



Development Fees Introductory Seminar

How development pays its way in the City of Boulder, and what the city is exploring in updating its impact fees and excise taxes

FEBRUARY 1, 2016

CITY OF BOULDER, TISCHLERBISE, KEYSER MARSTON ASSOCIATES

Handout & Questions

In-person:

Use your sticky notes and post on the question boards

Online viewers:

Go to www.bouldercolorado.gov and search for “development fees” Email questions to Chris Meschuk at meschukc@bouldercolorado.gov



Agenda

1. Welcome and Presenter Introductions
2. Background
3. Define Development Excise Taxes & Impact Fees
4. Boulder's Current Fees & Taxes for new development
5. Examples of Projects
6. 2016 Update Scope



Presenters

Chris Meschuk, Senior Planner, City of Boulder



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KEYSER MARSTON ASSOCIATES, INC.

Why we are Here Today

2009 - Impact Fee/Excise Taxes last updated

Jan 2015 – Council identifies updating fees as a high priority

May 2015 – Staff presented next steps for RFP with four components, city adopts interim commercial linkage fee

August 2015 – Retained two consultants to assist in the four components

September 2015-Today – Initial work on project



Background

Growth to Pay Fair Share

1.30 Growth to Pay Fair Share of New Facility Costs

... 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...

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.

**OUR LEGACY.
OUR FUTURE.**
BOULDER VALLEY COMPREHENSIVE PLAN



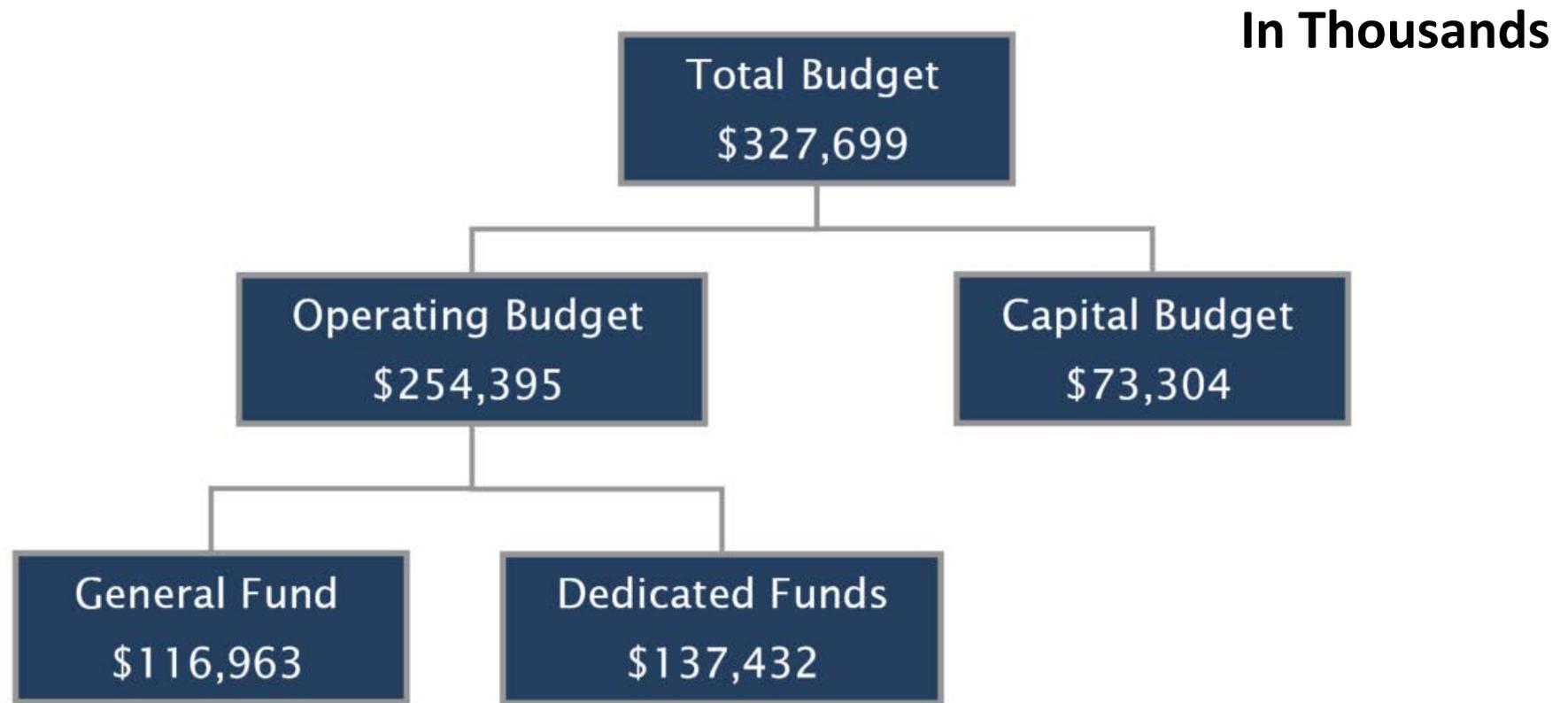
How is the Policy Implemented?

- City Master Plans & Strategic Plans
- BVCP Urban Service Standards & Criteria
- City Capital Improvement Program (CIP)

- Development Review process
- City Fees & Taxes



City Budget & Revenue Sources

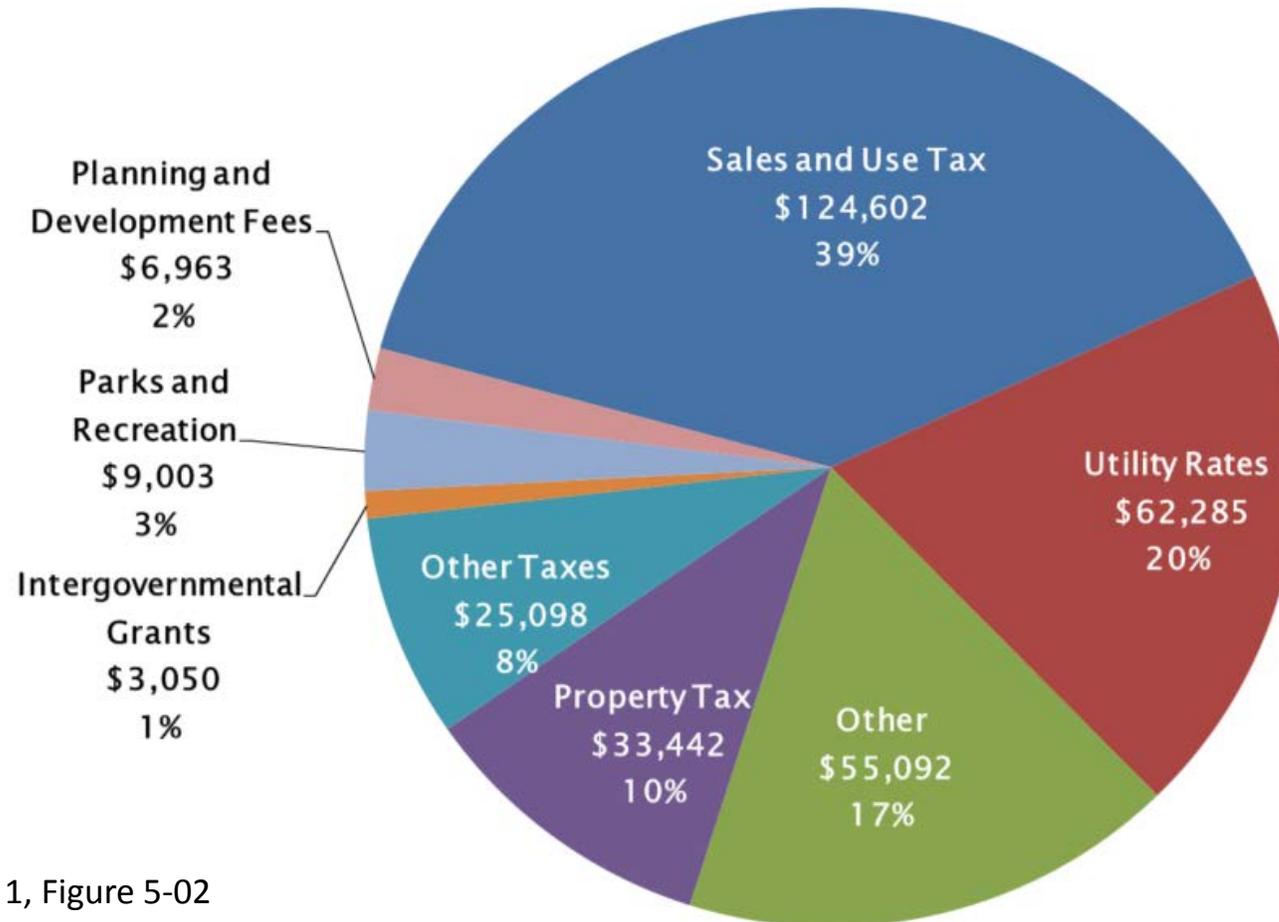


Source: 2016 Budget Vol. 1, Figure 5-01



City Budget & Revenue Sources

In Thousands



Source: 2016 Budget Volume 1, Figure 5-02



How does growth pay its own way?

Demonstrate regulatory compliance

- conditions of development approval; Exactions; Inclusionary Housing

Provide land for public infrastructure that serves the development

- Land dedications; Right-of-way dedications; Easement dedications

Construct public improvements including utilities and transportation to connect to and continue systems

- Sidewalks, multi-use paths; Underground utilities

Pay one time fees and taxes.

- Development Review Fees; Plant Investment Fees; Impact Fees; Excise Taxes; Construction Use Tax



Development Excise Taxes & Impact Fees

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)



Impact Fee Ground Rules

- One-time payments to fund capacity system improvements
- Not a revenue raising mechanism (e.g., a tax) but a way to meet growth-related infrastructure needs
 - Strict accounting procedures
- Basic legal requirements are:
 - Need
 - Benefit
 - Proportionality



Why Impact Fees

- Maintain existing levels of service
- Decreases infrastructure subsidies from broad-based revenues
- Creates a nexus between private sector development and the demand for public facilities
- New growth pays its equitable share
 - Designated funding ensures adequate public facilities
- Promotes comprehensive planning and growth management



Boulder's Current Development Impact Fees & Excise Taxes

City Excise Taxes & Impact Fees

Excise Taxes

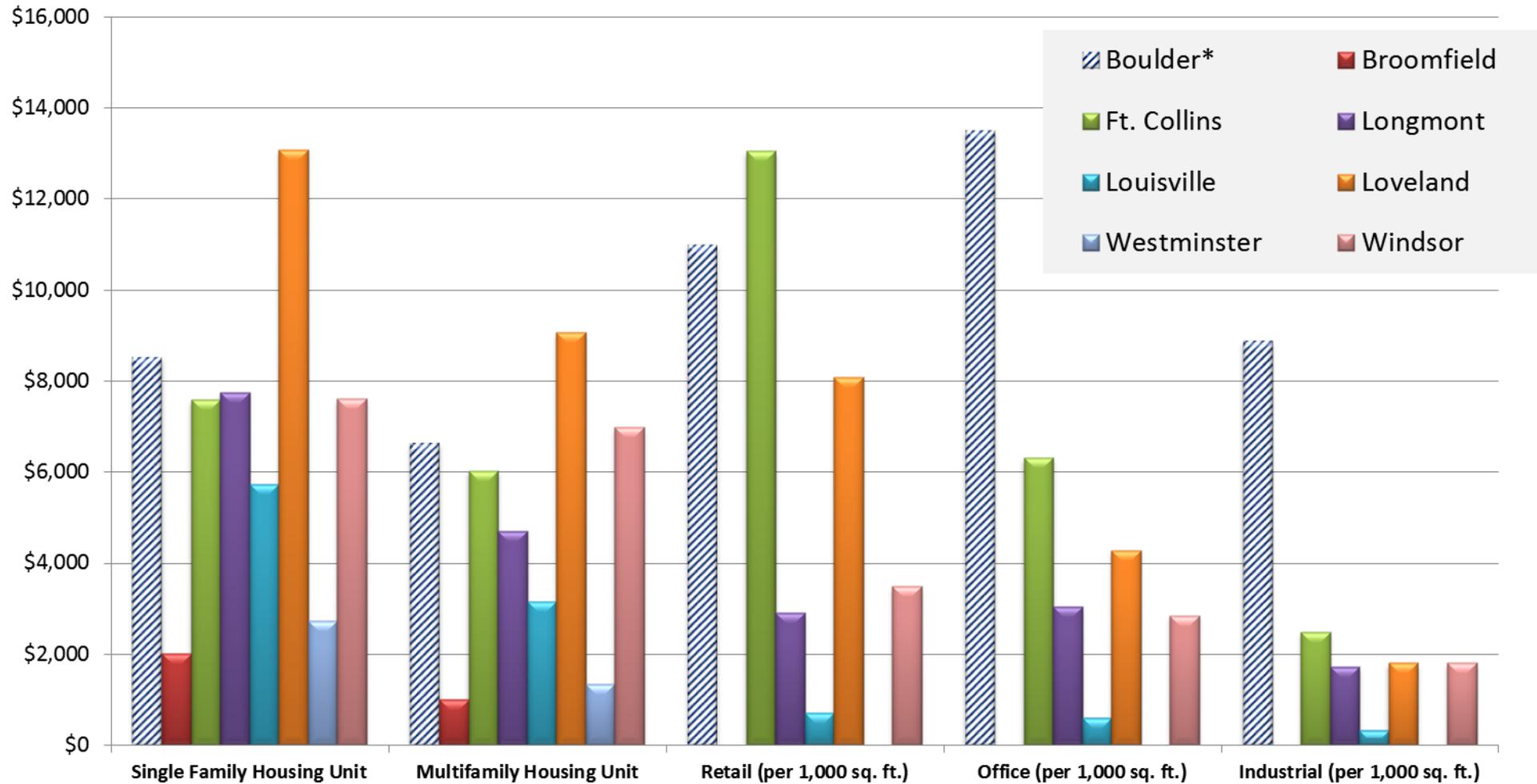
- Park Land
- Transportation
- Housing

Impact Fees

- Library
- Parks & Recreation
- Human Services
- Municipal Facilities
- Police
- Fire
- Affordable Housing Commercial



How Does Boulder Compare?



* Includes 100% of the Affordable Housing Impact Fee on nonresidential development (full phase in effective June 6, 2016)



Project Examples

1301 Walnut



Development-Related Fees and Taxes

Impact Fees & Excise Taxes (DET & CFI)	\$341,655	<i>(Credit for 12,375 sq. ft of former building)</i>
• Fire:	\$27,335	
• Municipal Facilities:	\$9,426	
• Police:	\$7,541	
• Affordable Housing:	\$180,471	<i>(Would have been \$521,291 with full phase in)</i>
• Transportation:	\$116,882	
Permitting Fees and Sales Tax:	\$420,861	
Plant Investment Fees	\$624	<i>(Credit for former building)</i>
Total Development Review Fees	\$36,818	

TOTAL FEES & TAXES **\$799,958**

Exactions & Development Approval Conditions

File an application for individual landmark designation of the Colorado Insurance Group Building at 1919 14th St., sidewalk construction, street improvements, landscaping



3100 Pearl



Development-Related Fees and Taxes

Impact Fees & Excise Taxes (DET & CFI)	\$1,833,749 <i>(Credit for 21,943 square feet of former building)</i>
• Fire:	\$78,253
• Human Services:	\$32,871
• Library:	\$101,613
• Municipal Facilities:	\$59,669
• Parks & Recreation:	\$697,184
• Police:	\$69,554
• Housing:	\$72,070
• Transportation:	\$487,432
• Park Land:	\$235,103
Permitting Fees and Sales Tax	\$1,578,852
Plant Investment Fees	\$2,830,371
Inclusionary Housing Cash-in-lieu	\$5,376,903
Total Development Review Fees	\$165,283

TOTAL FEES & TAXES **\$11,706,904**

Exactions & Development Approval Conditions

Right-of-Way Dedication, public easements for internal roads, multi-use path and multi-way boulevard.



5025 Pearl



Development Fees

Impact Fees & Excise Taxes (DET & CFI)	\$105,887
• Fire:	\$5,765
• Municipal Facilities:	\$3,089
• Police:	\$2,286
• Affordable Housing:	\$0 (<i>Would have been \$153,030 with full phase in</i>)
• Transportation Excise Tax:	\$78,586
• Housing Excise Tax:	\$16,161
Permitting Fees and Sales Tax	\$176,229
Plant Investment Fees	\$184,670
Total Development Review Fees	\$13,093
TOTAL FEES & TAXES	\$479,880

Exactions & Development Approval Conditions

Public access easement dedication, sidewalk construction, street improvements, landscaping



2016 Development Fees Update

2016 Update – Four Components

Development-Related Funding Strategy			
Impact Fee / Development Excise Tax Update	Affordable Housing Commercial Linkage Fee	Public Art Program	Multimodal Transportation Capital & Operating Funding Strategy



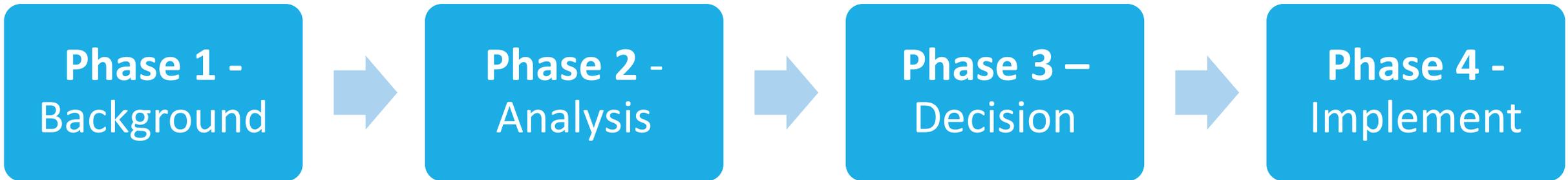
2016 Update – Project Timeline

Sept 2015 – Feb 2016

Feb. – April 2016

May – August 2016

Sept. 2016 into 2017



2016 Update

General Impact Fee Update

Objective:

- Update the 2009 Impact Fee & Excise Tax Studies
 - Library; Parks & Recreation; Human Services; Municipal Facilities; Police; Fire; Park Land Excise Tax



2016 Update

General Impact Fee Study Process

- Collect data
- Document existing development base, demand factors, and prepare growth projections
- Determine existing levels of service and capital needs due to new growth
- Evaluate methodological alternatives
- Evaluate need for credits
- Conduct cash flow analysis
- Calculate impact fees
- Make recommendations on Impact Fees & Excise Taxes



2016 Update

Commercial Linkage Fee Update

Objective:

- Update the Affordable Housing Impact Fee and prepare a nexus study to support it.



2016 Update

Commercial Linkage Fee Process

- Assemble data
- Prepare a nexus study
 - Document affordable housing impacts of non-residential development
 - Examine maximum supportable fee for various building types
- Analyses to provide context: non-residential development costs, market context, linkage fee programs in other cities
 - Recommend fee level range for consideration (likely below maximums per nexus)



2016 Update

Private Sector Arts Requirement

Objective:

- Develop a program requiring private development to incorporate or contribute to art.
- Adopt under city's powers to regulate land use – not an impact fee
- Basic requirement to include art in development



2016 Update

Private Sector Arts Process

- In-depth review of 9 programs nationwide
- Recommend a framework for adoption of a private sector arts requirement
 - Can offer choices: on-site art, off-site art, or in-lieu fee.
 - Value of art or in-lieu fee amount usually set at percent of building permit valuation, most commonly around 1%.
 - Can have threshold project sizes for encouraging or requiring on-site v. fee payment.
 - Can apply to non-residential only, or also multi-family residential
- Develop a revenue estimate for planning purposes



2016 Update

Multimodal Transportation

- Objective:
 - Understand the on-going operating costs of transportation from new development and the potential mechanisms to fund
 - Document the impacts of new development on transportation
 - Conduct analysis to develop/update the transportation excise tax and/or a multimodal transportation impact fee



2016 Update

Multimodal Transportation Process

- Review literature, best practices, and legal guidelines
- Develop list of tools to meet operational and capital needs
- Policy coordination of project-level vs. system improvements
- Collaborative process to balance infrastructure list and fees



How you can stay informed and involved

- Project Website:

<https://bouldercolorado.gov/plan-develop/development-impact-fees-excise-taxes>

- City Council Study Session – April 12

- Public Information Session – June 13

- City Council Study Session – June 14

- Contact Chris Meschuk, Project Manager

(303) 441-4293 meschukc@bouldercolorado.gov



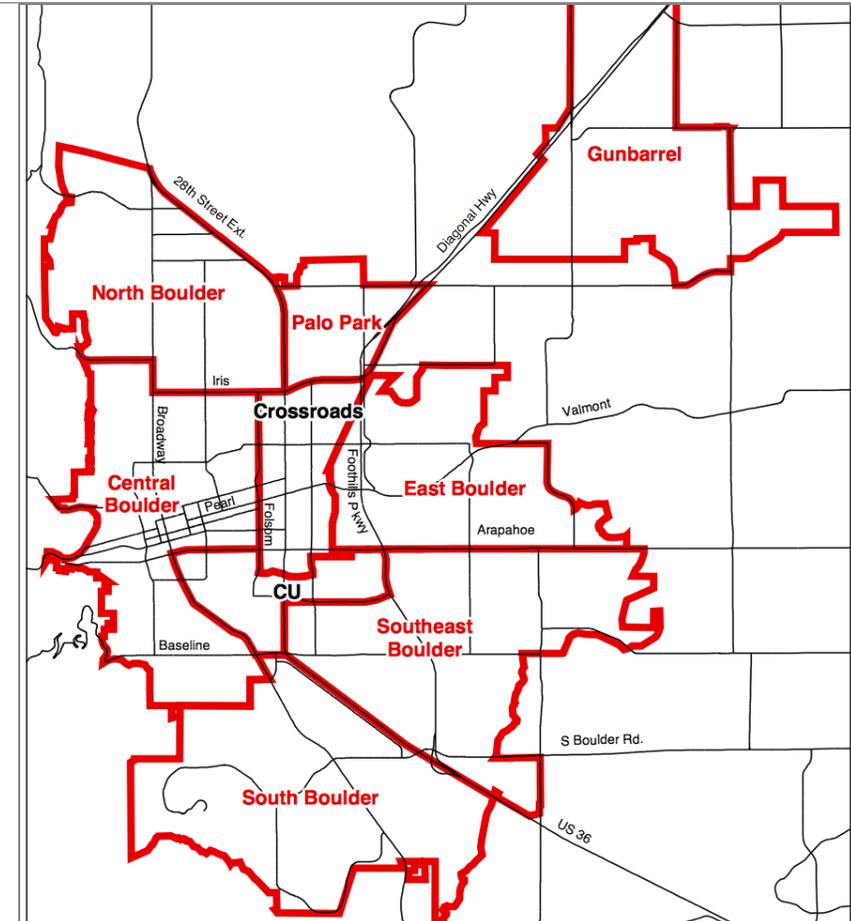
Break & Questions



2016 Update

Multimodal Transportation

- Match system improvements to service area
- Three time perspectives (past, present and/or future)
- Policy coordination of project-level vs. system improvements
- Collaborative process to balance infrastructure list and fees



2016 Update – Multimodal Transportation Approach

- Interview key staff and collect data: Frame issues and outline desired outcomes
- Determine transportation demand factors and analyze travel demand
- Review literature, best practices, and legal guidelines
- Develop list of tools to meet operational and capital needs
- Determine capital needs due to new growth
- Evaluate methodological alternatives
- Evaluate need for credits
- Conduct cash flow analysis
- Calculate funding mechanisms
- Prepare report(s)



2016 Update – Affordable Housing Commercial Linkage Fee

What is it: Fee to mitigate affordable housing impacts of non-residential development.

First programs: established in 1980s

How Many: Probably 40 to 50 programs nationally

Underlying Concept

New Workplace Buildings Mean:

- New jobs, a share of which are lower paying
- New lower income households
- New demand for affordable housing



2016 Update – Affordable Housing Linkage Fee Use of Funds

- Basic requirement: funds must be used to increase the supply of affordable housing.
 - Construction new affordable units - YES
 - Rehab existing units – YES if adding affordability covenants
 - Fund programs and services – NO
- Need to hold in a separate fund
- Often leveraged with other sources such as federal tax credits
- Fee is about housing needs of workers --- use caution on housing for special populations such as seniors and homeless
- Funds do not need to be earmarked by income tier but over time, should assist all income levels covered under the program.



2016 Update –Linkage Fee Fee Level Selection

Nexus typically supports very high maximum fees.

Fees usually set well below maximum supported by nexus based on other policy considerations such as:

- Commute patterns and a share of worker housing needs to be met locally
- Fees for other priorities such as parks and transportation
- Strength of the commercial market
- Place in overall affordable housing strategy / other tools such as inclusionary
- Concept that the burden of paying for affordable housing should be a shared responsibility



2016 Update –Linkage Fee Incentives & Alternatives

- Can consider reduced fees or exemptions for smaller projects below a selected square footage threshold.
- Can provide incentives for desired uses.
- Requirements may differ by area (more common in big cities)
- Can allow alternatives to payment of the fee
 - On-site or off-site construction
 - Land Dedication



2016 Update –Linkage Fee

Aspen – A Different Program Structure

- Employee housing mitigation requirement is part of the City’s growth management policy imposed under the City’s broad powers to regulate land use.
- Not an impact fee. Principal requirement is to produce employee housing.
- Fee is as an alternative to producing units and is permitted in meeting 50% of the obligation.
- Similar approach in several other geographically isolated mountain resort communities (Vail, Telluride, San Miguel County).
- Have not seen this approach in an urban context.



2016 Update –Linkage Fee Fee Level Examples

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

- Resort communities of Aspen and Vail require provision of employee housing as part of their growth management programs with very substantial in-lieu fees as alternative to providing units.
- High fee examples are generally in very strong commercial markets
- Low fee examples are in large cities with broad range of conditions

Note: fee levels are rounded and the presentation is simplified as some have minimum thresholds for fees or reduced fee levels below a certain threshold.

*to simplify comparisons, Boulder's \$1,072 fee per room fee was adjusted to a per square foot basis using an assumed average room size of 600 SF and rounded

**Fees in-lieu of on-site construction of units converted to estimated per square foot equivalent by KMA.



2016 Update – Private Sector Arts Requirement

- Also called:
 - Art in Public Places
 - Public Art
- Key distinction – **“Private Sector Arts Requirement”** requires private sector development to incorporate or contribute to public art.
 - Other types of programs designate a share of public capital improvement expenditures for public art (i.e. not a private sector requirement).
- Not an impact fee per se.



2016 Update – Arts – Considerations for Program

- Can offer choices: on-site art, off-site art, or in-lieu fee.
- Value of art or in-lieu fee amount usually set at percent of building permit valuation, most commonly around 1%.
- Can have threshold project sizes for encouraging or requiring on-site v. fee payment.
- Can apply to non-residential only, or also multi-family residential



General Impact Fee Methodologies

- Cost Recovery (past)
 - Oversized and unique facilities
- Incremental Expansion (present)
 - Formula-based approach documents level-of-service with both quantitative and qualitative measures
- Plan-Based (future)
 - Common for utilities but can also be used for other public facilities with non-impact fee funding



