#### **Planning, Development & Transportation Services**



Community Development & Neighborhood Services 281 North College Avenue P.O. Box 580 Fort Collins, CO 80522.0580

**970.416.2740** 970.224.6134- fax *fcgov.com* 

### MEMORANDUM

DATE: November 17, 2020

TO: Development Community City Stakeholders

FROM: Noelle Currell, Finance Manager PDT

RE: January 1, 2021 Development/Building Permit Fee Updates

#### **Introduction**

The purpose of this memo is to provide exact information to all Development partners (internal and external) about the fees that will be updated January 2021 and what is planned for January 2022.

#### Background

The comprehensive development review fee study was completed in 2018 with planned implementation in 2020. Due to software upgrade conflicts, IT staff bandwidth and impacts to the community due to COVID, it was decided that only a portion of the fees will be implemented in 2021 with the remaining fees being implemented in 2022.

#### January 2021 Updated Fees

The following fees will be put into effect beginning January 2021:

- Over the Counter Permit Fees
- Engineering Infrastructure Inspection Fees
- Construction Erosion Control and Permanent Stormwater Infrastructure Inspection

Fee tables are listed below for reference.

• Over the Counter Permit Fees as listed below:

Flat Fee Services		
Project Type:	Flat	Fee
Air Conditioner Replacement	\$	65.00
Basement Finish	\$	155.00
Boiler Replacement	\$	65.00
Commercial Roof Replacement	\$	210.00
Demolition	\$	65.00
Fireplace (Wood burning, pellet, gas, log)	\$	65.00
Furnace Replacement	\$	65.00
Gas Pipe Installation	\$	65.00
Mobile Home Setup	\$	65.00
Residential Roof Replacement	\$	85.00
Upgrade/ Replace Electrical Service	\$	65.00
Water Heater Replacement	\$	65.00

Infrastructure Constructio	n Inspection				
INSPECTION FEES:	Measure	Fee	Fee Amunt		nimum arge
Boring	linear ft. (NEW)	\$	0.40	\$	50.00
Concrete or asphalt	square yards	\$	2.55	\$	50.00
Drive Approach	square yards	\$	1.40	\$	50.00
Fire Access Grass Crete	square yards	\$	0.65	\$	50.00
Fireline Fitting ( Bend, Tee, Cross )	each	\$	85.00		
Gutter CrossPans	square yards	\$	2.55	\$	50.00
Meter Pit (1 1/2")	each	\$	130.00		
Meter Pit (3")	each	\$	400.00		
Meter Pit (3/4" )	each	\$	130.00		
Pedestrian Ramps	each	\$	100.00		
Potholes	each	\$	30.00	\$	50.00
Reinforced Concrete Pipe	linear ft.	\$	1.50	\$	50.00
Sanitary Sewer Main	linear ft.	\$	2.25	\$	50.00
Sewer Connection/Disconnect	each	\$	230.00		
Sewer Manhole	each	\$	170.00		
Sewer Service Line Stub	each	\$	150.00		
Sidewalk, trails, curb/gutter, curb/gutter w sidewalk	linear ft.	\$	2.55	\$	50.00
Stormwater Manhole	each	\$	170.00		
Structural concrete, masonry or stone work for retaining					
walls, box culverts, wing walls, drop structures or other	linear ft.	\$	2.95	\$	50.00
Trench	linear ft.	\$	2.30	\$	50.00
Water Connection/Disconnect	each	\$	255.00		
Water Fitting ( Bend, Tee, Cross )	each	\$	85.00		
Water Main	linear ft.	\$	2.45	\$	50.00
Water Main (Fire Line)**	linear ft.	\$	2.45	\$	50.00
Water Service Line Stub	each	\$	150.00		
APPURTENANCES:					
Fire Hydrant	each	\$	255.00		
Fittings	each	\$	85.00		
Inlet	each	\$	230.00		
Valve and Valve Box	each	\$	105.00		
DRIVEWAY PERMIT:					
For driveway up to 15' wide	each	\$	75.00		
EXCAVATION PERMITS:					
Application Fee	each	\$	45.00		

# Engineering Infrastructure Inspection Fees as listed below: Infrastructure Construction Inspection

- Construction Erosion Control and Permanent Stormwater Infrastructure Inspection
  - Construction Erosion Control will be determined prior to Development Construction Permit and is based upon size of development, lots, and estimated years of construction
  - Permanent Stormwater Infrastructure Inspection Fees as listed below:

<u>Stormwater Infrastructure</u>						
Feature Type	Measure	Cost				
Porous Pavers	quantity of instances	\$	365			
Bioretention	quantity of instances	\$	315			
Extended Detention Basin	quantity of instances	\$	250			
Underground Treatment	quantity of instances	\$	415			

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#### January 2022 Fee Updates

During summer of 2021, the fee study that was originally completed in 2018 will be updated using current cost and time estimates. Fees analyzed will include Development Review Fees (inclusive of Utilities development review), new building permit fees, over the counter permit fees, tenant improvement permit fees, Engineering Infrastructure Fees, Erosion Control and Stormwater Fees.

#### **Attachments**

- March 2020 memo on effective date for fees
- December 2019 memo to Council
- October 2019 Council Finance Committee Meeting Notes



#### **Planning, Development & Transportation Services**

**Community Development & Neighborhood Services** 281 North College Avenue P.O. Box 580 Fort Collins, CO 80522.0580

**970.416.2740** 970.224.6134- fax fcgov.com

#### **MEMORANDUM**

**DATE:** March 3, 2020

- TO: Darin Atteberry, City Manager Ď 🍌
- **THRU:** Jeff Mihelich, Deputy City Manager

Travis Storin, Interim Chief Financial Officer

Kevin Gertig, Utilities Executive Director

Caryn Champine, Planning, Development & Transportation Director

**FROM:** Tom Leeson, Community, Development & Neighborhood Services Director

Noelle Currell, Planning, Development & Transportation Finance Manager

#### RE: Development Review Fees Effective Date

#### Introduction

The purpose of this memo is to inform the City Manager of the updates to the Development Review, Engineering Inspection and Building Permit fees. Staff was originally planning on implementing the new fee schedule on April 1, 2020; however, the extensive effort to update the fees in the Accela program conflicts with the work the Accela team is currently working on to upgrade the electronic building permit review process. Staff is recommending delaying the fee implementation until the fall of 2020, so there is no delay to the building permit review project.

#### **Project Details**

The updates to the development review fees require a significant amount of coding in the Accela software to ensure the new fees are calculated correctly, the new building permit calculation methodology from valuation to square footage is accurately coded, and all the fees are allocated to the correct accounts (funds).

The existing city staff (and the City's consultant) that would be updating the development review fees in the Accela program are at capacity working on integrating the electronic building permit review into Accela. This has been a major effort and a priority for the last couple years. Shifting their time to the development review fees would delay that project.

Discussions with the Accela team presented the following options:

- Shift all the IT resources to upgrade the development review fees and delay the building permit integration project by at least 8 weeks.
- Shift some of the IT resources to work on a limited scope of the development review fee revisions and continue to work on the building permit integration with limited resources. This would delay the building permit integration project by at least 4-6 weeks.
- Delay the development review fee update project until after completion of the building permit integration project. This would most likely mean the development reviews could be effective in the fall of 2020.

The option of adding additional resources to update the development review fees into Accela was discussed; however, given that the IT team is in the Accela system as part of the building permit integration project, this would cause conflicts and delay both projects as well.

Given the importance of the building permit integration project and the momentum that project currently has, staff is recommending the implementation of the development review fee update be delayed until the fall.

#### Next Steps

Once a date is determined for when fee updates can be input into Accela, staff will ensure customers are given at least two months of communication on the pending fee changes. Staff will also ensure all stakeholders who were consulted during public outreach are informed of the delay.



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#### MEMORANDUM

**DATE:** January 14, 2020

**TO:** Mayor Troxell and City Councilmembers

**THRU:** Darin Atteberry, City Manager

Jeff Mihelich, Deputy City Manager

Caryn Champine, Planning, Development & Transportation Director

**FROM:** Tom Leeson, Director, Community Development & Neighborhood Services Noelle Currell, Finance Manager PDT

**RE:** Development Review and Building Permit Fee Updates

#### **Introduction**

The purpose of this memo is to inform council of the updates to the Development Review, Engineering Inspection and Building Permit fees. This item was originally scheduled for a work session, but due to general agreement on the updates it was decided notification via a memo would suffice.

A fee study was conducted in 2019, and results have been reviewed through a robust public outreach process and with Council Finance Committee (who was supportive of changes). The updated fees are approved administratively by the City Manager, but due to the changes (both in methodology and in amounts), Staff thought it was important that Council be informed of the changes and impacts.

Bottom Line: since the fees have not been updated in a very long time and several fee methodology inputs are being updated, fee amounts are generally increasing. Due to the methodology shift, it is not possible to do a fee by fee comparison, but rather a development by development comparison was done to demonstrate the impacts. These comparisons are included in attachment 3.

#### Project Details

#### **EXECUTIVE SUMMARY**

As part of the City's coordinated fee update process, City Staff along with MGT Consulting Group (MGT) conducted an in-depth analysis of the City's development

review and building permit fees. This study evaluated whether these fees are set at appropriate levels, inclusive of all costs, consistent with the City's goals for cost recovery, and how fees compare to other communities regionally.

Due to the complexities, processes and number of departments involved in development review and permitting, the Council Finance Committee requested an advisory committee be created to better understand potential impacts of fee and methodology changes and collect feedback and advisement regarding proposed changes.

Staff has extensively evaluated the methodology for calculating fees resulting in a change in methodology for calculating building permit and plan check fees from using the valuation of a project to using the square footage of a project (not all project types apply), a flat fee for over-the-counter permits, addition of a new erosion control and storm water inspection fees, as well as updates to current development review fees based on a simplified fee schedule.

#### **BACKGROUND/DISCUSSION**

#### **Development Review Fee Advisory Committee**

The Development Review Fee Advisory Committee was formed based on Council Finance Committee directive. The committee was tasked to ensure understanding of the simplified fee schedule, calculation of fees, timing of fees, buy-in to a new methodology and providing recommendations.

Advisory Committee List: A Blend of Citizens, Industry and Staff

Industry:	Jennifer Bray: Affordable Housing Board Adam Eggleston: Ft. Collins Board of Realtors Doug Braden: Home Builders Association
Citizen:	Matt Robenalt: Downtown Development Authority Cathy Mathis: Local Legislative Affairs Committee, Development Consultant Braulio Rojas: South Ft. Collins Business Association Linda Stanley: Economic Advisory Commission
City Staff:	Mike Beckstead: Project Sponsor Russ Hovland: Fee Owner Building Permit Fees Tim Kemp: Fee Owner Engineering Fees Noelle Currell: Project Manager Tom Leeson: Fee Owner Development Review Fees

#### **Overview of Meetings and Topics Covered**

The group convened for five (5) two-hour sessions starting in May 2019 with the final meeting September 2019.

#### **Fee History**

Currently, there are numerous fees across CDNS (Community Development and Neighborhood Services), Utilities, and Engineering, spread over three (3) types of fees; development review, infrastructure inspection (engineering), and building permit. Examples include building permit fee, plan review fee, transportation development review, over-the-counter permits, and engineering inspection fees. The current percentage for cost recovery is set at 100%.

The City Manager is authorized to set fees based on the costs of providing development and building permit review services, pursuant to City Code Sec. 7.5-2. The Land Use Code (Sec. 2.2.3.D) establishes the cost recovery model for development and building permit fees:

- 1. *Recovery of Costs.* Development review fees are hereby established for the purpose of recovering the costs incurred by the City in processing, reviewing and recording applications pertaining to development applications or activity within the municipal boundaries of the City, and issuing permits related thereto. The development review fees imposed pursuant to this Section shall be paid at the time of submittal of any development application, or at the time of issuance of the permit, as determined by the City Manager and established in the development review fee schedule.
- 2. Development Review Fee Schedule. The amount of the City's various development review fees shall be established by the City Manager and shall be based on the actual expenses incurred by or on behalf of the City. The schedule of fees shall be reviewed annually and shall be adjusted, if necessary, by the City Manager on the basis of actual expenses incurred by the City to reflect the effects of inflation and other changes in costs. At the discretion of the City Manager, the schedule may be referred to the City Council for adoption by resolution or ordinance.

#### **Fee Calculation Review**

To accurately calculate where fee levels should be set, an inclusive listing of fees was thoroughly reviewed, every staff member involved in a fee activity was identified, and staff members that complete fee related activities were interviewed to determine the amount of time spent per fee item. Calculations were carried out to determine the fully burdened cost of employees. Overhead calculations were also reviewed and included things like buildings, managers, and IT support. Fees were set based on the time and the overhead allocated. Validation steps were taken to ensure proper cost recovery, which included:

- ensuring no individual groups were over-allocated (available work hours versus total time of fee activities)
- estimating revenue forecasts based on 2018 volumes (ensuring revenue does not end higher than cost)
- confirming with management teams to ensure accurate allocation of employee's time to the fees (e.g. only allocating 25% of some positions)

#### **Methodology Changes and Impacts**

#### **Development Review Fees**

No methodology change for the development review fees (pre-building permit activity, such as Project Development Plan, Minor Amendment, Final Development Plan) is proposed. However, one goal in this area was to reduce the number of fees, through fee consolidation or deletion (e.g. Sign posting fee and Affected Property Owner mailing labels/stamps removed).

Additional changes within the development review fees include adding staff members that are fully engaged in development review activities that have not historically been included within the fee calculations. This includes City Attorney's Office staff, Forestry staff, and Parks Planning staff. Additionally, Utilities development review fees have historically been collected at time of Building Permit, and those will now be collected at time of development review application to more accurately reflect the time of service. Utilities fees will also be shifting from a 50% cost recovery methodology to a 100% cost recovery.

The impacts of these changes are an increase in development review fees for all application types.

#### Infrastructure Inspection Fees

No methodology change is proposed for the infrastructure inspection fees. These fees were last updated in 1997, so the impact of these changes is an increase in the infrastructure inspection fees.

#### **Building Permit Fees**

Staff is proposing a methodology shift for new construction building permit fees from being based on valuation to square footage/building type. The square footage of a project is not subject to disagreements as it is a definite quantity provided within the application; it is known in the early phases of a project, so it provides a stronger basis for calculating accurate fee estimate. Additionally, square footage has a strong correlation to the amount of time it takes to review/process an application and the time it takes to complete inspections.

To help with efficiency and overall fee consistency, over-the-counter permits will go to a flat fee versus valuation based (examples: residential roof, water heater, furnace). Staff time in this area is driven by type of work, not the value.

Tenant finishes and remodels will remain valuation based. Valuation cost breakouts were updated based upon interviews with building inspectors with the result being a decrease in these application types.

It should be noted that sales and use tax is still based on valuation, so applicants will still need to provide the project valuation for tax purposes.

The impacts of these changes, including shifting the timing of collection of the Utility development review fees, are a decrease in building permit fees.

#### New Fees: Erosion Control & Storm Water Construction Inspection

These are proposed new fees that will cover field inspection personnel. Currently, no fees are collected, and this activity is subsidized by the rate payers and not by established fees. Staff is requesting implementation of an erosion control fee & storm water infrastructure inspection fee to cover the costs of inspections that are currently being executed.

The process completed by Utilities is as follows; Field verification by a City Stormwater Inspector is now required as stated in the project Development Agreement, City Land Use Code Section 3.3.2(E)(1)(e), and Fort Collins Stormwater Criteria Manual Ch 3, Sec 3.1). Project managers should request inspections prior to installation of stormwater features, or at a minimum, keep the City inspector up to date on scheduling.

Inspections target the milestones listed in the feature's corresponding, which is submitted as part of the Site Grading and Drainage Certification (checklists may change as the program evolves).

As part of the certification process, certification checklist documentation is submitted to Utilities' Water Engineering Department and requires acknowledgment that verification occurred at the intervals specified therein.

Utilities Light and Power are not included in this study and request.

#### **Developer/Builder Cost Impacts**

In order to understand/quantify the impact on development, staff did a comparative study on existing developments. Samples were chosen based upon common application types including: Infill development, Single Family Homes, Multi-family, Affordable Housing, Commercial Buildings and Industrial Uses. Fees within this study generally increased ~30%; however, as part of the overall fee stack, the updates resulted in minor changes (from less than 1% to 10% of total City Fees). Additional details are included in attachment 3.

#### **City Cost/Revenue Impacts**

Since the fees charged are intended to cover the costs to provide the service, an analysis was done to evaluate the costs to the City of development review, infrastructure inspection, and building permits based on the 2018 volume of permit applications. In 2018, the City collected \$5.6 million in development related fees, which were intended to cover the costs of those services. The actual total cost of the services provided by the City in 2018 was closer to \$7.6M.

<b>Fee Type</b>	Current Collections*	Future*
1. Development Review	\$583K	\$3,654K
2. Infrastructure Inspection	\$322K	\$898K
2* New Stormwater Fees	\$0	\$75k-\$100K
3. Building Permit	\$4,751K	\$3,008K
Total	\$5.6M	\$7.6M

The greatest impact on collections is seen in the Utilities Funds and the Transportation fund. In Utilities the changes are driven by the timing of collection, updated cost inputs and addition of Erosion Control and Stormwater Infrastructure Inspections. Within the Transportation fund changes are driven primarily by the infrastructure inspections (which as noted had not had fee updates since 1997) and update to number of Transportation funded Development Staff (e.g. Traffic Engineers, Civil Engineers and Inspectors).



#### **Advisory Group Summary of Findings**

The group acknowledged and agreed with the overall methodology changes, fee structure, calculations and inputs.

The group agreed that though there are increases in some areas, overall the changes make sense and will be less complicated.

The group agrees with 100% cost recovery. Fees must reflect the cost it takes to provide the service and nothing more.

#### **Public Outreach**

Staff engaged in a robust public outreach process with the following groups:

- Fort Collins Board of Realtors
- Northern Colorado Homebuilder's Association
- Downtown Development Authority
- North Fort Collins Business
   Association
- Local Legislative Affairs Committee

- Affordable Housing Board
- Water Board
- Economic Advisory Commission
- Building Review Board
- Planning & Zoning Board

Similar to the Advisory Committee, Staff heard that any fee increases were not desirable; but the groups clearly and easily understood the logic for the increases. Questions related to efficiency of operations were also addressed, for example: if City staff become more efficient at processing various application types do the fees go down? The answer to these concerns was yes, which is why the City is also spending considerable resources to make development review process improvements to ensure City is being as efficient as possible.

Two of the outreach groups raised concern over the cost of the Extra Occupancy Rental type application (which is proposed to be \$1,750). Staff communicated that this is how much it costs in staff time to complete the needed steps as required under the City code. Either a code change or less than 100% cost recovery of the fee would be needed to lower the amount. It was discussed that setting fee recovery percentage on individual fees may create an undesired trickle-down effect and would be administratively burdensome to complete.

#### **Staff Recommendation**

Staff returned to Council Finance Committee in October of 2019 (50% of the way through the public outreach process) to report back final fee amounts, comparative analysis, and feedback garnered to that point. Council Finance was supportive of the fee updates and recommended adoption of the updated methodology and fee schedule by the City Manager pending any additional feedback to the contrary.

#### Next Steps

If no other major concerns are brought forward, the City Manager will administratively approve the fee changes. Staff will work to ensure stakeholders are informed of the changes and new fees will go into effect April 1, 2020.

#### **Attachments**

Attachment 1: Memo from Development Review Fee Advisory Committee Attachment 2: Proposed Fees

Attachment 3: Council Finance Committee October 2019 Presentation

Attachment 4: Summary of Feedback and Raw Notes from Outreach



Planning, Development & Transportation Community Development & Neighborhood Services 281 N. College Ave. PO Box 580 Fort Collins, CO 80522 970.416.2350 970.224.6134 FAX www.fcgov.com

#### MEMORANDUM

- DATE: September 9, 2019
- TO: City Leaders
- THRU: Noelle Currell, Manager, FP&A Tom Leeson, CDNS Director
- FROM:
   Jennifer Bray: Affordable Housing Board\_

   Adam Eggleston: Ft. Collins Board of Realtors\_

   Doug Braden: Home Builders Association\_

   Matt Robenalt: Downtown Development Authority\_

   Cathy Mathis: Local Legislative Affairs Committee\_

   Braulio\_ Rojas: South Ft. Collins Business Association\_

   Linda Stanley: Economic Advisory Commission\_
- **RE:** Development Review Fee Study Advisory Committee

#### Purpose:

The purpose of this memorandum is to inform City Leaders of the Development Review Fee Advisory Committee's recommendations regarding action to update the City's Development Review and Building Permit fees.

#### Position:

The Development Review Fee Advisory Committee was formed based on Council Finance Committee's directive to better understand how to simplify the current fee schedule, calculating of fees, timing of fee collection, validating and gaining buy-in to a new methodology and providing recommendations. T\_his fee committee met five times between May and September.

#### Recommendations:

Methodology Change: The group agreed that the methodology changes are sound and that there are positive benefits with these changes. It is felt the fee changes do not have a crushing impact.

Cost Recovery: It was agreed upon that recovery of costs should be set at 100%.



Storm Water Construction Inspection: This is a new fee and is necessary to cover the cost of inspectors for storm water construction. The group agreed that this fee should be included in the fee listing.

Small project fees, Director Discretion: It was felt by the group that the Director of Community Development and Neighborhood Services should have discretion in relation to small project fees.

Public Outreach: The following list is the agreed up public outreach that will take place before this item goes before Council:

Organization	Contact
Affordable Housing Board	Sue Beck-Ferkiss
Water Board	<u>tconnor@fcgov.com</u> _
Super Issues Forum	Christine Macrina < <u>cmacrina@fcgov.com</u> >
Building Review Board	rhovland@fcgov.com
Fort Collins Board of Relators	Heather@fcbr.org.
Local Legislative Affairs Committee	ahutchison@fcchamber.org or at (970) 482- 3746
Northern Colorado Homebuilder's Association	nikki@nocohba.com
Economic Advisory Commission	Josh Birks
Housing Catalyst	jbrewen@housingcatalyst.com
Downtown Development Authority	Matt & Kristy
North Fort Collins Business Association	greg.woods@stewart.com
South Fort Collins Business Association	brian@legacyfinancialgroup.us.com
Planning & Zoning Board	reverette@fcgov.com

New Building Pricing								
CONSTRUCTION OF NEW BUILDINGS (Permit and Plan Check):	Tota / Sq	al Cost   Ft	/ Sq	al Cost Ft k Plan	Staff Recom	mended	Stock Plai Staff Recomme	
A (Assembly)	\$	0.37			\$	0.40		
B (Business)	\$	0.46			\$	0.50		
E (Educational) (set by State, not able to allocate)								
F (Factory)	\$	0.33			\$	0.35		
I (Institutional)	\$	0.46			\$	0.50		
M (Mercantile)	\$	0.37			\$	0.40		
R-1 (Hotel)	\$	0.30			\$	0.35		
R-2 (Apartment)	\$	0.32			\$	0.35		
R-3 (Single Family Detatched/Duplex)	\$	0.62	\$	0.51	\$	0.65	\$	0.55
R-4 (Assisted Living)	\$	0.52			\$	0.55		
S (Storage)	\$	0.37			\$	0.40		
U (Utility)	\$	0.36			\$	0.40		

	Tenant Improvements						
Up to Value:		Scale					
\$	2,000	\$105					
\$	25,000	\$105 for the first \$2k, then \$15.5 for each \$1k after					
\$	50,000	\$462.5 for the first \$25k, then \$10.5 for each \$1k after					
\$	100,000	\$725 for the first \$50k, then \$6.5 for each \$1k after					
\$	500,000	\$1050 for the first \$100k, then \$60 for each \$10k after					
\$	1,000,000	\$3450 for the first \$500k, then \$55 for each \$10k after					

Flat Fee Services						
Project Type:	Cos	Cost/Service L		f ommended		
Air Conditioner Replacement	\$	60.04	\$	65.00		
Antennas	\$	60.04	\$	65.00		
Basement Finish	\$	150.11	\$	155.00		
Boiler Replacement	\$	60.04	\$	65.00		
Commercial Roof Replacement	\$	200.14	\$	210.00		
Commercial Signs	\$	60.04	\$	65.00		
Demolition	\$	60.04	\$	65.00		
Fireplace (Wood burning, pellet, gas, log)	\$	60.04	\$	65.00		
Furnace Replacement	\$	60.04	\$	65.00		
Gas Pipe Installation	\$	60.04	\$	65.00		
Mobile Home Setup	\$	80.06	\$	85.00		
Pool/Spa	\$	100.07	\$	110.00		
Rooftop Unit Replacement	\$	80.06	\$	85.00		
Single Family Deck or Patio Cover	\$	100.07	\$	110.00		
Residential Roof Replacement (under XXX square feet)	\$	80.06	\$	85.00		
Solar PV Systems	\$	60.04	\$	65.00		
Temporary Sales or Construction Trailer Setup	\$	80.06	\$	85.00		
Upgrade/ Replace Electrical Service	\$	60.04	\$	65.00		
Water Heater Replacement	\$	60.04	\$	65.00		
Window Installation	\$	60.04	\$	65.00		
Stock Plans:	Cos	t/Service	Staff Reco	mmended		
Single Family Attached	\$	529.60	\$	550.00		
Single Family Detached	\$	529.60	\$	550.00		
Duplex	\$	529.60	\$	550.00		

Infrastructure Construction Inspection						
INSPECTION FEES:	Measure	Cost/Service	Staff Recommended	Minimum Charge		
Boring	linear ft. (NEW)	\$ 0.35	\$ 0.40	\$ 50.00		
Concrete or asphalt	square yards	\$ 2.50	\$ 2.55	\$ 50.00		
Drive Approach	square yards	\$ 1.39	\$ 1.40	\$ 50.00		
Fire Access Grass Crete	square yards	\$ 0.63	\$ 0.65	\$ 50.00		
Fireline Fitting ( Bend, Tee, Cross )	each	\$ 83.37	\$ 85.00			
Gutter CrossPans	square yards	\$ 2.50	\$ 2.55	\$ 50.00		
Meter Pit (1 1/2")	each	\$ 125.05	\$ 130.00			
Meter Pit (3" )	each	\$ 396.00	\$ 400.00			
Meter Pit (3/4" )	each	\$ 125.05	\$ 130.00			
Pedestrian Ramps	each	\$ 97.26	\$ 100.00			
Potholes	each	\$ 27.79	\$ 30.00	\$ 50.00		
Reinforced Concrete Pipe	linear ft.	\$ 1.46	\$ 1.50	\$ 50.00		
Sanitary Sewer Main	linear ft.	\$ 2.24	\$ 2.25	\$ 50.00		
Sewer Connection/Disconnect	each	\$ 229.26	\$ 230.00			
Sewer Manhole	each	\$ 166.74	\$ 170.00			
Sewer Service Line Stub	each	\$ 416.85	\$ 150.00			
Sidewalk, trails, curb/gutter, curb/gutter w sidewalk	linear ft.	\$ 2.50	\$ 2.55	\$ 50.00		
Stormwater Manhole	each	\$ 166.74	\$ 170.00			
Structural concrete, masonry or stone work for retaining		-				
walls, box culverts, wing walls, drop structures or other	linear ft.	\$ 2.92	\$ 2.95	\$ 50.00		
Trench	linear ft.	\$ 2.29	\$ 2.30	\$ 50.00		
Water Connection/Disconnect	each	\$ 250.11	\$ 255.00			
Water Fitting ( Bend, Tee, Cross )	each	\$ 83.37	\$ 85.00			
Water Main	linear ft.	\$ 2.40	\$ 2.45	\$ 50.00		
Water Main (Fire Line)**	linear ft.	\$ 2.40	\$ 2.45	\$ 50.00		
Water Service Line Stub	each	\$ 416.85				
APPURTENANCES:						
Fire Hydrant	each	\$ 250.11	\$ 255.00			
Fittings	each	\$ 83.37	\$ 85.00			
Inlet	each	\$ 229.26	\$ 230.00			
Valve and Valve Box	each	\$ 104.21	\$ 105.00			
DRIVEWAY PERMIT:						
For driveway up to 15' wide	each	\$ -	\$ 75.00			
EXCAVATION PERMITS:						
Application Fee	each	\$ 41.68	\$ 45.00			

Planning Fees			-	
Service Name:	Cost	t/Service	Staff Reco	mmended
Addition of Permitted Use	\$	5,807	\$	5,825
Additional Rounds of Review	\$	6,629	\$	6,650
Annexation	\$	5,103	\$	5,125
Basic Development Review	\$	13,783	\$	13,800
Change of Use	\$	4,793	\$	4,800
Development Construction Permit (DCP):	\$	2,001	\$	2,025
Easement Vacation	\$	1,018	\$	1,025
Easement/Right-of-way Dedication	\$	672	\$	675
Extra Occupancy Rental	\$	1,730	\$	1,750
Final Plan	\$	17,242	\$	17,250
Limited-Scope Project (Director Discretion)	\$	-	\$	5,600
Lot Line adjustments	\$	329	\$	350
Major Amendment	\$	15,379	\$	15,400
Minor Amendment	\$	4,769	\$	4,775
Modification of Standards	\$	1,559	\$	1,575
Off-site construction Staging	\$	431	\$	450
Overall Development Plan	\$	10,274	\$	10,275
Plan Amendment (for deviations from City Plan or Sub Area Plans)	\$	10,419	\$	10,425
Prelminary Development Review	\$	2,542	\$	2,550
Project Development Plan(PDP) Initial	\$	22,406	\$	22,425
PUD Large +640 acres	\$	109,656	\$	109,675
PUD Small 50 - 640 acres	\$	42,155	\$	42,175
Reasonable Accomodation Request	\$	519	\$	525
Rezoning	\$	4,776	\$	4,800
Right of Way Vacation	\$	1,593	\$	1,600
Road Project	\$	11,640	\$	11,650
Short Term Rental Denial Appeal	\$	182	\$	200
Text Amendments	\$	2,973	\$	2,975
Variance	\$	412	\$	425
Wireless telecomm - Final	\$	3,148	\$	3,150
Wireless telecomm - Initial	\$	2,991	\$	3,000
Zoning Verification Letter	\$	140	\$	150

### **Erosion Control**

Dependent on number of lots, acres of site disturbance and expected years of inspection

Stormwater Infrastructure						
Feature Type	Measure	Cost				
Porous Pavers	quantity of instances	\$	365			
Bioretention	quantity of instances	\$	315			
Extended Detention Basin	quantity of instances	\$	250			
Underground Treatment	quantity of instances	\$	415			



Development Review Fee Updates – Council Finance Tom Leeson/Noelle Currell – October 21, 2019



### **Council Finance Direction Sought**

- Is Council Finance supportive of updated fees and methodology?
- Is Council Finance supportive of new Erosion Control & Stormwater Construction Inspection Fees?

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### Fee Coordination Timeline

	Phas	Phase 1 Phase 2 Phase 3									
	2016	2019	2020	2021							
Capital Expansion Fees		Update	Step II	Step III		Update					
Transportation CEFs		Update	Step II			Update					
Electric Capacity Fees		Update		Update		Update					
Water Supply Requirement		Update		Update		Update					
Wet Utility Fees			Update	Update	/	Update					
<b>Building Development Fees</b>				Update /		Update					
Fee Working Group		Acti ve	Acti ve	Active							

#### **Detailed fee studies:**

- 4 years for CEF, TCEFs & Development fees
- 2 years for Utility fees

In years without updates, an annual inflation adjustment occurs

#### 2019 Fee Group – Development Review/Building Fees only

• Decoupled from 2019 fee update

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# What is Development Review & Purpose of Fees



Fees recover the costs to process, review, inspect and record applications pertaining to development applications/activity and issuance permits related thereto.

### Fees in Scope for this Study

<b>Fee Type</b>	Description	When is it Paid?	# of Application Types/Fees/Measures
1. Development Review Fees	Covers staff time related to reviews of development in the community	Development Application Submittal	32
2. Infrastructure Inspections	Covers infrastructure, erosion controls and stormwater inspections	Development Construction Permit Issuance	37
3. Building Permit	Covers staff time/materials inspecting buildings	Building Permit Issuance	37

• Customer Focus  $\rightarrow$  ~150 "fees" to 106



### History of Fees

- Last Update Varies by Type/Department of City
  - Infrastructure Inspections 1997
  - Utilities Development Review 2001
  - Development Review 2006
  - Building Permits 2011
- Cost recovery assumptions varied by type of fee/department
- Costs spread across multiple areas of city and fractions of people making accurate assessment actual cost difficult
- Staff initiated a bottoms up analysis of costs associated with each fee



### How Did Staff Update

- Met with every staff member involved in process
- Based on their experience, determined time the activity drives
- Used actual personnel, materials and overhead costs to develop new fee
- Did a look back used historical fee volumes and new fee numbers to validate costs and revenue are aligned

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### Key Updates & Impacts

<b>Fee Type</b>	Methodology Changes	Cost Recovery	Impact to Fees
Development Review Fees	<ul> <li>All Cost Inputs Updated</li> <li>Some Costs Previously in Permits now in Development Review Fees</li> <li>Fees Consolidated</li> <li>Utility Fees Based on Full Cost Recovery</li> <li>Utility Fees Collected at Time of Service</li> </ul>	100%	Ţ
Infrastructure Inspections	<ul><li>All Cost Inputs updated</li><li>New Fees Proposed</li></ul>	100%	$\uparrow$
Building Permit	<ul> <li>All Cost Inputs updated</li> <li>New construction → square footage based vs. value based</li> <li>Over the counter → Flat Fees</li> </ul>	100%	$\downarrow$

### New Erosion Control/Stormwater Fees

- Two Fees
  - Erosion Control Construction Inspection
    - Bi-weekly inspections of developments currently under construction
    - Fee based on size of site and duration of construction
  - Stormwater

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- Inspection of permanent Stormwater infrastructure (e.g. porous pavers)
- Fee based on quantity/type of Stormwater Facilities
- Why Needed
  - Activities are currently being carried out by City Staff being funded through rate payers, not development
- Fees are Paid at Development Construction Permit



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### City Revenue Impact

<b>Fee Type</b>	Current Collections*	Future*				
1. Development Review	\$583K	\$3,654K				
2. Infrastructure Inspection	\$322K	\$898K				
New Stormwater Fees	\$0	\$75k-\$100K				
3. Building Permit	\$4,751K	\$3,008K				
Total	\$5.6M	\$7.6M				

### Costs include: Personnel, Materials and OH

\*Current collections is 2018 actual data, Future is 2018 volumes w/ new fee amounts

### Infill/Mixed Use - Uncommon

## Residential Sq Ft – 175,884 Commercial Sq Ft – 6,952 Tenant Finish Value - \$250k 119 Units Decrease of \$96/unit

		Olo	Structure	/What was Actual	ly Paid				New	Fee Structure			]	- · ·
<b>Fee Type</b>	PDP	FDP	DCP	<b>Building Permit</b>	Others	Total	PDP	FDP	DCP	<b>Building Permit</b>	Others	Total	New H/(L) Old	% Change
Development Review	25,083	2,000	400	-	-	27,483	22,425	17,250	5,132	-	-	44,807	17,324	63.0%
Infrastructure Inspections	-	-	2,722	-	-	2,722	-	-	7,931	-	-	7,931	5,209	191.4%
Building Permit	-	-	-	100,619	-	100,619	-	-	-	66,638	-	66,638	(33,981)	-33.8%
Subtotal Fees Updated	25,083	2,000	3,122	100,619	-	130,823	22,425	17,250	13,063	66,638	-	119,375	(11,448)	-8.8%
Escrows	-	-	-	-	71,483	71,483	-	-	-	-	71,483	71,483	-	0.0%
Impact Fees	-	-	-	839,735	-	839,735	-	-	-	839,735	-	839,735	-	0.0%
Others	250	-	-	509,369	700	510,319	250	-	-	509,369	700	510,319	-	0.0%
Subtotal Other Fees	250	-	-	1,349,104	72,183	1,421,536	250	-	-	1,349,104	72,183	1,421,536	-	0.0%
Grand Total	<u>\$25,333</u>	<u>\$2,000</u>	<u>\$ 3,122</u>	<u>\$ 1,449,722</u>	<u>\$72,183</u>	<u>\$1,552,360</u>	<u>\$22,675</u>	<u>\$ 17,250</u>	<u>\$ 13,063</u>	<u>\$ 1,415,742</u>	<u>\$72,183</u>	<u>\$1,540,912</u>	<u>\$ (11,448)</u>	<u>-0.7%</u>

### Residential Single Family Timbervine



178 Building Permits173 Units327k residential sq ft added7 Stock plansIncrease of \$119/unit

	· · · · · · · · · · · · · · · · · · ·	<u>Ol</u> e	d Structure	What was Actual	ly Paid				New	Fee Structure				
<b>Fee Type</b>	PDP	FDP	DCP	<b>Building Permit</b>	Others	Total	PDP	FDP	DCP	<b>Building Permit</b>	Others	Total	New H/(L) Old	% Change
Development Review	40,150	4,000	400	-	8,499	53,049	20,348	31,927	18,735	-	25,919	96,930	43,881	82.7%
Infrastructure Inspections	-	-	55,433	-	-	55,433	-	-	190,733	-	-	190,733	135,300	244.1%
Building Permit	-	-	-	338,469	4,204	342,673	-	-	-	184,033	-	184,033	(158,639)	-46.3%
Subtotal Fees Updated	40,150	4,000	55,833	338,469	12,703	451,155	20,348	31,927	209,468	184,033	25,919	471,697	20,542	4.6%
Escrows	-	-	-	-	6,500	6,500	-	-	-	-	6,500	6,500	-	0.0%
Impact Fees	-	-	-	1,970,176	-	1,970,176	-	-	-	1,970,176	-	1,970,176	-	0.0%
Others	250	-	446	762,904	750	764,349	250	-	446	762,904	750	764,349	-	0.0%
Subtotal Other Fees	250	-	446	2,733,080	7,250	2,741,026	250	-	446	2,733,080	7,250	2,741,026	-	0.0%
<u>Grand Total</u>	<u>\$40,400</u>	<u>\$4,000</u>	<u>\$ 56,279</u>	<u>\$ 3,071,549</u>	<u>\$19,953</u>	<u>\$3,192,180</u>	<u>\$20,598</u>	<u>\$31,927</u>	<u>\$209,914</u>	<u>\$ 2,917,113</u>	<u>\$33,169</u>	<u>\$3,212,722</u>	<u>\$ 20,542</u>	<u>0.6%</u>

### Residential Multi-Family The Wyatt

Residential Sq Ft – 356,324 Garage Sq Ft – 26,974 Clubhouse Sq Ft – 7,732 368 units

### Decrease of \$378/unit



		<u>Old</u>	Structure/	What was Actually	<u>Paid</u>				New	Fee Structure				
Fee Type	PDP	FDP	DCP	<b>Building Permit</b>	Others	Total	PDP	FDP	DCP	<b>Building Permit</b>	Others	Total	New H/(L) Old	% Change
Development Review	47,312	2,000	400	-	2,186	51,898	21,650	16,785	2,025	-	8,595	49,055	(2,843)	-5.5%
Infrastructure Inspections	-	-	42,170	-	-	42,170	-	-	98,341	-	-	98,341	56,170	133.2%
Building Permit	-	-	-	333,831	-	333,831	-	-	-	141,443	-	141,443	(192,389)	-57.6%
Subtotal Fees Updated	47,312	2,000	42,570	333,831	2,186	427,900	21,650	16,785	100,366	141,443	8,595	288,838	(139,062)	-32.5%
Escrows	-	-	-	-	21,765	21,765	-	-	-	-	21,765	21,765	-	0.0%
Impact Fees	-	-	-	3,483,740	-	3,483,740	-	-	-	3,483,740	-	3,483,740	-	0.0%
Others	250	-	56,959	953,110	650	1,010,969	250	-	56,959	953,110	650	1,010,969	-	0.0%
Subtotal Other Fees	250	-	56,959	4,436,850	22,415	4,516,474	250	-	56,959	4,436,850	22,415	4,516,474	-	0.0%
Grand Total	<u>\$ 47,562</u>	<u>\$ 2,000</u>	<u>\$ 99,529</u>	<u>\$ 4,770,682</u>	<u>\$ 24,601</u>	<u>\$4,944,374</u>	<u>\$ 21,900</u>	<u>\$ 16,785</u>	<u>\$157,324</u>	<u>\$ 4,578,293</u>	<u>\$ 31,010</u>	<u>\$4,805,312</u>	<u>\$ (139,062)</u>	-2.8%

### Affordable Housing Village on Redwood



Residential Sq Ft – 84k 72 units 18% affordable housing waivers Decrease of \$818/unit

		Old	Structure	/What was Actua	lly Paid					]				
Fee Type	PDP	FDP	DCP	<b>Building Permit</b>	Others	Total	PDP	FDP	DCP	<b>Building Permit</b>	Others	Total	New H/(L) Old	% Change
Development Review	19,364	2,000	400	-	600	22,364	22,425	17,250	8,167	-	5,450	53,292	30,928	138.3%
Infrastructure Inspections	-	-	7,437	-	-	7,437	-	-	14,519	-	-	14,519	7,082	95.2%
Building Permit	-	-	-	117,689	-	117,689	-	-	-	30,922	-	30,922	(86,767)	-73.7%
Subtotal Fees Updated	19,364	2,000	7,837	117,689	600	147,490	22,425	17,250	22,686	30,922	5,450	98,733	(48,757)	-33.1%
Escrows	-	-	-	-	40,073	40,073	-	-	-	-	40,073	40,073	-	0.0%
Impact Fees	-	-	-	904,504	-	904,504	-	-	-	904,504	-	904,504	-	0.0%
Others	250	-	-	288,215	-	288,465	250	-	-	288,215	-	288,465	-	0.0%
Waiver Amount	(2,985)	(360)	-	(97,333)	(30)	(100,708)	(4,037)	(3,105)	(597)	(102,899)	(206)	(110,843)	(10,135)	10.1%
Subtotal Other Fees	(2,735)	(360)	-	1,095,386	40,043	1,132,334	(3,787)	(3,105)	(597)	1,089,820	39,867	1,122,198	(10,135)	-0.9%
Grand Total	<u>\$16,629</u>	<u>\$ 1,640</u>	<u>\$7,837</u>	<u>\$                                    </u>	<u>\$40,643</u>	<u>\$1,279,824</u>	<u>\$18,639</u>	<u>\$14,145</u>	<u>\$ 22,089</u>	<u>\$ 1,120,742</u>	<u>\$45,317</u>	<u>\$1,220,931</u>	<u>\$ (58,892)</u>	-4.6%

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### Commercial - Harmony Commons



Commercial Sq ft – 25,805 Hotel Sq Ft – 59,594 Child care Sq Ft – 12,142 Total Value of Tenant Finishes - \$3.72M Increase of \$49k

		<u>Old</u>	Structur	e/What was Actu	ally Paid			S	Nev	w Fee Structure			]	
Fee Type	PDP	FDP	DCP	<b>Building Permit</b>	Others	Total	PDP	FDP	DCP	<b>Building Permit</b>	Others	Total	New H/(L) Old	% Change
Development Review	85,064	8,000	800	-	11,322	105,185	89,700	69,000	2,780	-	24,700	186,180	80,995	77.0%
Infrastructure Inspections	-	-	4,034	-	-	4,034	-	-	24,264	-	-	24,264	20,231	501.5%
Building Permit	-	-	-	123,890	1,854	125,744	-	-	-	73,612	-	73,612	(52,132)	-41.5%
Subtotal Fees Updated	85,064	8,000	4,834	123,890	13,176	234,963	89,700	69,000	27,044	73,612	24,700	284,056	49,093	20.9%
Escrows	-	-	-	-	120,720	120,720	-	-	-	-	120,720	120,720	-	0.0%
Impact Fees	-	-	-	969,000	-	969,000	-	-	-	969,000	-	969,000	-	0.0%
Others	1,000	-	-	505,049	3,985	510,034	1,000	-	-	505,049	3,985	510,034	-	0.0%
Subtotal Other Fees	1,000	-	-	1,474,049	124,705	1,599,754	1,000	-	-	1,474,049	124,705	1,599,754	-	0.0%
Grand Total	<u>\$86,064</u>	<u>\$8,000</u>	<u>\$4,834</u>	<u>\$                                    </u>	<u>\$137,881</u>	<u>\$1,834,718</u>	<u>\$90,700</u>	<u>\$69,000</u>	<u>\$27,044</u>	<u>\$ 1,547,661</u>	<u>\$149,405</u>	<u>\$1,883,810</u>	<u>\$ 49,093</u>	<u>2.7%</u>

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### Industrial - South College Storage



Storage sq ft – 107,890 \$5.8M valuation Increase of \$30k

		Old St	ructure/	What was Actuall	y Paid				New F	ee Structure	-			
<b>Fee Type</b>	PDP	FDP	DCP	<b>Building Permit</b>	Others	Total	PDP	FDP	DCP	<b>Building Permit</b>	Others	Total	New H/(L) Old	% Change
Development Review	37,372	2,000	400	-	-	39,772	22,425	17,250	1,657	-	-	41,332	1,560	3.9%
Infrastructure Inspections	-	-	8,198	-	-	8,198	-	-	28,808	-	-	28,808	20,610	251.4%
Building Permit	-	-	-	35,476	-	35,476	-	-	-	43,156	-	43,156	7,680	21.6%
Subtotal Fees Updated	37,372	2,000	8,598	35,476	-	83,446	22,425	17,250	30,465	43,156	-	113,296	29,850	35.8%
Impact Fees	-	-	-	146,930	-	146,930	-	-	-	146,930	-	146,930	-	0.0%
Others	250	-	-	127,600	-	127,850	250	-	-	127,600	-	127,850	-	0.0%
Subtotal Other Fees	250	-	-	274,530	-	274,780	250	-	-	274,530	-	274,780	-	0.0%
Grand Total	<u>\$37,622</u>	<u>\$2,000</u>	<u>\$8,598</u>	<u>\$ 310,007</u>	<u>\$ -</u>	<u>\$358,227</u>	<u>\$22,675</u>	<u>\$17,250</u>	<u>\$ 30,465</u>	<u>\$ 317,686</u>	<u>\$ -</u>	<u>\$ 388,077</u>	<u>\$ 29,850</u>	<u>8.3%</u>
# City Revenue impacts by Fund



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Revenue increases about \$2M – mainly in Transportation and Utilities Funds which have not been recovering cost

# Fee Comparison: <u>For Median New Home Sales Price \$488K\*</u>



Fort Collins Proposed Fees in the Lower-Middle of the Pack

# Neighboring Cities New Median Sales Comparison with Fees



# Fort Collins Fees are Inline with Neighboring Cities

# Fort Collins Fee Stack Median New Home Sales



# Fort Collins Fees & Code Cost Impact is Leveling % of Median New Home Sales Price



# **Advisory Committee**

- Advisory Committee Members
  - 16 invitees
  - City Staff, DDA, Board of Realtors, Affordable Housing, EAC, Developers, Builders
- 8 hours of meetings spread over 4 months
- Final outcomes
  - Unanimously Supported
  - Fee increase concerns, but understand drivers
  - Acknowledgement that these fees are a very small percentage of the total fees paid to the City and overall impact is small (-4 - 9% of total fees)

For

# Public Outreach

Organization	Date
Fort Collins Board of Relators	10/8/2019
Northern Colorado Homebuilder's Associatio	10/9/2019
Local Legislative Affairs Committee	10/11/2019
Planning & Zoning Board	10/11/2019
Affordable Housing Board	10/15/2019
Water Board	10/17/2019
Super Issues Forum	10/29/2019
Building Review Board	10/31/2019
Downtown Development Authority	11/14/2019
Economic Advisory Commission	TBD
Housing Catalyst	TBD
North Fort Collins Business Association	TBD
South Fort Collins Business Association	TBD





- October/November/December Outreach
- 1/14/20 Council Work Session
- Feb 2020 Adoption
- April 2020 Fees Implemented
- Summer 2021 Fee Updates in Coordination with all other Fees (lead out of Finance)



# **Council Finance Direction Sought**

- Is Council Finance supportive of updated fees and methodology?
- Is Council Finance supportive of new Erosion Control & Stormwater Construction Inspection Fees?



# Backup



# Methodology

- 1. List of fees/application types was thoroughly reviewed
  - Fees will be "consolidated" from customer side customer currently sees breakout; they will see one number and City will split out amongst funds on the backend
  - Certain fees no longer called out individually (e.g. Sign Posting or Affected Property Owners)
- 2. Identification of all staff involved in fee related activities
- 3. Interviews with staff on individual fees/application types amount of time spent per item average
- 4. Calculation of fully burdened cost of employees
- 5. Fees based on fully burdened cost and time



# How they are Calculated: 100% Cost Recovery

Example of Calculated Amount – Sewer Manhole:

- Fully burdened hourly inspector cost \$56.06/hour
  - Cost includes salary, benefits, vehicle, clothing, computer refreshes, annual training/certifications
- Total time for Inspection 120 minutes
- Total Direct Cost \$112.12
- Total Indirect Cost \$60.61
  - Includes Inspector Manager time, admin time (take in application), software, building, general City OH (HR, Legal, Finance)
- Calculated Cost \$172.73

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# Tenant Improvements Examples

Value	2	Description	Curi	rent Fee	New Fee	C	nange	% Change
\$ 450	Install new electrical breaker for the installation of canned lights, and install vent to washer. Replaced water lines for sink	ć	25	Ś 50	¢	25	100%	
۰ ب	430	and washer box. with stub wall.	ڊ ر	25	ς <u></u> υ	ڊ	25	10076
\$ 3,	400	Install a a 40,000 btu garage furnace and install 50 ft of gas line and add new electrical circuit.	\$	142	\$ 127	\$	(15)	-11%
		This in an addition of an unheated 3 season Sunroom (12'X15') 180 sq. ft. including several new caissons added at						
\$ 21,	000	engineered support points with a 60 foot patio pad extension on west side and 26 foot patio pad extension on the south	\$	522	\$ 400	\$	(123)	-23%
		side, and adding electrical.						
		Remodel of 3033 to include constructing small sections of demising walls to separate space into 3 retail suites. Relocate						
\$ 34,	000	light switches as needed and modify one entrance/exit door and add 3rd entrance/exit door for tenant B. Add doors to	\$	757	\$ 557	\$	(200)	-26%
		separate tenant suites from the common area.						
Ć CE	000	Tenant finish of 2,515 sq. ft. for "Crooked Stave Taproom" to include minor demolition, electric, mechanical and plumbing.	ć	1,209	\$ 823	ć	(207)	-32%
\$ 65,000		Work to also include changing out light fixtures, and adding wood planks and painting no exterior foyer.	Ş	1,209	\$ 823	\$	(387)	-32%
		Interior remodel of 265 sq ft to include removing one non-loading curtain wall to open up the kitchen and extend it into the						
\$ 120,000		current study. Adding a new gas range with hood, moving existing electrical and plumbing as needed. Black Timber Builders	\$	1,789	\$ 1,170	\$	(619)	-35%
		to do the framing.						
\$ 480,	000	Tenant finish of 8300 sq ft for 'Computer Services, Inc.' to include reconfiguring the current office space, new framing,	ć	4,669	¢ 2 220	4	(1 220)	-29%
Ş 460,	000	acoustical ceilings, fire sprinkler modifications, plumbing, HVAC and electrical.	Ş	4,009	\$ 3,330	Ş	(1,559)	-29%
		Complete interior demoltion and tenant finish of 10898 sq ft to include relocating office spaces, meeting spaces, restrooms						
\$ 1,000,000		and a second story addition of 1186 sq ft will be added. Exterior changes will include changing the existing façade to match	\$	8,429	\$ 6,200	\$	(2,229)	-26%
		the addition.Steel frame construction throughout building.						
		Renovation of existing 25,075 sq. ft. building to include new manufacturing/ testing space on 1st floor with office and						
\$10,288,390	200	conference rooms. Mechanical equipment will be housed in mechanical basement. All new mechanical and plumbing work	Ś	E2 00E	¢ 57 206	4	2 201	6%
	throughout building, including (9) new rooftop HVAC units. Minor exterior improvements including new entry canopy on	Ş 53,905		\$ 57,286	'  <sup>\$</sup>	3,381	0%	
		southeast corner and small (2x5') windows on south and east sides of building.						

# Development Review Fee Study Outreach Summary (Any questions that were not answered in person during the presentation have responses from Staff in bold below)

#### Rev 12/10/2019 - Noelle A Currell

#### Fort Collins Board of Realtors - 10/8/2019

- Feedback:
  - Extra occupancy rental seems like it could impact attempts to create more affordable housing
  - Feels like there is "fee creep" and that smaller homes are impacted more than larger home
  - Can we charge attainable housing less than the proposed flat fees for development review would need to take this up w/ Council or City Manager
- Questions: none that were not answered during the presentation

#### Northern Colorado Homebuilders Association – 10/9/2019

- Feedback:
  - o Any increase in fees on single family homes is hard to swallow
- Questions:
  - Could Fort Collins collect certain fees (e.g. capital expansion fees) at time of CO instead of at time of building permit? This would be impactful to builders and their cash flow.

#### Local Legislative Affairs Committee – 10/11/2019

- Feedback:
  - It would be interesting to see the historical cost/unit increase not just in Fort Collins, but in surrounding communities (Staff noted this would be an intense analysis with many moving parts).
  - Global concern about ever growing fee stack
  - Hope that once the City hits buildout of the GMA there is a way to reduce the size and workload of the department
- Questions:
  - Why are we charging a Stormwater and Erosion Control Fee on top of what the State deems as necessary? Fort Collins has an MS4 (Municipal Separate Storm Sewer System) permit that allows our stormwater to flow straight to the river as opposed to needing to go through our municipal sewer system. To maintain this permit, we are mandated to do these types of inspections.

- For the Timbervine development, were water inspection fees charged? No.
   Confirmed via the Engineeing Cost Estimate that is part of the DCP.
- Fees as 10-14% of new home Sales price more information please

## Planning & Zoning Board – 10/11/2019

- Feedback: none specifically (or that wasn't captured earlier)
- Questions: none outstanding from the meeting

#### Affordable Housing Board – 10/15/2019

- Feedback:
  - Concern for affordable housing, thought they feel like they have been heard.
  - Pleased to hear what goes into each review and what is happening on the City side to ensure quality.
  - o Concern over cost for Extra Occupancy Rental (similar to discussion at Board of Realtors)
    - This process is too substantial
    - Could it be handled differently? Code Change?
  - o Want to avoid negative consequences concerning affordability
  - Utilities fees, there is a level of service that affordable housing is not getting. We are very far away from meeting anything affordable housing in this City. This is part of CEF's conversation. There is sticker shock across the board.
  - This is a good direction, but we want to know exactly how long it took an employee to do the work. This will come up potentially the next go around. Time tracking should be done.
  - o Better predictability
  - Any thoughts on how staff may track their time?
  - Like the change from value to square foot
- Questions: none outstanding from the meeting

# Water Board – 10/17/2019

- Feedback:
  - o Good from bigger picture standpoint financial sustainability
  - People may be driven to build multi-family because the pricing can be kept lower
  - o Make sure we have good data validation points for assumptions on time to do processes
- Questions:
  - Erosion Control and Stormwater Infrastructure if the project finishes early, is there a refund? If the project goes over, do we charge more?

#### Building Review Board – 10/31/2019

• Feedback: none specifically that had not been addressed/discussed prior

• Questions: none outstanding from the meeting

#### Downtown Development Authority - 11/14/2019

- Feedback: Big accomplishment to get all these fees updated
- Questions:
  - What is the process moving forward to get the new fees and everything out there for everyone to see what is coming? **Mailings, email blasts, front counter.**

#### Economic Advisory Committee - 11/20/2019

- Feedback: none specifically; committee will send a recommendation to approve to City Council
- Questions: none outstanding from the meeting

# All unedited notes taken by CDNS Administrative Manager during outreach (note that full notes from many of the meetings are publicly available online and only the items relevant to the staff working on this topic were captured by Shar during the presentations):

#### Fort Collins Board of Realtors - 10/8/2019

Attendance: .Tom Leeson Noelle \_Currelle\_ Shar Manno Suzan Koran Adam \_Eggelston\_ Travis\_ Nick Vorrath Barbara \_Kelzer\_ Dustin Jansen Cassie Sutton Romia\_\_Prichart\_ Mary Ann Colby Sterling Jeffery Markham?\_ Sean Daugherty Beth

Time given 40-45 minutes...

Paper copy of slides given to each attendee...

.Tom and Noelle gave a brief verbal/visual presentation...

Questions/Comments/Concerns...

How high are the Erosion and Stormwater fees? Stormwater \$75k to \$100K per year – This covers the total cost to complete all required inspections.

How does this impact the price of a home? Noelle went through comparison slides. Less than 1% change. Seems like a huge increase? Yes, but not everyone involved was included and costs not recovered previous. Building permit fee income has been subsidizing Development Review...

Do you actually have it broken out per unit so that we can see square footage per home? This will affect lower income and obtainable housing. Council stated previous that they want development review to pay for itself, this does effect single-family costs. Need to have talking points for Council, we cannot rely on Council to get it...

Affordable housing – What is covered by the waivers. There are opportunities for waivers throughout the process.

Extra occupancy fee – Takes away affordability, please explain. Goes to public hearing, it is the staff time involved in the entire process of approval. Would we have to go to Council to request that no hearing is requested? We would have to change the land use code and go before Council to change. Seems as though it will hamper the affordability of rental rooms. Tom showed list of application types and explained what the process is to complete the application type. Feels it is an absorbent amount of time for the low number of this type of review and on the affordable side, people may not want to jump through the hoops, or they will charge more for the unit/bedroom. Could the City front load with literature? This is a sensitive subject.

Capital Expansion fees – erosion and stormwater, is the money going to one bucket, are we double dipping. No, this is paying for the engineers and inspectors directly related to development review. Noelle explained where/what the expansion fees go toward.

Explain where the \$900k transportation fees are going to go to. Boring is an example, Noelle explained contractual and the up and down of the fees. Wherever the deficit was, sales tax and other covered our expenses.

.Fee creep that is happening only has a small % increase. We should make sure the smaller homes are not impacted as much...

OTC's are more streamlined.

Streamlining and automizing will make it better...

Suggest to Council - can they address not having flat line fees that will harm obtainable housing. They will be emailing Council that they want something like this.

#### Northern Colorado Homebuilders Association – 10/9/2019

#### Attendees:

-Tom Leeson\_ Noelle \_Curell\_ Shar \_Manno.. Doug \_Buler\_ Jerry Rutha\_ James Miller\_ Steve Smith.. Nick Richardson.. Newton \_Whayler\_ Doug Braden.. Dana \_Spainger.. Julie Ann.. 1 other..

Time given: 60 minutes...

Doug Braden explained reason for the City's visit. Tom and Noelle gave a brief verbal/visual presentation. Paper copy of slide presentation given to each attendee...

#### Questions/comments/concerns\_

Is this review and methodology to keep prices down? Yes\_

What are the efficiencies? A tremendous amount of time and effort has gone into Lean processes. The time savings will be included in fee updates...

What are permit trends and what is the projection? Based on development activity, recent years have seen increase. How is the fee sustainable as we reach build out and permit numbers decrease? Based on how long it takes for each person involved. if numbers go down the fees go down...

Clarification on erosion and stormwater – based on size of site and duration of project? Based on projected for each of these.

Looking at this going from \$5.6 to \$7mil. Fees aren't going up much, where is that coming from? Development Review fees themselves are going up a good percentage...

.Does \_FoCo\_ collect up front? Yes. Could \_FoCo\_ collect at time of CO? At least those that do not need to be collected upfront.\_

Single-family homes – any increase is hard to swallow.

What factors did staff or the decision makers use to establish cost to City for that employee? Referenced slide –salary, benefits and anything associated with the individual. Fully burdened cost. Indirect costs included are admin., attorney time, software (including support staff) and manager's help. Each fee has a breakdown associated as all are not the same.\_

#### Local Legislative Affairs Committee – 10/11/2019

#### Attendees

.Tom Leeson Noelle \_Currell\_ Shar Manno Eric Lee Mike Brown Brandon G Michael Bello Angela \_Millewski\_ Ralph Waldo Patrick McMeekin Kevin Jones Brian Mannlein Carrie Gillis Sam Solt Bob Carnnigan Jeff Jensen Matt ....Weaval... Doug Braden Dan Ohenshire Dan Betts Vincent Shower

#### .Time given:...

.60 minutes...

Mike Brown explained reason for the City's visit. Tom and Noelle gave a brief verbal/visual presentation. Paper copy of slide presentation given to each attendee.

#### Question/Comments/Concerns\_

.With fees being consolidated, is it the same dollar amount that the customer is paying?\_\_\_\_. .Tom - Yes, unless fee should not happen\_\_

.Since 1987, with tech. changes, you should see a reduction in FTEs and time to process, did you find this to be the case?\_\_\_\_\_\_

.Tom explained our lean process and reorg with changes still happening. Noelle explained the human involvement factor, inspections...

If you have a house that is going to sell for \$450K with a same house selling for \$900, are they going to be paying the same cost? Basically, will it drop down to where the \$450K sits? Yes\_ Tom explained the time involved with producing a permit.\_

Is this a regressed tax? No, it is not a tax, it is a fee to recover our costs. Same size house is paying the same fee...

.\*\*\*(Tom) Stormwater inspection private permit inspection, would this be a layering of inspections? Do we also inspect it? Yes, this is an additional fee, layered. (Pat McMeekin) This is a State mandated step, the City has its own process. Could the City say it is handled by the State? Tom will look into this...

\_\*\*\*(Noelle) \_Timbervine\_ - Was this on the development portion or on the vertical building? The increase comes on the development side, not the permit side, correct? Yes. You would not charge the fee if the City did not do the inspections, correct? This is correct\_ Everything. \*\*\*Boxelder did the sewer and water – Noelle to check what City did and if fees were charged correctly.\_

Industrial slide- What does the level of the finish have to do with it?

Noelle gave an example – by adding a sprinkler system, AC, etc. This will add to the cost, due to number of inspections. How does this work with methodology change? You apply the building category type.\_

#### What is the IT fund?...

The City has a fund to cover the software used, annual maintenance fees and three dedicated resources. Why are we paying for aspects of Broadband? Broadband pays the City to inspect, the City is paying the City. This is not a cost to developers, correct? No (Mike Brown) If you present this elsewhere, you might want to pull this number out. Tom explained the chart on the City Revenue Impact slide for better clarity. The \$2M increase does not include boring? A portion is included. (Kevin Jones) There might be a better way to present this information, just so people know there is a separation from Broadband boring. Makes sure Utilities is not in the rate base, we are not double dipping between the two. Noelle explained the moving parts and that the rates are peeled out...

Doug Braden spoke to the Fee Committee involvement and the fee stack for obtainable housing. The standardization of time frame for fees, more regular basis is good. Pat agrees these fee changes are insignificant in their process. The TCF's are much more significant.

\*\*\*Because of the focus of obtainable housing, it would be interesting to see the historical cost per unit increase. What is happening in other communities. How do we retain individuals in our community as opposed to them moving someplace cheaper. Tom – This would be an intense analysis. We could look at the trend line from a fee standpoint. Noelle – There are a challenges. Communities around us have metro districts. It's been awhile, Darren was here. the fees and permits costs have stayed at 10%, we are staying even, but cost to build has doubled. Is this still true. This is more relevant to TCF's. Comparison should not be from local communities, but rather places like Austin. (Kevin Jones) The number is not 10% but rather 14%, did I hear this correctly? Noelle - there was a Council work session where in Jennifer P. presented. (Pat) We don't pay these on the permit side, you will not see these. Tom - Old fees vs new fees vs peer cities, we do have this fees stack. \*\*\*Kevin Jones would like more information on the increase to 14%.\_\_

Global concern is about the fee stack.

On low income housing – this is a value of our City. Is there a way to look at the numbers and we are willing to absorb from the gen fund. housing up to a certain amount, we would still

absorb. .09% is nothing we should be willing to cover and hold the price down per unit. Tom – two points – We could look at the waivers to see if they are adequate or perhaps not applying uniformly, we should stratify.

Check with \_Beckstead\_, why do we apply uniformly or not at all? What are the Nexis requirements? Tom – increasing the waivers might a better way to go.\_

Do you look at fixed and variable costing, what is fixed and what is variable? Noelle – if all development were to stop, it would be \$6-7M. Fixed cost is not that much. There are semi-variable costs.

.We hope you find a way as we hit build out to reduce the size of the department...

#### Planning & Zoning Board – 10/11/2019

#### Attendees:

.Tome Leeson... Noelle Curell Shar ...Manno... Bill Whitley Michelle \_Haefele\_ Michael Hobbs Jeff Hansen Rebecca Everette David Katz Par \_Hogestad\_ Brad \_Yatabe\_ 2 citizens Kia Kleer Dave \_Betley\_ Kacee. Scheidenhelm. Meghan Overton Ryan Mounce\_ Kelly ... Noah \_Beals\_ .+5...

#### Time given:...

60 minutes

.Tom and Noelle gave a brief verbal/visual presentation. Paper copy of slide presentation given to each attendee...

#### Question/Comments/Concerns\_

It was pointed out that the math was wrong on slide 4.

On sq. ft., how does it work with smaller projects? The same...

Will monthly stormwater bills go down?

Who paid for the short coming in 2018?

Does the whole fee stack include street assessment? No, this is an impact fee\_

IT individuals - They are not doing review, they are just managing software? Correct

#### Affordable Housing Board – 10/15/2019

Attendees:

Sue Beck-Ferkiss Jeff Johnson Catherine Costlow Diane Chon Jennifer Bray Rachel Auldridge Jennifer Baker Kristin Fritz Tom Leeson Noelle Currell Shar Manno

#### Time given:

40 minutes

Tom and Noelle gave a brief verbal/visual presentation. Paper copy of slide presentation given to each attendee.

#### **Question/Comments/Concerns**

The fees are specifically only to cover costs, no revenue, correct?

Before you knew how the fees were figured, how did we know they were correct and that we were recovering the correct amount?

What is included in infrastructure development inspections?

Public infrastructure escrow, affordable housing is exempt from this fee.

What is the sq. ft. fee based off of what? Building type. What is the definition of sq. ft., is it outer wall, center of wall, inner wall? We will base it on the exterior of the wall.

Are dust issues covered within erosion control and stormwater inspections?

Fees did not actually go down, correct, it only looks as though they have because you are just removing/taking away some items?

What will you do with the \$2M? So, this money will be free to go back to the general fund?

Were examples used common building types?

Do these tables take into account the changes to CEF's? Chatter in the community is that these will be going way up. This is a direct impact to affordable housing.

What you are telling us is encouraging, this will make a difference.

How much of the Utilities, percentage, makes up?

What is the IT fund?

So roughly \$4m will go into the general fund?

The approval process does not have to go through Council? This is not true of CEF's?

Will they decide on Monday (Council Finance) to whether or not the City Manager can administratively approve?

Acknowledgement of concern toward affordable housing, we feel like we have been heard. Fee might need to be adjusted. This is not as big of an impact to developers. End users, we do not want to have people not doing inspections, how will this be kept affordable? Pleased with knowing what goes into each review.

The plan is to implement and the review in one year to make sure everything is matching up.

Extra occupancy became a heated conversation. People will take the chance and not get a permit.

There is predictability. The calculator will be very useful.

Is there any thought to changing how the City staff tracks their time? This will be the next logical questions to be asked. Engineers and lawyers to this. This could be a 6-month pilot.

Generally speaking the Board would like for us to take away:

- Extra occupancy, feels that it is too substantial of a process. Can it come before this Board for feedback? No idea why this has been mixed in with all the others, could it be handled differently. The process needs to be looked, U Plus 2, etc.
- We want to avoid negative consequences concerning affordability.
- Utilities fees, there is a level of service that affordable housing is not getting. We are very far away from meeting anything affordable housing in this City. This is part of CEF's conversation. There is sticker shock across the board.
- This is a good direction, but we want to know exactly how long it took an employee to do the work. This will come up potentially the next go around. Time tracking should be done.

The Board likes the change from value to sf

#### Water Board – 10/17/2019

Attendees\_ Noelle \_Currell\_ Shar \_Manno\_ 7 board members\_ Katherine Martinez\_

#### .Time given:...

.30 minutes...

Noelle gave a brief verbal/visual presentation. Paper copy of slide presentation given to attendees.

#### Question/Comments/Concerns\_

Is it an exact sq. ft. percentage, or is there a cut off? It is based on building type...

The State has stormwater limits, are we crossing over? MS4 permit, the State deals with another...

.How many projects enter the review stage that do not go to permit? Do you think the number of projects will go down because of a fee increase?...

Have we gotten feedback from the development community? Yes. We understand and this is a small part...

Are there any parts of this that developers may feel we could do better? Efficiency and code changes is what would change the fee, not anything a developer could do. If it doesn't rain, do they have to do an inspection, if a project is delayed. Will we refund if ahead of time or charge more if delayed?\_\_

Utilities only collecting 50% of cost before, the new fee structure seems good for Utilities moving forward...

Everyone goes through the data collection, over time things change, seems like we have backed off, figure out how we are going to keep up to date. Let it lead to greater transparency. WE will have a sanity check in two years.\_

People may be driven to multi-family because the pricing can be kept lower...

There could be a rub with developers because of the square footage base fee. It depends on the type...

From a bigger picture standpoint this is excellent. Financial sustainability...

#### Building Review Board – 10/31/2019

#### Attendees

.Tom Leeson\_ .Noelle \_Currell\_ .Brad \_Yatabe\_ .Russ \_Hovland\_ .Gretchen \_Schaiger\_ .Allan Cram\_ .Richards\_ .Eric \_Marzone\_ .Katherine\_ .1 Board member not present\_ .1 Board member late\_ .Shar \_Manno\_

#### Time given...

Until complete...

#### Questions/Comments/Concerns\_

Tom and Noelle gave a brief verbal visual presentation.

Comment about sq. ft. vs valuation – high end home vs not, how will this even out? Tom –it takes the same amount of time to inspect.

Village on Redwood, fee waiver – The rest of the development community picks up the difference? Noelle – This comes out of CIP funds before general fund is hit.

.5.6 to 7.6 is roughly 35%, it seemed like the examples were in the 10-15%, where does this really fall? Noelle – it is getting spread across the board, also not everything happens within the same year.

Utilities has only been covering 50% of costs? Noelle, they have not updated for a very long time and moving to 100% cost recovery.

Will rate payers see any benefit? Noelle, all else being equal, this would make it so your rates do not go up as much...

.What is covered by Utilities? Noelle, water, wastewater and storm water.

Does Utilities back their costs? Noelle, yes, they have dedicated revenue sources.

#### Downtown Development Authority – 11/14/2019

Entire group present with the exception of one\_

Time given...

20 minutes...

Tom and Noelle gave a brief verbal visual presentation...

#### Questions/Comments/Concerns\_

With sq. Ft., does that account for different types of construction? Tom - Based on building type...

.What cost recovery method is typical of other communities?...

One of the things liked is the viewing of the models to show the full stack. What's going up, what's going down and how it will effect...

Experience with Tom and Noelle – approached, anything is on the table, no stone left unturned. It was very thorough.

What is the process moving forward to get the new fees and everything out there? Mailings, email blasts, front counter.

.Will the fee calculator be updated?...

Is there a clear path online for developers to see? Like, these are not all the fees, go check out what's next.

Huge accomplishment to update all of the fees. developers get ¾ of answer and then get surprises. He commends us for address the issues and a reasonable way of looking at it. Good job...

#### Economic Advisory Committee - 11/20/2019

#### .Time given...

20 – 30 minutes...

.Tom and Noelle gave a brief verbal visual presentation...

#### Questions/Comments/Concerns\_

There is a fee schedule for all the builders? Tom explained yes, but confusing and that there will be a fee calculator.

For clarity – starting in 2021 there will be a review every 4 years?

Can the City not make a profit? This is the difference between a fee and a tax. The City cannot collect more than it costs, or rather we cannot make a profit.

Fees are charged on the front end, not on the back end. If there are issues, like more inspections, will this then change the cost?\_

If the fee structure is cost recovery, then we will break even next year, however, won't we not fall behind at the end of the third year because costs will go up.\_

.Costs will rise with inflation. Have you explored funding source where we could pool money to help with computer system costs, etc.? BFO takes care of this. Tax payers end up paying for the costs as opposed to development if it comes from budget?\_\_\_\_\_\_

Stormwater fees going forward, are there any other fees that were not approved, etc. We extensively analyzed fees for this update and now on a 4 year schedule.

Do we have comparisons against other cities? WE do and show roughly currently in the middle...

.Time scale to when the fee is incurred. Dev. Application etc. Are there instances when a fee is paid and the project does not happen, you get to keep the fee.? Yes, the project moves through process and the time is spent by staff. Some fees are collected later, after the work has been completed, this happens as well. what is the balance of projects? Roughly 90% do proceed to development...

Committee experienced shared by \_Brauilo\_. Very positive. Others were impressed with the work completed and presented. The committee gives a thumbs up and would recommend that Council approve.\_

A motion was made to recommend to City Council approval of this fee and methodology change. The motion was passed.



**Finance Administration** 215 N. Mason 2<sup>nd</sup> Floor PO Box 580 Fort Collins, CO 80522

**970.221.6788** 970.221.6782 - fax *fcgov.com* 

# Finance Committee Meeting Minutes 10/21/19 10 am - noon CIC Room - City Hall

Council Attendees:	Mayor Wade Troxell, Ross Cunniff, Ken Summers
Staff:	Mike Beckstead, Travis Storin, Carol Webb, Theresa Connor, Lance Smith, Shane Boyle, Dean Klingner, Tom Leeson, Noelle Currell, Jennifer Poznanovic, Kelley Vodden, Jennifer Selenske, Kerri Ishmeal, Renee Callas, John Duval, Tyler Marr, Dave Lenz, Jo Cech, Katie Ricketts, Zach Mozer, Josh Birks, Victoria Shaw, Shannon Hein, Clay Frickey, Carolyn Koontz
Others:	Kevin Jones, Chamber of Commerce Dale Adamy, R1st.org

Meeting called to order at 10:05 am

Approval of Minutes from the August 19, 2019 Council Finance Committee Meeting. Ken Summers moved for approval of the minutes as presented. Ross Cunniff seconded the motion. Minutes were approved unanimously.

# A. Development Review Fee Update

Tom Leeson, Director, Community Development & Neighborhood Services Noelle Currell, Manager, Financial Planning and Analysis Jennifer Poznanovic, Sr. Manager, Sales Tax / Revenue

# SUBJECT FOR DISCUSSION

Development Review and Building Permit Fees Study

#### **EXECUTIVE SUMMARY**

As part of the City's coordinated fee update process, City Staff along with MGT Consulting Group (MGT) conducted an in-depth analysis of the City's development review and building permit fees. This study evaluated whether these fees are set at appropriate levels, inclusive of all costs, consistent with the City's goals for cost recovery, and how fees compare to other communities regionally.

Due to the complexities, processes and number of departments involved in development review and the permitting, the Council Finance Committee requested an advisory committee be created to better understand potential impacts of fee and methodology changes and collect feedback and advisement regarding proposed changes.

Staff has extensively evaluated the methodology for calculating fees and is requesting feedback on the change in methodology for calculating building permit and plan check fees from using the valuation of a project to using the square footage of a project (not all project types apply), a flat fee for over-the-counter permits, addition of a new erosion control and storm water inspection fees, as well as updates to current development review fees based on a simplified fee schedule. No methodology changes are being requested for development review fees; however, timing of collection of Utilities development review is being shifted to when services are provided.

## **GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED**

Is Council Finance supportive of updated fees and methodology?

Is Council Finance supportive of new Erosion Control & Stormwater Inspection fees?

# **BACKGROUND/DISCUSSION**

#### **Development Review Fee Advisory Committee**

A Development Review Fee Advisory Committee was formed based on Council Finance Committee's directive to better understand how to simplify the current fee schedule. This included calculation of fees, timing of collection, validation and acceptance of a new methodology and other recommendations. This balanced group was comprised of industry professionals, Fort Collins Citizens, and City staff.

Advisory Committee List: A Blend of Citizens, Industry and Staff

Industry:	Jennifer Bray: Affordable Housing Board Adam Eggleston: Ft. Collins Board of Realtors Doug Braden: Home Builders Association
Citizen:	Matt Robenalt: Downtown Development Authority Cathy Mathis: Local Legislative Affairs Committee, Development Consultant Braulio Rojas: South Ft. Collins Business Association Linda Stanley: Economic Advisory Commission
City Staff:	Mike Beckstead: Project Sponsor Russ Hovland: Fee Owner Building Permit Fees Tim Kemp: Fee Owner Engineering Fees Noelle Currell: Project Manager Tom Leeson: Fee Owner Development Review Fees

#### **Overview of Meetings and Topics Covered**

The group convened for five (5) two-hour sessions starting in May 2019 with the final meeting September 2019.

#### **Fee History**

Currently, there are numerous fees across CDNS (Community Development and Neighborhood Services), Utilities, and Engineering, spread over three (3) types of fees; development review, infrastructure inspection (engineering), and building permit. Examples include building permit fee, plan review fee, transportation development review, over-the-counter permits, and engineering inspection fees. The current percentage for cost recovery is set at 100%.

The City Manager is authorized to set fees based on the costs of providing development and building permit review services, pursuant to City Code Sec. 7.5-2. The Land Use Code (Sec. 2.2.3.D) establishes the cost recovery model for development and building permit fees:

- 1. *Recovery of Costs.* Development review fees are hereby established for the purpose of recovering the costs incurred by the City in processing, reviewing and recording applications pertaining to development applications or activity within the municipal boundaries of the City, and issuing permits related thereto. The development review fees imposed pursuant to this Section shall be paid at the time of submittal of any development application, or at the time of issuance of the permit, as determined by the City Manager and established in the development review fee schedule.
- 2. Development Review Fee Schedule. The amount of the City's various development review fees shall be established by the City Manager and shall be based on the actual expenses incurred by or on behalf of the City. The schedule of fees shall be reviewed annually and shall be adjusted, if necessary, by the City Manager on the basis of actual expenses incurred by the City to reflect the effects of inflation and other changes in costs. At the discretion of the City Manager, the schedule may be referred to the City Council for adoption by resolution or ordinance.

#### **Fee Calculation Review**

To accurately calculate where fee levels should be set, an inclusive listing of fees was thoroughly reviewed, every staff member involved in a fee activity was identified, and staff members that complete fee related activities were interviewed to determine the amount of time spent per fee item. Calculations were carried out to determine the fully burdened cost of employees. Overhead calculations were also reviewed and included things like buildings, managers, and IT support. Fees were set based on the time and the overhead allocated. Validation steps were taken to ensure proper cost recovery, which included:

- ensuring no individual groups were over-allocated (available work hours versus total time of fee activities)
- estimating revenue forecasts based on 2018 volumes (ensuring revenue does not end higher than cost)
- confirmation with management teams to ensure accurate allocation of each person's time to the fees (e.g. only allocating 25% of some positions).

# **Methodology Changes and Impacts**

#### Development Review Fees

No methodology change for the development review fees (pre-building permit activity, such as Project Development Plan, Minor Amendment, Final Development Plan) is proposed. However, one goal in this area was to reduce the number of fees, through fee consolidation or deletion (e.g. Affected Property Owner mailing costs removed).

Additional changes within the development review fees include adding staff members that are fully engaged in development review activities that have not historically been included within the fee calculations. This includes City Attorney's Office staff, Forestry staff, and Parks Planning staff. Additionally, Utilities development review fees have historically been collected at time of Building Permit, and those will now be collected at time of development review application to more accurately reflect the time of service.

# The impacts of these changes are an increase in development review fees for all application types *Infrastructure Inspection Fees*

No methodology change is proposed for the infrastructure inspection fees. These fees were last updated in 1997, so the impact of these changes is an increase in the infrastructure inspection fees.

#### **Building Permit Fees**

Staff is proposing a methodology shift for new construction building permit fees from being based on valuation to square footage/building type. The square footage of a project is not subject to disagreements as it is a definite quantity provided within the application; it is known in the early phases of a project, so it provides a stronger basis for calculating accurate fee estimate. Additionally, square footage has a strong correlation to the amount of time it takes to review/process an application and the time it takes to complete inspections.

To help with efficiency and overall fee consistency, over-the-counter permits will go to a flat fee versus valuation based (examples: residential roof, water heater, furnace). Staff time in this area is driven by type of work, not the value.

Tenant finishes and remodels will remain valuation based. Valuation cost breakouts were updated based upon interviews with building inspectors with the result being a decrease in fees for these application types.

It should be noted that sales and use tax is still based on valuation, so applicants will still need to provide the project valuation for tax purposes.

The impacts of these changes, including shifting the timing of collection of the Utility development review fees, are a decrease in building permit fees.

#### New Fees: Erosion Control & Storm Water Construction Inspection

These are proposed new fees that will cover field inspection personnel. Currently, no fees are collected, and this activity is subsidized by the rate payers and not by established fees. Staff is requesting implementation of an erosion control fee & storm water infrastructure inspection fee to cover the costs of inspections that are currently being executed.

The process completed by Utilities is as follows; Field verification by a City Stormwater Inspector is now required as stated in the project Development Agreement, City Land Use Code Section 3.3.2(E)(1)(e), and Fort Collins Stormwater Criteria Manual Ch 3, Sec 3.1). Project managers should request inspections prior to installation of stormwater features, or at a minimum, keep the City inspector up to date on scheduling.

Inspections target the milestones listed in the feature's corresponding <u>construction checklist</u>, which is submitted as part of the Site Grading and Drainage Certification (checklists may change as the program evolves).

As part of the certification process, certification checklist documentation **is** submitted to Utilities' Water Engineering Department and requires acknowledgment that verification occurred at the intervals specified therein.

Utilities Light and Power are not included in this study.

# **Developer/Builder Cost Impacts**

In order to understand/quantify the impact on development, staff did a comparative study on existing developments. Samples were chosen based upon common application types including: Infill development, Single Family Homes, Multi-family, Affordable Housing, Commercial Buildings and Industrial Uses. Fees within this study generally increased ~30%, however as part of the overall fee stack, the updates resulted in minor changes (from less than 1% to 10% of total City Fees). Additional details are included in attachment 1.

# **City Cost/Revenue Impacts**

Since the fees charged are intended to cover the costs to provide the service, an analysis was done to evaluate the costs to the City of development review, infrastructure inspection, and building permits based on the 2018 volume of permit applications. In 2018, the City collected \$5.6 million in development related fees, which were intended to cover the costs of those services. The actual total cost in 2018 was closer to \$7.6M.

<b>Fee Type</b>	Current Collections*	Future*
1. Development Review	\$583K	\$3,654K
2. Infrastructure Inspection	\$322K	\$898K
New Stormwater Fees	\$0	\$75k-\$100K
3. Building Permit	\$4,751K	\$3,008K
<u>Total</u>	\$5.6M	\$7.6M

The greatest impact on collections is seen in the Utilities Funds and the Transportation fund. In Utilities the changes are driven by the timing of collection, updated cost inputs and addition of Erosion Control and Stormwater Infrastructure Inspections. Within the Transportation fund changes are driven primarily by the infrastructure inspections (which as noted had not had fee updates since 1997) and update to number of Transportation funded Development Staff (e.g. Traffic Engineers and Civil Engineers).



# **Next Steps and Public Outreach**

#### **Advisory Group Summary of Findings**

The group acknowledges and agrees with the overall methodology changes, fee structure, calculations and inputs. The group agrees that though there are increases in some areas, overall the changes make sense and fees will be less complicated. The group agrees with 100% cost recovery. Fees must reflect the cost it takes to provide the service and nothing more. The group notes that any fee increases, particularly to housing, are a concern.

# **Discussion / Next Steps;**

FortCollins				Fee C	coordin	ation T	imeline
[	Phas	se 1	Phase 2	Phase 3			
	2016	2017	2018	2019	2020	2021	
Capital Expansion Fees		Update	Step II	Step III		Update	
Transportation CEFs		Update	Step II			Update	
Electric Capacity Fees		Update		Update		Update	
Water Supply Requirement		Update		Update		Update	
Wet Utility Fees			Update	Update		Update	
Building Development Fees				Update /		Update	
Fee Working Group		Active	Acti ve	Active			

#### Detailed fee studies:

• 4 years for CEF, TCEFs & Development fees

2 years for Utility fees

In years without updates, an annual inflation adjustment occurs

## Separate fee for each permit application type Consolidated and reduced total number of fees from 150 to 106

Mike Beckstead; they have also created a fee calculator which makes it easier early on in the process to understand how much and when fees will be payable. This is a benefit and a simplification.

Ken Summers; what are the overhead costs?

Tom Leeson; direct cost, hourly rate plus overhead costs such as vehicles and uniforms and admin costs. More detail to follow later in the presentation.

Mike Beckstead; we approached this with 100% cost recovery, and we looked at it not just direct costs but including health benefits, retirement contributions, materials used in process and support costs that go with it.

Ken Summers; Is there double accounting? Are we going to reduce the allocation we need for legal?

Mike Beckstead; for the Development Plan Review and Legal -both come out of the General Fund so the revenue we collect doesn't go into a specific fund - all flows into the General Fund. We don't segregate the funding or the expenditures that way because they are co-mingled in the General Fund.

Ross Cunniff; what are the pros and cons of creating a dedicated mini fund for obvious transparency? I like the 100% cost recovery but the responsibility that comes with that is for us to ensure that we are not double counting as well as that we are working to try to constrain those costs to exactly what they need to be.

# 2019 Fee Group – Development Review/Building Fees only

Decoupled from 2019 fee update

Mike Beckstead; we are having those conversations - we had provided Council some information before trying to estimate costs - this has always been very challenging as it is diffused across the organization. There is clear benefit to going to a dedicated fund - I am not ready to recommend one way or the other yet The more specific the revenue is the more restrictive we are. We currently have 41 reportable funds - our closest neighbor /peer has 21-25 range. Within Finance, we are discussing – what is the right mix of dedicated / restricted fund revenue? There is complexity and overhead that goes with each fund - but good to discuss this during BFO.



# Key Updates & Impacts

<b>Fee Type</b>	Methodology Changes	Cost Recovery	Impact to Fees
Development Review Fees	<ul> <li>All Cost Inputs Updated</li> <li>Some Costs Previously in Permits now in Development Review Fees</li> <li>Fees Consolidated</li> <li>Utility Fees Based on Full Cost Recovery</li> <li>Utility Fees Collected at Time of Service</li> </ul>	100%	¢
Infrastructure Inspections	<ul><li>All Cost Inputs updated</li><li>New Fees Proposed</li></ul>	100%	$\uparrow$
Building Permit	<ul> <li>All Cost Inputs updated</li> <li>New construction → square footage based vs. value based</li> <li>Over the counter → Flat Fees</li> </ul>	100%	$\downarrow$

We have 1 City Attorney who spends 100% of his time on Development Review Applications. 2.5 FTEs from Forestry as well

Building Permit Fees - we changed the way we calculate - now based on square footage not valuation -

Have a fair amount of over the counter fees – simple flat rate fees.

Valuation is not going away because we charge sales and use tax.

Ross Cunniff; future number - \$2M subsidy towards development review - \$1.6M from other entities Stormwater rates were higher because we weren't capturing these fees

Mike Beckstead; a bigger portion of it is actually transportation and utilities - General Fund subsidy

The Committee reviewed slides illustrating several different kinds of development and the associated fees and impact of the recent changes;

Infill/ Mixed Use - Uncommon, Residential Single Family - Timbervine Residential Multi-Family -The Wyatt Affordable Housing - Village on Redwood, Commercial - Harmony Commons Industrial - South College Storage= Tom Leeson; we reviewed this information with Darin Atteberry last week and he administratively approved the process changes. The intent is to do an Adoption in Q1 2020 to be effective at the beginning of Q2 2020.

Mike Beckstead; we have this scheduled to come back to Council Finance in December if we get controversy out of outreach, but if the future outreach is similar to what we have had in the past, I am not sure we would need to come back to Council Finance - I wanted to see if there was Committee concurrence on this approach.

Ross Cunniff; a memo would be sufficient.

Mayor Troxell; I have a question about the fee stack, conversations going around to try to get some alignment - continue that in support of our residents - meaningful adjustments in the right direction. I appreciate the amount of work that has gone into this

Mike Beckstead; in 2016 there was a request to take this on because of the sporadic nature of the updates which would come to you at different times - This was great guidance and I applaud Jennifer and her predecessors for the work that has gone into the organization of this - it has taken us 3 years to get through the first round. Starting in 2021, we will be on a 4-year cadence for development fees and 2-year review cadence for utility fees. We had big increases in impact fees in 2017 - \$ value increases here but now that we are on a prescribed cadence with routine reviews, we will minimize any big pops.

Ross Cunniff; community measured approach - In answer to questions for Council Finance, I am a yes and a yes This presentation answered a lot of questions I had and makes it very clear what we are doing and looking for is to specifically support the operations and funding of the development review process. We will want to ratchet up to look at how we could reduce costs – this is not intended to be punitive – it is making sure that we are diligently working to make those costs as low as practical.

Mayor Troxell; I appreciated the specific examples of different types of development - very helpful



Fees recover the costs to process, review, inspect and record applications pertaining to development applications/activity and issuance permits related thereto. Ken Summers; I have a question regarding slide 4 (see above) under Development Construction Permit you have Erosion Control and Stormwater – is the proposal to pull these out and put them somewhere else?

Tom Leeson; we are not currently charging for the Erosion Control or stormwater efforts we do as part of the Development Construction Permit. Erosion Control - we have 2 full time dedicated employees who go out to inspect multiple times during the construction phase. The Stormwater -more of the final stormwater measures that put in that also require inspection prior to occupancy - we are proposing to add those into the Infrastructure Inspection Fees.

Mike Beckstead; the costs have always been there, but they were being paid for by the rate payers of those utilities - we didn't have a unique fee to charge the developer for those activities -

Tom Leeson; the development review center will be reimbursing utilities for that time - that will go into the waste / storm water fund - in essence that fund has been subsidizing the Development Review effort -this has been happening for many years.

Mike Beckstead; the next time Lance does his cost of service / rate analysis he will take all of those into consideration – we have a new revenue source for those kinds of costs which will have an impact on future rate requests - to the degree that it is incremental and isolated I am not sure - I would have to go back and talk with Lance. That is where the other side of this transaction will occur.

Ken Summer; thinking about erosion control measures - seems that these are already tightly regulated at the state level -so, with all the current state regulations in place in terms of keeping dirt on the site and fencing, etc. - Have there been problems with erosion in the past?

Theresa Connor; The city has an S4 Permit that allows our storm water to drain directly into the river and does not need to go through our sanitary sewer system. Because of having that permit we have to do erosion control inspection; we need to have this in place in order to stay in compliance this is a requirement to do construction inspection. Driven by development taking place in the community.

Ken Summers; I see a couple things happening – for example the \$5M we lent to the URA, etc. – feels a bit like we are shaking the couch cushions looking for more money - wondering what are the best ways for us to increase our revenue instead of nickel and diming, fees etc. I think we need to be looking at some efficiencies in this area as well - I want to be comfortable that we have some safeguards in place and are looking at efficiencies - be conscientious in terms of how many visits, how much time it takes. If there is an inspector who is consistently finding lots of problems - the problem may be with the inspector. These are legitimate concerns from the city standpoint.

Theresa Connor; we do have stormwater and the municipal separate stormwater permit through the state and the EPA. We are finding the better part of prescriptive requirements from the state recently on erosion control, visiting every few weeks based on the conditions on the site - so there are some very prescriptive requirements for us from federal and status regulators that we are doing and have been doing for some time. We are constantly looking for efficiency measures out of that and are open to new ideas but we have had these 2 positions on erosion control compliance for some time and tt protects our water ways - an ounce of prevention is worth a pound of cure – especially in erosion control keeping that dirt on site will protect our streams - we do comply with prescriptive requirements.

Ross Cunniff; can you speak to what efforts you take to oversee and audit.

Tom Leeson; this question has come up a couple of times in our outreach and is a fair question because we are charging based on time – one of the complaints was if you were more efficient you could charge us less – we took that very seriously and in parallel to this effort, we have spent last 2 years implementing the Lean Methodology on every development application type - trying to get as efficient as we can in terms of development review and our permit processing. We have seen an appropriation recently for our Accela program (the software program that administers all of the permits) was not functioning at a level that could make us as efficient as we want to be – so we are spending a lot of time going through the bidding process to identify the business process and get that fully integrated into Accela - and we are developing a set of metrics around development review so we can understand how long each step should take – how long the review of each stage takes.

Ken Summers; thank you - I appreciate the reassurance that we have systems in place to monitor and that you are on top of it and it shows efficiencies. Sometimes that motivation isn't as great for a government entity.

Mayor Troxell; Baldrige looks at constant improvements - looking at best practices - by mentioning the Lean Methodology - government can run with efficiency and high performance and be very intentional – we have processed - recognize and make them better and that is built into the entire organization - talk about high performing government and set those expectations - this is one reason we get to a high level of trust with the community because you see activities happen for the purpose they are intended and frankly, I am proud

Tom Leeson; getting into this new regular cadence for reviews will be a good cross check and will ensure that those fees are aligned with the processes we have.

Mike Beckstead; to me the drivers of this fee increase are;

- 1) we have not updated some of these fees in a long time some of the methodologies and the cost drivers are different now
- 2) some of the allocations of cost only assumed a 50% absorption which has now gone to 100%
- 3) there are the 2 new utility fees that used to be paid by utility rate payers and are now paid by the development fees.

There is a series of methodology and process drivers that are really behind this - we saw the same thing in our Capital Expansion Fees in 2016-17 when we did a deep dive on those because they had not been updated in a while – I truly anticipate a much smoother trajectory going forward with the routine updates and we will avoid these price spikes from infrequent updates.

Mayor Troxell; I appreciate Ken's concern and this discussion - show me - what is your process and that is the evidence - we are obligated to do things that other governments have been mandated and that adds costs.

Mayor Troxell; we are good

Mike Beckstead; we will come back in December if need be or we will provide a memo at the minimum.

# **B.** Revolving Loan Program Review

Josh Birks, Director Economic Health Office Shannon Hein, Sr. Specialist, Economic Sustainability

# SUBJECT FOR DISCUSSION

Economic Health Revolving Loan Fund – Good News

## **EXECUTIVE SUMMARY**

The purpose of this item is to share the good news that the City of Fort Collins Revolving Loan Fund has officially launched and provide an overview of the program. The Revolving Loan Fund is intended to support small businesses and startup companies operating in Fort Collins. The City has pledged funds to support access to capital for small businesses in Fort Collins, which have historically not had access to traditional financial capital markets ("under banked" or "non-bankable") The demographic focus of this program will be low-income, minority, veteran, and women-owned small businesses.

#### **GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED**

1. Does the Committee have any questions about the program?

#### **BACKGROUND/DISCUSSION**

A revolving loan fund (RLF) is a gap financing tool used for the development and expansion of small businesses and startup companies. This Ordinance will support the first step in the development of the City's RLF that over time will become an "evergreen" source of capital for underserved and disadvantaged borrowers in the community. "Evergreen" is the term used to refer to a self-replenishing pool of money through interest and principal payments from previous loans to be used for new loans as budgeted and appropriated in future years.

Businesses with 1-100 employees make up 98% of all firms in Fort Collins. These businesses employ 47% of the workforce and provide 40% of the total wages in our community.

#### Demonstrated need:

- Data from the small business needs assessment deployed in 2018 demonstrated the need and interest for capital resources from women-owned businesses, specifically women-owned businesses in the revenue band of \$100,000 - \$499,000.
- A report by Minority Business Development Agency <http://www.mbda.gov/sites/default/files/DisparitiesinCapitalAccessReport.pdf>, found that, "Among firms with gross receipts under \$500,000, loan denial rates for minority firms were about three times higher, at 42 percent, compared to those of non-minority-owned firms, 16 percent."
- The City's Economic Health Office (EHO) has identified access to capital as a barrier to the small business community within the Economic Health Strategic Goal, B.4, Increase Capital to Support Startup Companies and Entrepreneurs. As such, EHO believes a revolving loan fund can support in meeting Strategic Objective B.4.

# **Goals -** The goals of the RLF include:

A. Encouraging business starts, strengthening and/or expansion of businesses through self-employment. This in turn facilitates job creation as a means of economic self-sufficiency for low-and moderate-income individuals.

- B. Helping bridge the financial gap for small businesses which might eventually qualify for bank financing and preparing the small business owner for traditional bank relationships.
- C. Foster diversity in the business community by encouraging business ownership among traditionally underserved minorities, women, and the disabled.
- D. Promote entrepreneurship and business innovation as a means of harnessing the creative potential of small businesses and investing in the economic success of the community.

Contributions to this RLF comes from two sources:

- Platte River Power Authority (PRPA) support of economic development efforts (2017, 2018, 2019 and beyond)
- 2019 City of Fort Collins Cluster Funding (one-time contribution)

Since 1982, Platte River has granted funds annually to support economic development efforts. Prior to 2017, these contributions received by the City of Fort Collins were directed toward Rocky Mountain Innosphere (Innosphere). In August 2017, the City requested PRPA to remit the funds directly to our organization in order to support the development of a small business lending program. These funds were received in 2017 and 2018 and are in the City's General Fund reserve available for appropriation.

Funds to be appropriated are as follows:

Source	Fund	Amount
2017 PRPA Contribution	General Fund	\$21,878
2018 PRPA Contribution	General Fund	21,916
2019 PRPA Contribution	General Fund	36,436
City of Fort Collins Cluster Contribution	KFCG (transfer to General Fund)	98,500
Total RLF Appropriation and Transfer		\$178,730

Summer 2019, the City issued Request for Proposal (RFP) #8963 seeking a qualified, licensed and accredited capital vendor to manage and administer the revolving loan fund on the City's behalf. The City selected Colorado Lending Source ("CLS") as the vendor. CLS will lend its own funds and use the City's contribution only in the case of default on a loan. The total loan pool will be \$1.0 million.

Term loans would be available to eligible small businesses for up to \$50,000 for the following purposes:

- Working capital
- Equipment
- Inventory
- Business purchase

# Oversight

A representative from the selected vendor will meet with City of Fort Collins staff at least semi-annually to review the program, lending data, and to provide updates. Staff will provide updates to City Council annually.

# **Discussion / Next Steps:**



Current default rate is less than 4% - they are comfortable with a certain default rate as they are trying to reach those lenders who might have constraints with traditional commercial banks

Shannon Hein and Josh Birks; character based loans - have a committee they work with - mentor or circle surrounding them - we get referrals from banks - they work with banks on the front side of the opportunity and on the back side - after 2 years of credit history they encourage the borrowers to change to a conventional bank - They know the criteria the banks are looking for - they run a number of different programs as well - so if a candidate is better for a different program they will slot them there – these are \$50K max loans- typical term of 8 years – give it some length to manage cash flow and then move them through the program and get them into the private sector – that way you get the money back and can start over with another borrower.

Ross Cunniff; great

Mayor Troxell; this is great, thank you

Ken Summers; great

# C. Stormwater – Land Acquisition

Theresa Connor, Deputy Director, Utilities Shane Boyle, P.E. Stormwater Lance Smith, Director, FP&A Utilities

**SUBJECT FOR DISCUSSION** Off-Cycle Budget Amendment for Strategic Land Acquisition in the West Vine Stormwater Basin

#### **EXECUTIVE SUMMARY**

The West Vine Stormwater Master Plan envisions an open channel connection between the City-owned Forney Property and City-owned land located adjacent to this parcel to the east. The parcel at 1337 West Vine came in for conceptual development review. Staff has negotiated a price for purchasing the rear portion of the property while the West Vine road frontage portion is being subdivided into residential lots. The purpose of this item to appropriate prior year reserves in the Storm Drainage Fund to purchase the parcel.

# **GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED**

Does Council Finance Committee have any questions or suggestions regarding the off-cycle budget amendment to fund strategic land acquisition in support of the West Vine Stormwater Master Plan?

# **BACKGROUND/DISCUSSION**

Much of the West Vine Basin, located in western Fort Collins generally along Vine Drive and Laporte Avenue, was developed in the County prior to stormwater and floodplain regulations being adopted. For this reason, there is significant potential for flooding in the basin during a large rainstorm event. The City's Stormwater Master Drainage Plan for the West Vine Basin identifies improvements that would help to mitigate and convey flood flows through the basin to the Poudre River.

A portion of the property at 1337 West Vine lies within the proposed alignment for the West Vine Outfall Stormwater Project and is currently for sale (see attached presentation). The purpose of this appropriation is to authorize the purchase of the portion of the property that is needed in order to construct the West Vine Outfall project. If the City does not purchase the property, it may be sold to a third party and developed, which would hinder the City's ability to construct this important Stormwater project.

Recent projects and property acquisition in the area that are part of the West Vine Outfall include construction of a portion of the West Vine Outfall from Vine Drive to the Poudre River in 2013-2014 and acquisition of the Forney Property for a future regional detention pond in 2012.



# 1337 W. Vine Drive—West Vine Basin—Stormwater Acquisition

- West Vine Outfall is constructed.
- Currently own two properties of regional stormwater facilities.
- Opportunity to create a channel and trail system between properties.

# **Discussion / Next Steps:**

1.5+/- acre of 1337 W. Vine proposed for purchase

Taft

1337 W. Vine Drive - sub dividing into 3 lots – we are interested in southern parcel Budget of \$255K in case there are some unknowns

Reason this land is strategic for us - if you look at the West Vine Master Plan

West Vine outfall constructed a few years ago – Stormwater currently owns two parcels of land here - one next door – been renamed to Pucntc Verde – do an open channel – with potential for trails, etc - future plan – Because this parcel was in for review and available now we thought it would be prudent to bring forward an off cycle offer to purchase the – gives us flexibility if we were to do an open channel in this area and construct large diameter culverts - we don't get multi use

Mayor Troxell; what is the time frame

Theresa Connor; the parcel is in for development - West Vine Master Plan will take a decade or so to do – our attention would shift to West Vine after the Downtown plan is completed.

Ross Cunniff; I am supportive - Intent is through acquisition of undeveloped parcels, easements - overflow channel

Theresa Connor; it would be an open channel which gives us more flexibility - it has multi-function

Ross Cunniff; - I think we should move forward – benefits the community as it protects several neighborhoods - real estate happens when it happens

Theresa Connor; improvements needed especially as area developments - manage the stormwater flow and bring it through to the Poudre River

Mayor Troxell; this is necessary - Ross, any concerns about the mid cycle?

Ross Cunniff; If this was General Fund I would say yes, but since this is restricted funding focused on a specific utility purpose, benefits stormwater rate payers and is protecting several neighborhoods, I am good with it.

Ken Summers; you do what you need to do when the opportunity arises, and the money is there

# **D. URA Bond Refinancing**

Travis Storin, Director, Accounting Josh Birks, Director, Economic Health Office

# SUBJECT FOR DISCUSSION

Prospect South Loan Refinance Moral Obligation

#### **EXECUTIVE SUMMARY**

In 2013, the City loaned the Fort Collins Urban Renewal Authority ("Authority") \$5 million from the General Fund to reimburse a developer for eligible expenses as part of the Summit development in the Prospect South Tax Increment Financing District. The City has requested the Authority consider refinancing this loan to free up the \$5 million for investing in other community priorities. The Authority may also benefit from refinancing by being able to issue bonds with lower interest rates than the existing loan. As part of this refinance, the Authority is seeking a moral obligation from the City. The moral obligation would result in improved bond ratings and reduced debt service costs to the Authority.

# **GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED**

Does the Council Finance Committee agree with moving forward with the proposed loan refinance and the associated moral obligation?

What additional information would be useful prior to presenting this item to City Council?

# BACKGROUND

The City and Authority have entered into two loan agreements for development projects in the Prospect South TIF District. What follows is a summary of each loan agreement.

#### The Summit

On September 6, 2011, City Council established the Prospect South Tax Increment Financing (TIF) District within the Midtown Urban Renewal Plan Area. After the establishment of Prospect South as a TIF district, Capstone Development Corporation sought TIF assistance for The Summit, a 220-unit student housing development. On September 13, 2011, the Authority Board approved a financial agreement where the Authority would reimburse \$5 million of eligible expenses to Capstone. Per the agreement, the \$5 million reimbursement was due upon completion of the project. At the time, staff estimated The Summit would generate \$8 million of tax increment over the life of the project.

When Capstone completed The Summit in 2013 and received a Certificate of Occupancy, Capstone requested reimbursement. The Authority was unable to reimburse Capstone for two reasons:

- 1. The original estimate of tax increment generation for the Summit was inaccurate. Staff's updated tax increment generation estimate in 2013 showed the Summit should generate \$7 million, not \$8 million as predicted in 2011.
- 2. Interest rates rose from 4% to 4.96%.

As such, the City and Authority negotiated a loan agreement at that time to reimburse Capstone. The City agreed to loan the Authority \$5 million with a 2.68% interest rate. This interest rate was based on the known revenue stream of the Prospect South TIF District at the time. This left a \$1.78 million interest rate gap. To fill that gap, the Authority agreed to pledge 50% of future unencumbered revenue from the Prospect South TIF District to the City. Both City Council and the Authority Board approved this loan agreement on November 5, 2013. <u>Prospect Station</u>

In October 2013, the Authority executed a Redevelopment Agreement with Prospect Station LLC. The Redevelopment Agreement obligated the Authority to reimburse the developer up to \$494,000 for eligible expenses. The Agreement required 50% of the reimbursement obligation (\$274,000) to be paid in a single payment upon completion of the project with the remaining 50% paid by the Authority over a 21-year period. Knowing the Authority would not have sufficient funds to make a single payment upon completion of Prospect Station, the City approved Resolution 2013-079 declaring City Council's intent to provide a loan to the Authority for half of the Authority's reimbursement obligation.

Prospect Station received a Certificate of Occupancy in September 2014 and subsequently requested reimbursement. In response, the City and Authority entered into a loan agreement for \$247,000 to fulfill the Authority's Redevelopment Agreement with Prospect Station. The loan has a 23-year term and 4.5% interest rate. The Authority Board approved the loan agreement on November 18, 2014 with City Council approval following on December 16, 2014.

# DISCUSSION

Finance staff approached Authority staff in the summer of 2019 with the idea of refinancing the Prospect South loan. Refinancing the loan could allow the City to allocate the \$5 million to other priorities. A refinance could also allow the Authority to get a lower interest rate than the effective interest rate of 4.96% on the Prospect South loan.

To assess the viability of a refinance, the City and Authority contracted with their own bond and finance counsel. The Authority has contracted with Ehlers for their finance counsel and GreenbergTraurig for their bond counsel. Based on the current tax increment projections, the Authority anticipates receiving between a BBB+ and AArating for their bond issuance. The attached proforma outlines the differences between BBB+, A, and AA- rated bonds. The URA expects the following terms for this bond issuance:

Amount Borrowed	Outstanding balance and cost of issuance (Approx. \$5 million)
Term	18 years
Interest Rate	2.587% - 2.929%
Coverage Ratio	1.94 - 2.01
Total Cost	\$6,150,782 - \$6,343,395

The Authority is seeking a moral obligation from the City to receive a more favorable bond rating and interest rate. A moral obligation allows the City to meet any debt service costs from the bond issuance in the case of a default. Council is not obligated to meet these debt service costs in the event of a default by the URA. Council may elect to appropriate funds to service this debt or Council can elect to not service this debt. A moral obligation would likely result in a rating increase from BBB+ to A or higher. The savings between these two ratings is \$165,192 over the life of the loan. The moral obligation will also make it easier for investors to trade the bonds in the secondary market, reducing the interest cost upon issuance by the Authority.

In summary, this refinance will allow the City to allocate \$5 million to other community priorities during the upcoming Budgeting for Outcomes process while potentially saving the URA \$794,000 - \$986,000 over the life of the loan. This loan refinance would also honor the strong partnership between the City and the URA.

#### **NEXT STEPS**

The Authority Board will consider the proposed loan refinance at their regular meetings on October 24 and November 7. City Council will consider the moral obligation on November 19. Staff aim to complete the refinance by the end of 2019.

# **Discussion / Next Steps:**



Staff Recommendation is Option #2 - refinance with the city's moral obligation pledge. You do pay a higher rate without the moral obligation component.

Mike Beckstead; I just received notification that Moody's reaffirmed us as stable at AAA rating If we go back to the Mall discussion, we spent a good amount of time around evaluating our moral obligation around the \$53M - we talked with the rating agencies in pretty good detail at that time – no adverse effect to our credit rating as it is not considered or counted as debt. If we were called upon to exercise that moral obligation and we elected not to honor that moral obligation pledge - our credit rating could drop several levels Josh Birks; 2 times debt coverage ratio is really solid - borrowing capacity being left on the table at this time intentionally because how URA wants to use those future funds is unknown.

Ross Cunniff; from the city's perspective, we are getting \$5M that we are obligated - we can then choose to help the property taxpayers or the URA (depending on how you want to look at it) by reducing their interest rate with the moral obligation- that is the choice - first choice is do we want that \$5M back or not

Mike Beckstead; we could get the \$5M back either way - there is still savings to the URA

Ross Cunniff; do we want that \$5M back or not? If we do want it back, we go with the moral obligation You can look at it two ways; more dollars available for projects or more dollars being refunded to tax entities or both. Cosign or walk away and suffer a lower credit rating as a result.

Mike Beckstead; that was a great summary - I like the moral obligation - refinancing is a good thing for the URA either way - there are benefits to both - we have access to the \$5M for city's future needs - Lower expense over the next 18 years - the moral obligation just increases the amount due by about \$200K due to the lower interest rates.

Ken Summers; support the moral obligation or keep the \$5M and make 4.5% interest on our investment - I am comfortable with either of them – because if we are letting the URA finance, let's help them and do the whole thing. I think they are pretty solid businesses.

Mike Beckstead; with the 2 times deb coverage ratio this is not even in the gray zone for me in terms of future risk - property tax is pretty stable right now - we don't see a downside

Ross Cunniff; let's go with the moral obligation - I don't see much downside - seems unlikely that a future Council would be called upon to act on it.

Mayor Troxell; I support the moral obligation consistent with our discussion in Council. This is really following through on what was discussed then.

Meeting Adjourned at 11:35 am