



## **STAFF REPORT**

**To:** Honorable Mayor and Members of Town Council

**From:** David L. Corliss, Town Manager

**Title:** Discussion/Direction: Draft Impact Fee Study

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### **Summary**

The Town, like other Colorado municipalities, collects impact fees on new construction projects to ensure the Town's levels of service to the community can be maintained as Castle Rock continues to grow. Impact fees are collected when a building permit is issued to pay for growth-related improvements, facilities and equipment in the areas of transportation, fire, police, parks and recreation and municipal facilities. (System development fees for Castle Rock Water/Utilities are calculated separately, as part of the annual rates and fees study.) These one-time payments must be used solely to fund system improvements that benefit multiple development projects and the entire Town.

The Town updates these and other fees periodically to ensure they are aligned with market conditions. The Town's impact fees were last updated in 2016, based on an impact fee study performed by an external consultant. At that time, Council approved a fee structure that would increase fees by 9% in 2017 and 8.5%, exclusive of any needed utility fee increases, in 2018. Given the high growth rates over the past couple years, the Town engaged a consultant (Economic & Planning Systems Inc.) to help determine whether the fees being collected for development activity are adequate, given current economic conditions.

The consultant analyzed residential and nonresidential impact fees for transportation, fire, police, parks and recreation, and municipal facilities. The draft Impact Fee Nexus Study: Proposed Castle Rock 2019 Impact Fee Program (***Attachment A***) identifies that the Town should be charging significantly more for these fees, based upon estimated future project needs and higher construction costs.

Town staff has been discussing the needed increases with the development community in recent months and tonight will present the consultant's draft report to Council for consideration.

In order to accommodate capital needs necessitated by growth and maintain current levels of service, the Town would need to increase the current nonutility impact fees by

approximately \$5,800, or 53%, for a 2,600-square-foot home. (This is the average home size in Town for the past five years). Such an increase equates to approximately 0.37% of the value of a \$450,000 home in Castle Rock. This increase would put the fees at the supportable fee level as calculated in the consultant's study.

The majority of the fee increase is related to the capital needs necessitated by growth related to transportation and parks and recreation. Transportation staff has worked within a fiscally constrained model in the past in order to accomplish various growth-related road projects. The funding mix for these projects has included impact fees, sales tax, intergovernmental revenue and debt issuances that are ultimately paid back with impact fees. Growth helps pay for growth through impact fees, but growth does not carry the entire cost.

The Town's level of service related to Parks and Recreation has continued to decline over the recent years due to a limited amount of capital funds available for park and/or recreation construction. In early 2018, the Parks and Recreation Director presented Council and the community with the opportunity to select the location of the next neighborhood park. Although there are five park sites in Town ready for construction, the Town only has the fiscal ability to construct one park, largely due to artificially reduced park impact fees assessed in past years.

If impact fees are not increased, choices include 1) providing reduced levels of service to the community and/or 2) asking voters to provide for additional revenue sources, such as a property tax increase.

### **Attachments**

Attachment A: Draft Impact Fee Nexus Study: Proposed Castle Rock 2019 Impact Fee Program, EPS

Attachment B: Staff Report: Transportation CIP Forecasted Needs

Attachment C: Staff Report: Parks and Recreation CIP Forecasted Needs