

Meeting Date: September 17, 2019

AGENDA MEMORANDUM

To: Honorable Mayor and Members of Town Council

From: David L. Corliss, Town Manager

Title: Discussion: 2020 Development Impact Fees & CIP Planning

Executive Summary

Town Council directed staff to provide additional information pertaining to the recommendation to fully implement the maximum supportable residential development impact fees beginning January 1, 2020. The following information includes an overview of the impact related to alternative options for full implementation of the maximum fees, including options for the 2020 – 2024 Capital Improvement Program (CIP).

Impact fee revenue is the primary source of funding for growth-related needs in Castle Rock. Choosing to slow the timeline for full implementation of the maximum fee results in loss of revenue that can never be recovered and ultimately hinders the Town's ability to complete projects necessary to maintain levels of service in the growing community.

If the Town Council chooses an alternative timeline for full implementation, the CIP for Parks and Recreation and Transportation projects will be affected. Essentially, extending the timeline will reduce development-related revenues and the Town's ability to fund recommended projects in the 2020 – 2024 planning period.

Staff recommends to fully implement the maximum supportable impact fee for residential development beginning January 1, 2020. Implementing the maximum fee equates to roughly \$2,750 per residential home, or .61 percent of the value of a \$450,000 home. Full implementation of the maximum residential fee will help ensure that the capital demands of a growing community are supported by development at the highest possible amount.

Discussion

Impact Fees

Town Council, at the September 3, 2019 meeting, requested information related to alternatives to the proposed ordinance to increase to the maximum supportable impact fee beginning on January 1, 2020. The current impact fee ordinance, as approved in 2018, provided for a four-year phase in of fees for all development types. Residential impact fees were approved to increase to the maximum supportable amount, and non-residential impact fees were approved to increase 15 percent over the four-year period from 2019 to 2022. Application of an annual inflationary factor, based on various indices, was also approved in 2018. Because the Municipal Facilities, Police, and Fire

impact fees are currently at the maximum supportable amount, they are excluded from this discussion.

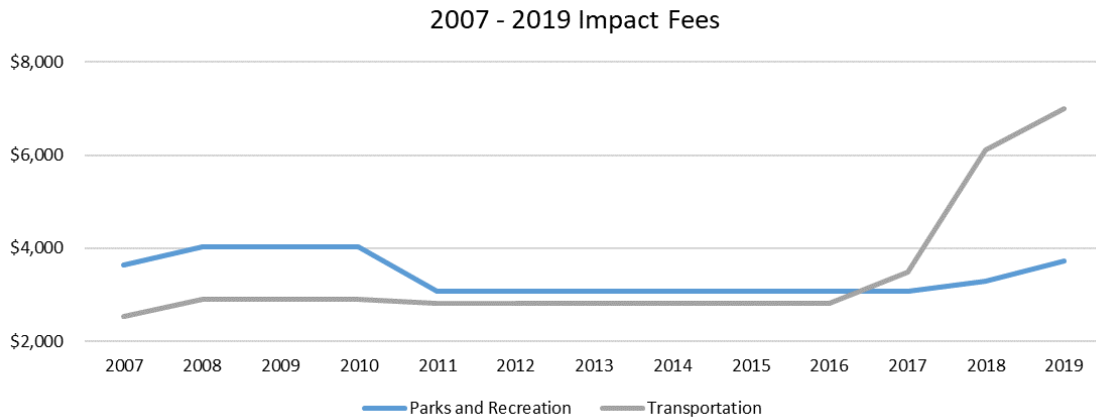
Ordinance 2019-031, as recommended, adjusts the timeline for full implementation of the maximum supportable impact fee for residential development to occur on January 1, 2020 rather than extending the schedule to January 1, 2022. The Town Council can adopt this option, or choose an alternative approach for full implementation of impact fee amounts, up to the maximum supportable level. Options are listed below, with more information regarding alternative implementation options available in **Attachment A**.

1. Option 1 (Recommended): Approve Ordinance 2019-031 as proposed, allowing for full implementation of the maximum supportable fees in 2020
2. Option 2: Delay full implementation of the maximum fee. Three alternatives are provided in **Attachment A** including delaying full implementation to:
 - a. 2022 for Parks & Recreation and Transportation impact fees (current law)
 - b. 2021 for both Parks & Recreation and Transportation impact fees
 - c. 2020 for Transportation and 2022 for Parks & Recreation impact fees

The Town Council can approve any of the included scenarios, or a different option, so long as the total impact fees do not exceed the maximum supportable amount as identified in the 2018 impact fee study. Each alternative to approving Ordinance 2019-031 results in less revenue to the Town for supporting growth-related projects. In each option, projects are likely to be delayed while also reducing the amount of funds accumulated for future project needs.

The Town has historically assessed impact fees lower than the maximum supportable amount. Previous choices regarding impact fee assessments incentivized non-residential development in the Town in order to increase opportunities for sales tax generation and primary employment. The net financial impact of applying a reduced non-residential impact fee is difficult to determine due in part to the size and type of non-residential development. Additionally, challenges are also related to determining possible fee rebates that would have occurred in order to attract retailers, as well as the amount of increased sales tax revenue received to support Town operations. Although difficult to determine, staff expects that the lost revenue from non-residential development fees is less than the impact of not assessing the full fee for residential development. At this time, the Town continues to assess non-residential fees that are lower than maximum supportable level. However, as approved in 2018, non-residential fees are continuing to increase 15 percent through 2022. It is important to note that some communities, such as Aurora, do not impose non-residential impact fees at all.

Similar to non-residential, residential fees have historically been below the allowable amount. Due to the nature of impact fee revenue, the Town is unable to recover lost revenue from not assessing the maximum supportable fee at the time of development. As identified in the following chart, the Parks & Recreation impact fee was reduced in 2011 by 24 percent. The fee was reduced from \$4,028 per 2,600 sq. ft. home to \$3,073. The 2019 fee that is currently being assessed remains lower than fees charged in 2008. The Transportation impact fee was reduced by 3 percent, or \$84 per home, in 2011 as well and has seen increases in beginning 2017 to help accommodate growth-related transportation needs.



Since 2007, it is estimated that the Town has not collected roughly \$14 million in Parks & Recreation and more than \$20 million in Transportation by not assessing the maximum supportable impact fee for residential development. More information about estimated impact fee collections is available in **Attachment B**. Note that the staff recommendation to fully implement the maximum fee does not recover amounts lost in the past, but ensures collection of full residential development fees moving forward.

The loss of \$14 million for Parks & Recreation and \$20 million for transportation undoubtedly affected the Town's ability to construct neighborhood parks and transportation projects over the past several years. Full implementation of the residential impact fee will ensure that the Town is receiving the maximum amount of revenue possible to accommodate growth-related capital needs including neighborhood parks, roadway capacity, and interchange availability.

CIP Impacts

Changes to the timeline for full implementation of the maximum supportable impact fee affects the projects that can be completed within the 2020 – 2024 Capital Improvement Program (CIP). Impacts to current CIP planning for each alternative discussed above are also provided in **Attachment A**. In general, impacts on Transportation and Parks & Recreation projects include:

- Delay of neighborhood park construction, including the Cobblestone Ranch project planned for 2020. Construction of five additionally identified neighborhood parks would also need to be delayed.
- Transportation-related projects would need to be delayed. The recommended project plan would be adjusted depending on the approved option. However, it is likely that Plum Creek Parkway widening, 5th Street improvements, Wolfensberger Road widening, Ridge Road widening and/or Crystal Valley Interchange construction would be affected.

Transportation planning for 2020 currently includes Plum Creek Parkway improvements (Gilbert to Eaton), Wilcox/South roundabout contribution, design of Highway 86/5th Street intersection, and \$4.6 million related to the Crystal Valley Interchange.

Ridge Road Option - 2020

Note that if Council chooses to shift the Ridge Road widening project to 2020, this will delay some design work related to the Crystal Valley Interchange to 2021, which also delays the Town's ability to provide the full contribution of \$20 million for the interchange until 2024, rather than 2023. Additionally, the timing of Transportation Capital projects (**Attachment C**) will need to be revised should the full implementation of maximum residential impact fees be delayed past 2020.

As the Town continues to grow, the demands for Parks & Recreation and Transportation needs also continue to grow. In the 2019 community survey, residents said traffic congestion is the growth-related item that causes them the most stress. They also said additional parks and recreation opportunities was one of the top two benefits of growth. Increasing the Transportation and Parks and Recreation impact fees would go toward addressing a negative aspect of growth and enhancing a positive aspect of it. Although options are available for full implementation of the maximum fee, staff recommends approval of Ordinance 2019-031, increasing impact fees to the maximum supportable amount beginning on January 1, 2020 in order to provide maximum possible funding for growth-related needs.

Possible Motions

This memo is provided for discussion purposes only.

Attachments

ATTACHMENT A: Development Impact Fee Options

ATTACHMENT B: Historical Impact Fee Collections

ATTACHMENT C: Recommended 2020 – 2024 Transportation CIP

Development Impact Fee Phase-in

Option 1: Maximum Allowable 2020 (Recommended)

Recommendation

Capital planning for 2020-2024 includes the recommended increase to development impact fees on January 1, 2020 to the maximum supportable amount identified in the 2018 Impact Fee Study performed by EPS. Information below demonstrates the impacts to extending the phase in period from what is currently proposed.

Option 1: Increase to max supportable by 2020 (Recommended)

Single-Family Fee (2,600 sq. ft.)	2020 Adopted Fee	2020 Recommended Fee (Option 1)	Difference from Adopted
Parks & Recreation	\$4,789	\$6,726	\$1,937
Municipal Facilities	354	354	-
Fire	1,097	1,097	-
Police	542	542	-
Transportation	7,416	8,236	\$820
Total Impact Fees	\$14,198	\$16,955	\$2,757

This option funds all projects as presented in the recommended 2020-2024 Capital Improvement Program.

CIP Impact

Projects within the Parks and Recreation Capital Fund and Transportation Capital Fund that can be accommodated in the Five Year CIP in this scenario include:

Parks and Recreation Capital Fund

- Construction of a new neighborhood park in the Cobblestone Ranch subdivision in 2020
- Construction of a new neighborhood park in a yet to be identified location in 2022
- Design and preconstruction work in 2023 and 2024 related to eventual construction of a new indoor recreation facility
- Accumulation of funds for four future neighborhood parks outside the five year planning period

Transportation Capital Fund

- Funding for the Crystal Valley Interchange totaling \$20 million from 2020-2023
- Widening of Plum Creek Parkway from Gilbert Street to Ridge Road
- Widening of Wolfensberger Road from Red Hawk Drive to Philip S. Miller Park
- Improving 5th Street from Gilbert Street to Ridge Road
- Widening of Ridge Road from Highway 86 to Plum Creek Parkway
- Accumulating funds for multiple projects outside the five year planning period

Development Impact Fee Phase-in

Option 2a: Maximum Allowable 2022 (Current Law)

Recommendation

Capital planning for 2020-2024 includes the recommended increase to development impact fees on January 1, 2020 to the maximum supportable amount identified in the 2018 Impact Fee Study performed by EPS. Information below demonstrates the impacts to extending the phase in period from what is currently proposed.

Option 2a: Increase to max supportable by 2022 (2 years later than recommended)

Single-Family Fee (2,600 sq. ft.)	2020 Adopted Fee	2020 Recommended Fee	2020 Fee (Option 2a)	Difference from Recommended
Parks & Recreation	\$4,789	\$6,726	\$4,789	(\$1,937)
Municipal Facilities	354	354	354	-
Fire	1,097	1,097	1,097	-
Police	542	542	542	-
Transportation	7,416	8,236	7,416	(\$820)
Total Impact Fees	\$14,198	\$16,955	\$14,198	(\$2,757)

This option, extending the timeline to 2022 to get to the maximum supportable fee, results in an estimated \$2.5 million of lost revenue for Parks & Recreation plus \$1.9 million of lost revenue for Transportation needs over the 2020-2024 CIP planning period.

CIP Impact

Parks and Recreation Capital Fund

By not capturing the maximum supportable development impact fee, the Parks & Recreation Department would need to delay multiple projects, including:

- The Cobblestone Ranch neighborhood park construction is delayed from 2020 to 2021
- Five other neighborhood parks planned for the future outside the five year planning period would be delayed

Transportation Capital Fund

The Public Works Department would need to delay a number of projects, including:

- Delay widening Plum Creek Parkway by a year
- Delay improvements on 5th Street from Gilbert to Highway 86 by a year
- Push widening of Wolfensberger Road outside the 5 year planning period
- Decrease funding accumulation for multiple future projects

Development Impact Fee Phase-in

Option 2b: Maximum Allowable 2021

Recommendation

Capital planning for 2020-2024 includes the recommended increase to development impact fees on January 1, 2020 to the maximum supportable amount identified in the 2018 Impact Fee Study performed by EPS. Information below demonstrates the impacts to extending the phase in period from what is currently proposed.

Option 2b: Increase to max supportable by 2021 (1 year later than recommended)

Single-Family Fee (2,600 sq. ft.)	2020 Adopted Fee	2020 Recommended Fee	2020 Fee (Option 2b)	Difference from Recommended
Parks & Recreation	\$4,789	\$6,726	\$5,758	(\$969)
Municipal Facilities	354	354	354	-
Fire	1,097	1,097	1,097	-
Police	542	542	542	-
Transportation	7,416	8,236	7,826	(410)
Total Impact Fees	\$14,198	\$16,955	\$15,577	(\$1,379)

This option, extending the timeline to 2021 to get to the maximum supportable fee, results in an estimated \$1.5 million of lost revenue for Parks & Recreation plus \$1 million of lost revenue for Transportation needs over the 2020-2024 CIP planning period.

CIP Impact

Parks and Recreation Capital Fund

By not capturing the maximum supportable development impact fee, the Parks & Recreation Department would need to delay multiple projects, including:

- The Cobblestone Ranch neighborhood park construction is delayed from 2020 to 2021
- Five other neighborhood parks planned for the future outside the five year planning period would be delayed

Transportation Capital Fund

The Public Works Department would need to delay a number of projects, including:

- Delay widening Plum Creek Parkway by a year
- Delay improvements on 5th Street from Gilbert to Highway 86 by a year
- Push widening of Wolfensberger Road outside the 5 year planning period
- Decrease funding accumulation for multiple future projects

Development Impact Fee Phase-in

Option 2c: Max Allowable for Transportation 2020 and Parks 2022

Recommendation

Capital planning for 2020-2024 includes the recommended increase to development impact fees on January 1, 2020 to the maximum supportable amount identified in the 2018 Impact Fee Study performed by EPS. Information below demonstrates the impacts to extending the phase in period from what is currently proposed.

Option 2c: Increase to max supportable by 2020 for Transportation and 2022 for Parks (1 year later than recommended)

Single-Family Fee (2,600 sq. ft.)	2020 Adopted Fee	2020 Recommended Fee	2020 Fee (Option 2c)	Difference from Recommended
Parks & Recreation	\$4,789	\$6,726	\$4,789	(\$1,937)
Municipal Facilities	354	354	354	-
Fire	1,097	1,097	1,097	-
Police	542	542	542	-
Transportation	7,416	8,236	8,236	-
Total Impact Fees	\$14,198	\$16,955	\$15,987	(\$1,937)

This option, extending the timeline to 2022 to get to the maximum supportable fee for the Parks and Recreation Capital Fund only, results in an estimated \$2.5 million of lost revenue for Parks & Recreation needs over the 2020-2024 CIP planning period.

CIP Impact

Transportation Capital Fund

The Public Works Department would not need to delay any projects in the proposed Five Year CIP in this scenario.

Parks and Recreation Capital Fund

By not capturing the maximum supportable development impact fee, the Parks & Recreation Department would need to delay multiple projects, including:

- The Cobblestone Ranch neighborhood park construction is delayed from 2020 to 2021
- Five other neighborhood parks planned for the future outside the five year planning period would be delayed

**Estimated Revenue Loss from Not Implementing Maximum Supportable
Residential Impact Fees**

	Estimated Total				
	Collection	Single Family*	Multi-Family	Total Residential	
Parks and Recreation	\$ 44,849,128	\$ (11,891,821)	\$ (2,449,926)	\$	(14,341,747)
Fire	9,321,588	(2,084,698)	(591,900)		(2,676,598)
Police	3,512,855	(468,590)	(83,958)		(552,548)
Transportation	52,550,858	(15,339,391)	(4,265,946)		(19,605,337)
Facilities	5,228,614	(597,942)	(2,232)		(600,174)
Total	\$ 115,463,043	\$ (30,382,442)	\$ (7,393,962)	\$	(37,776,404)

*Single Family projections are based on the average fee for a 2,600 sq. ft. home

Recommended 2020-2024 Transportation Capital Improvement Program (5-Year CIP)

The following table lists projects in staff's perspective that are the highest priority over the next five year period. This priority list was based on several considerations: 1) Capacity needs as outlined within our approved Transportation Master Plan, 2) Geographical distribution across the town, 3) Coordination with maintenance needs, and 4) Staff perspective on needs from observations and stakeholder feedback. Forecasted revenue has been utilized to place respective project phases into the various years in order to provide a balanced combined Transportation, and Transportation Capital funds balance for each year.

Project	Description	Design		ROW		Construction	
		\$ Est.	Year	\$ Est.	Year	\$ Est.	Year
Plum Creek Parkway Widening - Gilbert St to Eaton St	Construct two new roundabouts: one at Gilbert St, and one at Eaton St. Widen to two through lanes in each direction between Gilbert and Eaton.	Complete	N/A	In-progress	N/A	\$3.66M	2020
Wilcox St at South St - Roundabout	Construct a single-lane roundabout in coordination with the parking garage construction. The 2020 funding is to increase the current budget to meet updated cost estimate.	In-progress	N/A	In-progress	N/A	\$600,000	2020
Plum Creek Parkway Widening - Eaton St to Ridge Rd	Construct two new through lanes to bring the total to four (two in each direction)	Complete	N/A	In-progress	N/A	\$4.05M	2021
Crystal Valley Interchange	Provide a total of \$20 Million in combined preconstruction services, and cash to allow for construction to begin by 2023 if partner funds are available. Property acquisition is currently underway using developer funds received to date.	\$2.60M	2021*	\$4.60M for remainder	2020	\$12.80M	2023**
Hwy 86 at Fifth St - Roundabout	Construct a multi-lane roundabout. This is a jointly funded project utilizing a federal grant from DRCOG (\$4,225,000), Town, and County funds (\$1,000,000).	\$1.20M	2020	Included in design yr.	2021	\$5.30M	2022
Ridge Road Widening - Plum Creek Pkwy to Hwy 86	Construct two new through lanes to bring the total to four (two in each direction). Remaining ROW need is for temporary construction easements.	Complete	N/A	\$75,000	2022	\$4.55M	2023
Crowfoot Valley Road Roundabout	Construct a multi-lane roundabout at a yet to be determined intersection to assist with reducing speeds at the Town/County boundaries, and improve traffic operations.	In-progress	N/A	In-progress	N/A	\$2.22M	2023
Wolfensberger Rd Widening (Design & ROW) - Prairie Hawk Dr to Miller Park Entrance	Design full project scope to provide for ultimate four through lanes (two in each direction), and acquire all permanent property acquisitions.	\$2.40M	2022	\$1.10M	2023	N/A	N/A
Wolfensberger Rd Widening - Prairie Hawk Dr to Red Hawk Dr	Phase 1 Construction : Construct an additional eastbound through lane, and construct sidewalk where gaps exist between Prairie Hawk and Miller Park entrance (north side of road)	N/A	N/A	N/A	N/A	\$4.80M	2024
Fifth St Widening (Design & ROW) - Gilbert St to Hwy 86	Design full project scope to provide for one additional eastbound through lane between Gilbert St and Woodlands Blvd., and the ultimate four through lanes (two in each direction) between Woodlands Blvd and Hwy 86. Include sidewalk along south side of road.	\$1.30M	2022	\$370,000	2023	N/A	N/A
Fifth Street - Pedestrian Improvements	Phase 1 Construction : Construct sidewalk on south side of street between Gilbert St and Hwy 86	N/A	N/A	N/A	N/A	\$1.20M	2024
Wolfensberger Rd Widening - Red Hawk Dr to Miller Park Entrance	Phase 2 Construction : Construct two new through lanes to bring the total to four (two in each direction), and construct sidewalk on south side of road.	N/A	N/A	N/A	N/A	\$6.90M	2024
Crowfoot Valley Road Widening - Town Boundary to Knobcone Dr	Construct two new through lanes to bring the total to four (two in each direction). This should occur in conjunction with, or after, the County's widening project in order finalize scope and cost.	\$790,000	2023	Included in design yr.	2024	Not part of 5-Year CIP	Not part of 5-Year CIP
Prairie Hawk Drive Widening - Wolfensberger Rd to existing 4-Lane segment	Construct two new through lanes to bring the total to four (two in each direction)	\$530,000	2023	N/A	N/A	\$2.88M	2024

* Previous design efforts have allowed for ROW to be identified		2020	2021	2022	2023	2024
**Requires balance of construction funding from partners, and approval from FHWA to begin construction in 2023	Combined forecasted Transportation and Transportation Capital funds balance \$ (Millions)	\$132,000	\$195,000	\$182,000	\$5.05M	\$57,000

Future Unfunded Transportation CIP

The following tables list projects that have been identified in the Town's approved Transportation Master Plan that have not been included into a funding year. Projects are group by mid-term and long-term priority as identified in the Transportation Master Plan to increase capacity needs in order to accomodate projected traffic growth associated with regional and town development forecasts. They are not in a priority order.

Mid-Range (by 2030 per Transportation Master Plan)

Project	Description	Project Estimate
<i>Coachline Road at Foothills Drive</i> - Roundabout	Construct a multi-lane roundabout at existing intersection	\$2,000,000
<i>East Frontage Road Improvements</i> - Plum Creek Pkwy to Crystal Valley Pkwy	Construct operational improvements along segment to include: intersection turn lanes plus signals as necessary, improved shoulders, and pedestrian improvements.	\$7,276,000
<i>Fifth Street Widening</i> - Gilbert St to Hwy 86	Phase 2 Construction : Widen to three through lanes by adding an eastbound through lane (one westbound, two eastbound)	\$2,900,000
<i>Highway 86 Widening</i> - Ridge Rd to Enderud Blvd	Widen roadway to four through lanes (two lanes in each direction). This is a CDOT owned roadway and is likely a good candidate for funding partnerships.	\$4,479,000
<i>Mikelson Boulevard at Mitchell Street</i> - Roundabout	Construct a multi-lane roundabout at existing intersection	\$2,000,000
<i>North Meadows Drive Widening</i> - US85 to Butterfield Crossing Dr	Widen to four through lanes (two in each direction)	\$26,750,000
<i>Old Highway 85 at Liggett</i> - Intersection Realignment	Realign intersection to Castleton Ct intersection and construct a roundabout.	\$3,000,000
<i>Plum Creek Parkway Widening</i> - Wolfensberger Rd to MAC entrance	Widen roadway to four through lanes (two lanes in each direction)	
<i>Prairie Hawk Drive Extension</i> - Plum Creek Pkwy to Territorial Rd.	Extend a four through lane road (two in each direction) to tie into Territorial Rd, which connects to Crystal Valley Interchange	\$25,400,000
<i>Prairie Hawk Drive Widening</i> - Wolfensberger Rd to Plum Creek Pkwy	Widen roadway to four through lanes (two lanes in each direction). This will need to be completed with, or after, the developer's responsibility to extend two lanes to Plum Creek Parkway occurs.	\$8,585,000
<i>Wolfensberger Road at Red Hawk Drive</i> - Roundabout	Phase 3 Construction : Construct a multi-lane roundabout	\$2,450,000
<i>Downtown Park&Ride Lot</i>	Construct a park&ride lot to be used by CDOT's Bustang at the northeast corner of Wilcox at I-25 northbound on-ramp. Construct intersection improvements at existing signalized intersection to improve operations and safety. This project is supported within the Town's Downtown Mobility Master Plan.	TBD

Long-Range (by full Town build-out per Transportation Master Plan)

Project	Description	Project Estimate
<i>Fifth Street Widening</i> - Hwy 86 to Woodlands Blvd	Phase 3 Construction : Final widening project to add final westbound through lane to bring total segment to four through lanes (two in each direction).	\$2,000,000
<i>Highway 86 (Founders Parkway) Capacity Improvements</i> - Woodlands Blvd to I-25	This is a CDOT owned roadway. Once a specific analysis is completed, and a final project scope is selected, this project is to implement that scope.	\$30,000,000**
<i>Highway 86 (Founders Pkwy) Widening</i> - Fifth St to Crowfoot Valley Road	Widen to six through lanes (three in each direction). This is a CDOT owned roadway. This is likely a good candidate for funding partnerships.	\$11,000,000
<i>Liggett Road Extension</i> - Near I-25 to Caprice Drive	Extend two through lanes (one in each direction) to complete a new route to Wolfensberger Rd from Liggett Rd.	\$3,456,000
<i>Liggett Road Widening</i> - Old Hwy 85 to approximately I-25	Widen to four through lanes (two in each direction)	\$3,840,000
<i>Meadows Parkway Widening</i> - US85 to Meadows Blvd	Widen to six through lanes (three in each direction)	\$20,160,000
<i>Perry Street Extension</i> - Existing end to East Frontage Rd	Extend existing two lane section to I-25 East Frontage Rd.	\$5,000,000

** Until a final scope is approved by CDOT, this estimate is a placeholder for either a new interchange with I-25 or improvements to Founders Pkwy