Development Fees Study Session

The purpose of this study session is to solicit council feedback on work to-date prior to final reports and recommendations.

APRIL 12, 2016

CITY OF BOULDER, TISCHLERBISE, KEYSER MARSTON ASSOCIATES

Meeting Agenda

6:00 – 6:10	Purpose, Agenda Review
6:10 – 6:30	Capital Facilities Impact Fees
6:30 – 7:15	Multimodal Transportation
7:15 – 8:00	Affordable Housing Linkage Fee
8:00 – 8:30	Public Art
8:30 – 9:00	Wrap Up and Next Steps

2016 Update – Project Timeline

Sept 2015 – Feb 2016	Feb. – April 2016	May – August 2016	Sept. 2016 into 2017
Phase 1 - Background	**Phase 2 -** Analysis	**Phase 3 –** Decision	**Phase 4 -** Implement

What is an Impact Fee?

An “impact fee” is a one-time fee to fund capital improvements necessitated by new development.

Also referred to as a:

- capital facility impact fee (CFI)
- development impact fee (DIF)

What is an Excise Tax?

Excise taxes are one-time revenues often used to fund new infrastructure needed to accommodate new development.

Also referred to as a:

- Development Excise Tax (DET)
- Transportation Excise Tax (TET)
- Housing Excise Tax (HET)

Intro Seminar & Working Group Meetings

Capital Facilities Impact Fees

Current Impact Fees

Impact Fee Component	Residential	Non- Residential
Library	✓	
Parks and Recreation	✓	
Human Services	✓	
Municipal Facilities	✓	✓
Police	✓	✓
Fire	✓	✓

Scope

- Conduct study to update background assumptions, data, and methodologies used to calculate Capital Facilities impact fees
- Calculate maximum supportable impact fee amount

Review of Impact Fee Rules

- An "impact fee" is a one-time fee to fund system capital improvements necessitated by new development. Also referred to as a:
  - capital facility impact fee (CFI)
  - development impact fee (DIF)
- Not a revenue raising mechanism but a way to meet growth-related infrastructure needs
- Basic legal requirements are:
  - Need
  - Benefit
  - Proportionality

Progress to date

- Updated **Land Use Assumptions**
- Assessed **demographics and demand factors**
- Updated **capital facility inventories**
- Determined **current levels of service**
- Assessed **impact fee methodologies** based on current capital plans
- Prepared **cash flow analysis** for each fee component
- Completed **draft report**

Notable Differences vs. 2009 Study

Impact Fee Component Changes

- Library facilities shift from cost recovery to incremental methodology
- Addition of Municipal Court component to Municipal Facilities Impact Fee
- Addition of land component to Municipal Facilities Impact Fee for purchase of Boulder Community Hospital site
- Addition of Police Radio Communications Infrastructure component to Police Impact Fee
- Separation of land component in Fire Impact Fee to accommodate planned relocation of Fire Station 3, Headquarters, and Storage Facility

Notable Differences vs. 2009 Study

Administrative Changes

- Simplification of non-residential land use categories
- Combined *detached and attached residential units;* impact fee schedule still by **size of unit**

Next Steps

- Finalize impact fee calculations
- Produce final draft report including implementation strategies
- Return to Council on June 14

Question for Council

What feedback does council have on the draft capital facilities impact fee study?

Multimodal Transportation Funding

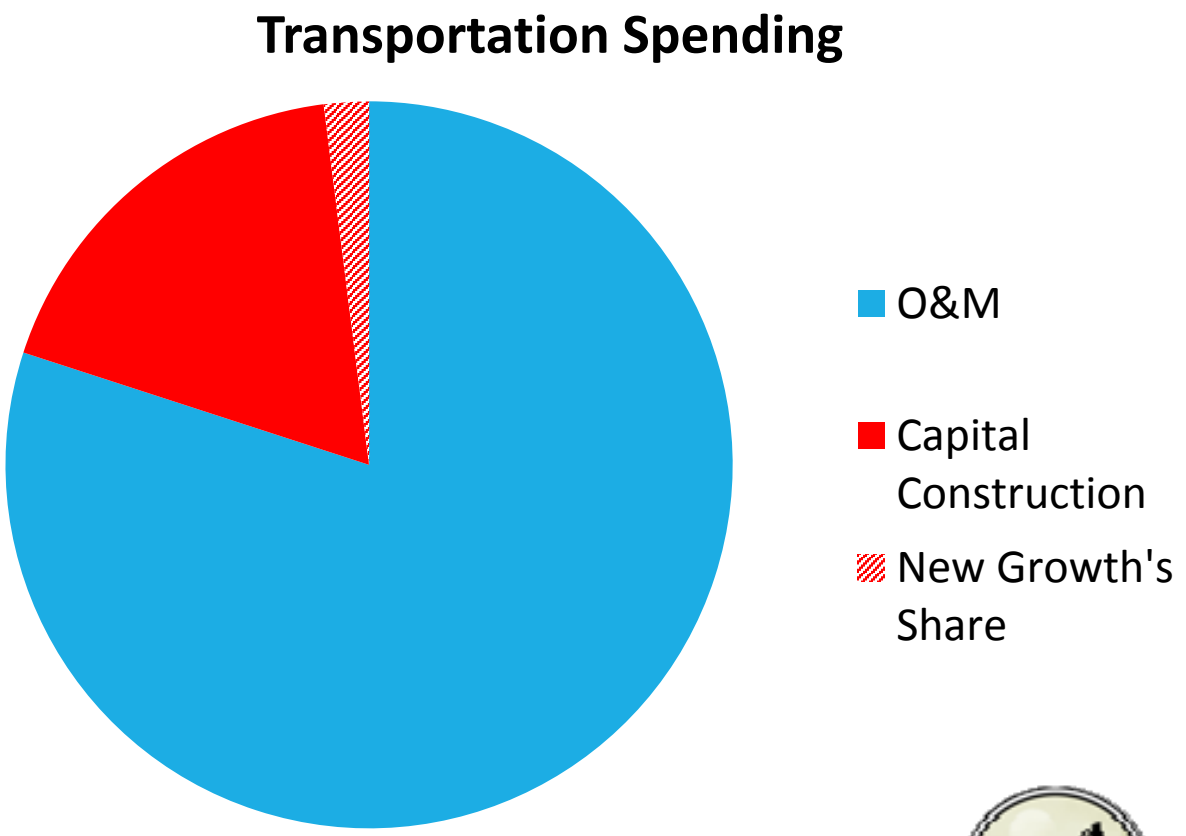
Transportation Scope

Purpose is to determine how to assess new growth's fair share of capital infrastructure costs.

Operations and Maintenance (O&M) for existing and new developments will be addressed in next steps.

Two tools to collect funds from new growth for capital construction; excise taxes and impact fees.

City relies on zoning powers to have new growth construct capital improvements that are necessary due to their impacts.



Transportation Funding Programs

Current Funding Investment Program

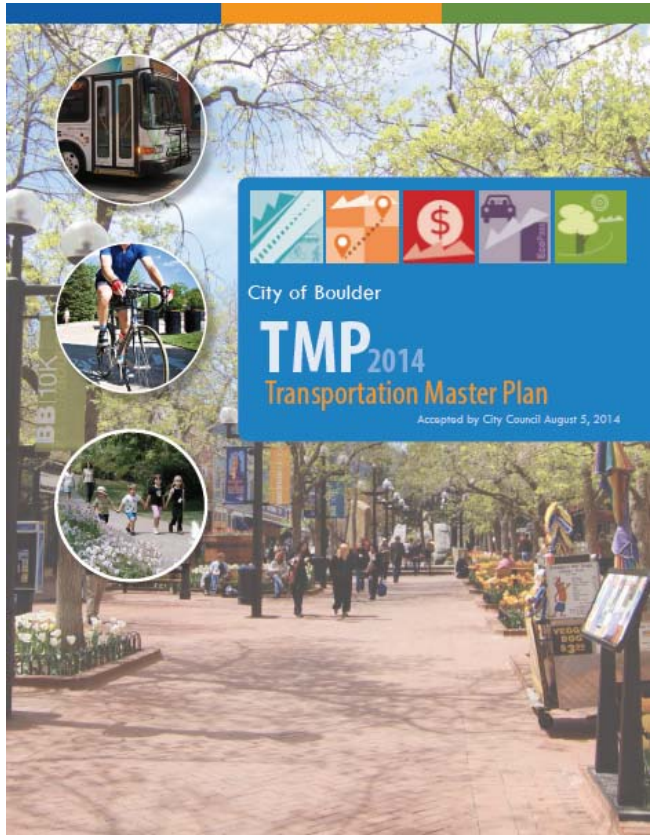
- $635m total
- 80% dedicated to O&M

Action Investment Program

- $720m total
- Additional funds dedicated to transit, new programs and services and O&M proportional to enhancements

Vision Plan Investment Program

- $1.1b total



Traditional v. Next Generation Approach

TRADITIONAL	NEXT GENERATION
Based on moving vehicles; adding capacity	Based on moving people
For growing communities focused on expanding infrastructure	For mature communities, focused on more efficient use of existing infrastructure
Focus on maintenance of level of service (LOS) standards	Focus on needed capital improvements based on multimodal policy objectives
Growth pays for capital improvements necessary to maintain LOS	Growth pays for fair share of planned capital improvements based on population growth and added vehicle trips

Next Generation Approach - Analysis

Plan-based Approach

- Based on Capital projects in the 6-Year CIP and TMP

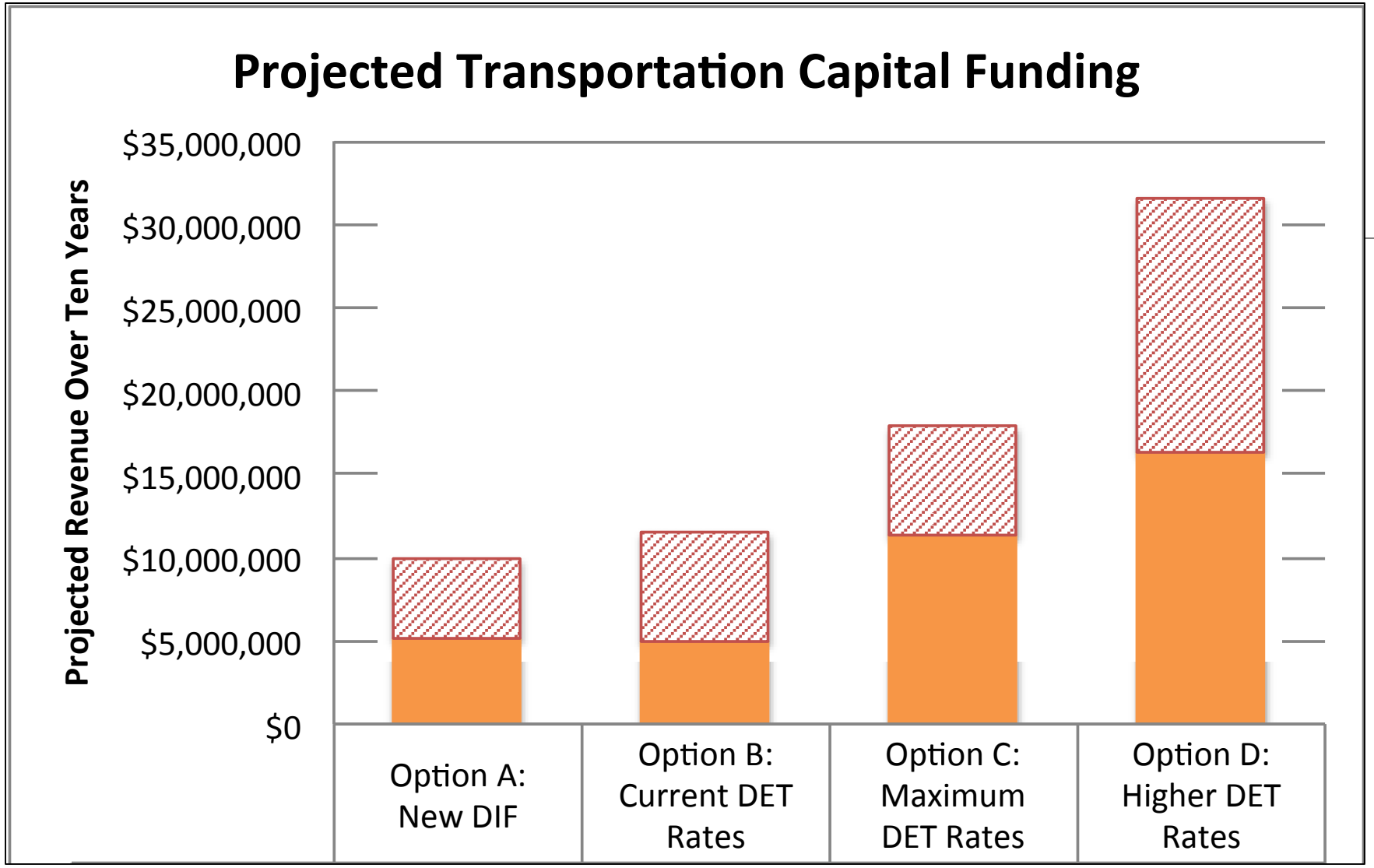
Multimodal methodology

- Allocates multimodal (bike/transit/walk) improvements by functional population
- Allocates street (vehicular) improvements by new vehicle miles of travel

Type of Improvements	***Cost Allocation***	***Service Area***	***Plan-Based Method (future)***
Bus Bike Walk	Functional Population and Jobs	Citywide	Sidewalks, Multi-Use Paths, Bike Lanes and Bus Stops/Pullouts
Streets	Vehicle Miles of Travel	Citywide	Arterial/Collector Capacity and Intersection Improvements

Impact Fee and Excise Tax Comparison

Impact Fee	Development Excise Tax (DET)
Land Use Regulation	Revenue raising mechanism (tax)
Legislatively adopted	Requires voter approval
No greater than necessary to defray projected impacts caused by, and directly related to, proposed development	No limitations
Growth Share of Capital Improvements Program (proportionate)	CIP plus Action Investment Program (growth-related)



Options for Transportation Policy Discussion

Next Steps

- Further Analysis
- Evaluation of Options
- Inclusion in comprehensive review with other fees and taxes
- On-going operations and maintenance

Question for Council

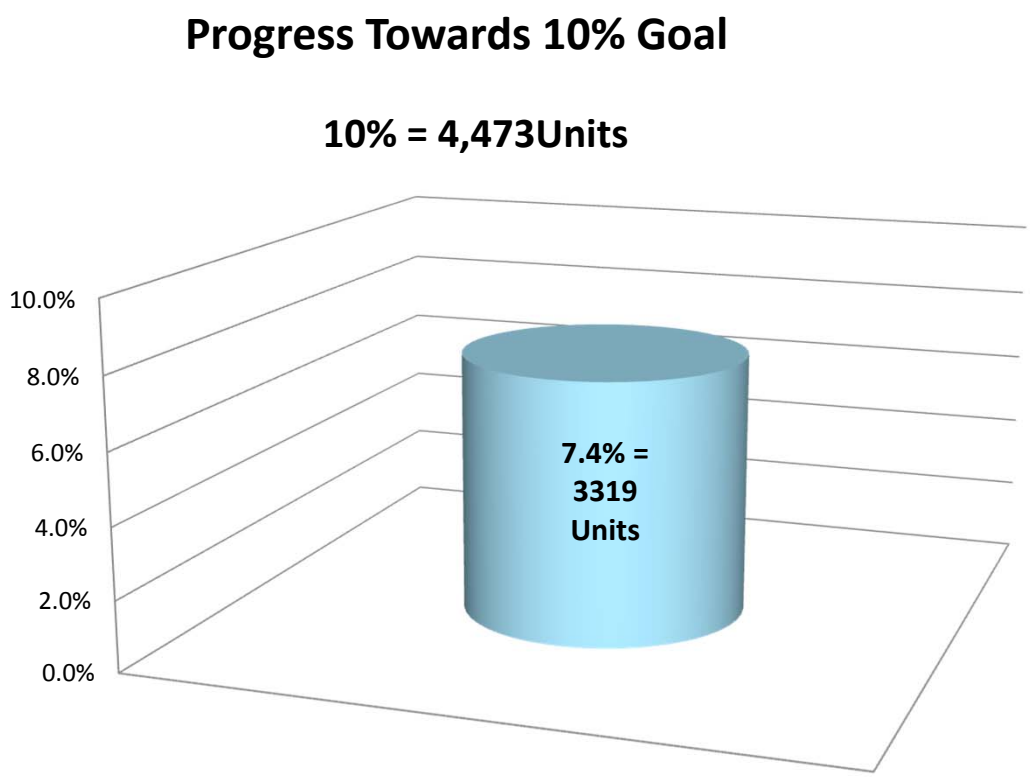
What feedback does Council have on utilizing an impact fee, excise tax, or hybrid approach for multimodal transportation capital funding?

Affordable Housing Commercial Linkage Fee

Current City of Boulder Housing Goals

Affordable Housing Goal:

10% of all residences are permanently affordable serving low- and moderate-income persons



Current Housing Funding Resources and Tools

Revenue

- Affordable Housing Fund ($5M)
- Community Housing Assistance Program ($2.5M)
- Commercial Linkage Fee (TBD)
- CDBG & HOME Funds ($1.5M)

Regulatory Tools

- Inclusionary Housing
- Annexation

Current Housing Funding Resources and Tools

Fund	Source	Avg. Annual Revenue
Affordable Housing Fund	LOCAL/Inclusionary Housing CIL, General Fund	$5 M
Community Housing Assistance Program	LOCAL/Property Tax, Housing Excise Tax	$2.5 M
Existing Commercial Linkage Fee	LOCAL/FAR Bonus DT-5; expanded and phased in	TBD
CDBG and HOME funds	FEDERAL/HUD	$1.5 M

Regulatory Tools	Requirement	Options
Inclusionary Housing	20% of new residential	On-site, off-site, land, CIL
Annexation	40% - 60% of new residential	Permanently Affordable (LMI, Middle Income)

Scope

- Update the existing linkage fee using a jobs housing nexus analysis.
- Prepare additional analyses and materials to provide context for establishing fee levels.

Draft Impact Analysis Findings

- **Maximum Fees are High –** reflect the high cost to provide affordable housing to all workers in new non-residential buildings up to 120% AMI
- **Maximums Are Not Recommended –** cities generally adopt fees well below maximums based on other considerations
- **Current Fees –** 2% to 7% of maximums
- **High Maximums Provide Significant Discretion** to consider a range of policy objectives in setting fees anywhere up to the maximums.

Factors for Potential Consideration in Setting Fees

1. **Market Factors** – market strength, development feasibility, and scaling fees relative to development costs

2. **Fees in Other Cities**

3. **Potential Policy Based Adjustments to Impact Analysis** – commuting, needs met by inclusionary housing, existing income profile

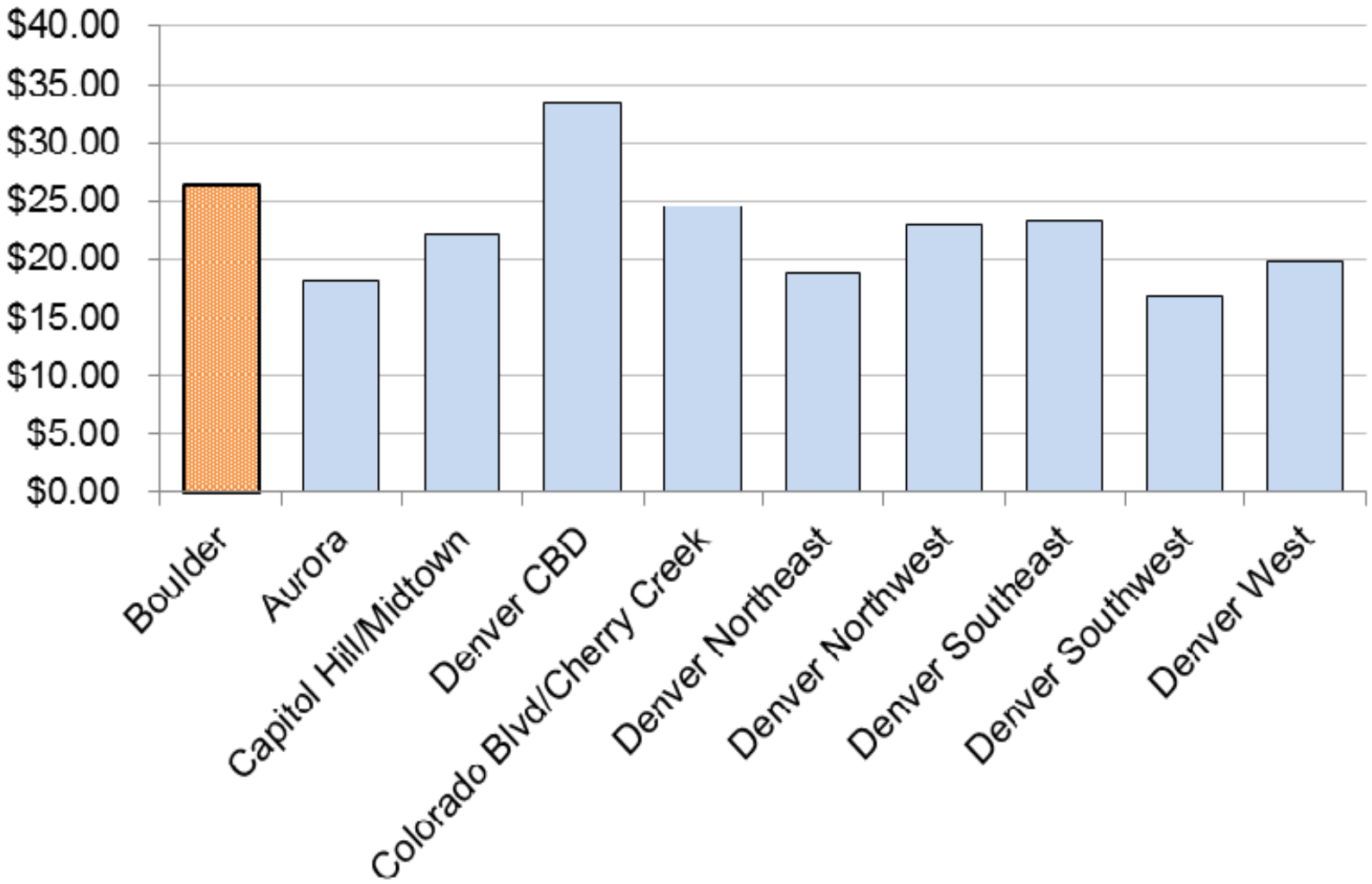
1. Market Factors: Market Strength / Development Feasibility

- Communities often wish to set fees within a range that is not expected to direct development to other jurisdictions

- Two analyses addressing this consideration:
  - Market context summary
  - Non-residential development costs – five building types

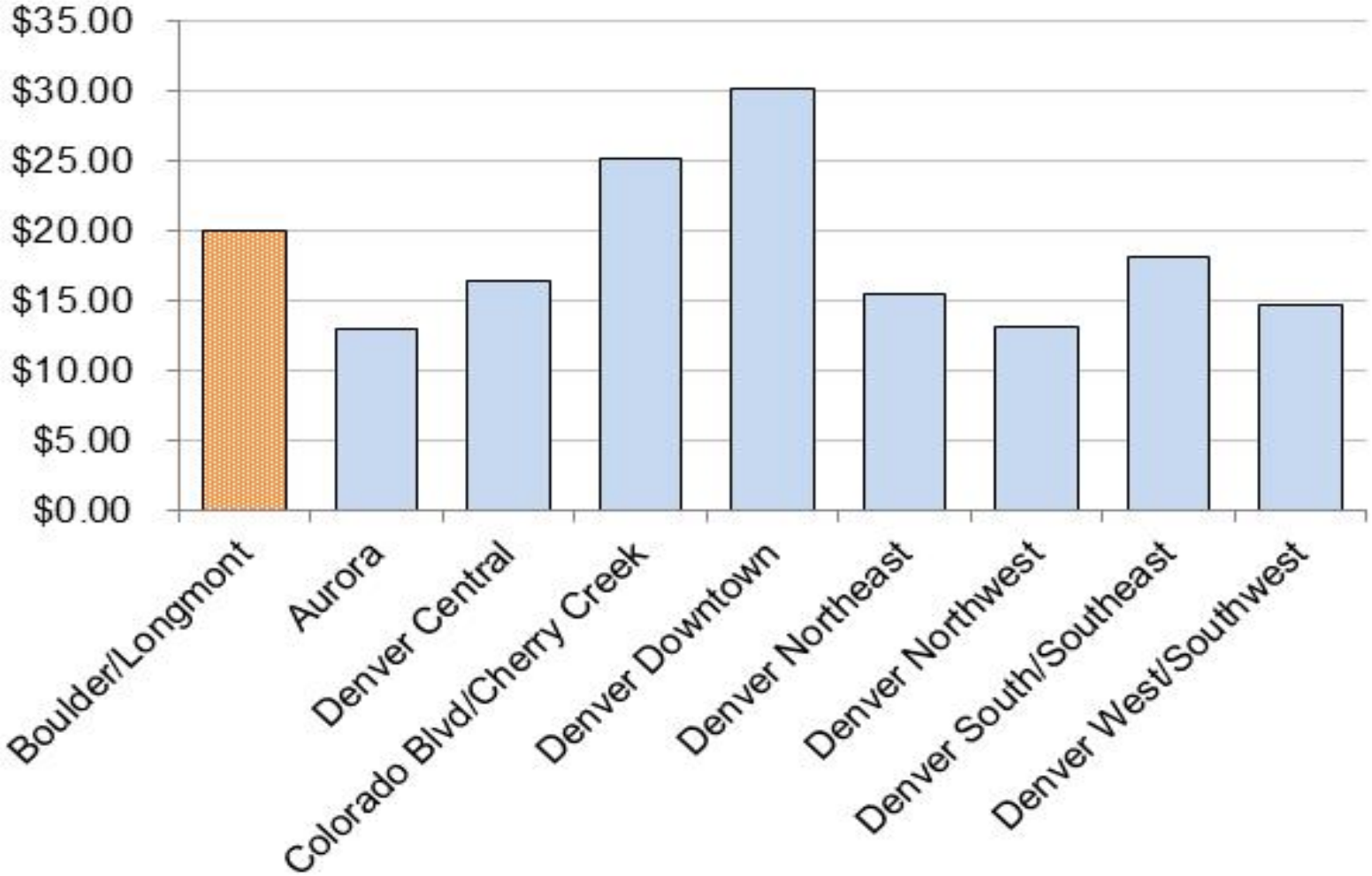
Office Rents

Cushman & Wakefield (Q3 2015)



Retail Rents

Cushman & Wakefield (Q3 2015)



1. Market Factors: Non-Residential Development Costs

	Flex Commercial (R&D/Lt Industrial)		Hotel		Retail		Lower Density Office		High Density Office (DT & Vicinity)	
Program										
Building Area	50,000 GSF		65,000 GSF		50,000 GSF		50,000 GSF		50,000 GSF	
Stories	1 story		2-3 stories		1 story		3 stories		3-4 stories	
FAR	0.50 FAR		0.75 FAR		0.30 FAR		0.50 FAR		2.00 FAR	
Acres	2.3 acres		2.0 acres		3.8 acres		2.3 acres		0.6 acres	
Development Costs	$/GSF	Total	$/GSF	Total	$/GSF	Total	$/GSF	Total	$/GSF	Total
Land Acquisition	$24	$1,200,000	$34	$2,180,000	$60	$3,000,000	$50	$2,500,000	$75	$3,750,000
Directs (incl. TI's)	$165	$8,250,000	$189	$12,260,000	$184	$9,200,000	$227	$11,350,000	$364	$18,200,000
Indirects	$10	$500,000	$15	$980,000	$15	$740,000	$14	$680,000	$29	$1,460,000
Financing	$7	$340,000	$10	$680,000	$9	$440,000	$10	$500,000	$21	$1,060,000
Total	$206	$10,290,000	$248	$16,100,000	$268	$13,380,000	$301	$15,030,000	$489	$24,470,000

Note: Except for High Density Office, all the prototypes assume surface parking.

GSF = gross building square feet; FAR = floor area ratio.

1. Market Factors: Illustrative Fee Levels Relative to Non-Residential Development Costs

(Fee amounts are rounded)	Flex Commercial (R&D/Lt Industrial)	Hotel	Retail	Lower Density Office	High Density Office (DT & Vicinity)
Total Development Cost	$206 /SF	$248 /SF	$268 /SF	$301 /SF	$489 /SF
Illustrative Fee Scenarios					
2% of Development Cost	$4.10 /SF	$5.00 /SF	$5.40 /SF	$6.00 /SF	$9.80 /SF
3% of Development Cost	$6.20 /SF	$7.40 /SF	$8.00 /SF	$9.00 /SF	$14.70 /SF
4% of Development Cost	$8.20 /SF	$9.90 /SF	$10.70 /SF	$12.00 /SF	$19.60 /SF
Current Fees					
Current Fees	$5.62 /SF	$1.78 /SF*	$6.96 /SF	$9.53 /SF	$9.53 /SF
% of Development Cost	2.7%	0.7%	2.6%	3.2%	1.9%

** The current fee is $1,072/hotel room. The fee per square foot above is illustrative and assumes 600 square feet per hotel room.*

1. Market Factors: Potential Market Adjustments that could Absorb $1 / SF Fee Increase

Potential Market Adjustments to Absorb Every $1/SF Fee

All figures are approximate	Flex Commercial (R&D/Lt Industrial)	Hotel	Retail	Lower Density Office	High Density Office (DT & Vicinity)
Increase in Rents/Income	0.4%	0.4%	0.3%	0.3%	0.2%
Decrease in Land Values	4.2%	3.0%	1.7%	2.0%	1.3%

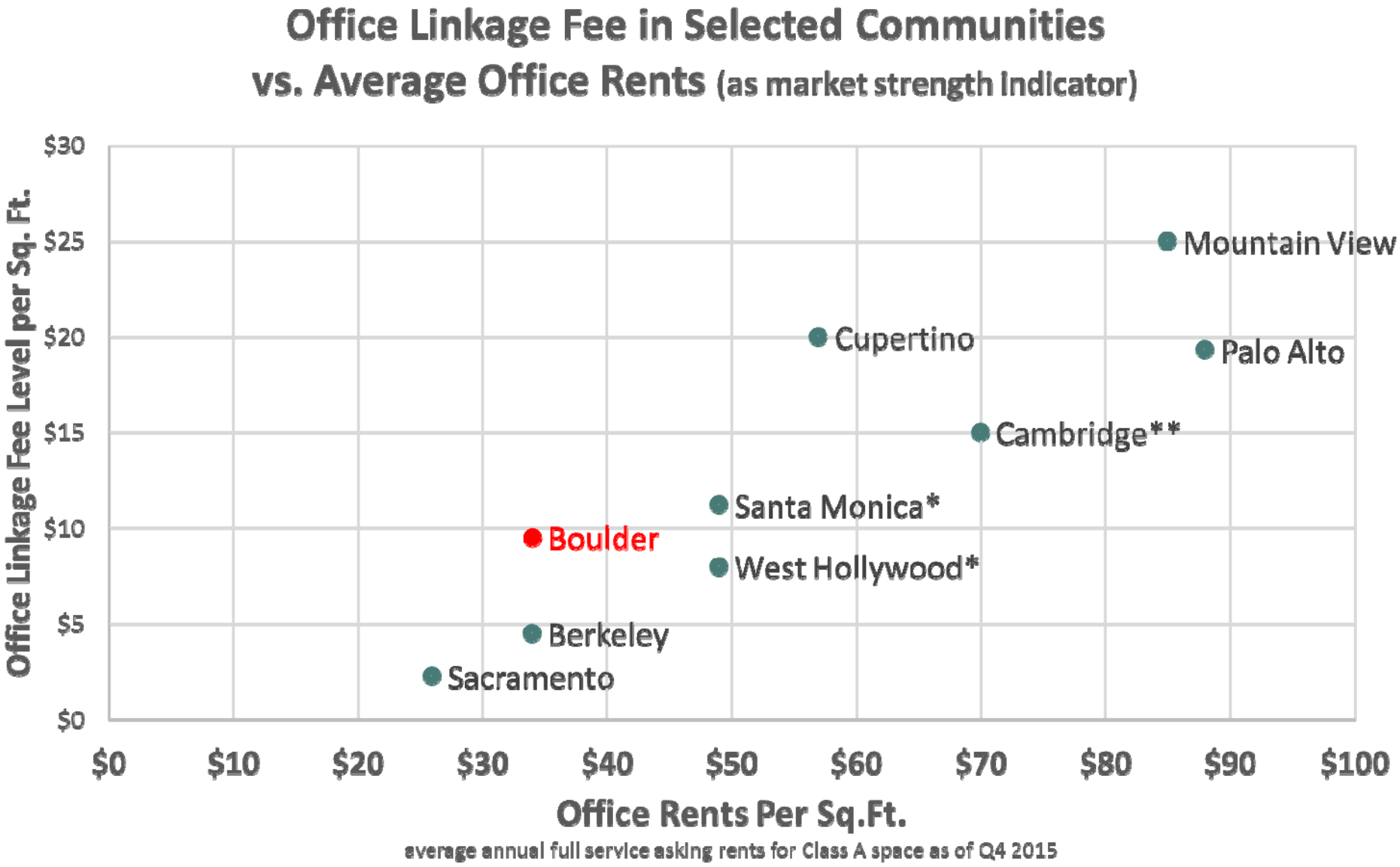
2. Fees in Other Cities

Information on Other Programs:

- 33 programs in California
- Aspen and Vail (Colorado examples although not good comparisons to Boulder)
- Cambridge, MA

City	Office $/SF	Retail $/SF	Hotel $/SF
Boulder (@full phase-in)	$9.53	$6.96	$1.79
High Fee Examples			
Aspen, CO	$629	$629	$134
Vail, CO	$48	$36 - $101	$17
Mountain View, CA	$25	$3	$3
Palo Alto, CA	$19	$19	$19
Cambridge, MA	$12	$12	$12
Medium Fee Examples [SF East Bay]			
Berkeley, CA	$5	$5	$5
Walnut Creek, CA	$5	$5	$5
Emeryville, CA	$4	$4	$4
Low Fee Examples			
Sacramento, CA	$2	$2	$2
San Diego, CA	$2	$1	$1

2. Fees in Other Cities



*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

3. Potential Policy-Based Adjustments to Impact Analysis

Potential adjustments to be further analyzed/quantified:

- **Commuting** – share of workforce to be housed locally
- **Inclusionary Housing** – adjustment for needs met by inclusionary housing ordinance (IH)
- **Existing Income Profile** – adjust to reflect range of incomes currently living in Boulder

3. Policy Adjustments: Commuting

1. Maximum fees based on housing needs of all workers
2. Boulder currently houses approximately 45% of its workforce

   (Note: the 39% previously referenced is an older figure)

3. 45% Adjustment to impact analysis is recommended

Example of Commute Adjustment *For Office Building*	
Affordable Housing Need – all workers in 20,000 SF building	20 Units
Apply Commute Adjustment @ 45%	9 Units

3. Policy Adjustments: Inclusionary Housing

Potential Adjustment: Provide a credit for housing need met through IH

Basis: IH produces approx. 3.8 affordable units for every 10 market rate units

Illustration of Potential Credit	**Affordable (0-120% AMI)**	**Market Rate (over 120% AMI)**
Housing Need *(workers in 20,000 SF office building, after 45% commute adjustment)*	9.1 units	6.7 units
Less: credit for IH *(= 6.7 mkt rate units X 0.38 affordable units per mkt rate unit)*	(2.5 units)	
Adjusted Affordable Housing Need After Credit	6.6 units	

3. Policy Adjustments: Existing Income Profile and Depth of Affordability

Issue: impact analysis results represent a much deeper level of affordability than Boulder has today (especially retail, hotel)

Potential Adjustment: adjust depth of affordability to reflect existing income profile

Worker Household Incomes	Retail Worker Households	Estimate of Existing Income Profile
Extremely Low (0% - 30% AMI)	26%	14%
Low Income (31% - 60% AMI)	49%	13%
Low to Moderate (61% to 76% AMI)	11%	5%
Middle Income (77% to 120% AMI)	10%	18%
Above Middle Income (> 120% AMI)	4%	50%
	100%	100%

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

Factors for Potential Consideration in Setting Fees

1. Market Factors
   - market strength
   - development feasibility
   - scaling fees relative to development costs
2. Fees in Other Cities
3. Policy Based Adjustments
   - commuting
   - needs met by inclusionary housing
   - existing income profile

Next Steps

- Analyze / quantify additional potential adjustment factors
- Incorporate Working Group and Council feedback
- Prepare full draft report

Question for Council

What feedback does council have on the policy considerations to be evaluated and accounted for in setting the affordable housing commercial linkage fee?

Private Development Requirement for Art

Community Cultural Plan

Community Cultural Plan pg. 14: Community Priorities

Focus on the expression of **culture and creativity in the public realm through public art**, the urban landscape, culture in the neighborhoods, and serendipitous encounters with the arts.

Amplify the vibrancy of Boulder's cultural destinations: the lively mix of museums, performance venues, events, districts, studios, maker spaces, and other facilities that make Boulder an enticing place to visit, live, play, and work. Fill in the gaps and address issues of access and affordability.

Community Cultural Plan

Community Cultural Plan pg 22: Public Art Strategy Goal

Public Art Program Goal: Many individuals and businesses will be encouraged to invest in quality works of art. The **municipal investment in public art** will serve as a model.

Community Cultural Plan pg 58: Strategy Details

Once established, a 1% of capital improvement projects (should that be the method enacted) could generate as much as $300,000 per year. However, it is likely this **amount of money is not enough to successfully meet the goals** of the program.

Scope

- Models of the best programs in the state and country.
- Land use requirement for art-in-public-places.

Overview of Arts Requirements in Other Communities

In Colorado

- Aurora: $300-$500/acre for landscaping & design, including art.

In Arizona

- Tempe: $/Sq. Ft. and encourages on-site art

In California

- ~50 programs based on 1% Building Permit Valuation
- Vigorous, complex programs in some cities like Pasadena, Santa Monica, and soon Berkeley.

Land Use Requirement for Public Art

Based on 1% of Building Permit Value

Approximate Revenue (or Art) Potential generated with a 1% of permit valuation requirement: $300,000 - $400,000 / Year

Will vary depending on program specifics such as:

- Building types subject to the program (multifamily? additions / remodels?)
- Exemptions (small projects, non-profits, etc.)

Next Steps

- Public Art Policy, Implementation (2016)
  - Municipal Funding Structure (2018)
    - Public Art in Private Development
      - Land use requirement for art-in-public-places (Requirement based on building permit valuation)
      - Excise Tax
      - Re-evaluation of an Impact Fee

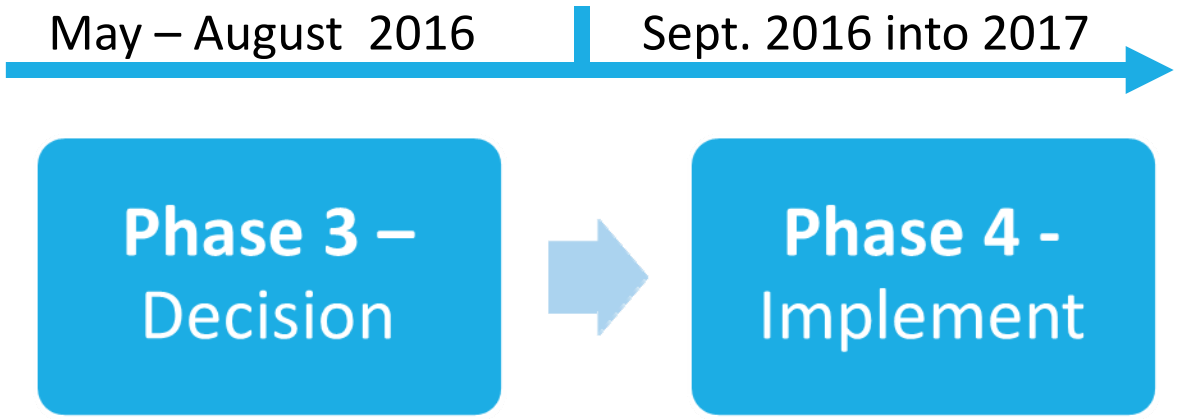
Question for Council

What feedback does council have on moving this work effort into the Community Cultural Plan implementation efforts, including further exploration of alternative funding approaches following the development of the public art policy and implementation plans?

Wrap Up & Next Steps

Next Steps

- Prepare Final Reports
  - Compile a comparative study
  - Current and future fees, other development costs, and cost context
- Prepare an Economic Impact Analysis of Development in Boulder
- Develop funding options/scenarios

Next Steps

- Technical Working Group – May 9
- City Council Study Session – June 14
- City Council Public Hearing - July 19