City of Brighton

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Legislation Details (With Text)

File #:	ID-247-17	**Version:** 1	**Name:**	
Type:	Informational Report		**Status:**	Agenda Ready
File created:	6/20/2017		**In control:**	City Council
On agenda:	6/27/2017		**Final action:**	
Title:	Development Impact Fees			
Sponsors:				
Indexes:				
Code sections:				
Attachments:	1. Fee Explanation Summary (2017)			

Date	Ver.	Action By	Action	Result

Body

Department of Community Development

Reference: Development Impact Fees

To: **Mayor Richard N. McLean and Members of City Council**

Through: **Marv Falconburg, AICP, Assistant City Manager of Development;**
Clint Blackhurst, Interim City Manager

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Date Prepared: June 20, 2017

PURPOSE

The purpose of this study session item is to discuss the rationale for development impact fees, along with giving an overview of the city's impact fees.

RATIONALE

New development typically creates a need for roads, schools, parks, open space, fire and police protection, sewer, water treatment and drainage facilities. In Colorado, the situation is particularly acute because various constitutional and statutory restrictions limit the flexibility of municipalities to increase revenue from taxes, and to spend revenue that has already been collected. Along with this, levels of federal funding for infrastructure have gradually declined over time. Municipalities have various methods of financing the costs of growth, including various types of taxes, exactions and dedication requirements, and negotiated terms via development and annexation agreements.

Generally, an impact fee is defined as a one-time charge assessed against new development that attempts to recover the cost incurred by local government in providing the public facilities required to serve the new development. Impact fees have also been described as a cost-shifting device that contributes to the efforts of local governments to cope with the economic burdens of population growth.

Colorado municipalities have a long history of using development fees. As early as the 1920s, cities in Colorado charged developers for the water rights needed to serve their development. Today, usage of impact fees in the state has expanded to finance not only water and sewer facilities, but also roads, drainage facilities, and parks and recreation.

Impact fees are intended to offset the impacts of new development on existing and new infrastructure. There is no requirement that the value of the improvements to each property exactly match the amount contributed by each property. Under traditional legal principles such a precise mathematical match is explicitly not required. Nor must an impact fee be designated for a specific construction project, such as a specific street or park.

By way of example, an impact fee for streets may be levied against all new development, to offset costs associated with the increased traffic that the new development will generate on all the streets of the city, not just those located directly adjacent to the property in question.

The principle behind the use of impact fees is that "development should pay its own way." New development, which necessitates specific investments in infrastructure, should not be subsidized by existing tax payers. Instead, the development should be required to install the infrastructure necessary to serve the development and should contribute to infrastructure improvements that may be required off-site.

Some argue that the "development should pay its own way" principle raises the price of housing and puts homeownership out of the reach of lower- and moderate-income households. Along with this, impact fees provide a windfall gain to existing residents, because by increasing the price of new homes, they also increase the value of existing homes. Another common argument against impact fees is that they unfairly impose the burden of public facilities on a particular group, namely owners of undeveloped property. Essentially, impact fees subsidize existing residents by paying for improvements that benefit all property owners.

On the other hand, arguments for the use of impact fees are that a conservative "pay as you go" arrangement, prevents current tax payers from being forced to subsidize new development and avoid general obligation debt. Some would argue that impact fees are more equitable because they are less arbitrary, more predictable and result in more rapid (and thus less costly) public approval for a new development unlike negotiated development dedications and exactions. Another argument for impact fees is that they do, and in fact should, increase the price of housing. In the absence of an impact fee, the true cost of an individual house is not reflected in the price because taxpayers at large subsidize the cost of infrastructure necessitated by the house. Essentially, impact fees are seen as a market correction device. The last argument for the use of impact fees is that they actually allow new development to occur that might not have otherwise occurred.

ATTACHMENT

A list of the city's current fees that are assessed at the time of building permit has been attached for your review. Please refer to the document titled, "Development Fees: Fee Explanation Summary" for further detail.