# AGENDA

**LOVELAND CITY COUNCIL STUDY SESSION**
**TUESDAY, MAY 10, 2016**
**CITY COUNCIL CHAMBERS**
**500 EAST THIRD STREET**
**LOVELAND, COLORADO**

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**STUDY SESSION 6:30 P.M.** **STUDY SESSION AGENDA**

**1. MUNICIPAL COURT** **(presenter: Geri Joneson 20 min.)**
**QUARTERLY REPORT**
This is an information only item.

**2. DEVELOPMENT SERVICES** **(presenter: Brett Limbaugh 60 min.)**
**WEST EISENHOWER – REGULATORY RELIEF**
This is an information item only. On February 16, 2016, City Council discussed the need to incentivize redevelopment and business reinvestment on properties along the west Eisenhower Boulevard corridor. The discussion focused on providing some level of relief from compliance with development regulations that may be preventing private sector development and/or redevelopment. The area of focus was from Boise Avenue west. Council requested that a "palette of options" for regulatory relief be developed by City staff and presented back to City Council.

The memorandum from City staff presents options designed to encourage private sector development, redevelopment and reuse/repurposing of existing buildings. The memorandum describes the outreach process used by City staff to identify obstacles to development along this corridor and provides more detail on options for eliminating or reducing those obstacles.

**3. CITY MANAGER** **(presenter: Alan Krcmarik 60 min.)**
**CAPITAL EXPANSION FUNDS**
The City of Loveland has utilized impact fees, more specifically Capital Expansion Fees, as a method to fund capital improvements since 1984. The fees were based on a cost of services study and the equity buy-in approach to setting fees was adopted. The CEFs are updated every few years and after the last major review in 2012, Council requested more study of an alternative method to

determine the fees, the Plans Based approach. This approach is based on projections of growth for the next 25 years, master plans prepared by the City departments, and updated capital improvement plans. With outside consulting support from BBC Research & Consulting, alternative calculations for CEFs have been made using the Plans Based approach.

In the September 22, 2015, Council Study Session, the attached staff report, the BBC Research & Consulting report and other materials included as exhibits provided detailed background for the Plans Based fees. Some Council members asked for additional information and it was determined to present the issue to Council again after the City Council election.  Based on information provided and the Council discussion at the Study session, staff presented and Council also took action to not do any construction cost inflation adjustment to the fees for 2016. In this study session, staff will address the questions and attempt to identify the next steps in the process.

**ADJOURN**

**AGENDA ITEM:** 1
**MEETING DATE:** 5/10/2016
**TO:** City Council
**FROM:** Geri R. Joneson, Municipal Court
**PRESENTER:** Geri R. Joneson, Judge

**TOTAL AGENDA ITEM TIME:**

**TITLE:**

**MUNICIPAL COURT 2016 FIRST QUARTER REPORTS**

**SUMMARY:**

**BACKGROUND:**

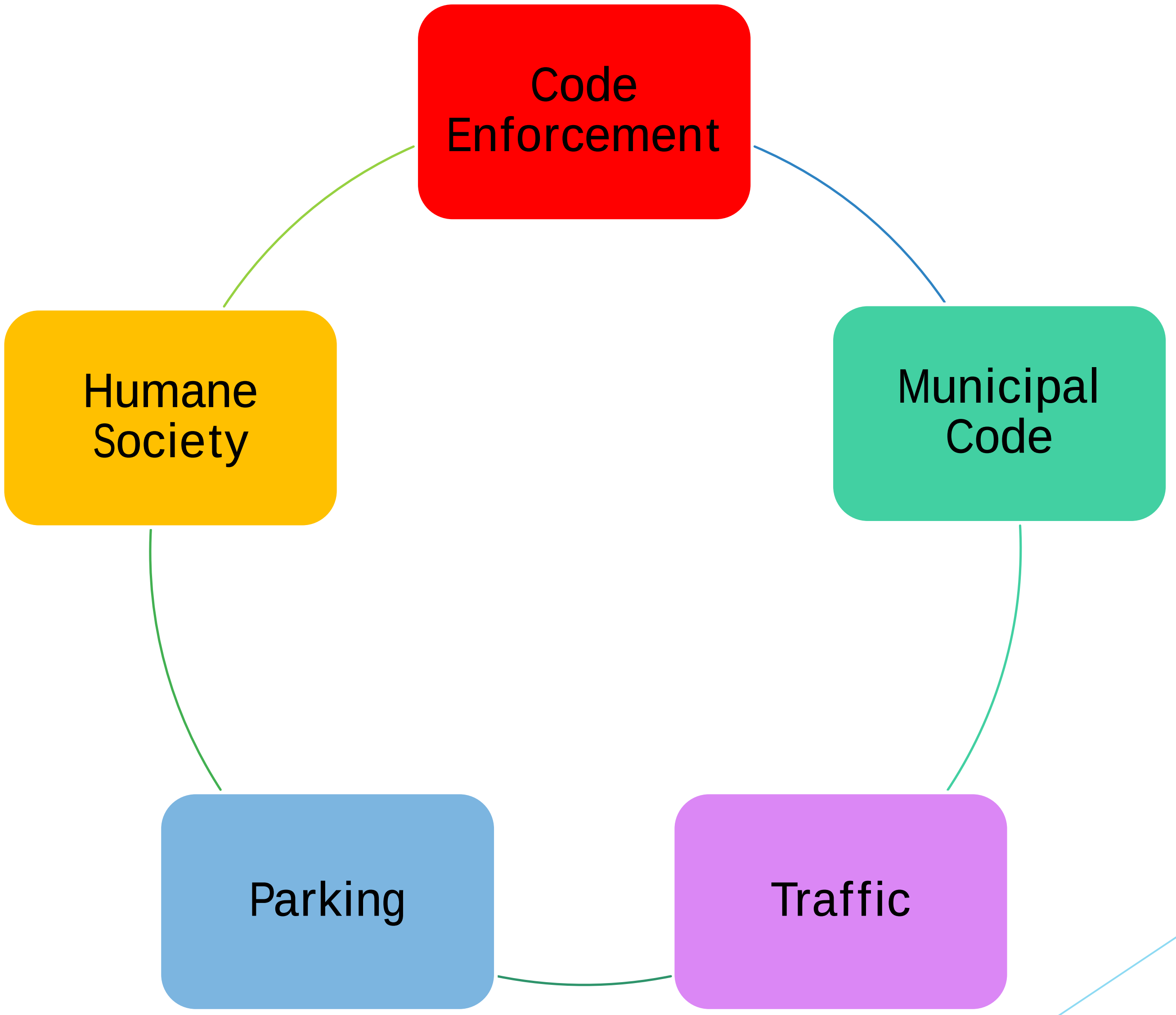
**REVIEWED BY CITY MANAGER:**

**LIST OF ATTACHMENTS:**

1. 2016 First Quarter Reports

# Municipal Court

First Quarter 2016


Code Enforcement
Municipal Code
Traffic
Parking
Humane Society

# Summons and Complaints

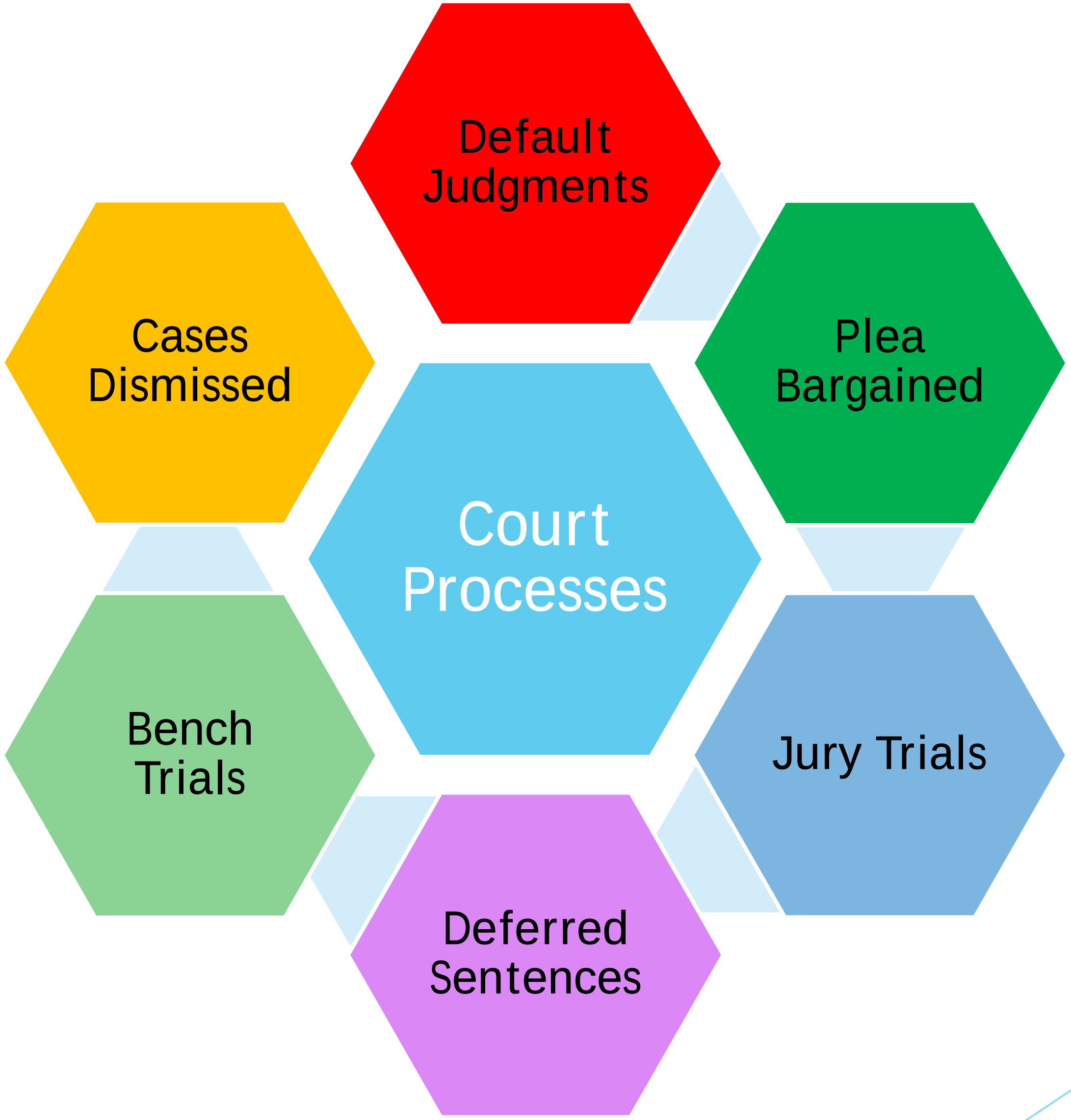
First Quarter - 2016

- Total Number of Summons and Complaints Filed:
  - 2106

- First Quarter – 2015

Total Number of Summons and Complaints Filed:

2372


Default Judgments
Cases Dismissed
Plea Bargained
Court Processes
Bench Trials
Jury Trials
Deferred Sentences

# Processes

## First Quarter – 2016

- Default Judgments - 387
- Charges Dismissed - 58
- Plea Bargains - 103
- Bench Trials - 5
- Jury Trials - 0
- Deferred Sentences - 27

## First Quarter – 2015

- Default Judgments - 306
- Charges Dismissed - 92
- Plea Bargains - 157
- Bench Trials - 11
- Jury Trials - 0
- Deferred Sentences - 12

# Actual Revenue
## January – March 2016

## Revenue – First Quarter 2016

### Fines

- Court Costs - $15,467
- Surcharge - $14,188
- Traffic Fine - $146,708
- Municipal Fine - $13,811
- Parking Fine - $15,670
  - **Total: $205,844**

### Costs

- Useful Public Service Fee - $2,871
- Deferred Sentence Fee - $2,216
- Accident Fee - $5,815
- Payment Plan Fee - $1,453
- Default & OJW Fee - $2,250
  - **Total: $14,605**
- **Total Revenue: $220,449**

## Expenses - First Quarter 2016

- Court Appointed Counsel - $3,112
- Professional Services - $3,415
- Office Supplies - $1,567
- Computer Supply & Equip - $2,426
- Bank Fees (credit cards) - $720
- Collection Fees (PK tickets) - $371
- Travel/Schooling - $1,288
- Postage - $456
- Repair & Maintenance - $495
- Printing - $198
- Membership Fees & Dues - $160
- **Total Expenses: $14,208**

# ACCOUNTS RECEIVABLE
## (COURT-ORDERED)
## January – March 2016

### Sentenced Amount

#### Fines

- Court Cost - $19,525
- Surcharge - $16,710
- Traffic Fine - $192,890
- Municipal Fine - $52,080
- Parking Fine - $28,825
  - **Total: $310,030**

#### Costs

- Useful Public Service Fee - $2,875
- Deferred Sentence Fee - $1,975
- Accident Fee - $6,920
- Payment Plan Fee - $2,020
- Default & OJW Fee - $2,690
- Warrant Fee - $8,950
  - **Total: $25,430**
- **Total Sentenced Amount: $335,460**

### Suspended Amount:

#### Fines

- Court Cost - $2,115
- Surcharge - $460
- Traffic Fine - $16,331.50
- Municipal Fine - $34,875
- Parking Fine - $2,640
  - **Total: $56,421.50**

#### Costs

- Useful Public Service Fee - $375
- Deferred Sentence Fee - $0
- Accident Fee - $150
- Payment Plan Fee - $540
- Default & OJW Fee - $270
- Warrant Fee – $2,300
  - **Total: $3,635**
- **Total Suspended Amount: $60,056.50**

# Justice Programs

## First Quarter 2016

- Teen Court - 14
- Jumpstart - 15

## First Quarter 2015

- Teen Court - 1
- Jumpstart – N/A

# JAIL SENTENCED AND SUSPENDED

## First Quarter - 2016

- Jail Imposed and Served:
- 12 Defendants
  - 212 Days Imposed
  - 86 Days Credit for Time Served

## First Quarter - 2016

- Jail Imposed and Suspended:
- 31 Defendants
  - 382 Days Imposed
  - 382 Days Suspended

# ALTERNATIVE SENTENCING DEPT & PLATTE VALLEY YOUTH CORRECTIONAL FACILITY

## Alternative Sentencing

- 4 Defendants
  - 40 Days Sentenced and Served

- 2 Defendants
  - 55 Days Sentenced and Suspended

# 2015 BUDGET EXPENDITURES AND REVENUE

## Revenue

- $1,076.340.08

- Net Difference $456,731.06

## Expenditures

- $619,609.02

**AGENDA ITEM:** **2**
**MEETING DATE:** 5/10/2016
**TO:** City Council
**FROM:** Brett Limbaugh, Development Services Department
**PRESENTER:** Brett Limbaugh, Director

**TOTAL AGENDA ITEM TIME:** 1 hours

**TITLE:** West Eisenhower – Regulatory Relief

**SUMMARY:** On February 16, 2016, City Council discussed the need to incentivize redevelopment and business reinvestment on properties along the west Eisenhower Boulevard corridor. The discussion focused on providing some level of relief from compliance with development regulations that may be preventing private sector development and/or redevelopment. The area of focus was from Boise Avenue west. Council requested that a "palette of options" for regulatory relief be developed by City staff and presented back to City Council.

The memorandum from City staff (***Attachment 1***) presents options designed to encourage private sector development, redevelopment and reuse/repurposing of existing buildings. The memorandum describes the outreach process used by City staff to identify obstacles to development along this corridor and provides more detail on options for eliminating or reducing those obstacles.

**BACKGROUND:**

**Concurrent Planning Efforts:** There are two planning efforts underway that address many of the same issues concerning the west Eisenhower corridor.

The update to Loveland's development codes will include simplification of the development approval process and elimination of unnecessary regulations that inhibits development and redevelopment. Areas of focus include revising current development standards and approval processes to facilitate revitalization of Loveland's major transportation corridors and providing a new, simplified process for approval of a Planned Unit Development (PUD). The PUD process provides an opportunity for maximum flexibility in establishing allowed land uses and development standards.

The other planning effort is to establish a new Flexible Zoning Overlay District (previously referred to as the "no zoning" zone). The new district has been reviewed by the Title 18 Committee and is scheduled for final consideration by the Planning Commission on May 9th. The Flexible Zoning Overlay District may reduce the need for one or more of the options described in the staff memorandum. On the other hand, the revised PUD process being developed as part of updating the Zoning Code, would, in many respects, achieve the same goals as the Flexible Zoning Overlay District.

**How to Implement:** Implementation of some of the options presented in the staff memorandum would require various levels of action by City Council. The following is a list of the identified obstacles and options for relief, with an indication of what would be required to implement each option and a general time frame.

1. **Lot Configuration:** Solving the problem of commercially zoned lots being too shallow to comply with standards for typical commercial development would require the assemblage of property and likely a rezoning, which in some cases would include property in established residential neighborhoods. Removing this obstacle is likely to be left to future developers. *Long Term*
2. **Change-In-Use Requirements:** Changing the requirement that a project proposing a change-in-use comply with Loveland's Site Development Standards would require Council action to approve an amendment to the Zoning Code. *Short Term*
3. **Level playing field:** City Council action would be required to establish either an urban renewal authority or metropolitan or special district to provide an alternative funding source for public improvements and site amenities. *Long Term*
4. **Adjacency to residential neighborhoods:** Modifying the process for approval of a Special Review Use and changing some uses from Special Review Uses to Uses-By-Right would require Council action to approve an amendment to the Zoning Code. *Short Term*
5. **Capital Expansion Fees:** Granting a waiver, credit or reimbursement to the payment of CEFs would require action by City Council. City staff would need time to prepare a thorough assessment of the impacts on future funding for capital projects. *Long-Term*
6. **Economic Incentives on Case-by Case Basis:** City Council action would be required to grant economic incentives. *Long-Term*
7. **Future Highway Improvements:** No action would be required by City Council. City staff will meet with Colorado Department of Transportation (CDOT) representatives to obtain more information on the need for, and timing of, improvements to the west Eisenhower corridor, particularly the installation of center medians. Over the next year, CDOT will be preparing a Planning and Environmental Linkage (PEL) study for the entire US 34 corridor, from Glade Road to Kersey, CO. This is important as City staff will be able to work with CDOT to establish an Access Control Plan (ACP) in conjunction with the PEL study. The ACP will allow for a planned and more flexible approach to access along the West Eisenhower corridor than would be afforded by strict application of the State Access Code. *Short Term*, except for the ACP.

City staff is recommending that options for regulatory relief be provided for a specified period (i.e. two years) to create an incentive for property owners and developers to take action to pursue development or redevelopment.

**REVIEW BY CITY MANAGER:**

**LIST OF ATTACHMENTS:**

1. City staff memorandum

City of Loveland

DEVELOPMENT SERVICES
ADMINISTRATION
410 East 5th Street • Loveland, CO 80537
(970) 962-2346 • TDD (970) 962-2620
www.cityofloveland.org

# MEMORANDUM

**To:** City Council
**From:** Brett Limbaugh**,** Bob Paulsen and Greg George
**Date:** May 10, 2016
**Re:** Regulatory Relief – West Eisenhower Boulevard

## INTRODUCTION

On February 16, 2016, City Council discussed the need to incentivize redevelopment and business reinvestment on properties along the west Eisenhower Boulevard corridor. The discussion focused on providing some level of relief from compliance with development regulations that may be preventing private sector development and/or redevelopment. The area of focus was from Boise Avenue west. Council requested that a "palette of options" for regulatory relief be developed by City staff and presented back to City Council.

## STUDY AREA

This memorandum focuses on the section of Eisenhower Boulevard (US Highway 34) extending west from Boise Avenue to the limits of Loveland's Growth Management Area (West Eisenhower).

## COMMERCIAL BROKERS OUTREACH

To assist City staff in defining obstacles to redevelopment and business reinvestment, City staff interviewed three commercial brokers who have experience and knowledge in marketing properties along the corridor. The brokers interviewed were: Larry Milton, Realtec Commercial Real Estate; Nathen Klein, LC Real Estate Group, LLC; and Tyler Carlson; Evergreen Development, Inc. The following is a summary of the common themes derived from those interviews.

1. **Lot Configuration**: Many of the lots along West Eisenhower are too shallow to comply with standards for typical commercial development. The vast majority of lots along the corridor are platted as small single lots that would need to be assembled to create viable commercial center developments. In general, a 600 foot depth is needed to create two tiers of lots with minimal access spacing. The 600-foot depth is not an ideal development pattern as the second tier of lots would not be deep enough to provide for an anchor tenant and still allow for 1 acre pad sites along the street frontage. A depth of 800-1,200 feet is needed to allow for a grocery anchored retail center. ***Exhibit 1***



Attachment 1

shows lots in the City zoned for commercial development and lots that are still in the County. ***Exhibit 2*** shows City zoning and lot configuration along the corridor. Both exhibits show the 600, 800 and 1,200 foot depth measurements for reference. Click HERE for maps.

2. **Change-In-Use Requirements:** The City's existing change-in-use process requires costly and impractical site improvements that may discourage reuse of existing buildings. City staff should be given the authority to require only those site improvements necessary to protect public safety. To the extent feasible, utilizing existing parking facilities, building architecture, landscaping and vehicular access should be allowed unless there would be a threat to public safety.

3. **Level playing field:** Other parts of the City enjoy benefits from financing techniques, such as urban renewal authorities and metropolitan and/or special districts that provide alternative funding sources for public and site amenity improvements. Developers say it is difficult to compete with development having these advantages.

4. **Adjacency to residential neighborhoods:** Special review uses in the B-Development Business zone are particularly difficult due to the possibility of a single property owner appealing the administrative decisions to the Planning Commission and City Council. This process creates delays, costs, and adds a high level of uncertainty, often resulting in abandonment of redevelopment and development proposals. City staff should be given authority to make reasonable decisions to avoid neighborhood meetings and the public hearing processes to the greatest extent practicable. If City staff determines that conditions have been placed on the project to mitigate impacts on the neighborhood, then the project should be approved with no appeals by the neighborhood.

5. **Capital Expansion Fees:** Payment of Capital Expansion Fees (CEFs), particularly for streets, can be a disincentive for redevelopment. The City needs to better inform commercial brokers and property owners that all existing uses in the City have CEF credits that can significantly reduce or eliminate the payment of CEFs for building reuse and redevelopment projects. For new development projects, CEFs should be waived only in certain areas to encourage specific types of development preferred by the City and only for a limited time to create an incentive for property owners and developers to move forward with projects.

6. **Economic Incentives on Case-by Case Basis:** It would be best for the Economic Development Department to negotiate economic incentives on a case-by-case basis to ensure that the City gets the specific uses along the corridor that will encourage other high quality development and redevelopment projects.

7. **Future Highway Improvements:** The development community, and particularly property owners, should be provided more certainty regarding when improvements, such as medians, will be installed along the corridor. Knowing if installation of a median is likely within one year or several years in the future is critical to making a rational business decision.

**BIZWEST'S REAL ESTATE AND CONSTRUCTION CEO ROUNDTABLE**

On April 19th, participants at the CEO Roundtable on real estate and construction met to discuss a variety of topics relative to development in the North Front Range. Participants discussed topics ranging from finding land, securing water, new construction, repurposing old buildings, and the investment climate. A link to the complete article is at: http://bizwest.com/ceo-roundtable-costs-of-labor-city-fees-impacting-construction-industry/

More relative to the subject of this memorandum, comments were made that:

- a shortage of skilled labor has increased construction costs;
- there is a demand for apartment and industrial development;
- a shortage of available land is providing an opportunity to repurpose old buildings, provided the City regulatory challenges can be reduced or eliminated;
- public/private partnerships are necessary to complete complex infill and redevelopment projects; and
- retail development is more difficult as rental rates continue to rise and consumer tastes and demands continue to shift.

**STAFF OPTIONS FOR REGULATORY RELIEF**

The following options for regulatory relief for properties along West Eisenhower have been developed by City staff to address the obstacles identified by the brokers interviewed by City staff. For each option, City staff has identified the extent to which the option would provide the relief necessary to eliminate or reduce the obstacle and the consequences of doing so. The options are presented in the same order as the obstacles identified above.

1. **Lot Configuration:** This obstacle can be addressed if developers are able to assemble property along the corridor. Property assemblage is often a time consuming and difficult process, requiring a willing seller. This process is most difficult when it involves properties in establish residential neighborhoods. Removing this obstacle is a long-term strategy likely to be left to future developers.

2. **Change-In-Use Requirements:** City Council could authorize the Current Planning Manager to allow deviations to Loveland's Site Development Standards when a change-in-use is proposed as part of a building reuse project. For public safety reasons, this authorization should exclude deviations from the fire or building codes or Larimer County Urban Streets Standards. The purpose for such deviations would be to allow the

Current Planning Manager to work with the applicant to arrive at a reasonable solution regarding parking, landscaping, sidewalks, tree lawns and the screening of unsightly areas in recognition of unique site constraints.

Deviations granted under this authority would, to a large degree, remove or reduce this regulatory obstacles while not creating a threat to public safety. The consequence would be losing the opportunity to bring existing sites into compliance with current site development standards as land uses change. This authority could be limited to the reuse of existing buildings, not applying to development of unimproved sites or situations where the existing building is raised. Such a limitation may mean that the opportunity would be lost only temporarily, assuming that eventually the site would be totally redeveloped and then brought into compliance with Loveland's site development standards.

3. **Level playing field:** This obstacle identified by the commercial brokers is challenging to deal with in the short term. If City Council desires to create either an urban renewal authority or metropolitan or special district or other alternative financing techniques it would take some time for City staff to prepare the necessary documents for action by City Council. This option would, however, address the identified obstacle directly, while still achieving the goal of improving public safety and the appearance and attractiveness of development along Loveland's major transportation corridors. There may also be pressure to create this incentive for property outside the West Eisenhower corridor. The current environment for creating new urban renewal authorities is difficult.

4. **Adjacency to residential neighborhoods:** The project to update the Zoning Code will simplify and reduce the time necessary to obtain final approval of a Special Review Use. Waiting for revisions to the Special Review Use process as part of the Zoning Code update would address this issue to some degree, but it is likely members of the neighborhood would still have the right to appeal.

   To address this issue more directly for West Eisenhower, City Council could apply a zoning overlay district to the commercially zoned property along the corridor. This district could authorize the Current Planning Manager to approve all, or certain Special Review Uses identified by City Council, without the right to appeal by members of the neighborhood. The authorization would be subject to the applicant agreeing to conditions determined by the Current Planning Manager to be necessary to mitigate adverse impacts on effected properties to the extent practicable. If the applicant did not agree to the conditions, then the application could be referred to the Planning Commission for a fully noticed public hearing. The process should still include a neighborhood meeting, but members of the neighborhood would not have the right to appeal the decision of the Current Planning Manager. City Council could still preserve the right for two or more Planning Commissioner members or two or more City Council members to appeal the decision of the Current Planning Manager.

This option would eliminate this obstacle identified by the commercial brokers. Loveland citizens are likely to oppose losing the right to appeal the decision of the Current Planning Manager on a Special Review Use. However, Loveland citizens may not oppose the idea if it is made clear that they could still request that their appointed or elected officials appeal the decision.

5. **Capital Expansion Fees:** The first step, which City staff will pursue immediately, is to notify the community, particularly those in the development and real estate business, that all existing uses in the City, regardless if CEFs were ever paid, have a CEF credit that can be applied to reduce or eliminate CEFs due for a change-in-use. Also, that the amount of credit is calculated based on the CEF rate schedule in affect when the change-in-use occurs.

   To address this obstacle more broadly, City Council could provide exceptions to the payment of CEFs in the form of deferrals, waivers, reimbursements or credits. These exceptions could be for a limited time, to see if payment of CEFs are indeed an obstacle, and could apply to a specific geographic area (i.e. property zoned B-Development Business along West Eisenhower). Exceptions could be limited to certain types of land uses that City Council wants to encourage along the corridor (i.e. multi-family, retail, professional offices, primary jobs, etc.). CEFs exceptions to encourage certain types of development have worked in the past. In June 2009, City Council approved a 61% reduction in CEFs for multi-family development for an 18 months period ending in December 2010. During that period of time two large multi-family projects, totaling more than 600 dwelling units, were approved by the City.

   The Economic Development Department recommends that generally economic incentives be granted only if the City is getting something unique or above standard requirements. The primarily negotiator for economic incentives should be the Economic Development Department, with input from Current Planning on what improvements might be considered to be above standard requirements.

   This option could substantially reduce, if not eliminate, this obstacle. Exceptions to payment of CEFs would lessen funding available for capital projects in the future, unless City Council back fills the amounts waived. More study is needed to estimate the budget impacts resulting from exceptions to payment of CEFs.

6. **Economic Incentives on Case-by Case Basis:** Economic incentives, such as exceptions to CEFs, should continue to require City Council approval, based on recommendations from the Economic Development Department.

7. **Future Highway Improvements:** The Colorado Department of Transportation (CDOT) has the authority, under the State Access Code, to require improvements to State Highways, like West Eisenhower, in conjunction with the approval of access to those highways, whether the access is new or modified. For example, CDOT can determine that a center median is required in order to control the access to an existing or redeveloped parcel, should traffic volumes or accident history dictate the need for a higher level of control (turn restrictions). Due to our good working relationship with CDOT representatives, they generally defer to the City's Larimer County Urban Area Street Standards (LCUASS) requirements for access control, however, they do have final authority in those decisions. City staff will be working with CDOT representatives to establish an Access Control Plan (ACP) along Eisenhower Boulevard as part of CDOT's Planning and Environmental Linkage study of the larger US 34 corridor, from Glade Road to Kersey, CO. Establishing an ACP will allow for a planned and more flexible approach to access along West Eisenhower than would be afforded by strict application of the State Access Code.

**ACTION REQUESTED**
City staff is presenting these options for City Council consideration. City staff is asking for direction from City Council on what options Council would like to pursue.

**AGENDA ITEM:** **3**
**MEETING DATE:** 5/10/2016
**TO:** City Council
**FROM:** Alan Krcmarik, Executive Fiscal Advisor
**PRESENTER:** Alan Krcmarik

**TOTAL AGENDA ITEM TIME: 1 Hour**

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**TITLE: CAPITAL EXPANSION FEES: EQUITY BUY-IN AND PLANS BASED**

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**SUMMARY:**

The City of Loveland has utilized impact fees, more specifically Capital Expansion Fees, as a method to fund capital improvements since 1984. The fees were based on a cost of services study and the equity buy-in approach to setting fees was adopted. The CEFs are updated every few years and after the last major review in 2012, Council requested more study of an alternative method to determine the fees, the Plans Based approach. This approach is based on projections of growth for the next 25 years, master plans prepared by the City departments, and updated capital improvement plans. With outside consulting support from BBC Research & Consulting, alternative calculations for CEFs have been made using the Plans Based approach.

In the September 22, 2015, Council Study Session, the attached staff report, the BBC Research & Consulting report and other materials included as exhibits provided detailed background for the Plans Based fees. Some Council members asked for additional information and it was determined to present the issue to Council again after the City Council election. Based on information provided and the Council discussion at the Study session, staff presented and Council also took action to not do any construction cost inflation adjustment to the fees for 2016. In this study session, staff will address the questions and attempt to identify the next steps in the process.


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**SUMMARY BACKGROUND:**

This Study Session will build upon the information and discussion at the September 22, 2015, Council Study Session. The basic requirements for using impact fees (Capital Expansion Fees are Loveland's name for governmental service related impact fees.) will be briefly reviewed along with the basic legal parameters for using impact fees.

The main focus will be on the results of the consultant's report which compares the City's historical and current approach to setting the CEFs, called the Equity Buy-in method and another method called the Plans Based approach. The Equity Buy-in method uses the current level of services being provided which is tied to a valuation estimate of the capital improvements and equipment that are required to support the standard. Based on demographic and growth assumptions, the Plans Based approach requires a look forward 25 years and a structured effort to determine all of the capital improvements and equipment that will be needed to serve the future residents and businesses that are assumed to locate here. In the early 2000s, the City transitioned its Streets CEFs to a Plans Based approach.

The consultant's report shows that the projected need for capital investment varies substantially depend on which approach is used. For the Equity Buy-in approach, the report shows that for all nine of the CEFs in the study, $331.2 million of capital value is needed to serve the growth anticipated over the next 25 years. For the Plans Based approach, the capital required for the 25 year planning period is $205.4 million. [From the Consultant's September report.] This is a 38% difference. The results vary greatly by City service.

| Capital Expansion Fee Service | Percentage Change Between the Buy-in to the Plans Based Method |
|---|---|
| Police | -67.2% |
| Fire-Rescue | -60.0% |
| General Government | -46.0% |
| Library | -53.5% |
| Cultural-Museum | -46.9% |
| Parks | -15.4% |
| Trails | -35.4% |
| Recreation | -45.3% |
| Open Lands | -20.0% |
| Weighted Average | -38.0% |

The body of the report provides much more detail about the two methods and the results from the consultant's report.

At the September 22, 2015, Study Session, they were several questions and topics that the Council members raised that required some additional review by staff.

These questions and topics include:

1. The desire to maintain reserves in the Capital Expansion Fee accounts at the end of the 25 year period.

2. The Council and staff discussed the concept of buildout for the City. At what point in time is it expected that Loveland will reach its population and development capacity? The amount of capital depends on how many people and businesses locate here. Some services are further along the growth curve than others and may require less capital investment to serve future growth.

3. Council asked if it make economic sense to borrow to build some of the major capital projects that will be needed to serve the community. The memo discusses both internal and external borrowing.

4. At the Study Session, the Plans Based approach to setting the CEFs was referred to as a "new tool" and Council asked what this new tool was revealing.

5. An open question or suggestion from one Council member is whether a community-wide diverse citizen's committee should review the CEFs. This

suggestion was based on the extensive process that was used to explore ways to fund the cost of municipal services in the early 1980s. The existing CEFs system was a direct outcome of that process.

6. Another topic was whether the change in the CEFs could occur through a gradual transition process. A corollary to this what whether the Council could decide to use one method for some fees and the other method for the remaining fees. Council has authority to be flexible on this topic.

7. The plans for Capital Improvements, funded by CEFs and other sources, require funding support for Operations & Maintenance. This process is completed during the annual budget approval. Based on the 2016 budget, there is sufficient funding support for the capital projects in the Capital Program. For the 2017 budget process, this will be updated in an upcoming Study Session.

8. The Municipal Code has a section that provides the annual updates to the CEFs to ensure that they keep up with changes in the construction cost index. There is also a requirement to do a systematic review every five years. Staff believes that these two requirements are very important to maintain.

9. For two of the CEFs, the consultant adjusted the project cost basis for philanthropic contributions and other forms of external fund raising. The resulting fees for Library and Cultural/Museum were lower, based on the adjustment. Staff is suggesting that the policy regarding contributions be reviewed.

## DESIRED OUTCOMES FROM THE DISCUSSION

After a brief presentation about the two methods of calculating fees, staff would like to hear Council member opinions on the topical areas that will be presented. At the end of the staff report a topics matrix has been prepared to guide the discussion. Based on the discussion, City management and staff will develop a list of action items to bring back to the Council.

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**REVIEWED BY CITY MANAGER:**

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**LIST OF ATTACHMENTS:**

1. Staff Report: Capital Expansion Fee Methods
   Exhibit A: Ordinance NO. 5974 Suspending Annual Fee Increases
   Exhibit B: Streets Capital Expansion Fees

2. Link to Complete September 2015 Study Session Packet [CEF item pages 55 to 136] with the Consultant's Report
   http://www.cityofloveland.org/Modules/ShowDocument.aspx?documentID=26827

3. **OVERCOMING POTENTIAL EXCLUSIVITY ASSOCIATED WITH IMPACT FEES: LOVELAND, COLORADO'S 30-YEAR EXPERIENCE IN IMPACT FEES**, Journal of Architecture and Planning Research, VOLUME 32, NUMBER 3, AUTUMN, 2015 is available as background information on the City's Agenda web-site.

4. May 3, 2016, Capital Expansion Fee Methods PowerPoint Slides

City of Loveland

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# MEMORANDUM

**From:** Alan Krcmarik, Executive Fiscal Advisor

**Date:** May 10, 2016

**Subject: Capital Expansion Fee Methods - Continuing the Discussion from the Fall Study Session**

## PURPOSE

The purpose of the study session item is to continue making progress on the evaluation of the appropriate method(s) to determine the City's Capital Expansion Fees. Council received a presentation and conducted discussion at the September 22, 2105 Council Study Session. Several questions were posed and there were some other topics were suggested for additional research. As a direct result of the discussion at the study session, City staff brought an ordinance to the Council to set the fees for 2016 at their current levels. The Streets CEF was specifically not included in the ordinance, and per the Code, an annual inflationary adjustment of 8.66% based on data from the Colorado Department of Transportation was made to the Street Fees for fees collected in 2016.

In Exhibit A the 2016 Capital Expansion Fees for Fire-Rescue, Police, General Government, Library, Cultural Services-Museum, Parks, Recreation, Trails, and Open Lands are shown. The 2016 Streets CEF schedule is provided in Exhibit B.

## COMMUNITY IMPACTS

An increase in the capital expansion fees (or any other development related fee or tax) will increase the overall cost of residential and non-residential development. The opposite is also true, a decrease in the CEFs will reduce the overall cost of residential and non-residential development. CEFs, administrative fees, and taxes fund the facilities to serve new development and therefore directly benefit the residents, businesses, and employees and owners of new development and redevelopment. On the other hand, if current combination of fees and taxes from new development are not adequate to meet the costs of growth, existing residences and businesses will pay for the needed additional facilities and capital equipment by having to pay a greater share of the new capital costs or by accepting declining levels of service.

Substandard funding of the capital needs of the community to serve new growth may also result in overuse of existing facilities, leading to negative impacts to existing land resources such as parks as well as crowding and overuse at other facilities. Overuse of public safety capital facilities and equipment could lead to delays in response time and expose the community to a higher level of risk.

## CITY OF LOVELAND USE OF IMPACT FEES

Prior to the 1982-83 Cost of Service study, the City of Loveland imposed system impact fees (SIFs) for Water and Wastewater and (Plant Improvement Fees PIFs) for Power. Sometimes called tap fees or connections fees, these instruments recognized that to serve additional customers, the utilities incur costs that are directly related to the new customers. Utility cost of service studies estimated the cost to be able to equitably set the fee. The City also collected fees for parks recognizing that to serve a rapidly growing community would require the acquisition of land for parks and additional money to provide improvements. After several years of rapid population growth in the 1970s and early 1980s, the City of Loveland was experiencing declining levels of service and the demand for improved services from the growing population was gaining momentum. In 1981, several tax increase measures were submitted to the voters and all of them were rejected. Recognizing the need to be able to fund needed capital improvements, the City Council appointed a diverse group of individuals from the community to the Cost of Growth Advisory Group. This group of people studied the issues and potential ways to pay for growth and ultimately recommended the system of Capital Expansion Fees that the City has today. The CEFs were reviewed thoroughly again in 1994 and continued. Periodic updates have been done approximately every 5 years.

In the 1982 study, the principle of “growth paying for growth” and “growth paying its proportionate share of costs” were evident in the community discussions. With each update of the CEFs this concept is always at the forefront of discussion. To attain the current levels of service for the City of Loveland, residents and businesses have paid for the cost of capital improvements and equipment through impact fees, administrative fees, charges for services, property and sales taxes, and other sources of revenue to provide the capital projects and equipment necessary to serve the community.

Since the 1980s, the City has used the pay-as-you-go approach to financing for most capital projects. This means that the City saves up money until there is enough to do the next project. The City has avoiding the costs of financing project but in several cases has had to delay projects far beyond their anticipated and actual need.

In 2012, the Council reviewed the fees and requested that staff explore Plans Based approach to setting CEFs. The following nine fees were included in the evaluation:

| | | |
|---|---|---|
| Fire-Rescue | Parks | Library |
| Police | Recreation | Cultural Services-Museum |
| General Government | Trails | |
| | Open Lands | |

Streets capital expansion fees were specifically excluded and will be reviewed after the completion of the update of the Streets Master Plan in 2017. Street Capital Expansion Fees became Plans Based in 2002.

In 2013 the Facilities Master Plan and the Parks & Recreation Master Plan were begun and they were completed in 2014. In 2015, the results from the planning efforts were reviewed and staff prepared the Plans Based fee presentation to the City Council. Staff also presented the results of the Plans Based fee calculation approach to each of the Boards & Commissions whose services would be affected by any changes to the fees. The Boards & Commissions presented their comments to the proposed changes to the process. These materials were included as background to the September study session and are available at the link

The Plans Based Approach depends on up-to-date Capital Improvement Plans for each of the services for which a CEF is collected. The Plans include land, buildings, other construction, and the capital equipment needed by the departments providing the services. Each plan was reviewed to sort out which projects and equipment were attributable to growth. Proceeds from CEFs and other impact fees cannot be used for repair, maintenance, betterment of services.

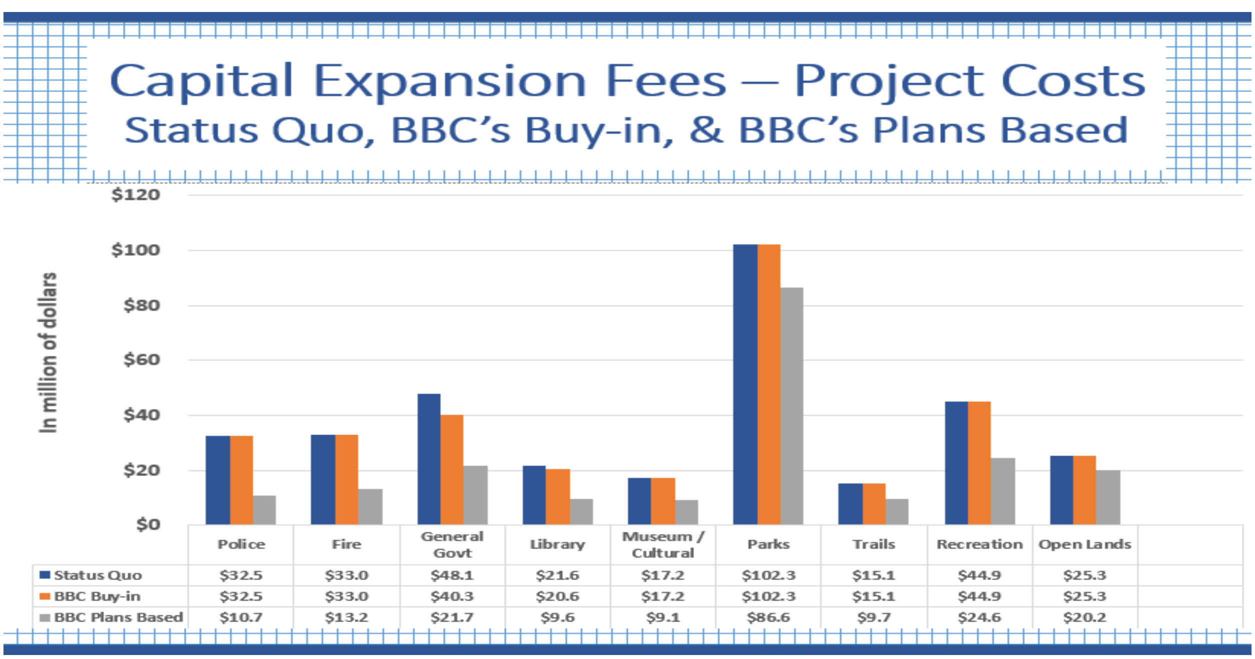
Below is a table, based on information in a table from the September Report, showing that the amount of capital project and equipment needed in the next 25 years as identified in the plans is significantly less than the estimated cost of capital investment resulting from the City's Buy-in Approach. The consultant's update for the Equity Buy-in method confirmed the valuation estimates from the City's most recent update. When the CEF fees are compared later in this report there is a distinct in the Commercial and Industrial fees.

**Table 1.**
**Comparing the Buy-in Approach to the Plans Based Approach**
**Estimated Cost of Projects & Other Capital Investment**

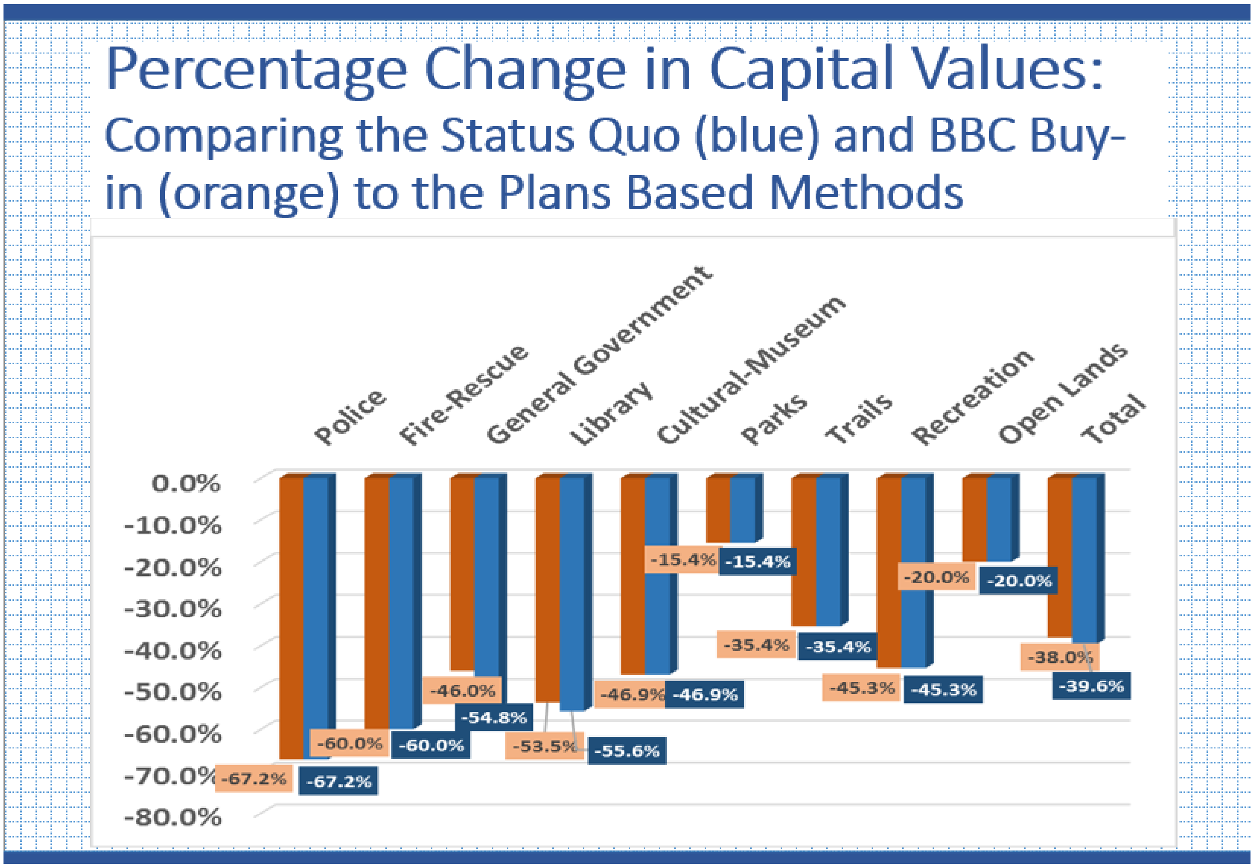
| Capital Expansion Fee Service | City Capital Cost Basis | Updated Equity Buy-in Method | Plans Based Method | City Cost to Plans Based Difference | City Cost to Plans Based % Change |
|---|---|---|---|---|---|
| **Police** | $ 32,498,945 | $ 32,498,945 | $ 10,675,226 | $ (21,823,719) | -67.2% |
| **Fire-Rescue** | $ 33,015,845 | $ 33,015,815 | $ 13,219,307 | $ (19,796,538) | -60.0% |
| **General Government** | $ 48,091,340 | $ 40,261,339 | $ 21,745,798 | $ (26,345,542) | -54.8% |
| **Library** | $ 21,600,555 | $ 20,633,870 | $ 9,588,835 | $ (12,011,720) | -55.6% |
| **Cultural-Museum** | $ 17,212,999 | $ 17,212,999 | $ 9,143,929 | $ (8,069,070) | -46.9% |
| **Parks** | $ 102,348,313 | $ 102,348,313 | $ 86,550,888 | $ (15,797,425) | -15.4% |
| **Trails** | $ 15,056,759 | $ 15,056,759 | $ 9,732,465 | $ (5,324,294) | -35.4% |
| **Recreation** | $ 44,919,316 | $ 44,919,316 | $ 24,556,700 | $ (20,362,616) | -45.3% |
| **Open Lands** | $ 25,250,878 | $ 25,250,878 | $ 20,196,077 | $ (5,054,801) | -20.0% |
| **Total** | **$339,944,930** | **$ 331,198,234** | **$205,409,225.00** | **$(134,585,725)** | **-39.6%** |

Source: City of Loveland's Capital Expansion Fees, BBC Research & Consulting, September 10, 2015.

To illustrate the data in the table above, three charts have been created. The first chart shows, through a column chart, how the Project Cost changes depending on the method of fee calculation.



To emphasize the magnitude of the changes for some of the fees, the column chart below shows the percentage change from the Buy-in method to the Plans Based method.




The valuations of capital improvements and equipment are the starting point for determining the fees.

For the Police, Fire-Rescue, and General Government fees, allocations are made for residential, commercial, and industrial land uses. When allocations were based on square footage of developed land use, allocations were higher for commercial and industrial uses. BBC collected call dispatch data from the public safety entities and based on their analysis, 2% of the future development was assumed to be industrial, 20% commercial, and the remaining 78% is residential. Based on the growth projections, BBC calculated the Plans Based fees.

On the following page in Table 2., the three results of the three methods of calculating the fees are presented. A percentage change column, indicating the difference between the Status Quo and the Plans Based is also provided.

**Table 2.**
**Comparing the City's Status Quo Fees, BBC Buy-in and, Plans Based**

| | Status Quo Equity Buy-in | BBC Buy-in 9/22/15 | Plans Based 9/22/15 | Percent Change |
|---|---|---|---|---|
| **Residential (per unit)** | | | | |
| Single Family | | | | |
| Fire-Rescue | $ 895.00 | $ 888.40 | $ 413.64 | -53.8% |
| Police | 881.00 | 874.49 | 334.03 | -62.1% |
| General Government | 1,092.00 | 1,083.37 | 680.43 | -37.7% |
| Library | 728.00 | 722.20 | 384.66 | -47.2% |
| Cultural Services/Museum | 607.00 | 602.46 | 366.82 | -39.6% |
| Parks | 3,556.00 | 3,582.24 | 3,472.06 | -2.4% |
| Recreation | 1,584.00 | 1,572.20 | 985.11 | -37.8% |
| Trails | 531.00 | 526.99 | 390.43 | -26.5% |
| Open Lands | 891.00 | 883.79 | 810.18 | -9.1% |
| | $ 10,765.00 | $ 10,736.14 | $ 7,837.36 | -27.2% |
| | | | | |
| Multifamily | | | | |
| Fire-Rescue | $ 622.00 | $ 617.00 | $ 339.52 | -45.4% |
| Police | 613.00 | 608.00 | 274.18 | -55.3% |
| General Government | 759.00 | 753.00 | 558.52 | -26.4% |
| Library | 506.00 | 502.00 | 315.74 | -37.6% |
| Cultural Services/Museum | 422.00 | 419.00 | 301.09 | -28.7% |
| Parks | 2,471.00 | 2,452.00 | 2,849.96 | 15.3% |
| Recreation | 1,101.00 | 1,092.00 | 808.61 | -26.6% |
| Trails | 369.00 | 366.00 | 320.47 | -13.2% |
| Open Lands | 619.00 | 614.00 | 665.02 | 7.4% |
| | $ 7,482.00 | $ 7,423.00 | $ 6,433.11 | -14.0% |
| | | | | |
| **Commercial (per sq. ft.)** | | | | |
| Fire-Rescue | $ 0.30 | $ 0.61 | $ 0.38 | 26.7% |
| Police | 0.39 | 0.60 | 0.31 | -20.5% |
| General Government | 0.42 | 0.74 | 0.63 | 50.0% |
| | $ 1.11 | $ 1.95 | $ 1.32 | 18.9% |
| | | | | |
| **Industrial (per sq. ft.)** | | | | |
| Fire-Rescue | $ 0.03 | $ 0.08 | $ 0.09 | 200.0% |
| Police | 0.05 | 0.08 | 0.07 | 40.0% |
| General Government | 0.06 | 0.10 | 0.15 | 150.0% |
| | $ 0.14 | $ 0.26 | $ 0.31 | 121.4% |

Sources: City's Fee Resolution and the BBC Research & Consulting, September, 2015, Report.

The highlighted cells in the table show the lowest fee for each of the Services by land use. With the numbers presented, the remainder of the report focuses on the questions from the Study Session.

## QUESTIONS AND TOPICS FROM THE SEPTEMBER 2015 STUDY SESSION

### Maintaining a Project Reserve

The City of Loveland has used conservative approaches to financial management for many years. [This discussion of conservative financial management applies to both the Buy-in and Plans Based methods of setting fees.] Revenue projections are conservatively low. Expenditure projections are conservatively high. The objective is to manage the level of surprise that may occur due to changes in economic conditions or other special events. The City does not use debt financing very often. Pay-as-you-go financing has been the preferred approach for capital projects for many years. This requires that monies be set aside year- after year to accumulate sufficient reserves to have available to build a project or acquire a high-cost piece of equipment. The City's current Equity Buy-in approach to setting Capital Expansion Fees works well with pay-as-you-go financing of capital projects. The reserves that accumulate in the fund balance for a capital expansion fund keep pace with growth in the community, helping keep the basis for the calculation of the fee up with the anticipated cost of the project.

The Plans Based approach to calculating impact fees views any accumulated CEF balance as a reduction to the value of future projects identified in the Capital Improvement Plan. As CEF balances grow larger in the reserve accounts, the basis for the future fee (with all other variables remaining constant) would become smaller. In the time that it may take to accumulate the full amount of money to build a major project, the CEF could become smaller over time.

If having a cash balance available for future capital projects and including it as part of the basis for determining fees is a priority to the City Council, the Buy-in method would be a better match.

### Buildout

For the Plans Based approach, many assumptions have to be made. For this CEF fee analysis, a 25-year planning horizon was used. Based on assumptions about economic and demographic data for the next 25 years, growth in the City of Loveland was projected to deliver 25,471 households (51,000 to 61,130 people), 6.87 million square feet of commercial development, and 2.97 million square feet of industrial development.

When the City gets closer to its final geographic and population limits, the amount of money available from new growth will become lower and lower. Theoretically, the last business or last household to join locate in the City would pay the last CEF. Reality does not work as neatly as theory. Except for communities with stringent growth control mechanisms, full buildout seldom occurs.

Even when most of the property that the City serves is built upon, additional development may occur. Many Colorado cities, presumed to have reached "buildout" are now experiencing much higher density residential and considerable redevelopment of commercial and industrial uses that require additional capital investment. For some services, redevelopment in urban areas to achieve higher densities may have higher per unit costs than the original development.

With the projected additional residential, commercial, and industrial development from the growth assumptions, the City will still have room for more growth in the anticipated corporate limits. In research with other rapidly growing communities, projected "buildout" scenarios have proven unrealistic as unexpected forces have brought higher levels of development. So, the City of Loveland will need be reconsider projections about future growth every time the Comprehensive Plan is updated and every time there is a thorough review of the CEFs.

Loveland will not reach the total buildout in the next 25 years, but it is possible that the capital investment that will be needed in 25 years may be enough to serve the higher levels of development that will come for some services. For example, due to geographic limitations for fire-rescue services, the next three fire stations (with supporting capital equipment) may be all that will be required to serve the next 25 years and perhaps beyond. This conclusion from this possibility would be that that charges to new development could grow at a lower rate than they have in the past and at a different growth rate than other City services.

<u>Financing Projects through Borrowing</u>

While the City of Loveland has not used debt financing for capital projects funded by CEFs, other communities incorporate long-term financing of capital projects and equipment. The cost of borrowing (interest payments on loans, leases, or bonds and the cost to issue) are allowable costs of providing capital projects and equipment and includable in the impact fees. This applies to both methods of fee calculation. The consultants worked with staff to model some examples of borrowing for projects. As would be expected, the higher the interest rates, the greater the increase to the impact fees.

The advantage to borrowing money to construct projects is that the projects can be built sooner. This puts needed capital projects in place sooner and the community gets the benefits of the project. The degradation of service due to growth is mitigated. Another advantage of this approach is the avoidance of cost escalation. During rapid growth periods, the annual inflationary cost of construction can greatly exceed the rate of return on the invested fund balances. The City of Loveland experienced this in recent years when bid prices rose rapidly while short term interest rates hit record lows. The most advantage would result from low interest rates offsetting rapidly growing construction costs.

Staff considered borrowing internally and externally. For smaller projects, internal borrowing may be effective. For example, a fire station may be financed through borrowing from another CEF fund balance account with available reserves not programed for use during the term of the inter-fund loan. As Fire CEFs come in over the next several years, the internal borrowing could be paid off. The internal transactions avoids cost of issuance (bond counsel, investment banker, bank trustee, and others) and would carry an interest rate close to what the City earns on its investments (still at historically low levels). The City would have to carefully manage the internal loans so that a Department service would be repaid in time to meet its own capital investment requirements.

For larger projects, internal borrowing may not be sufficient or practical. For example, a new recreation center may cost too much to be done comfortably through inter-fund loans. Information received about external borrowing from financial advisors indicates that financial firms are much more receptive now to projects financed with non-tax revenues than they were just a few years ago. The key to a successful non-tax revenue financing is a demonstrated flow of cash to cover repayments costs on the loan. Some require the pledge of collateral, such as another building. It is a more complicated process than the internal borrowing and the interest rate would be higher, driven by the market and the perceived risk.

To assess how borrowing could change the cost of projects under the Plans Based approach, each of the various capital plans was reviewed to determine if there were projects that would benefit from long-term external financing. Based on the assumption that borrowing would be used for selected projects, $43 million of debt service costs would be loaded into the Plans Based fees.

What does the Plans Based Analysis Indicate?

During the fall study session discussion, Council members referred to the Plans Based analysis as a "new tool" to use to evaluate the City's system of fees. The general question was "What does this new tool tell us about the nine Capital Expansion Fees?"

The Buy-in method looks back into time to define the numerator in the fee equation as the value of the capital investment provided by the City to date (including the amount of money held in the fund balance) over the denominator, the current to-date mix of residential, commercial, and industrial land uses. The basis for charging the next customer is a share of what has been put in place so far divided by who is here. That is the level of service definition and is used to identify the fair share or proportion assignable to growth.

The Plans Based approach looks forward to estimate the numerator value as the total of the capital projects and equipment needed for the next 25 years. The denominator is the projected or assumed mix of residential, commercial, and industrial land use development that has been forecast to come to the City over the next 25 years.

The major conclusion is that the capital investments made to date in Loveland are greater than what is projected to be needed in the next 25 years. To get to the levels of service provided today has a higher unit cost than the projection of capital investment in the 25 year plans that have been developed.

For each Department service that has a CEF, the answer is slightly different in terms of percentage, but all Plans Based fee calculations are lower than the current Level of Service in the Buy-in approach. When the estimated financing costs are loaded into the Plans Based approach, the difference is smaller and Recreation actually becomes higher, due to the costs of financing the project.

The adjustment to Fire-Rescue and Police CEFs are substantial. These are basic public safety services. The reason for the difference may be that the City has actually been doing a better job keeping up with these two costs of services than it has with others. And for Fire-Rescue, the City may be closer to the hypothetical "buildout" than for other services. The Police CEF includes the training center as part of the projects fundable by CEFs. If this project is removed by Council, the fee level adjusted even lower.

Review of the CEFs by a Community Based Committee

Another discussion at the Fall Study Session was a concern about Council making the decision to change the approach to setting fees. It was pointed out that the Cost of Service study in 1982-83 that resulted in the original set of Capital Expansion Fees was done by a citizen's committee. This group studied the issue intensively for many months to come up with the recommendation. The question is whether the City will be well served by a similar process now. With the work that has been done on the two methods to set CEFs, the process might not take as long as the original effort. It would still be a substantial effort.

Could the City Transition to the Plans Based Approach Over Time?

The Buy-in method has served the City for over 30 years and served it well; the system has provided $130 million of project funding to help keep up with growth. While occasionally criticized as being on "auto-pilot", the City Council has been able to adjust fees and sometimes delay increases to mitigate impacts on the development community and the eventual owners or residents of developed properties.

The Plans Based approach fees are lower for residential and commercial uses, but slightly higher for industrial use development. In the past, the City Council has made adjustments to recommended commercial industrial fee levels and occasionally frozen fees. Based on these policy decisions, most of the 2016 commercial and industrial fee levels are below what would be set under the Equity Buy-in method.

The City Council may decide that it would like to use the Buy-in approach as the maximum levels for the fees and then adjust certain fees to accomplish the transition. Essentially, the two methods provide a bracket, with a highest allowable level and an alternative lower level. The Council could pick between the numbers or choose certain fees to move to the Plans Based approach. Our fee consultants advise that this is an acceptable practice. Either method of fee setting provides a maximum level that courts have found to be acceptable. Setting the fee lower that the maximum level is within the City Council's authority.

Using the General Government fee as an example, the difference in Project Cost basis for the Buy-in method is about $18.5 million higher than the Plans Based method (Table 1 on page 3). Council could reduce the basis for the current fees by $6.5 million in the first year and then by $6 million in the second year, and the final amount in the third year. This would be a 16.2% decrease in year 1, a 16.8% decrease in year 2, and a decrease of 20.5% in year 3. With each annual update, General Government Fee basis may be adjusted to add or subtract projects. The City has used a stepped approach to implement fee changes in the past.

This is a conservative approach and acknowledges the risk in having the fees lower and less revenue being collected for capital projects. If the transition appears to work, other fees could be transitioned in the next few years.

Other candidates for transition could be Open Lands (the effect of lower CEF fees would buffered by proceeds from the County open space tax) and perhaps Fire-Rescue, which has included three fire stations in the Capital Program. The construction schedule for future Fire Stations is also based on the Facilities Master Plan, validating the effort to develop a plan that guides future decisions.

<u>Fit with the annual Capital Program</u>

Each year, as part of the budget process, City departments present the capital improvement projects that they anticipate will be needed to continue to provide adequate services to the community. Departmental staff members identify the cost and timing of projects and also estimate the operations and maintenance cost of the projects. The Budget Office compiles the information and produces the 10-yeaer Capital Program document which guides the budget process and is adopted in the fall.

In preliminary discussions with the Budget Office, it appears that projects that are planned to be included in the next 10 year Capital Program have enough projected operations and maintenance funding to be recommended. The Council and City management do not want to have capital projects built and ready to serve if there is not sufficient staffing and operations appropriations in place or reasonable expected (again using conservative revenue projections). The 2017-2026 Capital Program will be presented to Council at a Study Session in the near future.

<u>Importance of Annual Inflationary Increases & Periodic Updates</u>

Each time the CEFs have been updated, either by staff alone or with consulting assistance, the importance of keeping up with construction costs is identified and highly recommended. If fees are adopted according to the Plans Based Model, the fees will be lower and the margin for reacting to changing cost conditions would be lower. This makes the recommendation that fees should be adjusted each year for increases in construction costs even more important. Also, the periodic update, every five years, needs to be done on a timely basis. For the City Water and Wastewater utilities, the periodic fee review is now on a shorter three-year update cycle. More frequent review, especially after a change in methodology would serve to reduce risk, just in case something has been missed or a significant difference between the base assumptions and actual performance is observed.

Assumptions Regarding Funding from External Contributions

Two fees in the CEF study, Library and Cultural/Museum, included contributions from outside (the City) sources. For the 25 year planning period, the amounts are significant. For the Library, the consultant's study assumed $894,609 would be received as contributions. For Cultural/Museum, the amount was $4,607,000. The Plans Based approach treats contributions similarly to accumulated fund balance. The amount of assumed contributions lowers the project cost basis for the CEF.

For the Library CEF, the reduction is 8.5%, which amounts to a fee that is $35.89 lower for a single family residence and $29.46 lower for a multi-family residence.

For the Cultural/Museum CEF, the reduction is 33.5%, amounting to a fee that is $184.82 lower for a single family residence and $151.70 lower for a multi-family residence.

City staff recognizes that contributions have been an important part of City projects built in the past. Using the past experience as a policy for future projects does not seem equitable. There is no guarantee that contributions in the future can be reliably forecast. Based on Council discussion, staff will propose adjustments to the capital basis for fees that have funding from external contributions.

**SUMMARY: Topics Matrix to Help Focus Council Discussion**

Staff has prepared the following matrix to guide discussion of the topics identified at the September 2015 Study Session.

| Topic | Staff Comment | Council Responses |
|---|---|---|
| **Project Reserves** | Reserves will be maintained in the various CEF accounts as required. If direction to use plans based approach is the preferred methods of setting the fees, reserve balances will not be used in the calculation. | The City does not have a choice on the accounting for CEF reserves. Moving to the Plans Based method will cause accumulated reserves to lower future fees. |
| **Buildout** | For some of the CEFs, the City may be approaching the point at which the fees should be reduced. | Council members should discuss with staff if there is any reason not to conduct the buildout analysis when fees are reviewed for updates. |
| **Financing of Projects**<br>**Internally**<br>**Externally** | Staff will identify projects that are candidates for internal or external financing and include the analysis in the next fee setting process. Internal financing has a much smaller impact than external financing. | Council members should let us know if they support or object to the use of internal or external financing of projects. |
| **Community Based Impact Fee Review Committee Process** | Staff will conduct this process if that is Council member's preference. | Individual Council members may advise staff on their own preference. |

| | | |
|---|---|---|
| **Transition From Buy-in to Plans Based** | Staff finds that some of the fees are more ready for transition that others. | Council can provide feedback on their view of which fees may be ready for transition. |
| **Capital Program Fit** | The Budget Office will be presenting the update and the findings will provide guidance for future projects to be funded by CEFs. | Staff assumes this process is one that Council members support. |
| **Annual Cost Adjustments** | Staff recommends that this is very important to do.  We are searching for additional sources of construction cost increases as the Engineering News Record data has been extraordinarily low for many months, and not consistent with bidding results. | If Council members do not agree with annual cost adjustments, then staff would prepare an amendment to the Code section that requires annual adjustment. |
| **Periodic Update** | Staff looking for some feedback on whether to do updates more frequently than five years. | Council members could let staff know if they would prefer a three year cycle. |
| **Outside Contributions** | What is the appropriate planning assumption for outside contributions for the CEFs? | The range of options is to assume no contributions up to the amounts included in the consultant's report. |

# Exhibit A. Ordinance Setting the Capital Expansion Fees for 2016

City of Loveland

CITY OF LOVELAND
DEVELOPMENT SERVICES DEPARTMENT
Civic Center • 500 East 3rd Street • Loveland, Colorado 80537
(970) 962-2346 • FAX (970) 962-2945 • TDD (970) 962-2620

| | |
|---|---|
| **AGENDA ITEM:** | USED BY AGENDA MANAGEMENT |
| **MEETING DATE:** | 10/20/2015 |
| **TO:** | City Council |
| **FROM:** | Alan Krcmarik, Development Services |
| **PRESENTER:** | Alan Krcmarik, Executive Fiscal Advisor |

**TITLE: AN ORDINANCE SUSPENDING ANNUAL INCREASES IN CAPITAL EXPANSION FEES, EXCEPTING THE STREET CAPITAL EXPANSION FEE, PURSUANT TO LOVELAND MUNCIPAL CODE SECTION 16.38.110 FOR 2016**

**RECOMMENDED CITY COUNCIL ACTION:** Conduct a Public Hearing and adopt the Ordinance on First Reading

**OPTIONS:**

1. Adopt the action as recommended.
2. Deny the action. If the Ordinance is not adopted, the City Code provides for an annual adjustment using the Denver Construction Cost Index.
3. Adopt a modified action. None are suggested for consideration at this time.
4. Refer back to staff for further development and consideration. At the September 22, 2015 study session, Council members suggested that staff continue to explore alternative levels for the capital expansion fees. Staff intends to provide a progress report to Council during the first quarter of 2016.

**SUMMARY:** In November of 2012, City Council provided direction to staff to investigate the plans based method to set capital expansion fees. Using master plans prepared by City departments, BBC Research & Consulting and city staff completed a study demonstrating the results of the plans based approach to capital expansion fees. The results of the study were presented to the City Council at the September 22, 2015, study session. Based on Council discussion at the study session, the Ordinance has been prepared. The Ordinance suspends the annual inflationary increase provided for in the City Code section 16.38.100. Staff will continue to evaluate different techniques to set the Capital Expansion Fees and report back to Council in the first quarter of 2016. The suspension of the annual inflationary increase does not apply to the streets capital expansion fee; this fee is already determined on a plans-based approach. Cost of materials for street construction and repair have been rising. The Colorado Department of Transportation inflation adjustment is 8.66%.

**BUDGET IMPACT:**

☒ Positive — The inflationary increase for the Streets capital expansion fee will help the Public Works Department maintain sufficient funding to meet future project costs.

☒ Negative The suspension of fee increases for the other nine capital expansion fees will decrease the amount of funding that otherwise would be available to meet the cost of projects related to the growing community.

☐ Neutral or negligible

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**BACKGROUND:**

The City of Loveland has utilized impact fees, more specifically Capital Expansion Fees, as a method to fund capital improvements since 1984. The fees were based on a cost of services study and the equity buy-in approach to setting fees was adopted. The CEFs are updated every few years and after the last major review in 2012, Council requested more study of an alternative method to determine the fees, the Plans Based approach. Based on master plans prepared for the departments, projections of growth for the next 25 years, and updated capital improvement plans, calculations for CEFs have been made. The plans-based fees were presented to Council at the September 22, 2015, study session.

After lengthy discussion, it was determined that Council was not yet ready to move to the plans-based approach to setting Capital expansion fees. The City Code provides for an annual adjustment based on the September Engineering News Record Construction Cost Index for the Denver region. The inflationary adjustment from the current fees would be 0.48%. This level of adjustment is far below what has been observed in Northern Colorado. Again, based on comments from the Council, it was determined that the annual inflationary adjustment should not be made.

Staff has prepared the attached ordinance which provides for a suspension the annual fee increased. If this ordinance is adopted the capital expansion fees for Police, Fire-Rescue, General Government, Library, Cultural Services-Museum, Parks, Recreation, Trails, and Open Lands will remain at the levels they have been in 2015. Exhibit A. Schedule of Capital Expansion Fees is attached to the Ordinance.

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**REVIEWED BY CITY MANAGER:**

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**LIST OF ATTACHMENTS:**

Ordinance with Exhibit A

**Exhibit A. Schedule of Capitial Expansion Fees**
Annual Inflationary Adjustment Suspended

| | 2015 Fee | 2016 Fee |
|---|---|---|
| **Residential Single Family** | | |
| Per unit of housing | | |
| Fire-Rescue | $ 895.00 | $ 895.00 |
| Law Enforcement | 881.00 | 881.00 |
| General Government | 1,092.00 | 1,092.00 |
| Library | 728.00 | 728.00 |
| Cultural Services/Museum | 607.00 | 607.00 |
| Parks | 3,556.00 | 3,556.00 |
| Recreation | 1,584.00 | 1,584.00 |
| Trails | 531.00 | 531.00 |
| Open Lands | 891.00 | 891.00 |
| Total | $ 10,765.00 | $ 10,765.00 |
| **Residential Multi-family** | | |
| Per unit of housing | | |
| Fire-Rescue | $ 622.00 | $ 622.00 |
| Law Enforcement | 613.00 | 613.00 |
| General Government | 759.00 | 759.00 |
| Library | 506.00 | 506.00 |
| Cultural Services/Museum | 422.00 | 422.00 |
| Parks | 2,471.00 | 2,471.00 |
| Recreation | 1,101.00 | 1,101.00 |
| Trails | 369.00 | 369.00 |
| Open Lands | 619.00 | 619.00 |
| Total | $ 7,482.00 | $ 7,482.00 |
| **Commercial** | | |
| Per square foot | | |
| Fire-Rescue | $ 0.30 | $ 0.30 |
| Law Enforcement | 0.39 | 0.39 |
| General Government | 0.42 | 0.42 |
| Total | $ 1.11 | $ 1.11 |
| **Industrial** | | |
| Per square foot | | |
| Fire-Rescue | $ 0.03 | $ 0.03 |
| Law Enforcement | 0.05 | 0.05 |
| General Government | 0.06 | 0.06 |
| Total | $ 0.14 | $ 0.14 |
| **Oil & Gas Facility** | | |
| Per square foot "disturbed area" | | |
| Fire-Rescue | $ 0.06 | $ 0.06 |
| Law Enforcement | 0.05 | 0.05 |
| General Government | 0.06 | 0.06 |
| Total | $ 0.17 | $ 0.17 |

City of Loveland Council Meeting Agenda Page 3 of 3

# ORDINANCE NO. 5974

## AN ORDINANCE SUSPENDING ANNUAL INCREASES IN CAPITAL EXPANSION FEES FOR 2016, EXCEPTING THE STREET CAPITAL EXPANSION FEE, PURSUANT TO LOVELAND MUNICIPAL CODE SECTION 16.38.110

**WHEREAS,** pursuant to City Code Section 16.38.020, certain capital expansion fees ("CEFs") are imposed on development within the City to provide a source of funding for new and expanded capital facilities associated with growth; and

**WHEREAS,** CEFs are adjusted annually effective January 1 of each year on the basis of the percentage change in specified indices pursuant to City Code Section 16.38.110; and

**WHEREAS**, the CEFs effective for 2015 (the "2015 CEFs") and CEFs as adjusted pursuant to City Code Section 16.38.110 to be effective January 1, 2016 (the "2016 CEFs") are set forth on **Exhibit A** attached hereto and incorporated herein by this reference; and

**WHEREAS,** City Council desires, with the exception of the streets capital expansion fee, to suspend the annual adjustment of the CEFs that would otherwise occur on January 1, 2016 pursuant to City Code Section 16.38.110, to leave the CEFs in effect at the level of the 2015 CEFs, without adjustment for 2016.

**NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF LOVELAND, COLORADO:**

**Section 1.** The Street Capital Expansion Fees for 2016 shall be set according to City Code Section 16.38.110.A which provides for an adjustment equal to the most current preceding eight quarters average annual percentage change in the construction costs as determined by the Colorado Department of Transportation Construction Cost Index.

**Section 2.** That the Council finds that suspension of adjustment of all other CEFs, with the exception of the streets CEF, for 2016 will help to make development in Loveland more competitive with communities in the surrounding area and provide incentives for real property development within the City, thereby providing jobs in Loveland and increasing tax revenues.

**Section 3.** That notwithstanding the provisions of City Code Section 16.38.110 to the contrary, the annual adjustment of CEFs, with the exception of the streets CEF, that would otherwise occur on January 1, 2016 pursuant to City Code Section 16.38.110.A shall be suspended for calendar year 2016, leaving the 2015 CEF levels, with the exception of the streets CEF, in effect, without adjustment, for 2016.

**Section 4.** That as provided in City Charter Section 4-9(a)(7), this Ordinance shall be published by title only by the City Clerk after adoption on second reading unless the Ordinance has been amended since first reading in which case the Ordinance shall be published in full or the amendments shall be published in full. This Ordinance shall be in full force and effect ten days after its final publication, as provided in City Charter Section 4-8(b).

ADOPTED this 3rd day of November, 2015.

Cecil A. Gutierrez, Mayor

CITY OF LOVELAND SEAL COLORADO

ATTEST:

City Clerk

APPROVED AS TO FORM:

City Attorney

Ordinance #5974

I, Teresa G. Andrews, City Clerk of the City of Loveland, Colorado, hereby certify that the above and foregoing Ordinance was introduced at a regular (or special) meeting of the city Council, held on October 20, 2015 and was initially published in the Loveland Daily Reporter-Herald, a newspaper published within the city limits, in full on October 24, 2015 and by title except for parts thereof which were amended after such initial publication which parts were published in full in said newspaper on November 7, 2015.

City Clerk

Effective Date: November 17, 2015

# **Exhibit B**. Streets Capital Expansion Fee History with 2016 Update

| Capital Expansion Fees for Streets - 2016 | 2012 | 2013* | 2015 | 2015 Adjusted for Trip Generation 9th Edition | 2016** | Change |
|---|---|---|---|---|---|---|
| Single Family Detached | $ 2,169.61 | $ 2,279.61 | $ 2,330.45 | $2,318.31 | $ 2,519.08 | $ 188.63 |
| Attached S.F. | $ 1,317.19 | $ 1,383.97 | $ 1,414.83 | $1,414.85 | $ 1,537.38 | $ 122.55 |
| Multi-Family Dwelling (with 4 or more units) per unit | $ 1,507.62 | $ 1,584.06 | $ 1,619.38 | $1,619.41 | $ 1,759.65 | $ 140.27 |
| Congregate Care/Assisted Living Facility (per bed) | $ 603.05 | $ 633.62 | $ 647.75 | $647.76 | $ 703.86 | $ 56.11 |
| Nursing Home (per room) | $ 537.30 | $ 564.54 | $ 577.13 | $667.24 | $ 725.03 | $ 147.89 |
| Mobile Home | $ 1,131.28 | $ 1,188.64 | $ 1,215.15 | $1,215.16 | $ 1,320.40 | $ 105.25 |
| Hotel (per room, not per unit) | $ 1,852.22 | $ 1,946.13 | $ 1,989.53 | $1,989.56 | $ 2,161.85 | $ 172.33 |
| | | | | | | |
| **Commercial (per square foot)** | | | | | | |
| Retail Shopping Center | | | | | | |
| 25,000 square foot or less | $ 10.75 | $ 11.30 | $ 11.55 | $11.55 | $ 12.55 | $ 1.01 |
| 50,000 square foot | $ 8.44 | $ 8.87 | $ 9.07 | $9.06 | $ 9.85 | $ 0.78 |
| 100,000 square foot | $ 6.62 | $ 6.96 | $ 7.11 | $7.11 | $ 7.73 | $ 0.62 |
| 200,000 square foot | $ 5.19 | $ 5.45 | $ 5.57 | $5.58 | $ 6.06 | $ 0.49 |
| Bank with Drive Up | $ 9.07 | $ 9.53 | $ 9.74 | $9.74 | $ 10.58 | $ 0.84 |
| Free-standing Discount Store | $ 6.23 | $ 6.55 | $ 6.69 | $6.69 | $ 7.27 | $ 0.58 |
| Fast Food Restaurant with Drive Thru | $ 33.74 | $ 35.45 | $ 36.24 | $36.24 | $ 39.38 | $ 3.14 |
| High Turnover Sit-down Restaurant | $ 10.38 | $ 10.91 | $ 11.15 | $11.15 | $ 12.11 | $ 0.96 |
| Coffee/Donut Shop w/o drive-thru | $ 30.61 | $ 32.16 | $ 32.88 | $32.88 | $ 35.73 | $ 2.85 |
| Coffee/Donut Shop w/ drive-thru | $ 55.67 | $ 58.49 | $ 59.80 | $59.80 | $ 64.98 | $ 5.18 |
| New Car Sales | $ 6.05 | $ 6.36 | $ 6.50 | $6.29 | $ 6.84 | $ 0.34 |
| Auto – Oil Change & Emissions Service per bay | $ 7,254.86 | $ 7,622.68 | $ 7,792.67 | $7,792.67 | $ 8,467.52 | $ 674.85 |
| Quick Lube Vehicle Shop per ba) | $ 7,254.72 | $ 7,622.53 | $ 7,792.52 | $7,792.64 | $ 8,467.48 | $ 674.97 |
| Convenience Store/Gas Station | $ 30.67 | $ 32.22 | $ 32.94 | $32.95 | $ 35.80 | $ 2.86 |
| Gas Station per pump | $ 6,878.00 | $ 7,226.71 | $ 7,387.87 | $7,388.59 | $ 8,028.44 | $ 640.57 |
| Car Wash (Automated) per SF | $ 16.01 | $ 16.82 | $ 17.20 | $17.19 | $ 18.68 | $ 1.48 |
| Car Wash (Sef Serve) per Wash Stall | $ 12,242.34 | $ 12,863.03 | $ 13,149.87 | $13,150.08 | $ 14,288.88 | $ 1,139.00 |
| Supermarket | $ 7.88 | $ 8.28 | $ 8.46 | $8.47 | $ 9.20 | $ 0.73 |
| Furniture Store | $ 0.23 | $ 0.24 | $ 0.25 | $0.25 | $ 0.27 | $ 0.02 |
| Health Club | $ 5.97 | $ 6.27 | $ 6.41 | $6.42 | $ 6.97 | $ 0.56 |
| Specialty Retail | $ 5.02 | $ 5.27 | $ 5.39 | $5.40 | $ 5.86 | $ 0.47 |
| | | | | | | |
| **Office (per square foot)** | | | | | | |
| General Office Building | | | | | | |
| 25,000 square feet or less | $ 4.16 | $ 4.37 | $ 4.47 | $4.46 | $ 4.85 | $ 0.38 |
| 50,000 square feet | $ 3.55 | $ 3.73 | $ 3.81 | $3.78 | $ 4.10 | $ 0.29 |
| 100,000 square feet | $ 3.02 | $ 3.17 | $ 3.24 | $3.20 | $ 3.47 | $ 0.23 |
| 200,000 square feet | $ 2.58 | $ 2.71 | $ 2.77 | $2.71 | $ 2.94 | $ 0.17 |
| Medical/Dental Office Building | $ 8.19 | $ 8.61 | $ 8.80 | $8.80 | $ 9.56 | $ 0.76 |
| Hospital | $ 3.74 | $ 3.93 | $ 4.02 | $3.22 | $ 3.50 | $ (0.52) |
| Place of Worship | $ 2.07 | $ 2.17 | $ 2.22 | $2.22 | $ 2.41 | $ 0.19 |
| | | | | | | |
| **Industrial (per square foot)** | | | | | | |
| Manufacturing | $ 0.87 | $ 0.91 | $ 0.93 | $0.93 | $ 1.01 | $ 0.08 |
| Warehousing | $ 0.81 | $ 0.85 | $ 0.87 | $0.87 | $ 0.94 | $ 0.07 |
| General Light Industrial | $ 1.58 | $ 1.66 | $ 1.70 | $1.70 | $ 1.84 | $ 0.15 |
| Mini-warehouse | $ 0.57 | $ 0.60 | $ 0.61 | $0.61 | $ 0.66 | $ 0.05 |
| | | | | | | |
| **Oil and Gas Facility** | | | | | | |
| Per Wellhead*** | | $ 952.84 | $ 974.09 | $ 974.08 | $ 1,058.44 | $ 84.35 |
| | | | | | | |
| **Cost Per Trip End** | $ 226.71 | $ 238.21 | $ 243.52 | $ 243.52 | $ 264.61 | $ 21.09 |
| | | | | | | |
| Note: No change in 2014. | | | | | | |
| * 5.07% Increase with adoption of 2035 Transportation Plan | | | | | | |
| ** 8.66% Increase calculated from CDOT Construction Cost Index (CCI) 4 Quarter Moving Average | | | | | | |
| *** Implemented in 2014 | | | | | | |

City of Loveland

# Capital Expansion Fee Methods

## Equity Buy-in and Plans Based

**May 10, 2016**

City of Loveland



# Presentation Agenda

- Explain the Capital Expansion Fee review process that resulted in this Study Session
- Basic Concepts for Capital Expansion Fees
- Very Short History of Capital Expansion Fees in Loveland
- Present the numbers, Current Fees (Status Quo), Consultants Equity Buy-in, and the Plans Based Fees
- Discuss the Items Council identified at the last Study Session on September 22, 2015

# Definition of Impact Fees

Although there is no universally accepted definition of impact fees, most studies emphasize:

- **One-time use**
- **Application to new development (and redevelopment with more intensive use)**
- **Restricted for infrastructure expansion and capital equipment additions**
- **Design requirements for proportionality**

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"…monies collected formally through a set schedule, or formula, spelled out in a local ordinance…fees are levied **only against new development projects** as a condition of permit approval to support infrastructure needed to serve the proposed development. They are calculated to cover **a proportionate share** of the capital cost for that infrastructure."

Source: International City Management Association

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P.46

# Legal Basis for Impact Fees

Colorado Statute: C.R.S. 29-2-102-104 (aka Senate Bill 15)

- One-time charge on new development
- Capital projects only
  - directly related to new development
  - No repair, maintenance, or replacement
  - 5-year life for expected life
- Cannot be used to remedy current deficiencies
- Cannot increase levels of service
- Applied against all land use types

***U.S. Supreme Court Decisions***

Rational Nexus
Rough Proportionality
Mathematical exactitude not required

Nollan v. California Coastal Commission (1987)
Dol*an* v. City of Tigard (1994)

City of Loveland

# Capital Expansion Fee Methodology

Impact fees or CEFs are designed to have growth “pay its own way” for capital infrastructure. There are two major methods to accomplish this:

1. The **“Equity Buy-in” or Current Service Standard**
2. The **“Plans Based” or Capital Improvement Plan (CIP)**

Loveland has used both methods to capitalize on the best available data. The City has used the Plans Based approach to calculate street fees, and the Current Service Standard approach for all other fee categories.

City of Loveland

# Quick Comparison of the Two Methods

**Equity Buy-in**

- Investments in capital projects have be made to serve the community
- The Level of Services is measured
- Ineligible capital investment (repairs, expansion, etc.) are netted out
- Proportionate share fees are allocated to land uses

**Plans Based**

- Future growth drives the need for new capital investment
- Capital improvement plan – identified growth related projects and equipment
- If unrelated to growth, projects are netted out of total cost
- Eligible costs are allocated to future growth

# Comparing the Fees Cost of Projects Table

**Table 1.**
**Comparing the Buy-in Approach to the Plans Based Approach**
**Estimated Cost of Projects & Other Capital Investment**

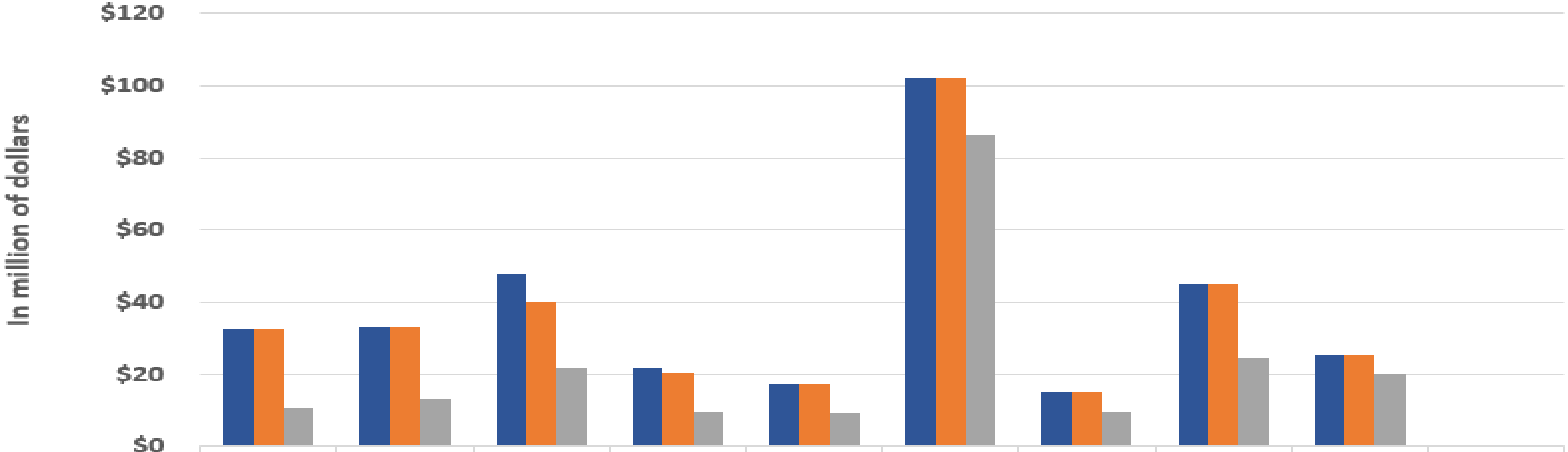
| Capital Expansion Fee Service | City Capital Cost Basis | Updated Equity Buy-in Method | Plans Based Method | City Cost to Plans Based Difference | City Cost to Plans Based % Change |
|---|---|---|---|---|---|
| Police | $ 32,498,945 | $ 32,498,945 | $ 10,675,226 | $ (21,823,719) | -67.2% |
| Fire-Rescue | $ 33,015,845 | $ 33,015,815 | $ 13,219,307 | $ (19,796,538) | -60.0% |
| General Government | $ 48,091,340 | $ 40,261,339 | $ 21,745,798 | $ (26,345,542) | -54.8% |
| Library | $ 21,600,555 | $ 20,633,870 | $ 9,588,835 | $ (12,011,720) | -55.6% |
| Cultural-Museum | $ 17,212,999 | $ 17,212,999 | $ 9,143,929 | $ (8,069,070) | -46.9% |
| Parks | $ 102,348,313 | $ 102,348,313 | $ 86,550,888 | $ (15,797,425) | -15.4% |
| Trails | $ 15,056,759 | $ 15,056,759 | $ 9,732,465 | $ (5,324,294) | -35.4% |
| Recreation | $ 44,919,316 | $ 44,919,316 | $ 24,556,700 | $ (20,362,616) | -45.3% |
| Open Lands | $ 25,250,878 | $ 25,250,878 | $ 20,196,077 | $ (5,054,801) | -20.0% |
| Total | $339,944,930 | $ 331,198,234 | $205,409,225.00 | $(134,585,725) | -39.6% |

Source: City of Loveland's Capital Expansion Fees, BBC Research & Consulting, September 10, 2015.

# Comparing the Cost of Projects Chart

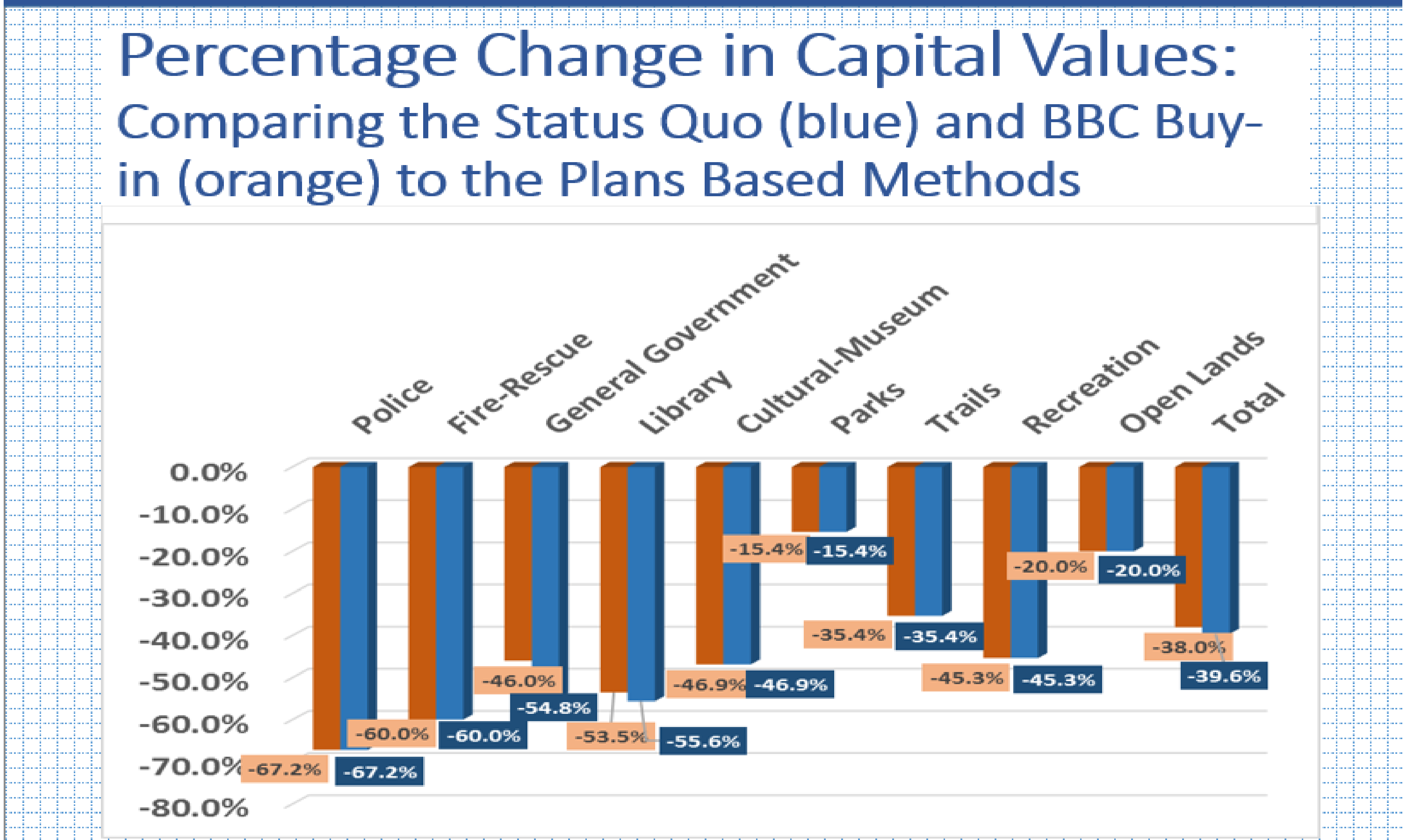
## Capital Expansion Fees – Project Costs

### Status Quo, BBC's Buy-in, & BBC's Plans Based




| | Police | Fire | General Govt | Library | Museum / Cultural | Parks | Trails | Recreation | Open Lands |
|---|---|---|---|---|---|---|---|---|---|
| Status Quo | $32.5 | $33.0 | $48.1 | $21.6 | $17.2 | $102.3 | $15.1 | $44.9 | $25.3 |
| BBC Buy-in | $32.5 | $33.0 | $40.3 | $20.6 | $17.2 | $102.3 | $15.1 | $44.9 | $25.3 |
| BBC Plans Based | $10.7 | $13.2 | $21.7 | $9.6 | $9.1 | $86.6 | $9.7 | $24.6 | $20.2 |

# Comparing the Cost of Projects by Percentage Change



City of Loveland

P.52

# Comparing the Fees that result from the different methods

## Percentage change column is based on the Plans Based fees compared to the Status Quo fees

| | Status Quo Equity Buy-in | BBC Buy-in 9/22/15 | Plans Based 9/22/15 | Percent Change |
|---|---|---|---|---|
| **Residential (per unit)** | | | | |
| Single Family | | | | |
| Fire-Rescue | $ 895.00 | $ 888.40 | $ 413.64 | -53.8% |
| Police | 881.00 | 874.49 | 334.03 | -62.1% |
| General Government | 1,092.00 | 1,083.37 | 680.43 | -37.7% |
| Library | 728.00 | 722.20 | 384.66 | -47.2% |
| Cultural Services/Museum | 607.00 | 602.46 | 366.82 | -39.6% |
| Parks | 3,556.00 | 3,582.24 | 3,472.06 | -2.4% |
| Recreation | 1,584.00 | 1,572.20 | 985.11 | -37.8% |
| Trails | 531.00 | 526.99 | 390.43 | -26.5% |
| Open Lands | 891.00 | 883.79 | 810.18 | -9.1% |
| | $ 10,765.00 | $ 10,736.14 | $ 7,837.36 | -27.2% |
| | | | | |
| Multifamily | | | | |
| Fire-Rescue | $ 622.00 | $ 617.00 | $ 339.52 | -45.4% |
| Police | 613.00 | 608.00 | 274.18 | -55.3% |
| General Government | 759.00 | 753.00 | 558.52 | -26.4% |
| Library | 506.00 | 502.00 | 315.74 | -37.6% |
| Cultural Services/Museum | 422.00 | 419.00 | 301.09 | -28.7% |
| Parks | 2,471.00 | 2,452.00 | 2,849.96 | 15.3% |
| Recreation | 1,101.00 | 1,092.00 | 808.61 | -26.6% |
| Trails | 369.00 | 366.00 | 320.47 | -13.2% |
| Open Lands | 619.00 | 614.00 | 665.02 | 7.4% |
| | $ 7,482.00 | $ 7,423.00 | $ 6,433.11 | -14.0% |
| | | | | |
| **Commercial (per sq. ft.)** | | | | |
| Fire-Rescue | $ 0.30 | $ 0.61 | $ 0.38 | 26.7% |
| Police | 0.39 | 0.60 | 0.31 | -20.5% |
| General Government | 0.42 | 0.74 | 0.63 | 50.0% |
| | $ 1.11 | $ 1.95 | $ 1.32 | 18.9% |
| | | | | |
| **Industrial (per sq. ft.)** | | | | |
| Fire-Rescue | $ 0.03 | $ 0.08 | $ 0.09 | 200.0% |
| Police | 0.05 | 0.08 | 0.07 | 40.0% |
| General Government | 0.06 | 0.10 | 0.15 | 150.0% |
| | $ 0.14 | $ 0.26 | $ 0.31 | 121.4% |

City of Loveland



# Discussion Topics from the September 22, 2015, Study Session

| Topic | Staff Comment | Council Responses |
|---|---|---|
| **Project Reserves** | Reserves will be maintained in the various CEF accounts as required. If direction to use plans based approach is the preferred methods of setting the fees, reserve balances will not be used in the calculation. | The City does not have a choice on the accounting for CEF reserves. Moving to the Plans Based method will cause accumulated reserves to lower future fees. |
| **Buildout** | For some of the CEFs, the City may be approaching the point at which the fees should be reduced. | Council members should discuss with staff if there is any reason not to conduct the buildout analysis when fees are reviewed for updates. |

City of Loveland

# Discussion Topics from the September 22, 2015, Study Session continued

| | | |
|---|---|---|
| **Financing of Projects**<br>**Internally**<br>**Externally** | Staff will identify projects that are candidates for internal or external financing and include the analysis in the next fee setting process. Internal financing has a much smaller impact than external financing. | Council members should let us know if they support or object to the use of internal or external financing of projects. |
| **Community Based Impact Fee Review Committee Process** | Staff will conduct this process if that is Council member's preference. | Individual Council members may advise staff on their own preference. |

City of Loveland



# Discussion Topics from the September 22, 2015, Study Session continued

| | | |
|---|---|---|
| **Transition From Buy-in to Plans Based** | Staff finds that some of the fees are more ready for transition that others. | Council can provide feedback on their view of which fees may be ready for transition. |
| **Capital Program Fit** | The Budget Office will be presenting the update and the findings will provide guidance for future projects to be funded by CEFs. | Staff assumes this process is one that Council members support. |
| **Annual Cost Adjustments** | Staff recommends that this is very important to do.  We are searching for additional sources of construction cost increases as the Engineering News Record data has been extraordinarily low for many months, and not consistent with bidding results. | If Council members do not agree with annual cost adjustments, then staff would prepare an amendment to the Code section that requires annual adjustment. |

City of Loveland



# Discussion Topics from the September 22, 2015, Study Session continued

| | | |
|---|---|---|
| **Periodic Update** | Staff looking for some feedback on whether to do updates more frequently than five years. | Council members could let staff know if they would prefer a three year cycle. |
| **Outside Contributions** | What is the appropriate planning assumption for outside contributions for the CEFs? | The range of options is to assume no contributions up to the amounts included in the consultant's report. |

City of Loveland

# Open Discussion

Time for comments, questions, clarifications

# Next Steps