

**CITY OF CENTRAL, COLORADO
ORDINANCE NO. 10-02**

**AN ORDINANCE AMENDING ARTICLE XI OF CHAPTER 4 OF THE
MUNICIPAL CODE CONCERNING THE IMPOSITION, COMPUTATION,
AND COLLECTION OF IMPACT FEES ON NEW RESIDENTIAL AND NON-
GAMING COMMERCIAL DEVELOPMENT**

WHEREAS, pursuant to the City's home rule authority and Home Rule Charter and consistent with the authority granted in C.R.S. § 29-20-101, *et seq.*, and as a condition of issuance of a building permit, the City of Central may impose an impact fee or other similar development charge to fund expenditures by the City on capital facilities needed to serve new development; and

WHEREAS, the City Council previously adopted impact fees through enactment of Ordinance No. 08-05, which established impact fees for police, fire, public works and transportation systems and facilities; and

WHEREAS, subsequent to the enactment of Ordinance No. 08-05, the City Council retained BBC Research & Consulting ("BBC") to update and assess the City's current impact fees and to calculate new impact fees for several municipal infrastructure categories, including police, fire, public works, culture and recreation and public facilities; and

WHEREAS, BBC has prepared a document titled "Central City Impact Fee Study – Final Report" dated November 18, 2009 along with a Technical Appendix, together referred to herein as the "Impact Fee Study," and

WHEREAS, based on reasonable methodologies and analyses for determining the impacts of new development on the City's police, public works, fire protection, public facilities and culture and recreation facilities, the Impact Fee Study quantifies the reasonable impacts of new development on these capital facilities, and establishes impact fees no greater than are necessary to defray the projected impacts on these capital facilities directly related to proposed new development; and

WHEREAS, in considering the impact fees to help fund new and expanded capital facilities and improvements, BBC reasonably determined how and if residential and non-gaming commercial development generated demand for new capital facilities and improvements and what percentage of the total cost projection was attributable to new growth; and

WHEREAS, the police, fire, public works, culture and recreation, and public facilities impact fees to be imposed on new development will be and are hereby legislatively adopted, will be generally applicable to a broad class of property, and are intended to defray the projected impacts on such facilities and improvements caused by proposed development as required by law; and

WHEREAS, the City Council finds that imposition of impact fees on new development of gaming uses is not justified at this time as the Impact Fee Study recognizes that gaming development currently pays its way through the City's imposition of device and licensing fees on gaming establishments that is intended to assist the City in paying costs for transportation improvements that are necessary as a result of and roughly proportionate to the impacts on the City of limited gaming; and

WHEREAS, the Impact Fee Study quantifies the reasonable impacts of proposed development on existing police and fire prevention facilities, public works facilities, cultural and recreation facilities, and public facilities and the reasonable costs of infrastructure that would be necessary to construct and expand the City's capital facilities to accommodate the additional demands and impacts of proposed developments in the City, and based upon the Study, the evidence presented at the public hearing and a review of all of the facts and circumstances, in the reasonable judgment of the Council, the impact fees hereby established are at levels no greater than necessary to defray the impacts directly related to new residential development; and

WHEREAS, in support of this legislation, the Impact Fee Study has been presented to and reviewed by the City Council; and

WHEREAS, in adopting the police, fire, public works, cultural and recreation, and public facilities impact fees, the City Council intends and has determined that such fees are designed to and do address capital facilities needs which are brought about by residential and non-gaming commercial development generally, which facilities are separate and distinct from the impacts and needs addressed by other requirements of the Municipal Code, and in no circumstance do the impact fees set forth herein address the same subjects as other requirements of the Municipal Code for site specific dedications or improvements; and

WHEREAS, the impact fees hereby adopted do not remedy any deficiency in existing capital facilities without regard to the proposed residential development; and

WHEREAS, provisions are included herein to ensure that no individual landowner/applicant is required to provide any site specific dedication or improvement to meet the same need for capital facilities for which the impact fees or other similar development fee is charged; and

WHEREAS, provisions are included herein that provide for an offset or credit against the impact fees payable by a particular applicant where a site specific dedication or improvement is required from the same applicant for the same capital need; and

WHEREAS, the impact fees adopted hereby shall be collected and accounted for in accordance with C.R.S. § 29-1-801, *et seq.*, and each of the categories of impact fees adopted herein shall be accounted for separately; and

WHEREAS, the City Council held a public hearing to discuss, review and hear public comments on the proposed impact fees set forth herein; and

WHEREAS, based upon the evidence presented, in the reasonable judgment of the City Council, it finds that: (1) new development upon which the impact fees are charged creates a need for the capital facilities being funded by the fees; (2) new development will benefit from the construction of the facilities and improvements to be funded by the impact fees; and (3) the amounts of the facilities and improvements funded by the impact fees are directly related to that required by new residential development; and

WHEREAS, the City Council desires to update its impact fees in accordance with the Impact Fee Study through the adoption of this Ordinance and amendments to Article XI of Chapter 4 of the Central City Municipal Code ("Municipal Code").

**BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF CENTRAL, COLORADO,
THAT:**

Section 1. The foregoing recitals are hereby affirmed and incorporated herein by this reference as findings of the City Council.

Section 2. Section 4-261, titled "Legislative findings," of Chapter 4 of the Municipal Code is hereby amended to read in full as follows:

Section 4-261. Legislative findings.

New residential development imposes increasing demands upon the City's police, fire and public works departments and related capital facilities; the City's public facilities, as well as its culture and recreation infrastructure, and often overburdens such facilities and systems. The provisions of this Article are intended to impose certain fees to be collected at the time of building permit issuance in an amount calculated as shown herein for the purpose of funding the provisions of additional capital improvements as the City's population increases. The imposition of said fees on residential and non-gaming commercial development is intended to regulate the use and development of land by ensuring that new growth and development in the City bear a proportionate share of the costs of capital expenditures necessary to provide police, fire, public works, culture and recreation and general government facility capital improvements. Said fees shall not be used to collect more than is necessary to fund such capital improvements. The fees provided for in this Article are based on the Impact Fee Study as herein defined and referenced. Funds collected from said fees shall not be used to remedy existing deficiencies, but only to provide new capital improvements which are necessitated by new development. The amount of revenue generated by said fees shall not exceed the cost of providing the capital improvements for which they are imposed, and the same shall be expended solely to provide the specified capital improvements.

Section 3. Section 4-262, titled "Definitions," of Chapter 4 of the Municipal Code is hereby amended to add or amend the following specific definitions to read as follows:

Section 4-262. Definitions.

New Definitions:

Non-gaming commercial development shall mean any development approved by the City for non-residential, non-gaming commercial uses.

Impact Fees Fund shall mean the separate interest bearing account or fund into which all Impact Fees received are placed and all related and allowable expenditures are made. The Impact Fees Fund may, but is not required, to be placed in a separate banking account that is separate from the other cash funds of the City provided that the accounting of such funds clearly identifies the category of capital improvements (e.g., police, fire, etc.) for which such fees were imposed in accordance with C.R.S. Section 29-1-803.

Amended Definition:

Impact Fee Study shall mean the report prepared by BBC Research & Consulting dated November 18, 2009 titled *Central City Impact Fee Study – Final Report*, together with the Technical Appendix referenced therein, copies of which are on file at City Hall, 141 Nevada Street, Central City, Colorado, as herein adopted by reference.

Section 4. Section 4-263, titled "Calculation of impact fees," of Chapter 4 of the Municipal Code is hereby amended to read in full as follows:

Section 4-263. Calculation of impact fees.

For each category of capital improvements for which an impact fee is established under the provisions of this Article, the amount of each such impact fee shall be determined on a per dwelling unit and, for non-gaming commercial development on a per square foot basis. The amount of the fee will be automatically adjusted annually commencing January 1, 2011 according to the Turner Building Cost index, provided that no adjustment shall be made in any year if the index reflects a decrease in building costs for the previous year. Said adjustment shall be made by the Finance Director in January of each year.

Section 5. The third sentence of subsection (a) of Section 4-267, titled "Use of fee proceeds," of Chapter 4 of the Municipal Code is hereby amended to read as follows, with the remainder of Section 4-267 to be retained:

Section 4-267. Use of fee proceeds.

(a) ... Eligible costs which may be paid from revenues derived from such fees may include, without limitation, design, surveying and engineering fees; the cost of purchasing or leasing real property; construction costs; other capital improvement costs; the costs of developing the Impact Fee Study and administering the impact fee program.

Section 6. Subsections (a)(1) and (a)(2) of Section 4-271, titled "Exemption from impact fees," of Chapter 4 of the Municipal Code is hereby amended to read as follows:

(a) Except where expressly stated for a particular impact fee, the following types of development shall be exempted from payment of the impact fees imposed by this Article:

(1) Reconstruction, expansion or replacement of a dwelling unit existing on the effective date of the ordinance codified herein; provided that any change in use of a building from gaming to non-gaming commercial that involves development for which a building permit is required, shall require application of this Article and payment of impact fees in accordance herewith.

(2) Construction of an unoccupied, detached accessory structure, related to a dwelling unit; provided, however, that with respect to the public works impact fee, this exemption may be applied to construction of any unoccupied, detached accessory structure, provided such structure will not produce additional vehicle trips over and above those produced by the primary building or land use.

Section 7. Division 2 of Article XI of Chapter 4 of the Municipal Code is hereby repealed in its entirety and replaced in full with the following provision:

Division 2. Specific Impact fees.

Section 4-281. Impact Fees Calculation.

(a) All fees collected under this Article shall be deposited into segregated line items within each category of the Impact Fee Fund. The Impact Fee Fund shall accrue interest based upon the Fund's proportionate cash balance in relationship to the City's other funds. Interest income earned on the fees deposited therein shall be credited to the Impact Fees Fund. Funds withdrawn from any impact fee category shall be used only for the purposes specified in this Article and said expenditures shall be subject to the provision of this Article.

(b) Commencing upon the effective date of the ordinance codified herein, and as a condition of issuing a building permit for any new dwelling unit or for any non-gaming commercial development in the City, and except as otherwise exempted by City Council, the following impact fees shall be imposed and collected on a per-unit or per square foot basis for the purpose of defraying the projected impacts on capital facilities of the City caused by the proposed development:

CATEGORY OF IMPACT FEE	PER RESIDENTIAL DWELLING UNIT	PER SQUARE FOOT OF NON-GAMING COMMERCIAL DEVELOPMENT
Police	\$397.00	\$0.40
Fire	\$959.00	\$0.96
Public Works	\$1619.00	\$3.02
Culture and Recreation	\$606.00	\$0.61
Public Facilities	\$1292.00	\$1.29
TOTAL	\$4873.00	\$6.28

Section 8. Except as amended herein, all remaining provisions of Article XI of Chapter 4 of the Municipal Code shall remain in full force and effect.

Section 9. Safety Clause. The City Council hereby finds, determines, and declares that this Ordinance is promulgated under the general police power of the City of Central, that it is promulgated for the health, safety, and welfare of the public, and that this Ordinance is necessary for the preservation of health and safety and for the protection of public convenience and welfare. The City Council further determines that the Ordinance bears a rational relation to the proper legislative object sought to be attained.

Section 10. Severability. If any clause, sentence, paragraph, or part of this Ordinance or the application thereof to any person or circumstances shall for any reason be adjudged by a court of competent jurisdiction invalid, such judgment shall not affect application to other persons or circumstances.

Section 11. Effective Date. This Ordinance shall be effective upon publication following final passage in accordance with Section 5.9 of the Home Rub Charter.

INTRODUCED, READ AND ADOPTED by title only on first reading at the regular meeting of the City Council of the City of Central on the 19 day of January, 2010, at Central City, Colorado.

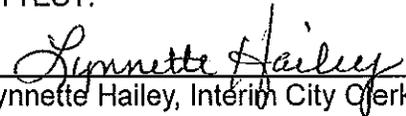
PASSED AND ADOPTED on second reading at the regular meeting of the City Council of the City of Central on the 2 day of February, 2010.

CITY OF CENTRAL, COLORADO



Ronald L. Slinger, Mayor

ATTEST:



Lynnette Hailey, Interim City Clerk

APPROVED AS TO FORM:



Linda C. Michow, City Attorney

POSTED IN FULL AND PUBLISHED BY TITLE AND SUMMARY in the Weekly Register Call newspaper on January 21, 2010.

POSTED AND PUBLISHED BY TITLE AND SUMMARY AS AMENDED ON SECOND READING in the Weekly Register Call newspaper on February 4, 2010.

CITY OF CENTRAL, COLORADO



Ronald L. Slinger, Mayor

ATTEST:



Lynnette Hailey, Interim City Clerk



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November 18th, 2009

Ms. Lynnette Hailey
City Manager
Central City
141 Nevada Street
Central City, CO 80427

Re: Central City Impact Fee Study – Final Report

Dear Ms. Hailey:

Central City hired BBC Research & Consulting (BBC) to calculate impact fees for several municipal infrastructure categories including police, fire, public works, culture & recreation, and public facilities. This report is organized into the following sections:

- Current and Projected Land Uses
- Levels of Service
- Methodology #1. Acquisition Cost
- Methodology #2. Replacement Cost
- Methodology #3. Capital Improvement Plans (CIPs)
- Summary of Methodologies
- Implementation Recommendations

Throughout this report we have chosen the Central City Police Department to illustrate the various assumptions and calculations necessary in an impact fee study. In our professional judgment, focusing on one department's spreadsheets as an example makes the report easier to read and understand.

Detailed spreadsheets for the other impact fee categories (i.e., fire, public works, culture & recreation, and public facilities) are contained in our Excel-based impact fee model which has been forwarded to the City under separate cover and should be considered the Technical Appendix to this report.

Current and Projected Land Uses

Exhibit 1 below details Central City's current and projected residential units, non-gaming square feet (e.g., retail, office, industrial, institutional) and gaming square feet. Build-out is not associated with any particular year, but rather is related to Central City's current inventory of vacant land, redevelopment opportunities and potential future annexations and rezoning petitions.

Exhibit 1.

Current and Projected Build-Out Land Uses by Type

	Units or Square Feet Year 2009	Buildout	Total Square Footage Growth	Percent of Total Growth
Residential Units ⁽¹⁾	427	3,882	5,182,227	69%
Non-Gaming Sq. Ft. ⁽²⁾	208,563	558,563	350,000	5%
Non-Gaming and Residential Sub-Total	635,563	6,167,790	5,532,227	
Gaming Square Feet ⁽³⁾	904,311	2,904,311	2,000,000	27%
TOTAL SQUARE FOOTAGE	1,539,874	9,072,101	7,532,227	100.0%

Notes:

- (1) Residential Units are assumed to be approximately 1,000 square feet in size on average currently and 1,500 square feet to build out. Build out figure of 3,882 dwelling units assumes 5,000 residents at the current average of approximately 1.3 persons per household. If Central City's persons/household figure increases over time to approach the more traditional Colorado-wide average of +/- 2.5 persons per household then less new dwelling units would be estimated.
- (2) Non-Gaming Square Feet is comprised of retail, office, lodging, warehouse, industrial, institutional, etc. uses not within a casino building.
- (3) Gaming Square Feet is comprised of all land uses under roof within a casino building.

At the August 4th work session, City Council directed City staff to make the housing units forecast consistent with the Comprehensive Plan population forecast. The growth figures in Exhibit 1 thus project 3,455 "net new" additional dwelling units (i.e., 3,882 build-out units minus 427 current units). The "net new" concept is important in that it accounts for anticipated demolitions and redevelopment projects.

As indicated in the last column of Exhibit 1, the vast majority (i.e., 69 percent) of expected new square footage growth in Central City between now and build-out will be residential. New gaming square feet is the next largest growth category, and new non-gaming square feet is the smallest growth category.

In summary, the data in Exhibit 1 are consistent with both the Comprehensive Plan growth assumptions and City Council's specific direction on August 4th.

Levels of Service

This section of the report addresses the current level of service provided by each City department to their service population. Impact fees are designed to help the departments maintain this level of service in the future as growth occurs.

Exhibit 2 below outlines a portfolio approach to level of services. In other words, we believe that levels of service should not be denominated by a single number but rather be represented by a composite of important service delivery factors.

Exhibit 2.

A "Portfolio Approach" to Level of Service

<i>Impact Fee Category</i>	<i>Level of Service Factors</i>
<i>Police</i>	Police Officers/Population Ratio; Officers/Visitors Ratio, Calls/Officer, Training & Accreditation Standards, Response Time
<i>Fire</i>	Fire Response Time, Training & Accreditation Standards, ISO Rating
<i>Public Works</i>	Works Lane Miles/Population Ratio, Lane Miles/Visitors Ratio, Traffic LOS – A to F, Pavement Condition, Parking Ratios, Snow Plowing Standards
<i>Culture & Recreation</i>	Type of Amenity, Square Feet/Population Ratio, Square Feet/Visitor Ratio, Park Acreage Standards, Trail Standards
<i>Public Facilities</i>	Type of Amenity, Square Feet/Employee Ratio, Square Feet/Population Ratio, Square Feet/Visitors Ratio

Source: BBC Research & Consulting

To use the Central City Police Department as an example, it has a certain current staffing ratio of trained and accredited officers per population and per visitor. Moreover, it currently responds to a certain number of annual calls per officer in an average response time per call.

As growth occurs, Central City will have to add police officers – and those officers will require new space, vehicles and equipment – to maintain this level of service. Paying the salaries of the new officers and other operating costs such as fuel and supplies is not impact fee eligible, but paying for the associated growth-related infrastructure is impact fee eligible.

For impact fee purposes, we want to know the following: “How much is it fair and equitable for Central City to charge new development to maintain its current Police level of service as growth occurs?” The same question could be re-phrased for each of the municipal infrastructure categories under consideration in this study including fire, public works, culture & recreation, and public facilities.

There are three commonly accepted ways to answer this fundamental question:

- Base impact fees on what Central City originally paid for infrastructure in that particular category;
- Base impact fees on the replacement cost of Central City’s infrastructure in that particular category; or
- Base impact fees on Capital Improvement Plans (CIPs) that detail Central City’s growth-related infrastructure needs by category.

In our professional judgment and experience, all three of these methodologies are consistent with Colorado state law and there is precedent for all of them being used by local governments in Colorado. This finding is confirmed by our past impact fee work over the last twenty years, including over 30 impact fee studies in Colorado alone and more than 120 such studies nationally.

Methodology #1. Impact Fees Based on Current Infrastructure at Acquisition Cost

This methodology begins by asking the following question: “What current assets allow Central City to maintain its current levels of service?” The premise is that it would be fair and equitable to charge new growth the same amount per unit as existing residents and businesses in Central City already own in infrastructure.

This section of the report lists the Police Department’s current assets based on Central City’s very thorough and recent General Fixed Assets & Depreciation Schedule. These assets are used to maintain the levels of service from Exhibit 2.

For example, Exhibit 3 below summarizes the current assets of the Central City Police Department. Similar lists for the other impact fee categories can be found in the Technical Appendix.

Exhibit 3.
Central City Police Department Current Assets—2009

Type of Capital Infrastructure	Acquisition Cost	times	Equity Percentage	times	Shared Facility (% in fee)	equally	Amount to Include in Current Investment
Vehicles	\$ 230,040		100%		100%		\$ 230,040
Equipment	\$ 67,658		100%		100%		\$ 67,658
Buildings	\$ 100,774		100%		100%		\$ 100,774
Land	\$ -		100%		100%		\$ -
Infrastructure	\$ -		100%		100%		\$ -
Total Infrastructure	\$ 398,472						\$ 398,472
Plus Cost of Fee-Related Research Impact Fee Study ⁽¹⁾	\$ 18,000		100%		20%		\$ 3,600
Grand Total	\$ 416,472						\$ 402,072

Notes:

(1) The \$18,000 cost of the Impact Fee Study is divided evenly between the 5 Impact Fee categories at 20 percent each.

Source:

Central City General Fixed Assets & Depreciation - Continuity Schedule Dated December 31, 2008

Current assets of the Central City Police Department include vehicles, equipment and buildings. Collectively, the acquisition cost of the Department's current assets is approximately \$402,000.

The next step in this methodology is to distribute those current assets to Central City's current residential and nonresidential land-uses. As shown in Exhibit 4 below, Central City's current investment in Police infrastructure is \$261 per residential unit and is \$0.26 per non-gaming square foot.¹

¹ Please note that no calculation is performed for gaming square feet here or in the subsequent two methodologies. This is because in our judgment, and based on an analysis of Central City's budget, gaming already more than "pays its own way" for operations and maintenance in Central City and the resulting fiscal surplus (i.e., revenues in excess of expenditures) can be used for growth-related capital project thus rendering impact fees unnecessary for this land-use category. Moreover, none of our methodologies increase fees on non-gaming land uses to off-set a potential waiver or reduction in gaming impact fees.

Exhibit 4.
Current Investment per Residential and Nonresidential Unit—Central City Police Department

Current Investment Calculation	
Acquisition Cost for Police Capital Improvements ⁽¹⁾	\$ 402,072
Current City Land Use ⁽²⁾	
Residential (in dwelling units)	28%
Non-Gaming (in square feet)	14%
Gaming (in square feet)	59%
Allocated Value by Land Use Category	
Residential	\$ 111,493
Non-Gaming	\$ 54,457
Gaming	\$ 236,122
Current City Development ⁽²⁾	
Residential (in dwelling units)	427
Non-Gaming (in square feet)	208,563
Calculated Current Investment	
Residential (per dwelling unit)	\$ 261
Non-Gaming (per square foot)	\$ 0.26

Note:

(1) See Exhibit 3.

(2) See Exhibit 1.

(3) See Exhibit 1.

Source: BBC Research & Consulting.

Central City's elected officials could choose to adopt impact fees based on this "acquisition cost" methodology. The Technical Appendix contains similar calculations to those found in Exhibits 3 and 4 for all of the other infrastructure categories under consideration in this study.

The advantages of this methodology are simplicity and intuitiveness. Impact fees calculated in this manner are easy to calculate, require the fewest assumptions and often strike citizens and other stakeholders as inherently equitable.

The disadvantage of this methodology is that it does not factor in inflation that has occurred since the infrastructure was acquired, and could thus "under collect" from future development leading to a diminution of service levels over time.

Methodology #2. Impact Fees Based on Current Infrastructure at Replacement Cost

This methodology is identical to the preceding approach except that it uses "replacement cost" in lieu of "acquisition cost" to overcome the above disadvantage.

Our analysis of Central City's General Fixed Asset & Depreciation Schedule suggests that the cumulative median valuation of the City's infrastructure occurred in 1998. This means that half of the City's assets by valuation amount was purchased before 1998 and half after.

The Turner Building Cost Index, a well-respected national index that measures material prices and labor productivity for infrastructure construction and acquisition, was "549" in 1998. That same index number is currently "837" in the second quarter of 2009, which is the most recent data available. This suggests that infrastructure prices have increased approximately 52 percent since 1998 (i.e., from "549" to "837").

Impact fee calculated using this methodology estimate Central City's replacement cost by increasing the acquisition cost by 52 percent. In our professional judgment, this is a reasonable methodology for estimating replacement cost and is consistent with our impact fee work across Colorado and the Western U.S. over the last 20 years.

The advantage of this methodology is that it combines simplicity and intuitiveness with a recognition that infrastructure costs have increased over time. In other words, Central City cannot buy or build new growth-related infrastructure at 1998 prices any more.

The disadvantage of this methodology is that it requires an assumption about how to calculate the appropriate inflation rate to determine infrastructure replacement costs. Reasonable people can and often do disagree about this issue.

Methodology #3. Impact Fees Based on Capital Improvement Plans (CIPs)

The methodology begins by asking the following question: "What new infrastructure is required to maintain the current level of service for future growth?" The premise is that it would be fair and equitable to charge new growth for those specific infrastructure items that will be required to serve it.

Central City plans on constructing new buildings, rehabilitating existing structures, and purchasing new vehicles and equipment during the CIP period. However, not all of these new infrastructure purchases are associated with growth.

For example, consider the Central City Police Department's future infrastructure needs. Some capital costs are for repair and replacement of capital (e.g., standard periodic investment in existing facilities such as replacing old police vehicles). These costs *are not* impact fee eligible. Some capital costs are for betterment of facilities, or implementation of new services (e.g., adding new more sophisticated investigative equipment). These costs *are generally not entirely* impact fee eligible. Finally, some costs are for expansion of capital to accommodate new development at

the current level of service (e.g., purchase of new police vehicles to accommodate expanding population). These costs *are* impact fee eligible.

Because there are different reasons why Central City invests in capital projects, BBC conducted a “GRUM” Analysis on all projects listed in the Police CIP (and the other CIPs contained in the Technical Appendix):

- **Growth.** The “G” in GRUM stands for growth. To determine if a project is solely related to growth, we ask “Is this project designed to maintain the current level of service as growth occurs?” and “Would the Police Department still need this capital project if Central City weren't growing at all?” “G” projects are only necessary to maintain the Department’s current level of service as growth occurs. It is thus appropriate to include a high percentage of their cost in the impact fee calculations.
- **Repair & Replacement.** The “R” in GRUM stands for repair & replacement. We ask, “Is this project related only to fixing existing infrastructure?” and “Would the Police Department still need it if Central City weren’t growing at all?” “R” projects have nothing to do with growth. It is thus not appropriate to include any of their cost in the impact fee calculations.
- **Upgrade.** The “U” in GRUM stands for upgrade. We ask, “Would this project improve the Police Department’s current level of service?” and “Would the Department still do it even if Central City weren’t growing at all?” “U” projects have nothing to do with growth. It is thus not appropriate to include any of their cost in the impact fee calculations.
- **Mixed.** The “M” in GRUM stands for mixed. It is reserved for capital projects that have some combination of G, R and U. “M” projects by their very definition are partially necessitated by growth, but also include an element of repair, replacement and/or upgrade. In this instance, a cost amount between 0 and 100 percent should be included in the fee calculations. Although the need for these projects is triggered by new development, they will also benefit existing residents.²

There are no projects in the following Police CIP that are 100 percent growth-related; none were determined by our study to be necessitated solely by growth. Alternatively, some projects were determined to be “mixed” in that they had elements of growth, repair and replacement and/or upgrade. In these situations, only a portion of the total cost of each project was included in the final impact fee calculation. The remainder of the cost of each “mixed” project should be paid by the City from non-impact fee revenue sources.

² In this report we have used 50 percent as a proxy for those “M” or mixed capital projects with a larger growth component, while 25 percent is used for those capital projects with a lesser growth component.

Exhibit 5 below includes Police infrastructure projects (including replacements, repairs and upgrades) Central City plans to purchase between now and build-out.

Exhibit 5.

Central City Police Department Capital Improvement Plan, 2009 to Build-out

Type of Capital Infrastructure ⁽¹⁾	Sq. Ft. or Units	CIP Value	Times	Growth Portion	Shared Facility (% In Fee) ⁽⁶⁾	Amount to Include in Fees
Facilities						
New City Hall Facility ⁽²⁾	0	\$ 13,500,000		50%	45%	\$ 3,037,500
Vehicles						
Replace Current Fleet at \$55,000 each every 5 Years ⁽³⁾	8	\$ 1,760,000		0%	100%	\$ -
Acquire New Police Vehicles at \$55,000 each Due to Growth ⁽⁴⁾	20	\$ 1,100,000		50%	100%	\$ 550,000
Replace New Police Vehicles at \$55,000 each every 5 Years ⁽⁵⁾	20	\$ 1,100,000		0%	100%	\$ -
Equipment						
Acquire 1 new LIDAR laser unit at \$6,000	1	\$ 6,000		50%	100%	\$ 3,000
Replace 6 portable breath analyzers at \$1,000 each	6	\$ 6,000		0%	100%	\$ -
Total Infrastructure		\$ 17,472,000				\$ 3,590,500
Plus Cost of Fee-Related Research Impact Fee Study ⁽⁷⁾		\$ 18,000		100%	20%	\$ 3,600
Grand Total		\$ 17,490,000				\$ 3,594,100

Notes:

- (1) The Impact Fee Study assumes growth to build out for Central City.
- (2) New City Hall Facility cost includes land acquisition, building design, site preparation and construction.
- (3) Current Fleet is 8 cars at \$35,000 each + \$20,000 each for equipment, multiplied by replacement 4 times over the next 20 years. Please note that build out may exceed twenty years.
- (4) Assumes Police will acquire a total of 20 new vehicles as growth occurs over the next 20 years. Please note that build out may exceed twenty years.
- (5) Assumes 20 new vehicles will be replaced every 5 years after initial purchase, or 3 times over the next 20 years. Please note that build out may exceed twenty years.
- (6) Indicates the new capital improvement will be utilized by other city services.
- (7) The \$18,000 cost of the Impact Fee Study is divided evenly between the 5 Impact Fee categories at 20 percent each.

After accounting for completely non-growth related and "mixed" purchases, the total value of impact fee-eligible capital construction and purchases is approximately \$3.6 million. This number represents growth's "fair share" of Central City's future Police infrastructure needs.

Please note that while some capital projects are listed in the CIP above (e.g., replacing current patrol cars and breath analyzers), they are not included in the impact fee calculations. This is because under the "GRUM" concept discussed previously, these projects are related to repair, replacement and/or upgrade of existing infrastructure. Central City plans to invest in these infrastructure improvements regardless of the pace of future growth. It would thus be inequitable to ask new development to help pay for these projects.

If Central City adopts impact fees, it will be responsible for funding the balance of these projects from non-impact fee revenue sources. In other words, existing Central City residents and businesses will have to contribute their fair share either through ongoing General Fund revenue that has yet to be budgeted or other future sources of revenue.

The next step in this methodology is calculate how much of the fee-eligible infrastructure will be paid by new growth. Using the distribution of future land-use from Exhibit 1, we can assign

future infrastructure costs from Exhibit 5 to the appropriate land use category and calculate the applicable fees. Our results are shown in Exhibit 6 below.

Exhibit 6.

Calculation of Police Impact Fees

Impact Fee Calculation	
Allocated Future Value for Police Capital Improvements ⁽¹⁾	\$ 3,594,100
Future City Land Use ⁽²⁾	
Residential (in dwelling units)	69%
Non-Gaming (in square feet)	5%
Gaming (in square feet)	27%
Allocated Value by Land Use Category	
Residential	\$ 2,472,767
Non-Gaming	\$ 167,007
Gaming	\$ 954,326
Future City Development ⁽²⁾	
Residential (in dwelling units)	3,455
Non-Gaming (in square feet)	350,000
Calculated Impact Fee	
Residential (per dwelling unit)	\$ 716
Non-Gaming (per square foot)	\$ 0.48

Note:

(1) See Exhibit 5.

(2) See Exhibit 1.

Source:

Central City staff and BBC Research & Consulting.

As indicated above, we have calculated a potential Police impact fee of \$716 per new residential unit and 48 cents per non-gaming square foot of commercial development.

Central City's elected officials could choose to adopt impact fees based on this CIP methodology. The Technical Appendix contains similar calculations to those found in Exhibits 5 and 6 for all of the other infrastructure categories under consideration in this study.

The advantages of this methodology are that it gives City staff and future elected officials clear guidance on what projects are eligible for impact fee funding, and it is thus transparent to fee payers and stakeholders.

Moreover, this methodology should track Central City's future growth-related capital needs more closely than the first two approaches because it is based on a "bottom up," department-by-department CIP analysis.

The disadvantage of this methodology is that it is the most complicated and requires the most assumptions. Reasonable people can and often do disagree about the growth allocations (i.e., the GRUM percentages) assigned to individual infrastructure projects.

Summary of Methodologies

Exhibit 7 below summarizes Central City's potential impact fees by category for each of the preceding three methodologies. As expected, fees based on current infrastructure at acquisition cost are the lowest amounts while total fees based on replacement costs and CIPs are very similar.

From a practitioner's perspective, this latter finding is quite robust and reassuring. It suggests that the CIP growth allocations are reasonable in that they closely track current investment at replacement cost. In other words, Central City would not be charging newcomers more for infrastructure than it has already spent on a per unit basis.

Exhibit 7.

Summary of Impact Fee Amounts by Category and Methodology

Impact Fee Category	CIP-Based Impact Fees	Current Investment at Replacement Cost	Current Investment at Acquisition Cost
Police			
Residential (per dwelling unit)	\$716	\$397	\$261
Non-Gaming (per square foot)	\$0.48	\$0.40	\$0.26
Fire			
Residential (per dwelling unit)	\$1,825	\$959	\$631
Non-Gaming (per square foot)	\$1.22	\$0.96	\$0.63
Public Works			
Residential (per dwelling unit)	\$521	\$1,619	\$1,065
Non-Gaming (per square foot)	\$4.68	\$3.02	\$1.98
Culture & Recreation			
Residential (per dwelling unit)	\$376	\$606	\$399
Non-Gaming (per square foot)	\$0.25	\$0.61	\$0.40
Public Facilities			
Residential (per dwelling unit)	\$1,433	\$1,292	\$850
Non-Gaming (per square foot)	\$0.96	\$1.29	\$0.85
Total Fees			
Residential (per dwelling unit)	\$ 4,871	\$ 4,873	\$ 3,206
Non-Gaming (per square foot)	\$ 7.58	\$ 6.27	\$ 4.12

Source: BBC Research & Consulting

As noted previously in this report, there is no one perfect impact fee methodology. All have pros and cons, and all require assumptions about which reasonable people can disagree. In our professional judgment and experience, the elected officials of Central City would be justified in adopting impact fees based on any of three methodologies as long as the amounts adopted do not exceed the values listed in Exhibit 7 for that particular infrastructure category.

It is also important to remember that elected officials always have the discretion to adopt impact fees in amounts less than what is listed in Exhibit 7, and/or to phase in the amounts over time so that the fee schedule "ramps up" over a chosen period.

Implementation Recommendations

We offer the following recommendations for your consideration:

- Central City should promptly create and maintain an "Impact Fee Fund" separate and apart from the General Fund. All future impact fee revenue should be immediately deposited into this account, and withdrawn only to pay for growth-related infrastructure.
- The fees calculated in this study should be updated periodically as Central City plans to invest in additional growth-related infrastructure beyond what is listed in its CIPs, and/or the growth projections change significantly.
- The fees should be updated annually based on the *Turner Building Cost* index or other infrastructure inflation indices.
- Central City's impact fee ordinance should include language that allows the City to assess impact fees in cases where a building's land use changes from a category where no fees would be due (i.e., gaming uses) to a category where fees would be due (i.e., non-gaming).
- For projects listed in the Capital Improvements Plan that are not 100 percent growth-related (including "mixed" projects), Central City should assume the responsibility of paying its share from non-impact fee revenue sources.

Please feel free to contact me with any questions you might have about this report.

Sincerely,

--signature--

Thomas A. Pippin
Managing Director