Development Fees Study Session

The purpose of this study session is to narrow the number of options to consider prior to completion of final reports and recommendations

JUNE 14, 2016

CITY OF BOULDER, TISCHLERBISE, KEYSER MARSTON ASSOCIATES

Meeting Agenda

7:30 – 7:35	Introduction, Purpose & Agenda
7:35 – 7:55	Context and Background
7:55 – 9:00	Overview of Options/ Evaluation Criteria

- Housing
- Multimodal Transportation
- Impact Fees

9:00 – 9:25	Credits & Rate Structure
9:25 – 9:30	Recap 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

Recap of April 12, 2016 Study Session

- Context for Impact Fees and the CIP
- Support for the Next-generation approach to transportation funding
- Affordable Housing Credits
- Market Factors and Policy/Goal factors for Linkage Fee
- Transition Art Component to Community Cultural Plan Implementation

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

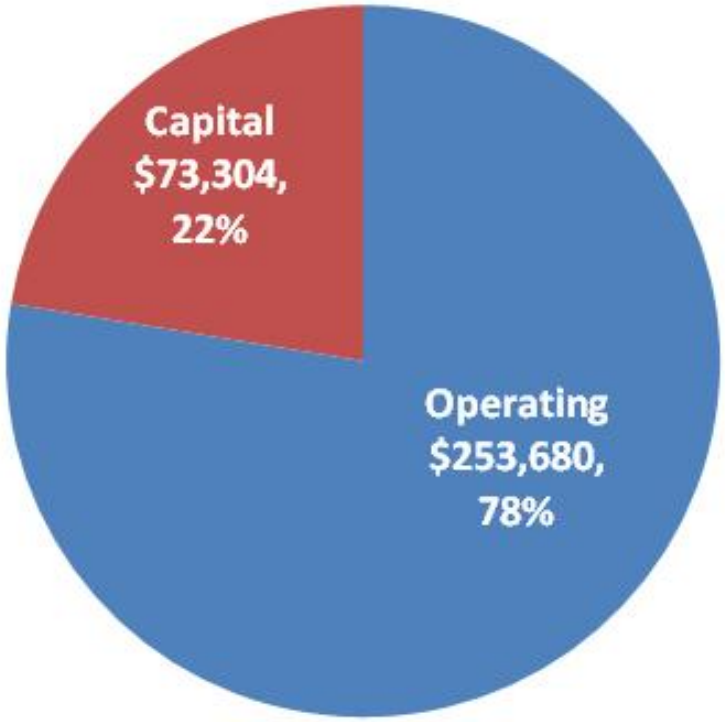
Why Impact Fees

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

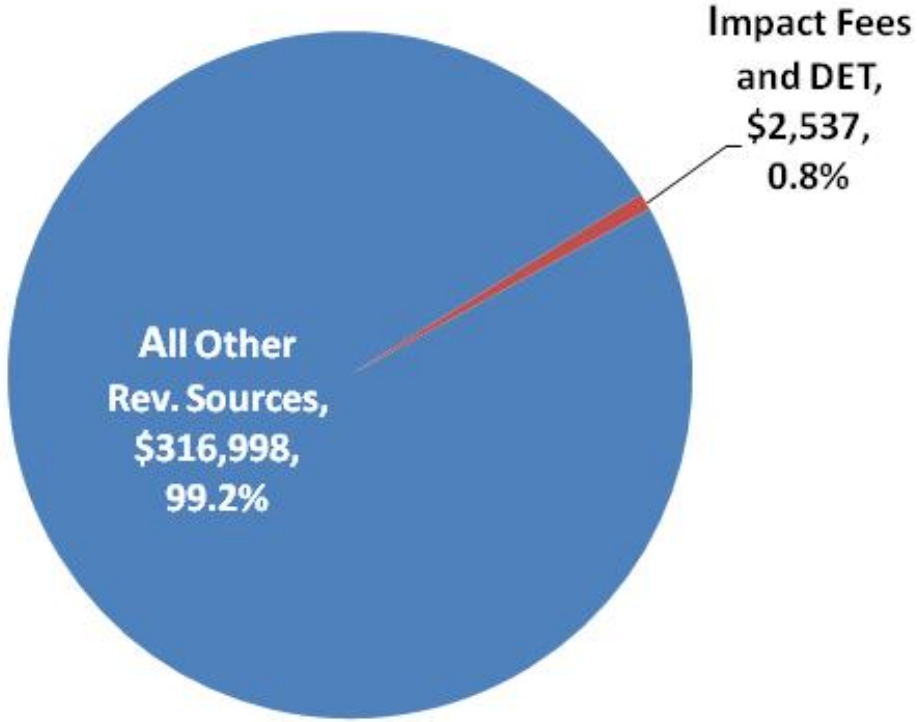
General Impact Fee Methodologies

- 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

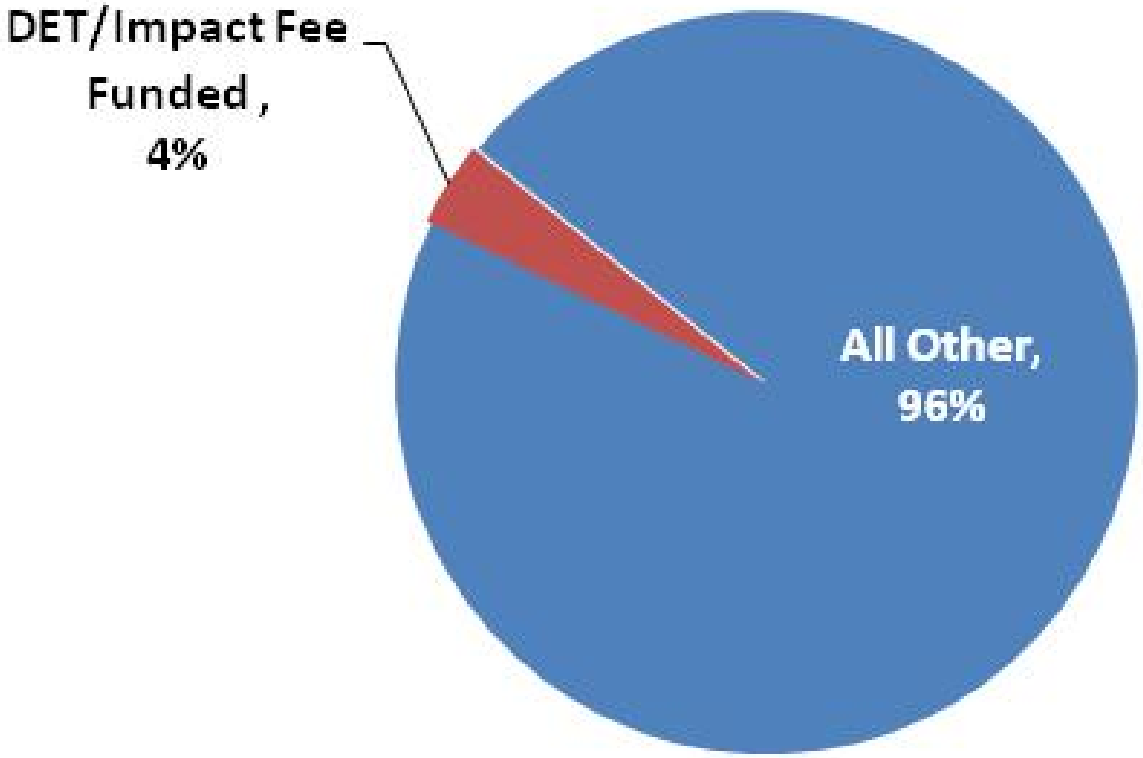
2016 Citywide Budget
(in $1,000's)
Total - $326,984



2016 City Revenues
(in $1,000's)
Total - $319,535



2017-2022 DRAFT CIP
DET/Impact Fee Expenditures



Capital Improvements Program

2010: Significant revisions to the CIP document

2010: CIP Guiding Principles were created

2011 – 2012: Capital Investment Strategy

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.

Example Project – Scott Carpenter Aquatic Enhancements

Reconstruct and expand pool from 6 to 10 lanes

- Total Cost: $8,000,000
  - Sales Tax: $5,000,000
  - Impact Fees: $3,000,000

Discussion

Questions on the context & background?

Evaluation Criteria

1. Addresses BVCP Policies
2. Implements Goals in Master Plans
3. Considers Market Context

Assumptions

Implementation of Departmental Master Plans

Development Fiscal Context

BVCP Policy 1.30 – Growth Pay its Own Way

Other BVCP Policies

Evaluation Symbols

○ = N/A or Not much

◒ = Somewhat

● = Best

Affordable Housing Commercial Linkage Fee

Options

- Option 1: Achieve City's 10% Affordable Housing Goal
- Option 2: Address the City's Middle Income Goals
- Option 3: Maintain Boulder's Current Income Profile
- Option 4: Reflect Economic and Market Factors

Option 1:
Achieve City's 10% Affordable Housing Goal

- Approach
  - Goal: secure 10% of all dwelling units as permanently affordable
  - Fees based on additional funding need to achieve goal
- Fee Level (Office) = $33/Sq.Ft.
- Support
  - Estimate 1,537 affordable units to reach 10% goal by 2025
  - IH program estimated produce approx. half of the units
  - Fees represent 2/3 of funding needed for remaining 760 units

Option 1:
Fees to Reach city's 10% Goal by 2025

Evaluation Criteria	
BVCP Policies	Market Context
◒ Directly addresses BVCP Policy 7.02 - Permanently Affordable Housing Could limit implementation of BVCP Economic Policies	○ May exceed a level that can be sustained by many projects May slow or reduce non-residential development

Option 2:
Address the City's Middle Income Goals

- Approach
  - Goal: 450 units as permanently affordable to middle income
  - Maintain the middle - as applied to new workers
- Fee Level (Office) = $19/Sq.Ft.
- Support
  - Achieve goal by 2025
  - Creates approx. 330 middle income units
  - Does not include preservation of existing middle income housing stock

Option 2:
Fees to Reach city's Middle Income Goal by 2025

Evaluation Criteria	
BVCP Policies	Market Context
◒ Addresses BVCP Policy 7.06 - Mixture of Housing Types Does not directly address the stated 10% goal	◒ May exceed a level that can be sustained by many projects May slow or reduce non-residential development

Option 3:
Maintain Boulder's Current Income Profile

- Approach
  - Maintain current income profile or level of income diversity
  - Uses the existing income profile as a service standard
- Fee Level (Office) = $43/Sq.Ft.
- Support
  - Fees reflect creation and preservation of units at a variety of income levels
  - Funds an estimated 561 units through 2025

Option 3:
Fees Based on Boulder's Current Income Profile

Evaluation Criteria	
BVCP Policies	Market Context
◒	○
Addresses a variety of BVCP Housing Policies Could limit implementation of BVCP Economic Policies	May exceed a level that can be sustained by many projects May slow or reduce non-residential development

Option 4:
Reflect Economic and Market Factors

- Approach
  - Range based on economic and market considerations
  - Linkage fees adopted elsewhere
- Fee Level (Office) = $10-$15/Sq.Ft.
- Support
  - Expand Affordable Housing for a variety of income levels
  - Provides portion of funds needed to achieve 10% goal
  - Funds an estimated 170 to 250 affordable units through 2025

Option 4:

Fees Based on Combination of Factors, Including Economic / Market

Evaluation Criteria	
BVCP Policies	Market Context
●	●
Addresses BVCP Policies, and provides a balance between Housing Policies and Economic Policies Provides flexible use of funds	Not expected to significantly alter development decisions

Discussion

Which options should be considered further for potential fee changes?

- Option 1 – Achieve 10% Goal
- Option 2 – Address Middle Income Goals
- Option 3 – Maintain Current Income Profile
- Option 4 – Reflect Economic/Market Factors

Multimodal Transportation Funding

Options

- Option A: Development Excise Tax
- Option B: New Impact Fee
- Option C: Hybrid Excise Tax & Impact Fee

Option A:

Increase existing Transportation DET to max voter approval

- Approach
  - Increase DET to maximum voter approved levels for residential
- Estimated Revenue (Annual) = $1.79m before credits
- Support
  - CIP and Action Plan enhancements

Option A:

Increase existing Transportation DET to max voter approval

Evaluation Criteria		
BVCP Policies	Goals in Master Plans	Market Context
◒	◒	◒
Flexible use of funds addresses BVCP Policies 6.01 & 6.07 Could negatively affect Section 7: Housing	Increased annual revenue helps address action plan projects in TMP	Only increases residential DET rates

Option B:

Adopt new Transportation Impact Fee

- Approach
  - Adopt new Transportation Impact Fee and ***suspend*** current Transportation DET
- Estimated Revenue (Annual) = $900K before credits
- Support
  - Only the funded projects identified in the CIP

Option B:

Adopt new Transportation Impact Fee

Evaluation Criteria		
BVCP Policies	Goals in Master Plans	Market Context
○	○	●
Decrease in funding does not achieve Section 2: Built Environment Mobility Grid goals and Urban Design Linkages	Less revenue than current, reduces ability to address action plan projects in TMP	Reduces overall development cost paid to fees and taxes.

Option C:

*Adopt new Transportation Impact Fee and **retain** current Transportation DET*

- Approach
  - Adopt new Transportation Impact Fee and ***retain*** current Transportation DET
- Estimated Revenue (Annual) = $2.14m before credits
- Support
  - CIP and Action Plan enhancements

Option C:

*Adopt new Transportation Impact Fee and **retain** current Transportation DET*

Evaluation Criteria		
BVCP Policies	Goals in Master Plans	Market Context
●	●	○
Flexible use of funds and increased funding helps to achieve Transportation Policies Could negatively affect Section 7: Housing and Section 5: Economy due to increased fees.	Increased annual revenue helps address action plan projects in TMP	Greatest increase in fees and taxes for development

Discussion

Which options should be considered further for potential fees changes?

- Option A – Increase Excise Tax
- Option B – New Impact Fee
- Option C – Hybrid Impact Fee and Excise Tax

Capital Facilities Impact Fees

Proposed Option:
Update existing Impact Fees

- Approach
  - Incremental Expansion, Cost-Recovery, Plan Based
- Fee Level Increase Based on the Hypothetical Project Scenarios=
  - 16 % increase for residential development
  - 20 % increase for commercial development
- Support
  - Expansion of capacity for Buildings, Land, Parks, Library Materials, Fire Apparatus and Police Communications Infrastructure

Proposed Option:
Update existing Impact Fees

Evaluation Criteria		
BVCP Policies	Goals in Master Plans	Market Context
●	●	◒
Addresses BVCP Policies: • Chapter 6 • 1.26 • 1.27 • 1.28	Includes updated capital improvements based on current capital plans. Based on 2015 service levels	Fee increase based on development scenarios: 16% for residential 20% increase for non-residential

Discussion

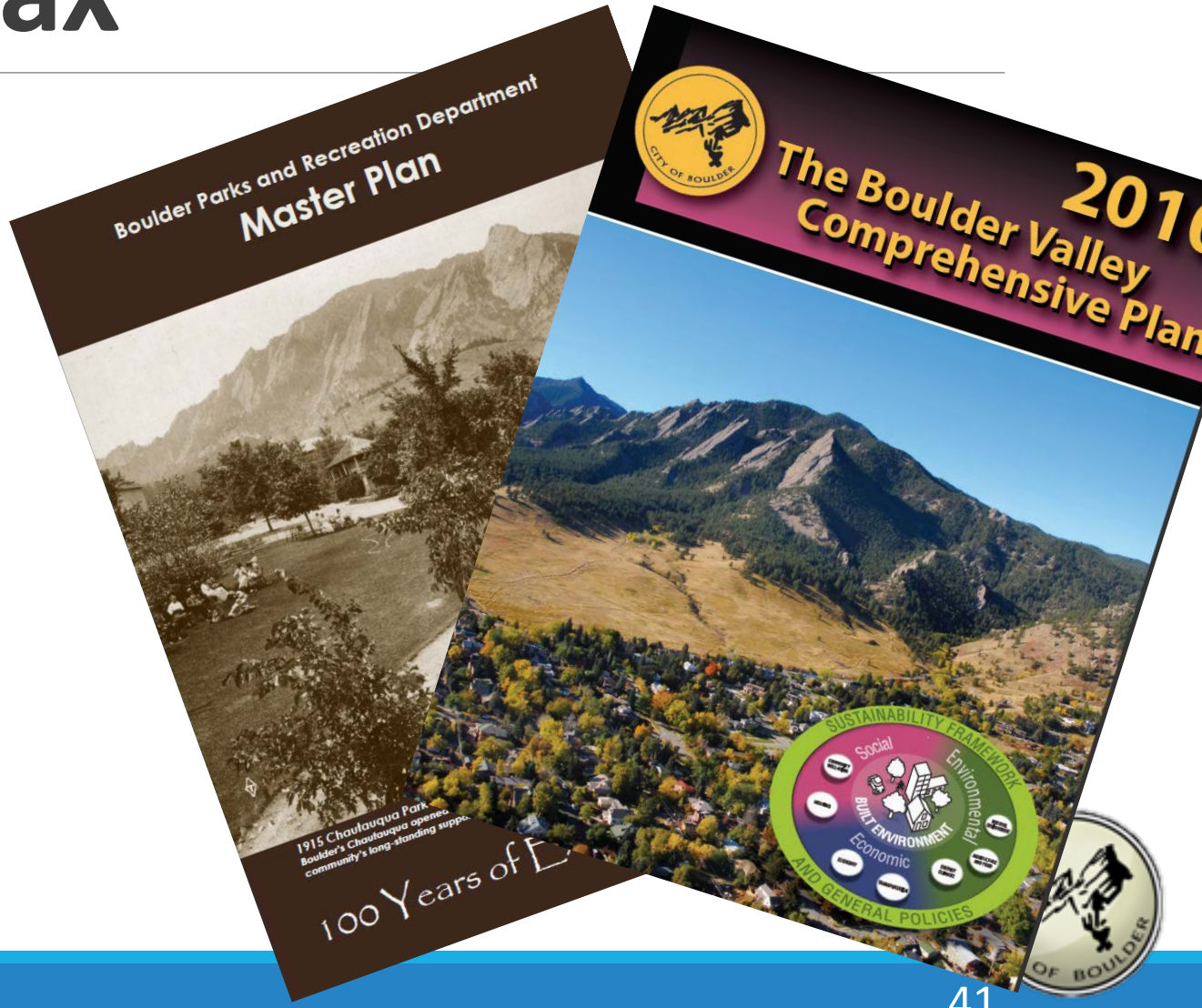
Are there any questions on the recommended approach to the incremental update to the impact fees?

Credits & Rate Structure

Parkland Excise Tax

1. Keep Excise Tax for Parkland & Transportation (Status Quo)
2. Suspend Parkland Component – re-allocate to Transportation
3. Suspend Parkland component – no reallocation

Recommendation: Option 1



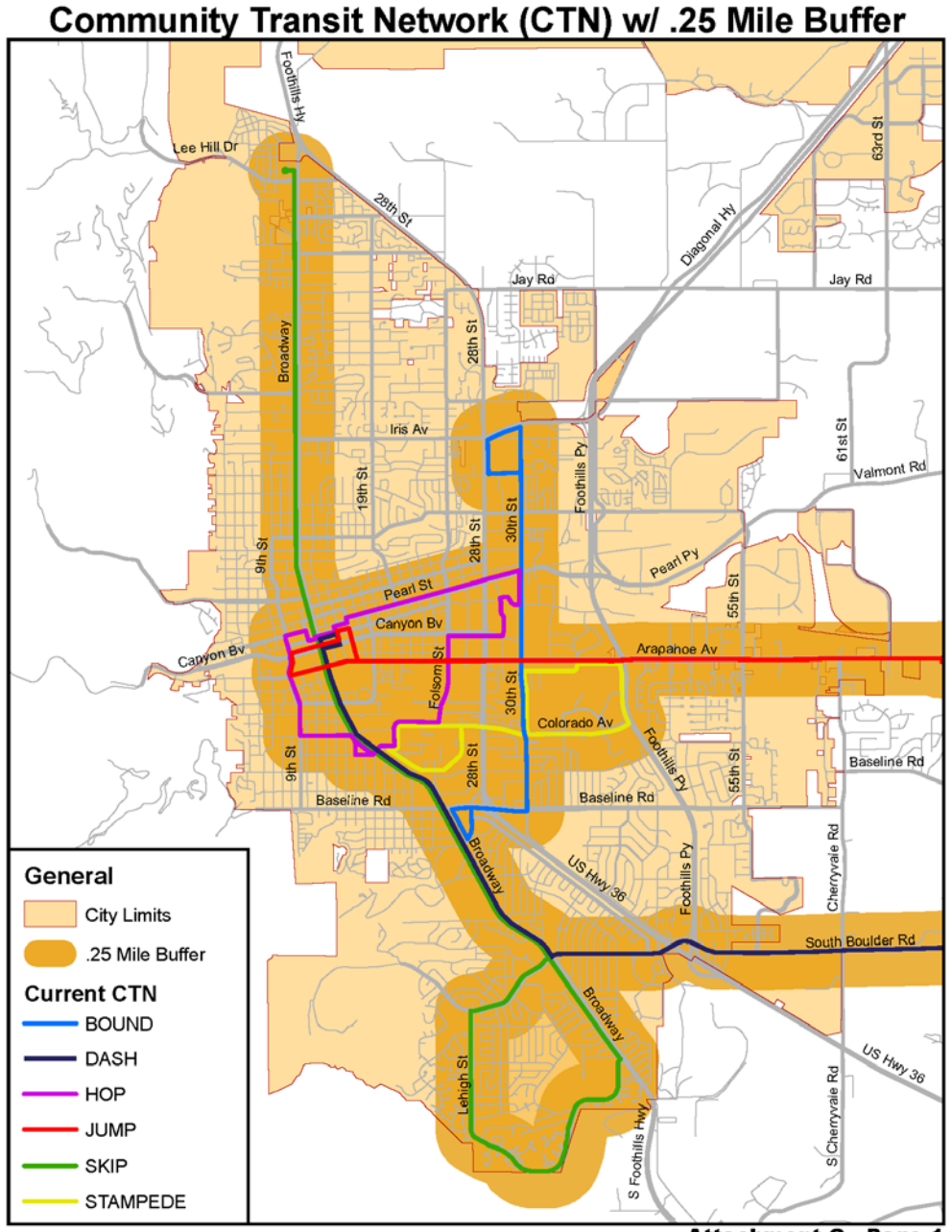
Discussion

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

Transportation Rate Structure

1. **¼ Mile Buffer from High Frequency Transit Corridors**
2. TMP Neighborhood Access Tool
3. Parking & TDM Districts
4. Population & Employment Densities

Recommendation: Options 1 & 3



Transportation Rate Structure

1. ¼ Mile Buffer from High Frequency Transit Corridors
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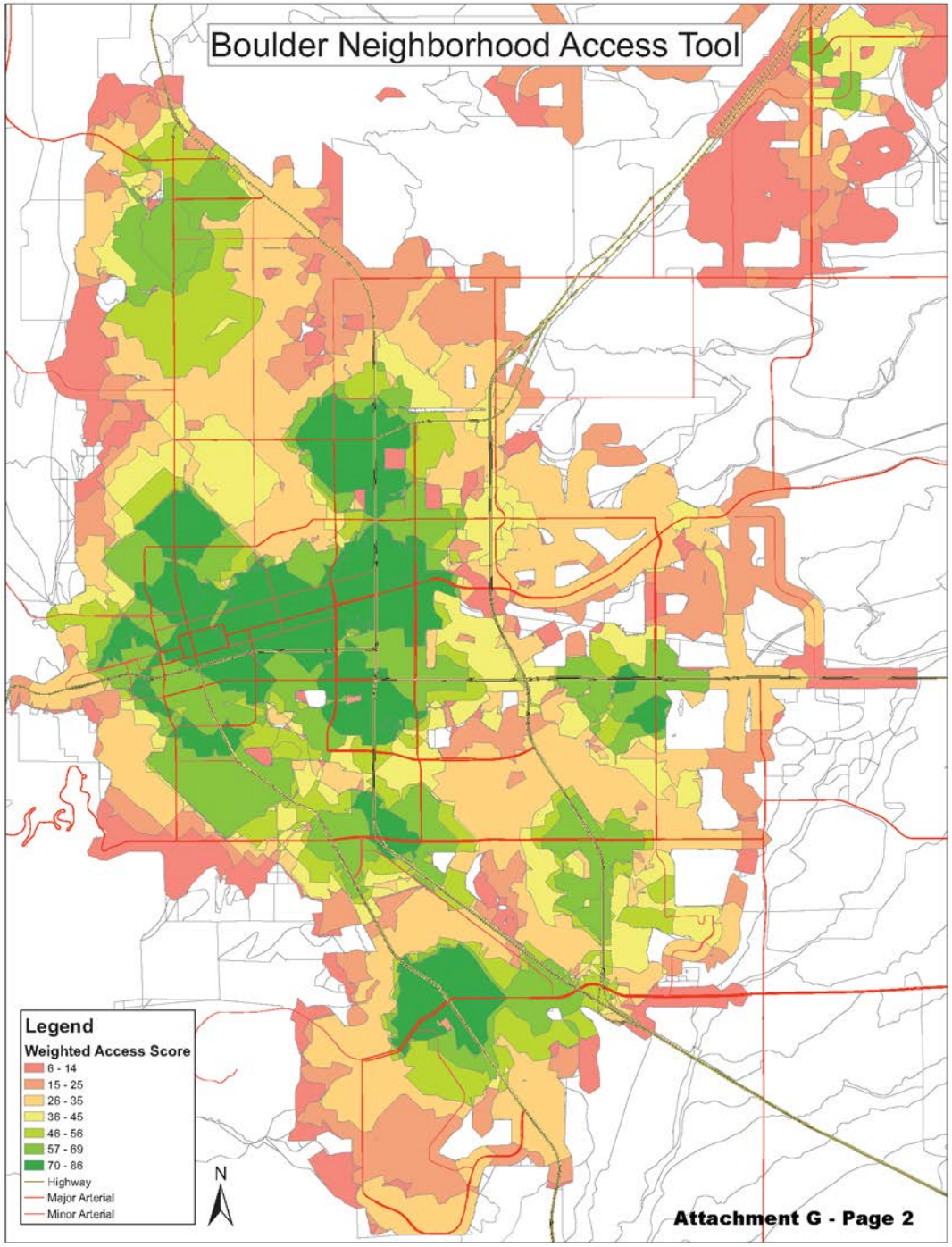
Recommendation: Options 1 & 3



Transportation Rate Structure

1. ¼ Mile Buffer from High Frequency Transit Corridors
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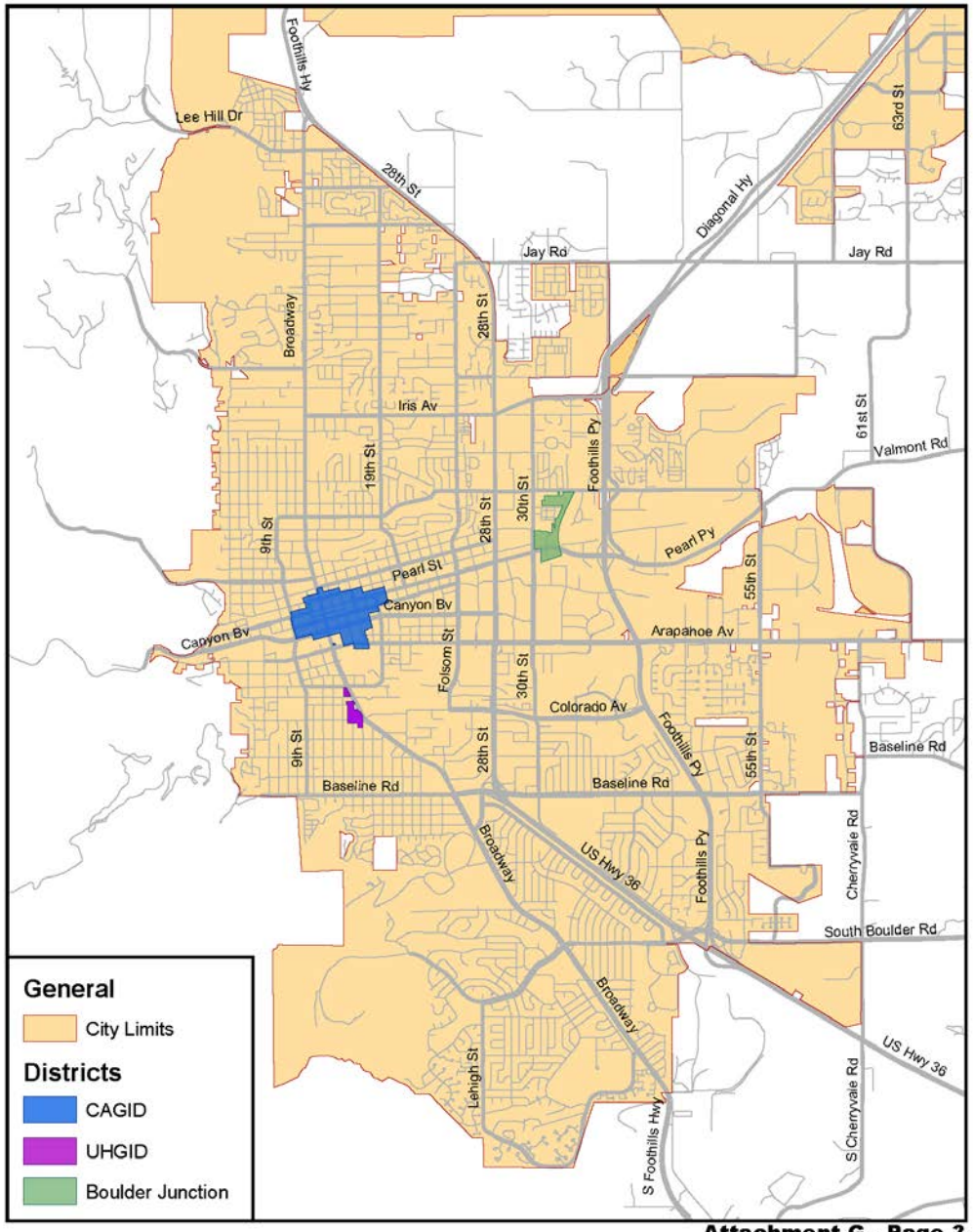
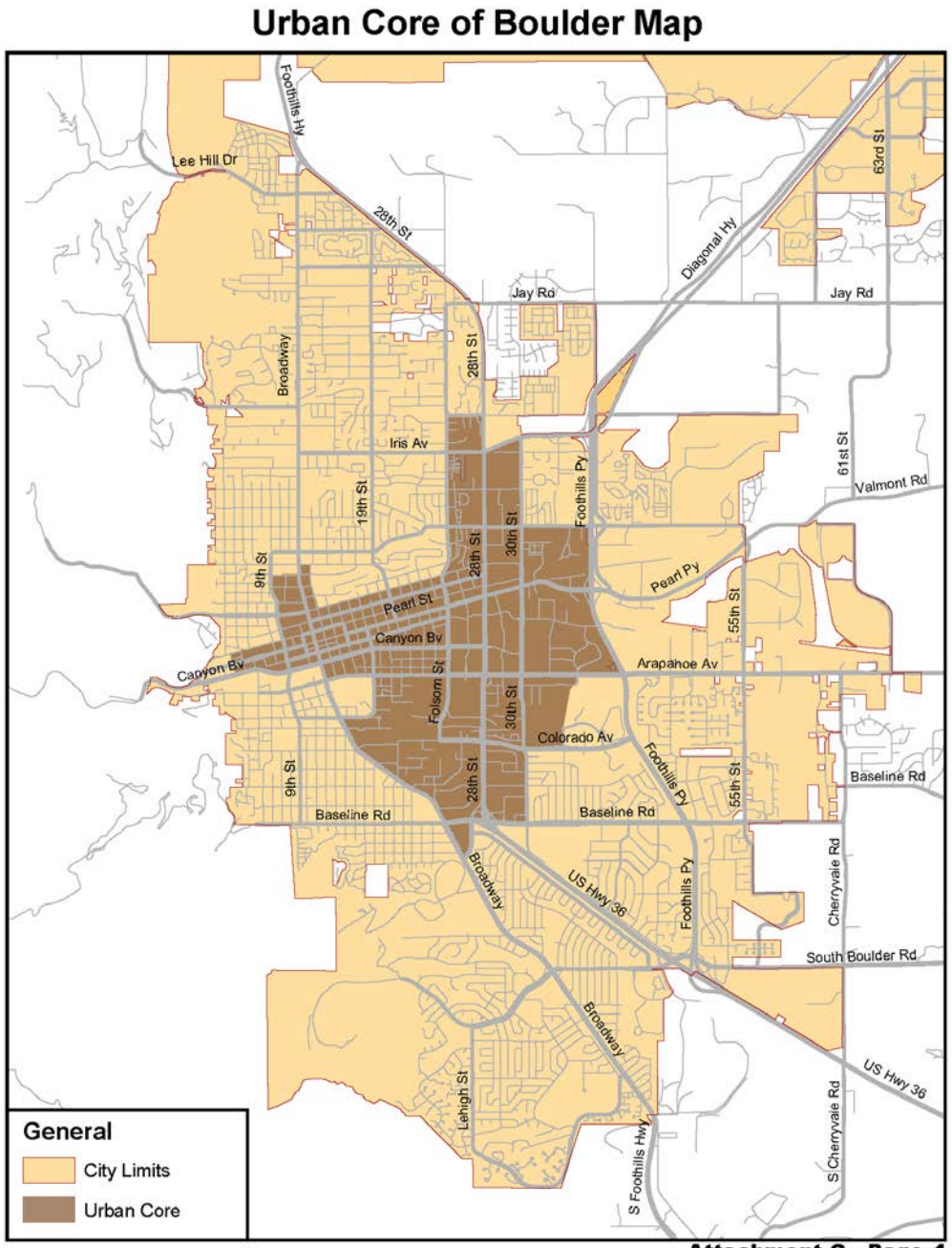
Recommendation: Options 1 & 3



Transportation Rate Structure

1. ¼ Mile Buffer from High Frequency Transit Corridors
2. TMP Neighborhood Access Tool
3. Parking & TDM Districts
4. **Population & Employment Densities**

Recommendation: Options 1 & 3



Discussion

What feedback does council have regarding the options for the transportation rate structure?

Affordable Housing Credits/Fee Waivers

Examples:

1. Credit all affordable housing development
2. Credit non-profit affordable housing development only
3. Credit for affordable housing above and beyond

Recommendation: Discuss within the Affordable Housing Benefit Ordinance policy discussion later

Discussion

What feedback does council have regarding the options for affordable housing credits?

Recap & Next Steps

Next Steps

- City Council Public Hearing - July 19
  - Final Reports
  - Final Scenarios
  - Recommendations

May – August 2016 | Sept. 2016 into 2017

Phase 3 – Decision → **Phase 4 -** Implement