas</li> <li>5.03 Diverse Mix of Uses and Business Types</li> <li>5.04 Vital and Productive Retail Base</li> <li>5.05 Support for Local Business and Business Retention</li> </ul> |   |
| <b>Market Context</b> | Evaluation  |    |   |    |   |   |
| Analysis              | <p>Fees under this option may exceed a level that can be sustained by many projects and may slow or reduce non-residential development.</p> | <p>Fees for some building types under this option may exceed a level that can be sustained by projects and may slow or reduce non-residential development.</p>  | <p>Fees under this option may exceed a level that can be sustained by many projects and may slow or reduce non-residential development.</p>  | <p>Takes strong market conditions in Boulder into consideration in identifying a fee range not expected to significantly alter development decisions.</p>   |  |   |

| <b>Considerations</b> | <p>Generates funds to create and preserve affordable units.</p> <p>Fees based on 2009 study.</p> <p>Funds targeted to low and moderate income households may be leveraged/matched with other state and federal funds, ultimately bringing additional funds into Boulder.</p> | <p>Possible to combine with Option #2 (options address separate income levels).</p> <p>Present opportunities to leverage non-city resources to support low and moderate income unit production.</p> | <p>Possible to combine with Option #1 (options address separate income levels).</p> <p>Annexation is currently the only means to secure Middle Income units, this would provide a funding stream.</p> <p>Limited non-city subsidies available for Middle Income units.</p> <p>Expensive subsidy/Costly investment = Low Yield</p> <p>Further policy conversations are required to gauge city's position on subsidizing middle income housing and the market for deed restricted middle income units.</p> | <p>This option reflects current income profile/does not assert changes to specific income tiers.</p> |  |
|-----------------------|--|---|--|--|--|

Note: Options based on Affordable Housing Fee Level Options memo dated May 24, 2016.

**Evaluation Legend**

-  = N/A or Not much
-  = Somewhat
-  = Best

# Transportation Development Fee/Tax Options Summary

| OPTIONS                                     | Current  | Option A   | Option B   | Option C   |
|---|--|--|--|--|
| <b>Description</b>                          | Transportation Development Excise Tax                          | Increase existing Transportation DET to max voter approval   | Adopt new Transportation Impact Fee and <i>suspend</i> current Transportation DET  | Adopt new Transportation Impact Fee and <i>retain</i> current Transportation DET   |
| <b>Methodology/ Approach</b>                | No changes   | Multimodal, plan-based approach<br><br>Increase DET to maximum voter approved levels for residential   | Multimodal, plan-based approach<br><br>Create new Transportation Impact Fee  | Multimodal, plan-based approach<br><br>Retain existing Transportation DET, with current rates.<br><br>Create new Transportation Impact Fee   |
| <b>Estimated Revenue (Annual)</b>           | \$1.15m  | \$1.79m before credits   | \$900K before credits  | \$2.14m before credits   |
| <b>What the fee/tax would support</b>       | Capital Improvement Program (CIP) and Action Plan enhancements | CIP and Action Plan enhancements   | CIP  | CIP plus Action Plan enhancements  |
| <b>Potential Credits/Policy Adjustments</b> | None   | Credits for developments in areas with high multimodal level of service  | Credits for developments in areas with high multimodal level of service  | Credits for developments in areas with high multimodal level of service  |
| <b>Criteria</b>                             | Evaluation   | ◐  | ○  | ●  |
|   | <b>BVCP Policies</b>   |  |  |  |
|   | Analysis   | Maintains the flexible use of funds with an excise tax, addressing BVCP Policies:<br><ul style="list-style-type: none"> <li>• 6.01 All-Mode Transportation System</li> <li>• 6.07 Investment Priorities</li> </ul> Increased funding helps to achieve BVCP Policy Section 2: Built Environment Mobility Grid goals and Urban Design Linkages<br><br>Could negatively affect Section 7: Housing due to increased fees on housing. | Less flexible use of funds with conversion to impact fee due to requirements, addresses to a lesser extent BVCP policies:<br><ul style="list-style-type: none"> <li>• 6.01 All-Mode Transportation System</li> <li>• 6.07 Investment Priorities</li> </ul> Decrease in funding does not achieve Section 2: Built Environment Mobility Grid goals and Urban Design Linkages | Maintains the flexible use of funds with an excise tax, addressing BVCP Policies:<br><ul style="list-style-type: none"> <li>• 6.01 All-Mode Transportation System</li> <li>• 6.07 Investment Priorities</li> </ul> Increased funding helps to achieve BVCP Policy Section 2: Built Environment Mobility Grid goals and Urban Design Linkages<br><br>Could negatively affect Section 7: Housing and Section 5: Economy due to increased fees. |
|   | Evaluation   | ◐  | ○  | ●  |
|   | <b>Goals in Master Plans</b>                                   |  |  |  |
|   | Analysis   | Increased annual revenue over current Transportation DET helps address action plan projects in TMP.  | Less revenue than current Transportation DET, reduces ability to address action plan projects in TMP.  | Increased annual revenue over current Transportation DET helps address action plan projects in TMP.  |
| <b>Market Context</b>                       | Evaluation   | ◐  | ●  | ○  |
|   | Analysis   | Results in an increase only to residential development excise tax rates, no increase in non-residential development excise tax rates.  | Fee revenue would be less than existing DET for both residential development and non-residential development, reduces overall development cost paid to fees and taxes.   | Results in the greatest increase in fees and taxes for development, both residential and non-residential. Increases overall development cost paid in fees and taxes.   |
| <b>Other Considerations</b>                 | None   | Residential portion can be raised to maximum voter approved level without new ballot.  | Can be enacted by Council.   | Would need to identify which capital projects would be funded by fee and which by the tax.<br><br>Can be enacted by Council.   |

Note: Options Based on DRAFT 2016 Transportation Development Impact Fee Study and DRAFT 2016 Transportation Development Excise Tax Study

**Evaluation Legend**

- = N/A or Not much
- ◐ = Somewhat
- = Best

## Capital Facility Impact Fee Options Summary

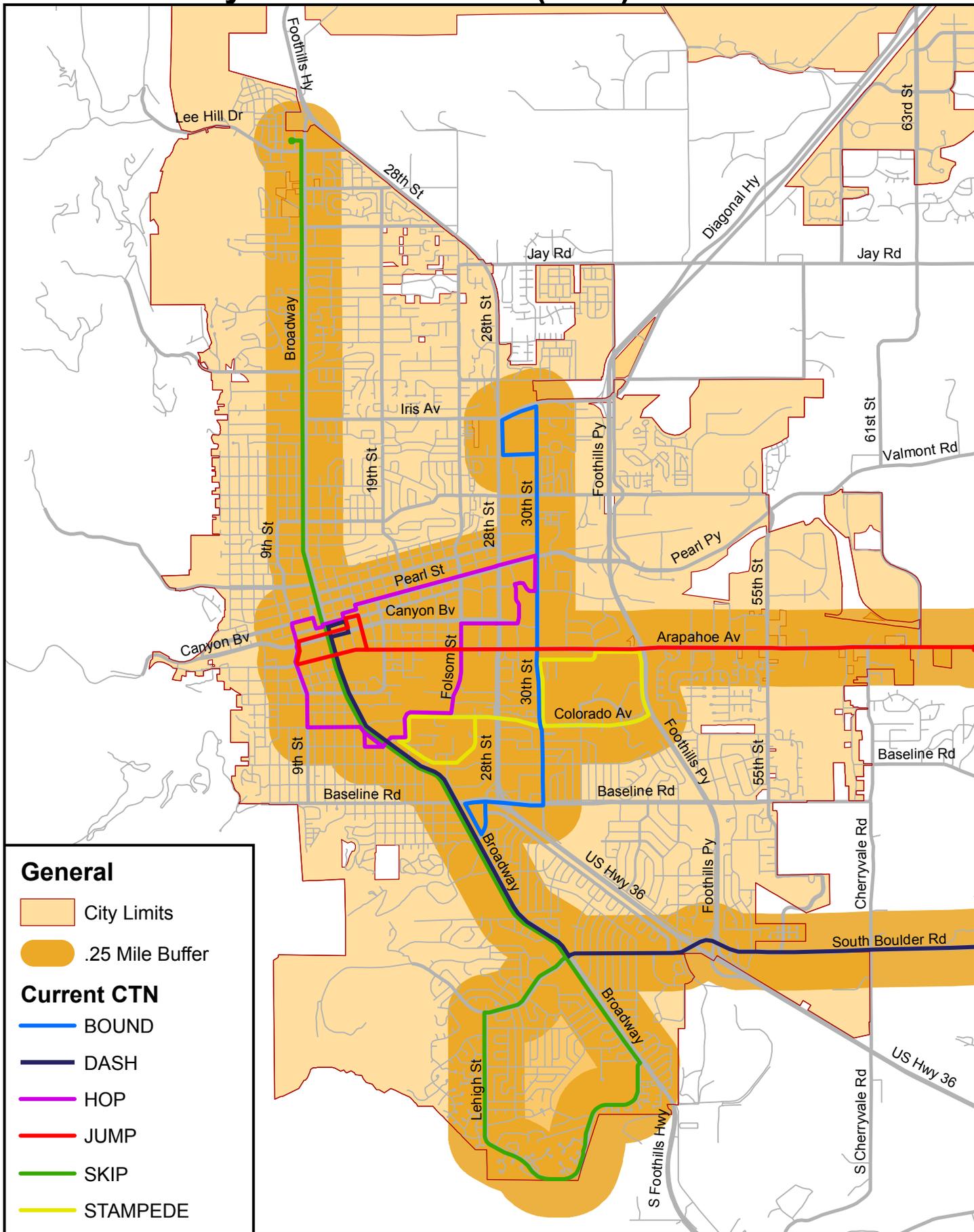
| OPTIONS                                     | Current   | Proposed   |   |
|---|---|--|---|
| <b>Description</b>                          | Capital Facility Impact Fees  | Updated Capital Facility Impact Fees   |   |
| <b>Methodology/ Approach</b>                | Fire: Incremental Expansion   | Fire: Incremental Expansion  |   |
|   | Human Services: Incremental Expansion   | Human Services: Incremental Expansion  |   |
|   | Library: Incremental Expansion, Cost-Recovery   | Library: Incremental Expansion, Cost-Recovery  |   |
|   | Municipal Facilities: Incremental Expansion   | Municipal Facilities: Incremental Expansion, Plan-Based, Cost-Recovery   |   |
|   | Parks & Recreation: Incremental Expansion   | Parks & Recreation: Incremental Expansion  |   |
|   | Police: Incremental Expansion, Plan-Based   | Police: Incremental Expansion, Plan-Based  |   |
| <b>Fee Level</b>                            | Fire: \$102/Person; \$143/Job   | Fire: \$165/Person; \$244/Job  |   |
|   | Human Services: \$70/Person   | Human Services: \$70/Person  |   |
|   | Library: \$215/Person   | Library: \$363/Person  |   |
|   | Municipal Facilities: \$131/Person; \$54/Job  | Municipal Facilities: \$222/Person; \$155/Job  |   |
|   | Parks & Recreation: \$1,474/Person  | Parks & Recreation: \$2,270/Person   |   |
|   | Police: \$138/Person; \$19/Job  | Police: \$185/Person; \$51/Job   |   |
| <b>What the fee/tax would support</b>       | Expansion of capacity for Buildings, Land, Parks, Library Materials, Fire Apparatus, Police Communications Infrastructure   | Expansion of capacity for Buildings, Land, Parks, Library Materials, Fire Apparatus and Police Communications Infrastructure |   |
| <b>Potential Credits/Policy Adjustments</b> | None.   | Credit for affordable housing could be considered under the state statute.   |   |
| <b>Criteria</b>                             | <b>BVCP Policies</b>  | Evaluation   | ●   |
|   |   | Analysis   | Addresses BVCP Policies: <ul style="list-style-type: none"> <li>• Chapter 6 - Urban Service Criteria and Standards</li> <li>• 1.26 - Provision of Urban Services in the Boulder Valley</li> <li>• 1.27 - Definition of Adequate Urban Facilities and Services</li> <li>• 1.28 - Phased Extension of Urban Services/Capital Improvements Program</li> <li>• 1.30 - Growth to Pay Fair Share of New Facility Costs</li> </ul> |
|   | <b>Goals in Master Plans</b>  | Evaluation   | ●   |
|   |   | Analysis   | <ul style="list-style-type: none"> <li>• Includes updated capital improvements based on current capital plans.</li> <li>• Based on 2015 service levels</li> </ul>   |
|   | <b>Market Context</b>   | Evaluation   | ◐   |
|   |   | Analysis   | <ul style="list-style-type: none"> <li>• Fee increase for residential of 16%, 20% increase for non-residential based on development scenarios</li> </ul>  |
| <b>Considerations</b>                       | <p>Last completed in 2008, based on capital needs at that time.</p> <p>Based on 2008 service levels.</p> <p>This was completed before the city's Capital Investment Strategy process.</p> |  |   |

Note: Options Based on DRAFT 2016 Capital Facility Development Impact Fee Study

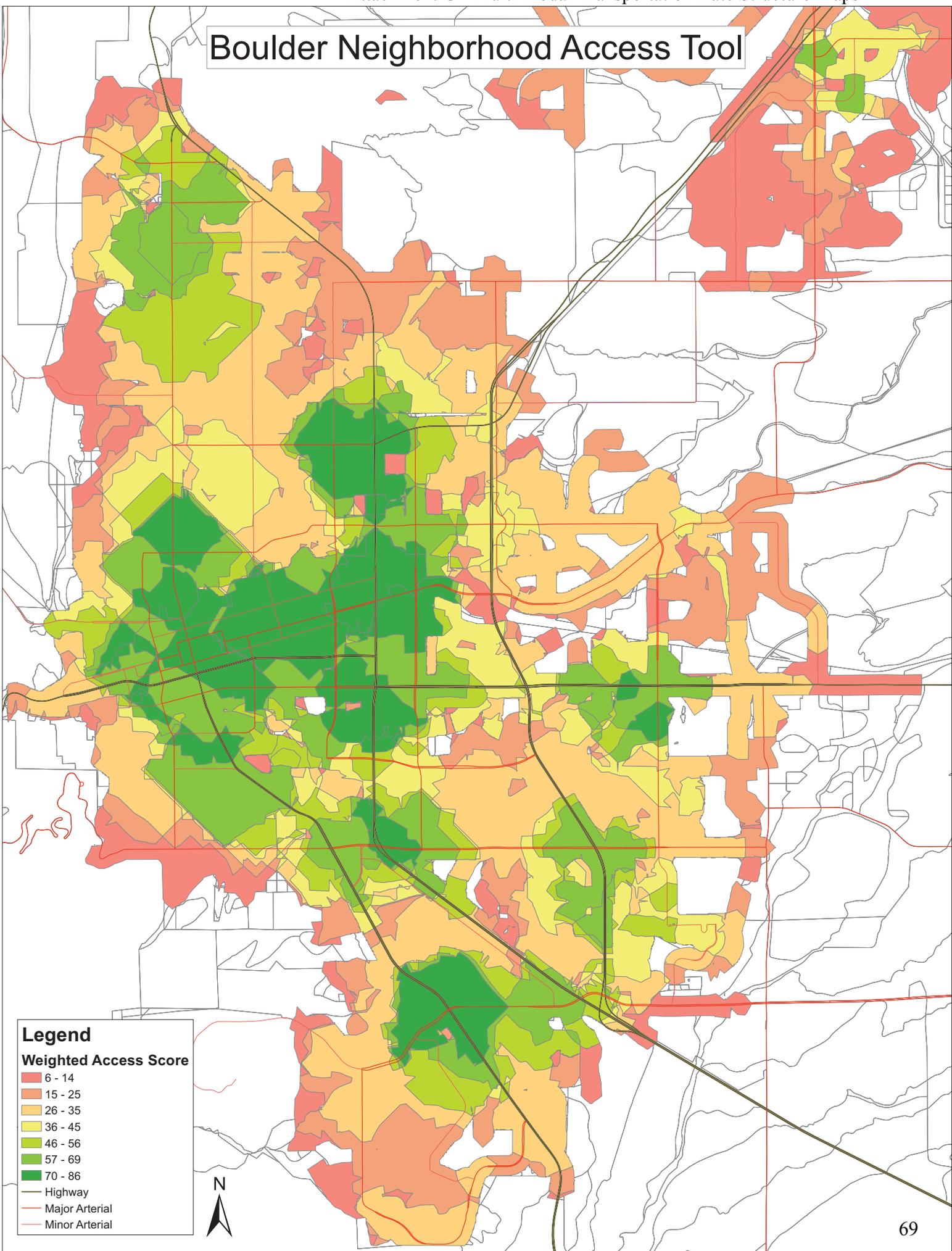
**Evaluation Legend**

- = N/A or Not much
- ◐ = Somewhat
- = Best

# Community Transit Network (CTN) w/ .25 Mile Buffer



# Boulder Neighborhood Access Tool



## Legend

### Weighted Access Score

6 - 14

15 - 25

26 - 35

36 - 45

46 - 56

57 - 69

70 - 86

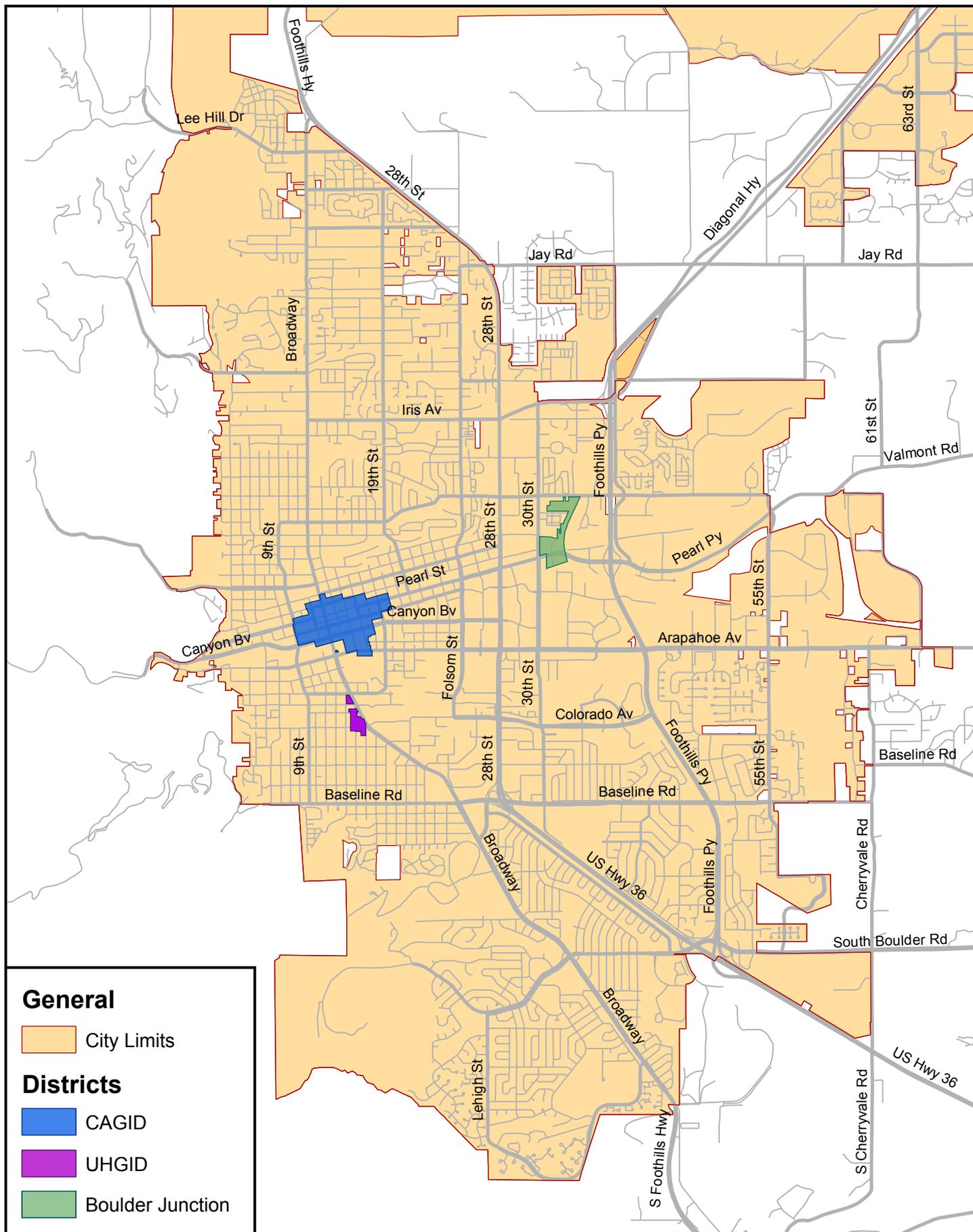
Highway

Major Arterial

Minor Arterial



# Boulder Parking and Transportation Demand Management (TDM) Districts



# Urban Core of Boulder Map

