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Council Finance Committee Meeting
December 1, 2022, 4-6 pm
Via Zoom

Council Attendees:	Emily Francis (acting Chair), Kelly Ohlson, Shirley Peel
Staff:	Kelly DiMartino, Travis Storin, John Duval, Ginny Sawyer, Dean Klingner, Drew Brooks, Teresa Roche, Kelley Vodden, Jen Poznanovic, Nina Bodenhamer, Blaine Dunn, Jo Cech, Holly Mason, Randy Bailey, Trevor Nash, Renee Reeves, Caryn Champine, Dana Hornkohl, Marc Virata, Monica Martinez, Clay Frickey, Megan Valliere, Kelley Vodden, Jill Hueser, Tracy Ochsner, Brian Hergott, Blake Visser, Kendall Minor, Josh Birks, SeonAh Kendall, Meaghan Overton, Marcy Yoder, Lindsay Ex, Gerry Paul, Claire Goodwin, Dave Lenz, Kerri Ishmael, Zack Mozer, Erik Martin, Carolyn Koontz
Others:	Jason Sherrill, Chris Beabout (developers) Molly Bohannon, Coloradoan

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Meeting called to order at 4:00 pm

Approval of minutes from the November 3, 2022, Council Finance Committee Meeting. Kelly Ohlson moved for approval of the minutes as presented. Emily Francis seconded the motion. Minutes were approved unanimously via roll call by; Kelly Ohlson and Emily Francis.

A. Financial Policy Updates

Blaine Dunn, Accounting Director

SUBJECT FOR DISCUSSION: 2022 Financial Policy Review

EXECUTIVE SUMMARY: Once a year a portion of Financial Policies are reviewed and updated as needed. Staff is committed to reviewing each policy no less than every 3 years. Policy 7 and Policy 8 were reviewed in January 2022, but additional concerns were brought forward with some of those changes, so staff has adjusted the recommendations around the Local Government Investment Pools. Staff is also adding one change under Policy 5, to be reviewed by the Committee during this meeting. Policies up for review this year are:

Financial Management Policy 5 – Fund Balance
Financial Management Policy 7 – Debt
Financial Management Policy 8 – Investment

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

1. Does Council Finance Committee support the changes as recommended?

BACKGROUND/DISCUSSION

Financial Management Policy 5 – Fund Balance Minimums: This policy has one change:

- Section *5.3 Minimum Balances*
    - Change Benefits Fund minimum balance from 30% to 25%

Financial Management Policy 7 – Debt: This policy has four sections with recommended changes

- Section 7.3 *Types of Debt and Financing Agreements*
    - Clarify when equipment leases can be used
    - Clarify parameters for conduit debt
- Section 7.4 *Debt Structure and Terms*
    - Remove language of capitalizing interest per new accounting standards
- Section 7.8 *Inter-agency Loan Program*
    - Section is being moved from Policy 8 – Investment, with no additional changes
- Section 7.9 *Other*
    - Clarify additional items to be included on future Debt Administration Policy

Financial Management Policy 8 – Investment: Throughout the Policy the Poudre River Library District is added for who this policy applies to. This policy has four sections with recommended changes:

- Section 8.1 *Policy*
    - Clean up language
- Section 8.6 *Suitable and Authorized Investments*
    - Clarify there are no split ratings allowed on purchased investments
- Section 8.7 *Diversification and Liquidity*
    - Renaming section to remove duplicate
    - Increase amount allowed in Local Government investment pools to be changed from 20% to 60%
- Section 8.8 *Inter-agency Loan Program*
    - Removed from policy and added to Policy 7 – Debt

DISCUSSION / NEXT STEPS

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

Does Council Finance Committee support the changes as recommended?

Kelly Ohlson; is there any relationship between the annual financial Audit and our financial policies?

Blaine Dunn; during our annual audit, the audit team will look at our policies as adopted by Council to make sure we are doing what we say and that we have the correct amount of minimum funds set aside.

Kelly Ohlson; do the auditors ever suggest changes to our policies?

Blaine Dunn; the auditors would suggest changes if they see something that is a potential risk or that could lead to a possible mis statement. They are there to make sure we are following the policies that are adopted by Council. An HR consultant actually suggested changing the Benefit Fun minimum balance from 30% to 25%.

Emily Francis; no other questions – the proposed changes look good.

Travis Storin; they will be taken to Council on the consent agenda as soon as practical noting support from the Council Finance Committee.

B. Northfield Suniga Road TCEF Major Reimbursement

Marc Virata, Civil Engineer III
Monica Martinez, Manager, FP&A
Dana Hornkohl, Director, Civil Engineering
Clay Frickey, Redevelopment Manager

EXECUTIVE SUMMARY

The Northfield developer has constructed Suniga Road as a four-lane arterial to City standards as part of its development requirements. Per Section 24-112 of the City Code, the developer is eligible for reimbursement from Transportation Capital Expansion Fee (TCEF) funds for the oversized, non-local portion of Suniga Road not attributed to the local portion obligation. Staff is recommending appropriations totaling $2,081,548 from TCEF funds.

While this reimbursement is considered routine as part of the code obligations under the TCEF Program, this request is coming before Council Finance Committee now because of the large dollar amount outside of the typical 2-year budgeting process. Previously, and since the inception of the TCEF Program, TCEF reimbursements to development were anticipated and appropriated through the 2-year budgeting process. As part of the process improvements identified first in the 2021 budget, the TCEF Program is now categorizing developer reimbursements as "Major" and "Minor" reimbursements, with "Major" developer reimbursements brought to Council individually rather than predicting what reimbursements are needed on a 2-year basis. This proposed reimbursement is the first request under this new process.

Staff has identified on the review of this reimbursement request that, as part of the metro district service plan for Northfield, the developer also is eligible to seek reimbursement from their metro districts for these same Suniga Road improvements that the developer is requesting from TCEF funds. The district manager of their metro districts has provided an affidavit, however, affirming that the metro districts will not reimburse the developer for these same costs that are proposed for reimbursement through TCEF funds.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

• Does Council Finance Committee support an off-cycle appropriation of Transportation Capital Expansion Fee fund reserves to reimburse the Northfield developer for its construction of Suniga Road?

• As the first Major reimbursement through the identified process improvements, does Council Finance Committee desire that all Major reimbursements appear before Council Finance Committee?

• Does Council Finance Committee support TCEF funds being utilized as proposed by Staff, in light of the documentation provided from Northfield's metro district manager that the metro district will not also reimburse for these same improvements if TCEF funds are used to reimburse the developer?

TCEF Program

The TCEF Program (formerly Street Oversizing), instituted by ordinance in 1979, was established to manage the construction of new arterial and collector streets, and is an "Impact Fee" funded program. The TCEF Program determines and collects impact fees from development and redevelopment projects. The collection of these impact fees contributes funding to growth-related City Capital Projects and reimburses development for constructing roadway improvements above the local street access standards. Section 24-112 of the City Code allows for reimbursement to developers for the construction of collector and arterial streets.

TCEF funds for reimbursement to developers previously were appropriated through the 2-year budgeting process. The TCEF Manager would forecast when development projects would build improvements within the budget cycle for appropriation from City Council. Identifying when development will be entitled and construction of public infrastructure will be completed, however, is not always predictable. The appropriation for TCEF under the 2019-2020 Budget anticipated the Northfield developer's completion of Suniga improvements during that budget cycle. When that did not occur, there appeared to be a large underspend in the TCEF fund and concerns were raised by City Council. The TCEF Program updated its approach in the 2021 Budget to begin characterizing developer reimbursements as "Major" and "Minor." Staff has identified $500K as the threshold between a Minor and Major reimbursement.

This reimbursement is for the Northfield developer's construction above the local street access standards of half a mile of Suniga Road between Redwood Street and Lindenmeier Road (former Lemay alignment). Suniga Road was built by the developer as a four-lane arterial street including the completion of construction of the median landscape and irrigation installation for the center median. TCEF funds for this reimbursement previously were appropriated under the 2019-2020 Budget and, when not utilized, were returned into TCEF reserves.

Under the 2021 process improvement to have Major reimbursements brought to City Council individually, the dollar amount as a Major reimbursement classification is being brought for consideration. TCEF funds previously have reimbursed the developer as minor reimbursements for both Suniga right-of-way ($477,456 in 2020) and a bridge structure in Suniga Road over the Lake Canal ($361,354 in 2021). This remaining reimbursement request would complete the reimbursement eligibility for Suniga Road to the Northfield developer.

Staff has reviewed the documentation provided by the Northfield developer and agrees that the requested reimbursement meets the requirements under City Code Section 24-112 for appropriation from TCEF funds. There are additional development projects nearing infrastructure completion (Water's Edge and Waterfield, and Country Club Reserve) that also would qualify as Major reimbursements and likely would appear before City Council for appropriation. One of staff's question is, does the Council Finance Committee desire that each of these Major reimbursements also appear before the Committee ahead of City Council?

Metro District Manager Affidavit and Resolutions of the Metro Districts

The Northfield developer's request for reimbursement from TCEF funds prompted review of the metro district service plan for Northfield. There are three metro districts serving the Northfield development. Staff's review determined that the developer is eligible to seek reimbursement from the developer's metro districts for the same improvements being requested for reimbursement from TCEF funds (but could not legally be reimbursed from both). Council Finance Committee may have a preference on whether reimbursement to the developer should occur from TCEF funds or the developer's metro districts; however, with the developer meeting the requirements for reimbursement from TCEF funds under Section 24-112 of the City Code, staff does not have a reason to object to the developer's reimbursement request from TCEF funds.

An affidavit from the manager of Northfield's metro districts has been provided to the City affirming that the metro districts will not reimburse the developer for this same reimbursement request from TCEF funds and are prohibited from reimbursing the developer for any costs which the City would have reimbursed as this would be a violation of the service plan. Additionally, the affidavit asserts that the previous reimbursements for Suniga right-of-way and the bridge structure have not and will not be reimbursed by the metro districts. Resolutions adopted by the three metro districts also have been provided adopting that each district will not reimburse the developer for any costs for which they have been reimbursed from the City.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

• Does Council Finance Committee support an off-cycle appropriation of Transportation Capital Expansion Fee fund reserves to reimburse the Northfield developer for its construction of Suniga Road?

• As the first Major reimbursement through the identified process improvements, does Council Finance Committee desire that all Major reimbursements appear before Council Finance Committee?

• Does Council Finance Committee support TCEF funds being utilized as proposed by Staff, in light of the documentation provided from Northfield's metro district manager that the metro district will not also reimburse for these same improvements if TCEF funds are used to reimburse the developer?

DISCUSSION / NEXT STEPS

Kelly Ohlson; it appears to meet the code, so my answer would be yes to reimburse them through this method. Shouldn't we figure out if it should come from a Metro District – one size fits all – all the time or not. We should have a discussion about going forwarded - some potential policy change with pros and cons - saying we have researched this and here is our recommendation…. For example, this is the reason we think it should stay the same or we may need to tweak it.

If they played by the rules under Section 24-112 of City Code (Transportation Improvements Reimbursement Program), no reason to object to the developer's reimbursement.

Clay Frickey; the fundamental conversation is who should be paying for the improvements. Should the improvements be paid for by all of the people contributing to the TCEF fund city-wide or should the homeowners in these subdivisions also be paying for the improvements. We have gone back and forth as a staff and I think that would be a beneficial conversation to have so we have clear direction for future projects.

John Duval; that is a valid policy discussion to have. When you look at it from the perspective of developments for which there are no metro districts, the concept is that the development itself and ultimately the purchasers of the homes or other buildings who are paying into the pot of TCEF funds to be used to pay for the oversizing improvements in their developments. Here, the difference is that now we have another layer, where you have a Metro District. If the Metro District was paying for both the reimbursements, then essentially – you could argue that the ultimate fee payers (the purchasers of the homes) are essentially paying twice, as they pay the TCEFs that everybody pays in every development and them their metro district reimburse the developer for that then their property taxes will be paying that back over time – there could be an argument that they should not have to pay twice.

Kelly Ohlson; What do we do to make sure the bridge is built correctly and that is actually cost $361K?

Marc Virata; we do have active inspections through engineering inspection for the public infrastructure. All public improvements are inspected by the engineering department. There is an acceptance process and a warranty process for the improvements to ensure they are built in accordance with city standards and meet our criteria. We reimburse based upon actual costs and the developer has completed payment to the contractor. They are required to provide the bids showing what the contractor is providing in terms of the costs and a breakdown of detail.

Emily Francis; the AIS reads like staff caught this between the developer and the metro districts paying for the TCEF. So, do we have a process in place to track this or catch this in the future?

Marc Virata; as part of the due diligence when we get these reimbursement requests, my goal is to always double check with respect to what might have been adopted with the metro district to make sure there isn't something we may be potentially reimbursing when it is a public improvement that the developer needs to provide. Sometimes there are public benefits that the developer needs to provide in order for the metro district to grant favor for adoption, sometimes those are improvements that are reimbursable by TCEF. A good example for that if the Bloom development as part of their public benefits indicated that they were going to provide a round about at Greenfields and the Frontage Road on the north side of Mulberry. We were very clear that we would not reimburse the developer for the improvements when they are obligated to provide that as part of the public benefit.

Emily Francis; I am yes to all three questions.

Travs Storin; we will bring that forward for appropriation in the near term via an ordinance.

C. Municipal Court Renovations

Jill Hueser, Chief Judge
Brain Hergott, Interim Ops Services Assistant Director
Blake Visser, Sr. Facilities Project Manager

SUBJECT FOR DISCUSSION: Municipal Court's 15- & 30-Year Design

EXECUTIVE SUMMARY:
Municipal Court is requesting appropriations from General Fund Reserves to complete the design work for either the 15- or 30-Year design to address future needs at 215 N Mason.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED
Does Council Finance support the appropriations of reserves to complete the design work for either the 15-Year or 30-Year build-out for Municipal Court
15-Year Design & Cost Estimate: $1,507,500.00
30-Year Design & Cost Estimate: $2,218,000.00

BACKGROUND/DISCUSSION
Municipal Court was moved into its current location at 215 N Mason in 2007 with minimal space changes taking place since that time. We are currently in the middle of the Urgent needs renovation funded by reserves in June 2022 which addresses some staff-client interaction issues but does nothing to address any real courtroom issues.

Municipal Court has put in BFO offers over the past 3-4 budget cycles to address these issues, but no funding has been awarded.

In 2021 Clark Enersen completed a thorough study of the Court's current space and future space needs. They identified the current space size and its limitations and developed both 15 year and 30-year plans addressing standard space requirements for courts. Staff again put in two new offers this year requesting funding for a plan that would address projected needs for a 15- or 30-year time horizon. Both options require more than doubling

the current space and were multimillion dollar projects. Neither of these options were funded in the recent BFO process.

Staff is requesting appropriations from General Fund Reserves for the design work necessary to determine the full scope of what the future for Fort Collins Municipal Courts will look like along with getting up to date construction cost estimates so we can bring back a future budget request in the 2025-2026 BFO budget cycle.

DISCUSSION / NEXT STEPS

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED
Does Council Finance support the appropriations of reserves to complete the design work for either the 15-Year or 30-Year build-out for Municipal Court

15-Year Design & Cost Estimate: $1,507,500

30-Year Design & Cost Estimate: $2,218,000

DISCUSSION / NEXT STEPS

Emily Francis; have we talked more with the county about space?

Jill Hueser; we have not gotten a lot of traction on that. They know they need more space, but I don't think they have any firm timeline or plan to move forward. They did not go for a bond this election cycle. They did have that on the ballot the last election cycle and it failed. What we came to as a group since we have been delaying quite a while based on hope that we could move back over there, and it has not materialized. I don't know when they are going to do the expansion, but we have not received a lot of encouraging signals from them.

Kelly DiMartino: I met with Lorenda last week and this was one of the topics we discussed.
I will affirm what Judge Hueser just said. They are trying to come up with a timeline, they also feel a sense of urgency. They are looking at a couple of different design options now. They have started moving into some preliminary design work. It depends on whether they can do a land swap with the city. Commissioners are also going to be talking about this again in January. Their main challenge is a funding gap. This will be a very expensive project for them, and they do not have a funding source without going to the voters. The timing of when they would do that is completely up in the air.

Emily Francis; is the parking garage in the drawings part of the new city campus we approved as well?

Travis Storin; the proposed parking garage at 215 Mason is part of the Civic Center Master Plan.

Emily Francis; it feels like we are trying to cram a court into an existing building that wasn't meant for this. Seems odd that we are considering spending a lot of money to retrofit the court into an office building. Is that the right approach?

Travis Storin; our dialogue as a staff is if we make this level of investment ($15M +) in that facility, it will be the forever, permanent home and would not be something we would revisit. Perhaps Tracy can address the other building that were candidates and the reason those were challenges

Jill Heuesr; from the court's perspective, we are right by Transfort which provides easy court accessibility via public transportation. We want to be near public transportation access.

Tracy Ochsner; we did look at other locations including 117 Mason which was not a very good option and would be more challenging than 215 Mason. As part of the Civic Center Master Plan, we considered putting the court into Phase 1 or 2, but we don't know the timing on that yet, and we need to move forward quicker rather than later on this. All these considerations brought us back to 215 Mason, which is very expensive but is the more economical option that would fit the judge's needs.

Kelly Ohlson; this is not a social value, growth, or environmental question for Council, this is just a puzzle we need to solve to come up with the best solution

Possibility of our Civic Center Master Plan - no known timing

Possibility of moving back to the Larimer County Justice Center - no known timing

It appears to be a lot of money for design for both the 15- and 30-year options so, why wouldn't we do the 30-year design? Once we construct it will be there permanently and the judge is fine with the current location.
I really like the way staff presented this by not steering us to either option. I would like to hear from staff – if you are thinking along these lines The county option is probably 18 months out at best. It is looking like we are doing it at 215 Mason, so If we design for the 30-year option, would it be worth losing the $2.2M?
And does this commit us to move forward?
I need a 1-minute primer – 215 Mason was state-of-the-art when it was built 22 years ago, and it is already shot? That is the life of a state-of-the-art building?

Tracy Ochsner; 20-25 years is the useful life of a commercial building HVAC system. We can change parts and pieces of that, but there are 2 roof top units on top of 215 Mason (one for each half of the building) that are at end of life so really no option other than switching those two units out.
Like for life or to comply with new codes, there is a big dollar difference (approximately $5M). It is not a Mulberry Pool situation right now, but this does need to be taken care of over the next few years. If one of those units goes down and we can't get parts for it, one half of the 215 Mason building will not be heated or cooled.

Kelly Ohlson; we didn't choose poorly with the HVAC system we put in. This is CEF based, and we only have so much money, so when you bring this to us bring a list of the things are we delaying or not doing as fast in order to complete this project. In the context of opportunity costs.

Travis Storin; we have six different Capital Expansion Fees (CEF), this one comes from the general government portion of the CEFs. I have been working with Kelly DiMartino and Tyler Marr to really understand the path to the Civic Center Master Plan and what other needs are there from a general government Capital Expansion Fee bucket. Right now, the Civic Center Master Plan and the court renovation are essentially it for demand against those funds. So, between now and 2027, we don't have any other planned uses for this particular CEF.

Kelly Ohlson; did you give a dollar number in that group of fees that we have accumulated?
I would also like staff to address my long, winding statement for the benefit of the committee.
So, if the county option is unknown and our Civic Center Master Plan is unknown. Are you leaning toward the 30-year design and cost estimate? Do you have a preference of the 15- or 30-year design? Are you willing to lose the $2.2 design costs f something else logically appears that could save money?

Travis Storin; yes, I can look up the balances and provide that information. This design appropriation and the possibility that it could become some cost that didn't deliver on value, staff sees this as a necessary because of

the current space limitations for the court, a very tenuous situation. If the Civic Center came to fruition, any investment that we make into the 215 Mason building, that is an offset to the cost of the Civic Cente Master Plan. It we put $15M into 215 Mason for the court renovations, that amount would come off of the top of the Civic Center Master Plan which originally contemplated inclusion of a court. The opportunity with the county has a much longer tail than our needs for the court. It really comes down to a matter of urgency that we would make this recommendation to you for the $2.2M.

Jill Hueser; It would be ideal, if the Coiunty had funding for the Justice Center and they were breaking ground in three years and they said yes, we will definitely include the municipal court.
We moved in to 215 Mason, 15 years ago and at various points along the path there was recognition of needs.
I had heart that Council said, 'ask us for what you need in the court.'
There was a time when it was kicked down the road a bit, thinking maybe the county will happen, there was this hope placed on these uncertainties. These options have not come to pass and, I don't want to continue to kick the can down the road. I am willing to commit to the 15- or 30-year plan.
I see benefits to both, with the 15-year plan, we have lower costs, and if the growth doesn't happen as we think it might, we haven't built out for unneeded capacity. The 30-year plan is obviously a long-term commitment.
I don't have strong preference toward either plan as either option is going to be a huge improvement from our current situation.

Kelly Ohlson; question to Brian and Tracy, what are your thoughts on the 15- or 30-year plan?

Tracy Ochsner; I feel like we could move forward with the 15-year, and I am not sure what our court situation will look like in 15 years, we would have an opportunity for a second phase add-on to the building in a future date if we determine we need that space. I think we could consider the addition to the north side of 215 Mason at a later date.

Brian Hergott; I was going to talk about the same issues at Tracy. We don't know what happens in 15 years, will court be virtual? Also, I wanted to include that Council did approve the funding of the design of the parking garage and we put it on hold due to Covid and didn't move forward with the design.

Kelly Ohlson; I am leaning toward and favoring the 15-year design and cost estimate.

Shirley Peel; question for Judge Hueser - Does this seem like a permanent solution? Can you see the court functioning in this space permanently?

Jill Hueser; it will never be a space that was built to be a court space but with investment it could be a good court space. I love the location. We are in a good central location and right across from Transfort. I could see this space working for decades. We work with Clark & Anderson to make the space more functional and improve the flow for folks coming to court.

Shirley Peel; I agree with the 15-year plan. As we have seen during the pandemic, things can shift so quickly. Not sure what it will look like in 15 years

Emily Francis; I am more in favor of the 30-year plan. There are already some design issues with the Civic Center Master Plan. It would be better to plan for that and have those designs go together. We could design for 30 years but then phase in a re design or remodel.

Tracy Ochsner; we can move forward with the parking structure design and in the back of our minds, think if we still want to do the 30-year plan, we can accommodate that space. I think there is some opportunity there. I am not eliminating that option as we design the parking structure.

Brain Hergott; I agree, right now the parking structure is very conceptual, so it would be easy to modify the design to make sure we are allowing the space that the Judge could need later for courtroom expansion.

Kelly DiMartino; would there be offices in the parking structure? Do we have retail on the ground floor?

Brain Hergott; they asked us as we went forward with design, include flat floors so we could transition it to offices if needed. No offices in the design initially.

Emily Francis; I don't see the downside of planning for 30 years. We could always phase in construction but having the plan and understanding how that would look with our other Civic Center plans. The court could change over the years, and we could change what that design looks like.

Tracy Ochsner; would it be fair to suggest that we plan for the 30 years, but we don't move past a conceptual design for the 30-year addition. We plan for it, but we don't design for it.

Emily Francis; can you explain the difference between designing and planning.

Tracy Ochsner; in planning, we would still allow for that space no matter how we design the parking structure, we could always add on that building in the future. If we did even conceptual design, we could block out that space for the court addition, but we would not go into full design but just take it to conceptual, but keep that space earmarked for the court.

Travis Storin; we will arrange for an appropriation ordinance for design funds associated with a 15-year facility.

D. Rental Licensing Pilot Programming

Meaghan Overton, Sr. Manager, Social Sustainability
Marcy Yoder, Sr. Manager, Neighborhood Services

SUBJECT FOR DISCUSSION

Request for Appropriation in the amount of $1,600,000 from General Fund for Rental Registration and Inspection Program Start-Up Phase

EXECUTIVE SUMMARY

In August 2022, Council directed staff to develop a rental housing program that included mandatory registration of rental properties and proactive inspections to ensure that rental housing is healthy and safe. Staff has conducted a detailed fee analysis with the intent of making the rental housing program self-sustaining if approved by City Council. However, setting up the program will require an initial outlay of funds to hire additional staff, purchase software, and conduct program activities. To that end, staff is seeking feedback from Council Finance on an initial appropriation in the amount of $1,600,000 (2023: $776,388 and 2024: $823,612).

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED
Is Council Finance Committee supportive of the request for a $1,600,000 appropriation from the General Fund to support starting the rental registration and inspection program?

BACKGROUND/DISCUSSION
Previous Council Direction
At a work session on October 26, 2021, staff shared information with Council about the history of rental housing strategies, findings from recent demographic and market analysis, a summary of peer cities research, and an outline of a proposed roadmap to implement rental housing strategies. Several Councilmembers supported additional community engagement in early 2022 to further explore potential design of a rental registration/licensing program.

Upon receiving this Council direction at the October 26, 2021, work session, staff began an extensive community engagement process to assess feedback from rental owners, property managers, landlords, and renters. These efforts included an informational mailing to over 9,000 likely landlords identified through City Utilities and County Assessor's data; a rental industry questionnaire in February/March 2022 (1,912 responses); a formal Rental Housing Task Force that met ten times between March and August 2022; and a community questionnaire in August 2022 (1,739 responses). A comprehensive explanation of each of these engagement efforts is provided in Attachment 1.

On August 23, 2022, staff presented Council with findings from public engagement and best practice/peer cities research along with several options for potential next steps to implement Housing Strategic Plan (HSP) strategies related to rental licensing/registration (Strategy 20) and occupancy ordinance revisions (Strategy 21). Key topics for each strategy included a brief overview of existing conditions, an examination of outcomes and themes from community engagement, a summary of recommendations and best practices, and potential next steps toward implementation.

During the August 23 work session, several Councilmembers supported rental registration, while several others supported rental licensing. There was general support for a rental housing program that includes proactive inspections. Based on this Councilmember feedback, a cross-departmental group of staff has designed a rental housing program that requires registration of all rental properties and proactive inspections. Council consideration of this rental housing program is currently scheduled for the January 17, 2023, Council Hearing.

Program Cost
One of the key components of the rental program is a thorough understanding of expected initial and ongoing costs to the City and a careful calibration of fees. Root Policy Research conducted a fee analysis based on staff's proposed program structure to provide a baseline cost estimate and the corresponding fees necessary to ensure full cost recovery over the first five years of implementation (Attachment 2).

The figure below shows program expenses for the City of Fort Collins over the first five years of implementation. Expenses include employee compensation, one-time upfront costs, and ongoing program costs. Employee salary and benefits (with 4.25 FTE inspectors) would cost $723,438. One-time costs for the City are estimated at $223,380. Ongoing annual program costs are estimated at $73,775. Overall, the estimated program cost over the first five years is $4,089,443 in administrative costs to the City ($2.5 million is inspection-related and $1.6 million is non-inspection related costs).

Though the ongoing rental housing program is designed to be self-sustaining if approved by City Council, the start-up phase will require an initial appropriation in the amount of $1,600,000 to hire staff, purchase software,

and fund program activities and engagement for the first two years of the program. This appropriation (including approximately 3% additional funding to account for inflation) has been included in the analysis of full cost recovery, which means that the initial outlay of funds will be recovered in full over the first five years of program implementation.

Program costs for 2023 and 2024 are estimated as follows:

	FTE	Per FTE Cost	2023 Estimate	2024 Estimate
Compensation				
Program Manager	1	$90,000	$67,500	$90,000
Engagement Specialist	1	$65,000	$48,750	$65,000
Admin/Tech	1	$50,000	$37,500	$50,000
.25 Deputy CBO	0.25	$25,000	$4,688	$6,250
Lead Bldg Inspector	1	$80,000	$60,000	$80,000
Bldg Inspector	3.25	$70,000	$113,750	$227,500
Bulding and Dev. Review Tech	1	$60,000	$30,000	$60,000
Total Salaries	8.5		**$362,188**	**$578,750**
Benefits	0.25		**$90,547**	**$144,688**
One-Time Costs				
Software	1	$75,000	$75,000	$0
Translation	1	$10,000	$10,000	$0
Vehicle	4.25	$30,000	$127,500	$0
Clothing	4.25	$500	$2,125	$0
Boots	4.25	$160	$680	$0
Tools	4.25	$100	$425	$0
iPad	4.25	$1,300	$5,525	$0
Destop Computer	4.25	$500	$2,125	$0
Total One-Time Costs			**$223,380**	**$0**
Ongoing Annual				
Marketing	1	$20,000	$20,000	$20,000
Postage	1	$10,000	$10,000	$10,000
Phone	4.25	$50	$213	$213
Clothing	4.25	$250	$1,063	$1,063
Vehicle Maintenance and Fuel	4.25	$10,000	$42,500	$42,500
Total Ongoing Annual Costs			**$73,775**	**$73,775**
Total Compensation/One-Time/Ongoing Costs			**$749,889**	**$797,213**
Total 2023-2024				**$1,547,102**

Fee Structure

The program fee options are all designed to cover all administrative costs for the first five years of implementation. This includes the initial appropriation for the “start-up” phase of the program. Fees can be

assessed per unit, per property, or using a hybrid approach. The fee analysis from Root Policy Research notes that a per unit structure is more expensive for larger multifamily properties whereas the per property fee is more expensive for single unit owners. The hybrid fee provides the most equitable distribution of fee costs among different property types and unit counts compared to the other two fee structures. Staff concurs with Root Policy Research's recommendation to pursue a hybrid fee structure. The figure below outlines all of the potential fee options and the costs to a range of property owners on an annual basis:

Approach 1:	**Annual Fees**	
Fee Options if first inspection included with registration	**Per Property**	**Per Unit**
Fee Structure Options (includes registration and first inspection)		
Option 1. Per Unit Fee Structure	$0	**$30**
Option 2. Per Property Fee Structure	**$65**	$0
Option 3. Hybrid Fee Structure (75% property; 25% unit)	**$49**	**$21**
Reinspection Costs		
Single inspector annual costs		$80,300
Cost of Reinspection (per unit inspected)		**$68**
Approach 2:	**Annual Fees**	
Fee Options if registration separate from inspection fee	**Per Property**	**Per Unit**
Fee Structure Options (registration and inspection fees assessed separately)		
Option 1. Per Unit Fee Structure		
Registration fee (paid by all properties)	$0	**$11**
Inspection fee (paid only by non-exempt properties)	$0	**$23**
Total Annual Fee (for non-exempt properties)	$0	**$35**
Option 2. Per Property Fee Structure		
Registration fee (paid by all properties)	**$25**	$0
Inspection fee (paid only by non-exempt properties)	**$43**	$0
Total Annual Fee (for non-exempt properties)	**$68**	$0
Option 3. Hybrid Fee Structure (75% property; 25% unit)		
Registration fee (paid by all properties)	**$19**	**$5**
Inspection fee (paid only by non-exempt properties)	**$32**	**$13**
Total Annual Fee (for non-exempt properties)	**$51**	**$18**
Reinspection Costs		
Single inspector annual costs		$80,300
Cost of Reinspection (per unit inspected)		**$68**

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

Is Council Finance Committee supportive of the request for a $1,600,000 appropriation from the General Fund to support starting the rental registration and inspection program?

DISCUSSION / NEXT STEPS

Kelly Ohlson; supportive of the program – might be doing a lot less than I would like to see, but better than the nothing we do now - I am pleased that the Inspection and registration fees are so low. It breaks down the argument that it would automatically be passed along. $5 will not make or break people's survival.
I am very pleased as this is 1/5 to 1/8 of what I anticipated it might be. I am unlikely to move away from my position. I am supportive, and this is very fine work.
Shirley Peel; are there a lot of people that rent mobile homes?

Marcy Yoder; 247 is what we estimate our rentals to be. We do have quite a few owner-occupied mobile homes.

Shirley Peel; Do you know if the mobile home parks are renting to these people? Is it a single landlord or a company?

Marcy Yoder; the mobile home parks have homes along with a lot to rent.

Shirley Peel; at some point mobile homes can't be fixed or it is more expensive to fit them than they are worth – if they came in and said you need to do all these things, what would happen?

Marcy Yoder; we anticipate the way the code language will be written is that the home would have to be in compliance to pass the minimum health and safety guidelines. We are still investigating what does that mean or is it any different with a mobile home than with another type of building? They are regulated differently through building code, etc. The other thing that will start to give us some additional information is the Budget offer that was just approved between Neighborhood Services and Utilities concentrates on code compliance and energy efficiency inside of mobile homes. We will learn a lot in the next year about what it takes to make that mobile home a safe, healthy, and efficient unit.

Shirley Peel; I am not in favor of rental licensing, but I will keep digging and researching.

Emily Francis; Council hasn't decided on licensing versus registration, we are assuming that the cost is the same, correct?

Meaghan Overton; yes, the direction we heard from Council at the last work session was design a program that will get information about rentals and have inspections. The inspections are one of the big pieces of the costs. So, whether it is registration or licensing in technicality, those costs are likely to be very similar to each other. It is the inspection costs that we wanted to make sure were separated and clear. Registration and licensing will probably cost a similar amount of money regardless of the direction Council chooses.

Emily Francis; does our estimate on how many rental properties there are, include and require an inspection if somebody is renting a room out of their house?

Marcy Yoder; there I no way for us to know that from assessor date. Our data is based on the owner not living in that unit. I do think there is a small segment of potential there that, as a part of our outreach and education, we are going to need to figure out the best way to uncover and address that. Those situations are probably going to be the most difficult for us to enforce. The way we are looking at this and the way we know it is based on who property owner is and if that their primary residence.

Emily Francis; confirming that the intent of the program is to include those.

I think the hybrid model is great and I am also supportive of this going to Council for $1.6M.
To Shirley's point, really keeping an eye on the mobile homes. We are going to need some creative solutions on what we are going to do with that housing segment.
ACTION ITEM:
Please add Fort Colins to the table, so it will be easier for Council to compare so we don't have to go back and forth?

Kelly Ohlson; wise move for staff – wording and semantics can make a difference but let's not get hung up on registration versus licensing. Let's get a rational program that will be real but not over the top and not overly costly. I think we are heading in the right direction. I don't think we are calling it registration or licensing, is that correct?

Marcy Yoder; we have been calling it Rental Housing Programming and we do have a question out to the City Attorney's office about registration / licensing and how that all fits into code language so, I expect that you will also get some additional information from the City Attorney's office prior to first reading about if there is a difference and if they are recommending one or the other based on our ability to enforce. The staff team who has been working on this agrees with what Kelly said, we want it to be a real, substantive program that we can enforce when we have a unit that is not passing inspections and the owner is not willing to upgrade to make it a healthy and safe unit. We want the ability to say you can no longer have tenants in that space

Kelly Ohlson; I am a very strong proponent of this program - not overreach or over the top and not costly
I am not going to worry about an owner who is renting a room in their house. I am concerned about friends of mine who for years have rented a basement unit with no egress windows. Let's not get hung up on overreach or perfection.

Marcy Yoder; what Kelly is saying does make sense to me and aligns with the kinds of conversations we have been having.

Kelly Ohlson; let's deal with the real issues and not peripheral ones – we can address those later - let's go for the important stuff.

John Duval; there isn't any real distinction between registration and licensing. What is important is what are the real remedies that the city have employ? if you are not registered or licensed, what happens? What can the city do?

Meeting adjourned at 5:51 pm