



# Fee Philosophy Presentation

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October 10, 2016

# Purpose of this Presentation

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- This is a follow-up to the fee study presentation on June 13, 2016, which was a follow-up to the Fee Study done for the City and SACWSD
- Purpose and desired outcomes:
  - The purpose is to obtain Council direction on fees
  - Desired outcome is to develop a coherent fee philosophy



# Study Identified 3 Challenges

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- Use Tax
- Water Acquisition Fee
- Fees In-lieu of Parks Dedication



# Status of the 3 Challenges

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- By ordinance 2108 Council eliminated the Fee In-lieu of Parks Dedication for non-residential development
- Staff recommended no change on use tax since:
  - Our rate is higher
  - The 60% has been validated by tax audits
- Water Acquisition Fee needs additional analysis



# General Categories of Fees

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- Staff generally thinks of fees in three broad categories:
  - Development fees
  - Program fees
  - Service fees
- A fee philosophy can reflect the Council's priorities in each of these categories



# Thoughts For Council

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- It is easy to eliminate certain fees with the goal of encouraging development; but the Fee Study concluded that “Cost is not a factor in developing in Commerce City”
- To be legally defensible, fees must be based on a method of quantifying the reasonable impacts and shall be no greater than necessary to defray such impacts



# Background on C3 Fees - Admin<sup>7</sup>

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- Administrative fees were set based on average cost of providing a service
  - Theory that the cost of a service specific to individual and not a benefit to general public needs to recover 100% of direct cost
  - Exceptions are:
    - Business License fee has not been changed in decades
    - Rezoning R1 & R2 lots since those are encouraged
  - Annual revenues are approximately \$517,000



# Background on C3 Fees - Road

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- Road Impact Fee was set based on a road impact study that examined the different types of property uses and their estimated traffic volume to develop a cost estimate
- Cost estimate was then reduced to a 40% cost recovery due to market competition concerns
- Annual revenues are approximately \$350,000





# Background on C3 Fees - Parks

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- Parks & Recreation Fees In-lieu of Land Dedication (Park Impact Fee) presumably was set based on competitive market (other cities' fees on residential permits)
- The LDC contains a formula to calculate the fee and it may be time to examine the land value portion of the formula
- Revenues were approximately \$450,000



# Background on C3 Fees - Water

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- Water Acquisition Fee was set based on estimated amount of water needed for future City facilities and estimated cost of water
  - It originally applied only to residential permits
  - It was broadened to all permits in 2011
- Staff is working on a new estimate of water needed and revising the estimated cost of water
- Annual revenues are approximately \$420,000



# Background on C3 Fees – Drainage

- Drainage Basin Fees set based on estimated cost of constructing regional drainage improvements divided by the estimated amount of development anticipated to occur within the drainage basin
- Currently drainage basin fees exist for:
  - Buffalo Run Tributary – Direct Flow Area
  - Second Creek                      – Third Creek
- Annual revenues are approximately \$225,000



# Background on C3 Fees - Recreation

- Admission Fees are set by Council
- Recreation Program Fees vary and are set based on estimated cost of providing the various programs
- Annual admission revenues = \$365,000
- Annual recreation program revenues are approximately \$686,000



# Future Policy Direction

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- Staff will need policy direction from Council:
  - A fee philosophy will guide staff as we attempt to balance the need for revenue with the need for economic development
  - Fee philosophy can reflect the Council's priorities
    - Development fees
    - Program fees
    - Service fees



# Next Steps

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Topic	Study Session
Development fees discussion	October 24
Recreation fees discussion	November 14
Licensing fees discussion	November 28
Court/Law Enforcement/NS fees discussion	December 12
Administrative fees discussion	January 9
Draft ordinances or resolutions	

# Council Discussion & Direction

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- Is this the right approach?
- What other information will you want?



