

ROUTT COUNTY, COLORADO
IMPACT FEE FEASIBILITY STUDY
FINAL REPORT



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November 2004

TABLE OF CONTENTS

INTRODUCTION 1

PART 1. FINDINGS..... 2

1-A. 2

SUMMARY OF INITIAL FINDINGS 2

1-B. POLICY DIRECTION FROM COUNTY DECISION MAKERS 2

Should Routt County consider fees that raise only a small percentage of the total capital costs attributable to new growth? 2

Should Routt County consider collecting fees outside the two target areas? 3

Should Routt County consider adopting a policy for paving gravel roads? 3

Should the focus of the final feasibility report remain on financing EMS/safety facilities in Steamboat Lake and roads in Stagecoach? 3

Should the analysis be based on fees that would add no more than 3-5% to the average costs of a house in the target areas? 4

1-C. FINAL FEASIBILITY FINDINGS 4

Capital Improvements That Could Be Feasibly Funded In Part by Impact Fees 4

The Next Steps for Establishing a Defensible Impact Fee System 5

PART 2. BACKGROUND ANALYSIS..... 7

2-A. THE 2 TARGET AREAS—STAGECOACH AND STEAMBOAT LAKE..... 7

Stagecoach Area Plans—Relevant Finding, Goals and Objectives 7

Recent Development Activity in Stagecoach 7

Provision of Public Infrastructure/Services in Stagecoach 9

Future Capital Needs Identified 10

Steamboat Lake Community Plans—Relevant Finding, Goals and Objectives 11

Recent Development Activity in Steamboat Lake 11

Provision of Public Infrastructure/Services in Steamboat Lake 13

Future Capital Needs Identified 14

2-B. FEASIBILITY OF IMPACT FEES IN ROUTT COUNTY 14

2-C 16

CRITERIA FOR SUCCESS—HOW DO THE TARGET AREAS MEASURE UP? 16

Stagecoach—Possible Impact Fee Contributions to Needed Roadway Improvements 24

2-D. 26

OPPORTUNITIES AND CONSTRAINTS FOR THE USE OF IMPACT FEES IN ROUTT COUNTY 26

2-E. POLICY CHOICES REGARDING THE USE OF IMPACT FEES 28

APPENDIX: ALTERNATIVES TO IMPACT FEES 31

IMPACT FEE FEASIBILITY STUDY ROUTT COUNTY Final Report

Introduction

Routt County retained Clarion Associates to undertake the Impact Fee Feasibility Study to determine the feasibility of development impact fees as an infrastructure financing tool. The county's direction was to focus attention primarily on the potential for using impact fees for funding county roads and emergency services in the Stagecoach and Steamboat Lake areas. The study was completed in two parts: (1) a preliminary feasibility analysis and Policy Options Report, and (2) this Final Feasibility Report. For the first part, Clarion conducted an analysis of:

1. Development trends and constraints in the Stagecoach and Steamboat Lake areas;
2. Existing and future capital needs in the two target areas; and
3. The functions and intent of existing service providers in the two target areas.

This analysis culminated in a "Policy Options Report" that evaluated how well these local factors measured up to the legal and practical criteria for a successful impact fee program. The Policy Options Report was delivered to the county in August 2004 and presented to the Board of County Commissioners at a public meeting on September 28, 2004. After a review of the report's contents and initial findings, key stakeholders and members of the public were given an opportunity to comment and ask questions. After discussion, BOCC members gave policy direction for completion of the study.

This Final Report is the second part of the feasibility study. Based on the policy direction received at the September 2004 public meeting, Clarion completed some follow-up analysis for the Stagecoach area. That additional analysis is reflected in our final recommendations for which types of infrastructure could be financed in part through the use of impact fees, the general areas of Routt County where fees could be imposed for different types of infrastructure, and additional guidelines and requirements for establishing a defensible impact fee system.

This Final Report is organized into two parts:

Part 1, Findings, presents the study's key findings and final recommendations. It includes a discussion of the Board's policy directions from the September 2004 public meeting, a summary of the final feasibility findings, and an identification of the county's next steps if it wants to pursue impact fees in these areas.

Part 2, Background Analysis, recaps the analysis of the target areas and the general discussion of feasibility and policy choices from the Policy Options Report. Clarion has updated the target area analysis in Part 2-A to include new data supporting an expansion of the possible impact fee collection area for improvements to CR 14 to areas outside the Stagecoach subdivision.

PART 1. FINDINGS

1-A. SUMMARY OF INITIAL FINDINGS

The key findings from the Policy Options Report are summarized in the following table:

	Steamboat Lake	Stagecoach
Projected Future Development Activity (2004-2014)	High: 14 new homes/year Low: 7 new homes/year	High: 52 new homes/year Low: 16 new homes/year
Capacity-Related Capital Needs Generated by 10-Year Growth	Fire truck	Road capacity improvements (northern portion of CR 14 and possibly northern portion of CR 16)
Capital Facilities for which New Growth Will Not Create Capacity Needs Within 10 Years, or Where Other Sources of Funding Are Available	CR 129	Fire/EMS Facilities

The Policy Options Report concluded that in Steamboat Lake, new growth will contribute a small share of the need for new fire equipment capacity, but a reasonable impact fee could fund most of that new growth's share. In Stagecoach, the report concluded that new growth will create a larger share of the demand for new county roadway capacity, but a reasonable impact fee would raise only a small portion of the total costs attributable to such growth. A "reasonable impact fee" for purposes of the Policy Options Report was defined as a fee roughly equal to what other Colorado jurisdictions levy on new single-family homes to pay for road and fire safety impacts: about \$1,600 on average for road fees, and \$840 on average for fire/EMS safety fees

For both Steamboat Lake and Stagecoach, anticipated growth over the next 10 years will result in higher traffic on internal county and subdivision gravel roads. Paving of these gravel roads could be considered capital improvements for which impact fees might help pay only if the county concludes that road paving will increase their travel capacity and the county adopts a threshold standard for when road paving is necessitated by new growth. See the discussion of a possible gravel road policy in Part 1-B of this Final Report.

1-B. POLICY DIRECTION FROM COUNTY DECISION MAKERS

The Policy Options Report was presented to the Board of County Commissioners at a public meeting on September 28, 2004. After a presentation of the report's contents and initial findings, key stakeholders and members of the public were given an opportunity to comment and ask questions. After full discussion, the BOCC considered five policy questions and gave the following directions.

Should Routt County consider fees that raise only a small percentage of the total capital costs attributable to new growth?

County Policy Direction: **Yes**, because of the shortage of viable public financing alternatives or sources of funds, the Board is willing to consider impact fees as an option, even if the fees generate only a small portion of the total capital costs needed. While the county understands that there is some risk that it will have to find other funds to supplement what will be raised through impact fees, or that the

anticipated improvement will have to be scaled back to match available fee revenues, the Board of County Commissioners did not want the study to assume that this could not be done. Similarly, there may come a point where a proposed fee raises so little money that it is not worth the administrative costs of collecting and managing the fee. Again, however, the Board wants to reserve this decision for the future.

Should Routt County consider collecting fees outside the two target areas?

County Policy Direction: **Yes**, if improvements to CR 14 are necessitated by new growth, the target area should be expanded to include consideration of developable lands located on the CR 14 corridor north of Stagecoach up to State Highway 131. Arguably, these properties outside Stagecoach depend on and use CR 14 to a similar degree as property owners in Stagecoach, justifying bringing them into a potential fee collection area. While the number of additional lots and dwellings possible outside of Stagecoach is small (compared to inside Stagecoach), the inclusion of the area might be more equitable to Stagecoach residents.

Should Routt County consider adopting a policy for paving gravel roads?

County Policy Direction: **The county will probably consider such a policy sometime in the future.** Other counties in Colorado, including Larimer and El Paso Counties, have adopted policies that set capacity-based thresholds for paving rural gravel roads. If Routt County wishes to explore a similar policy, it will need to: (a) conduct an analysis studying potential thresholds for paving gravel roads (or review studies from other jurisdictions); (b) make a determination whether paving gravel roads is a capacity-enhancing road improvement; and if so, then (c) specify the amount of new growth that will “trigger” the need for such paving improvement. Should the county then wish to consider impact fees as a financing tool for paving gravel roads, the detailed impact fee calculation and nexus study (see Part 1-C) will need to evidence that anticipated future growth in Steamboat Lake and Stagecoach will exceed any adopted paving “trigger.”

Should the focus of the final feasibility report remain on financing EMS/safety facilities in Steamboat Lake and roads in Stagecoach?

County Policy Direction: **No and Yes.** First, regarding **Steamboat Lake**, the North Routt County Fire District—having seen the Policy Options Report’s findings regarding the potential use of fees for a new fire truck—stated at the September 28 meeting that the District was not interested in using impact fees to help pay for such equipment. Therefore, the BOCC directed that the Final Report findings should not address EMS/fire safety facilities in Steamboat Lake. Other members of the public suggested that the Final Report should consider improvements to CR 129 in the Steamboat Lake target area, which they believed will require capacity-related improvements during the next 10 years. However, available county plans for CR 129 indicate no anticipated need for future capacity-related improvements to CR 129 in the next 10 years, particularly given the significant improvements to the roadway completed during the last decade. Accordingly, unless the county authorizes an update and reevaluation of the transportation plan for CR 129, and that reevaluation concludes differently, the current direction is to limit the focus for impact fees in the

Steamboat Lake area to unpaved, internal subdivision roads (assuming the county studies and adopts a gravel road paving policy, as described above).

Next, regarding **Stagecoach**, the county's direction was to maintain the focus on county roads, and particularly CR 14 north of Stagecoach up to its intersection with SH 131. However, any future impact fee studies should also include an evaluation of fees for CR 16 improvements. The Board recognized that the 1995 Stagecoach Transportation Plan will probably need to be updated to confirm the scope and timing of CR 14 improvements and to fill in the gaps of information about the need and timing for CR 16 improvements. The paving of internal gravel roads in Stagecoach should also be part of any future impact fee study (assuming the county adopts a gravel road paving policy, as described above).

Should the analysis be based on fees that would add no more than 3-5% to the average costs of a house in the target areas?

County Policy Direction: **No.** National data show that total development fees and charges (including impact fees for water, sewer, roads, etc.) generally constitute between 3-5% of the cost of a new home. The county is sensitive to the claim that impact fees are typically passed directly to the home buyer in the form of increased housing prices. At the same time, the identified roadway improvements will need to get done and paid for somehow, and the county is significantly constrained in its ability to pay for them. Accordingly, the county would like any future impact fee study to calculate potential fees at their full, theoretically justifiable amount (i.e., the level of fee necessary to recoup 100% of the payees' contribution to the need for the roadway improvement). However, if and when the county considers a specific impact fee, the county will use the 3-5% factor as a benchmark in determining a reasonable level of fee to actually legislate.

1-C. FINAL FEASIBILITY FINDINGS

Based on the policy directions received from the county, this part of the Final Report outlines which types of infrastructure could be financed in part through the use of impact fees, identifies the general areas of Routt County where fees could be imposed for different types of infrastructure, and suggests possible next steps if the county for establishing a defensible impact fee system.

Capital Improvements That Could Be Feasibly Funded In Part by Impact Fees

Based on the county's direction, and on Clarion's subsequent analysis, impact fees could feasibly be imposed and collected on new development in the following areas to fund the infrastructure needs listed below:

1. *Collection Areas For County Roadway Improvements In The Stagecoach Area.*
 - a. CR 14 north of Stagecoach between its intersections with CR 16 and SH 131: Fees could feasibly be collected in an area that includes the entire Stagecoach target area, plus an area comprised of developable lands lining both sides of CR 14 between Stagecoach and SH 131. Based on staff's best estimate and presumptions about likely usage of CR 14 as primary access, this latter corridor includes approximately 190 parcels or existing lots on

either side of CR 14 that are vacant and developable for single-family purposes.

- b. CR 16 between its intersections with CR 212 and CR 14: Assuming follow-up transportation studies show a need for improvements to this portion of CR 16 directly related to anticipated growth in Stagecoach over the next 10 years, fees could feasibly be collected in an area including the entire Stagecoach target area.
 - c. Paving county gravel roads, including CR 16: It will be critical to determine which unpaved county roads are used by different parts of Stagecoach in determining the appropriate collection and benefit areas for impact fees to pave those roads. It may be that all properties in Stagecoach using CR 16 and CR 212 for access could be subject to a single impact fee for paving any gravel portion of those roads if new development on those properties triggers a county-adopted paving threshold. (One paving trigger, similar to what Larimer and El Paso Counties currently use, might be any development that generates 200 or more daily vehicle trips.) Alternately, depending on further analysis, the county may find that properties using those roads in the northern portion of Stagecoach would not directly benefit from paving gravel roads in the southern portion of Stagecoach, and therefore new development in the northern portion should not be charged to pay for paving roads in the southern part.
2. *Collection Areas For Public Roadway Capacity Improvements In The Steamboat Lake Area.*
- a. Paving public gravel roads in the Steamboat Lake subdivision: Until additional traffic analysis in Steamboat Lake is completed, there is not adequate data to determine whether property owners in Steamboat Lake Filings 1-4 who pay an impact fee would directly benefit from paving gravel roads located entirely within Filings 5-8., or vice versa. To be conservative until such further analysis is conducted, it appears that fees could feasibly be collected in Filings 1-4 to pay for paving gravel roads located within those filings. Similarly, a separate fee could feasibly be collected in Filings 5-8 to pay for paving gravel roads located within those filings. Once again, this would only be possible if analysis shows that anticipated growth using those roads will trigger a county-adopted paving threshold.

The Next Steps for Establishing a Defensible Impact Fee System

If Routt County decides to pursue impact fees based on the findings from this Feasibility Study, the next step is to undertake a comprehensive impact fee calculation and “nexus” study. Such a study would result in calculation of recommended fee amounts, and becomes the basis for legislative findings that the proposed fees are reasonably and directly related to the impacts/needs arising from new growth and development in the county. In addition, as already noted, some additional follow-up transportation studies and planning will be necessary to complete the required fee calculation and nexus study. The follow-up studies should determine:

- (1) The timing of identified roadway capacity improvements for CR 16 in the Stagecoach area; specifically, whether any of the improvements specified in the 1995 Stagecoach Transportation Plan would be triggered by expected growth in Stagecoach over the next 10 years;
- (2) Whether anticipated growth in Stagecoach and Steamboat Lake would trigger any county adopted threshold for paving gravel roads within either subdivision; and
- (3) Whether anticipated growth in Steamboat Lake might trigger capacity-related improvements on CR 129 within the 10-year timeframe applicable to impact fees.

PART 2. BACKGROUND ANALYSIS

2-A. THE TWO TARGET AREAS—STAGECOACH AND STEAMBOAT LAKE

The two target areas—Stagecoach and Steamboat Lake—share similar histories. Both areas were originally platted in the 1970s for ambitious single-family and resort development, both experienced developer bankruptcies shortly after final development approval, and both have recently witnessed a surge in development activity and interest. The following sections summarize each target area, with a particular focus on their recent development activity and specific capital needs.

TARGET AREA #1: STAGECOACH

Stagecoach has approximately 300 townhouses, condos, and single-family units built. There are approximately 1,800 vacant residential lots in the north and south portions of Stagecoach, and high-density zoning is in place on unplatted land that could theoretically be subdivided to add another 500 to 1,000 lots. As originally platted, residential lots in Stagecoach are typically less than 5 acres in area; this is important because Routt County has adopted 5 acres as the minimum acreage required to support individual, on-lot septic systems.

Stagecoach Area Plans—Relevant Finding, Goals and Objectives

Future land use and development in the Stagecoach area are guided by two approved plans: the Stagecoach Community Plan (Sept. 1999) and the Stagecoach Transportation Plan (1995). The future land use element adopted in the Stagecoach Community Plan envisions growth of no more than 2,000 units over the next 20 years. In the short run, growth should occur predominantly in the northern parts of Stagecoach where properties are zoned and platted with major infrastructure in place or in close proximity to major infrastructure, and where demand is not tied to construction of a recreational amenity (such as the golf course or ski area). The Community Plan supports the consolidation of small lots in the southern area of Stagecoach into lots of 5 acres or larger to allow limited residential development where central water and sewer service expansion is highly unlikely.

Recent Development Activity in Stagecoach

From all reports, development activity in Stagecoach has been relatively steady during the past 10 years, but appears to have picked up the pace in the last 2-3 years. The Morrison Creek Water and Sanitation District, which reviews all new construction plans as part of the county's referral process, reports a steady pace of about 10-12 new homes built per year during the past 5 to 10 years. Realtors active in the Stagecoach area confirmed a steady interest in the area, and estimated that there have been 20 to 30 property sales (including resales of already developed properties) per year during the last 5 to 10 years. The Stagecoach Property Owners Association reports that the number of building plans it has reviewed for new residential construction totaled 24 in 2002, 27 in 2003, and already total 28 in 2004. Routt County planners report an increase in subdivision activity, including 50 lots recently improved with roads, water, and sewer in the Meadowgreen subdivision and 25 lots with preliminary subdivision approval in the proposed Sun Cove development. These reports confirm that development activity is concentrated within the northern parts of Stagecoach.

Moreover, under the terms of a sewer vault agreement with the county, development within Stagecoach can occur on platted lots less than 5 acres in area without connecting to the Morrison Creek District's central sewage treatment system. However, as a condition of approval under the vault agreement, an applicant must provide adequate road access for servicing the vault. While this condition may be a deterrent to future vault connections in the southern parts of Stagecoach, in the northern part of Stagecoach (including South Shore subdivision) adequate road access either exists or is more easily attained. Thus, in the north part of Stagecoach, where there are still more than 450 platted vacant lots, the lack of central water and sewer services has not been a significant deterrent to development activity.

The Routt County Assessor's Office provides the most reliable source of data about actual residential building construction in Routt County. The Assessor's office records the year that all residential buildings on a property were built, and provides a reliable record of building activity. In Stagecoach, which comprises Routt County Tax District 55, the Assessor's data confirms the anecdotal reports that building activity has picked up in the last 5 to 10 years, as shown in Table 1 below:

TABLE 1 RESIDENTIAL DEVELOPMENT IN STAGECOACH AREA (Routt County Tax District 55)	
Year	Total Residential Buildings Constructed
Total Pre-1990	189
1990	2
1991	3
1992	5
1993	6
1994	12
1995	9
1996	17
1997	6
1998	7
1999	14
2000	12
2001	7
2002	21
2003	14
Total	324

Source: Routt County Assessor

Note: "Residential buildings" refer to primary dwelling structures, and do not include accessory structures or outbuildings located on a residential property.

As shown in Table 1, a total of 324 residential buildings are reported in Tax District 55. Construction of 4 of these 324 buildings dates prior to 1968, while the remainder were constructed after 1968. From 1990 to 2003, 135 new homes were constructed in Stagecoach, or 42% of the total 324 residential buildings in the district. The average (compounded) annual growth rate during the most recent 10-year period from 1993 to 2003 was 5% per year. This was an increase from the average annual growth rate during the 1990s, which averaged about 4% per year.

Provision of Public Infrastructure/Services in Stagecoach

The primary service providers in Stagecoach, not including schools, are Routt County, the Morrison Creek Water and Sanitation District, and the Oak Creek Fire and Safety District.

The *Morrison Creek District* is authorized under Title 32 of the Colorado statutes as a metropolitan district, with an approved service plan to provide central water and sanitation services within the Stagecoach area. The District operates 1 central wastewater treatment package plant that operates under a state discharge permit authorizing the up to 350,000 gallons per day of discharge. Currently, this plant is operating at 40,000 gallons per day, suggesting existing operations at less than 15% of plant capacity. While these central facilities are in place, the collection and distribution system is not completed, affecting the District's ability to directly serve new development. According to the District, there are currently 285 single-family equivalent (SFE) units in Stagecoach being served by the wastewater treatment system, and the District has the ability to serve only an additional 180 SFE units within the constraints of the existing collection and distribution system.

The District will serve new development as it occurs by allowing such development to tap into the District's wastewater system; however, the District has no plans or policies in place to fund expansions of the current collection system. Any new development must pay its own way to construct the infrastructure necessary to connect to the District's main lines. The recently approved Meadowgreen subdivision, for example, did just this; the developer created a local improvement district ("LID") to fund construction of the project's internal roads and to install the infrastructure necessary to connect to the District's system and provide service for 50 of the originally platted single-family lots.

The District also operates three productive community water wells – two in the northern part of Stagecoach and one in the southern part. The two northern wells are each pumping at or near capacity of about 120 gallons per minute. The one southern well, on the other hand, experiences much less demand because of the limited amount of development in that part of Stagecoach. The District is considering options to expand water supply to the northern part of Stagecoach, including drilling a new community well or building new connections to move water from the southern community well to relieve demand in the northern area.

The Morrison Creek District currently levies a 16.5 mill levy (but is authorized up to 20 mills), charges user fees of \$108 per quarter for water and sewer services, and charges a tap fee of \$3,500 for both sewer and water. The District currently has cash reserves of about \$500,000, which is available to finance future capital improvements, and an annual operating budget of about \$380,000.

The *Oak Creek Fire and Safety District* provides fire and emergency services in southern Routt County, including the unincorporated Town of Oak Creek and the Stagecoach development. In 2000, voters in the Oak Creek District approved a 56% increase in the district's property tax mill levy. Proceeds are being used to fund the district's 10-year capital improvement plan, which calls for a new fire station in Stagecoach, new fire and EMS vehicles, and new fire-fighting and emergency service equipment. As development continues and demand for EMS services increase, the district's long-range plan is to eventually move from a totally volunteer staff to a paid professional staff.

Future Capital Needs Identified

In Stagecoach, the water and sanitation district and the fire district expressed a clear intent to continue to provide services within the terms of their approved service plans. In their view, an appropriate role for the county would be to provide services and pay for improvements that are outside the domain of the two existing districts.¹ In this category, the primary capital need identified is roadway improvements.

Major County Roads. The Stagecoach Transportation Plan (1995 DMJM) identified a number of roadway capacity improvements. Specifically, the plan concluded that when average daily trips (ADT) generated by Stagecoach development reaches 3,000 ADT, County Road 14 will fail to convey traffic safely. In 1995, the Transportation Plan measured 840 ADT on CR 14 near the state park over the Labor Day holiday weekend. The plan also found that, currently, 36% of ADT on CR 14 was attributable to background or pass-by traffic. The plan forecasts that the segment of CR 14 from CR 16 north to State Highway 131 will be the first segment to reach capacity, with the segment from CR 16 west/south to SH 131 at Oak Creek following. The projected thresholds for when improvements would be triggered for these portions of CR 14 were: (1) for the northern segment of CR 14, the threshold is between 396 and 432 new single-family building permits; and (2) for the southern segment of CR 14, the threshold is between 412 and 445 single-family building permits.

The Director of the County's Road and Bridge Department agrees that the first capacity constraints related to growth in Stagecoach will probably occur outside the development itself. However, he believes that changes since the 1995 Transportation Plan make it unclear whether the capacity constraint will appear first in the northern section of CR 14 or on portions of State Highway to which it connects, or at the intersection of those two roads.

The Stagecoach Transportation Plan also anticipated future capacity improvements to County Road 16. Specifically, the plan forecast that under a future "low-density" build-out scenario, in which 1,070 new dwelling units would be constructed within Stagecoach over an unspecified time period, CR 16 north of CR 212 and south of its intersection with CR 14 would exceed capacity and would need significant improvements. The plan, however, did not specify the minimum number of new single-family building permits that would trigger the sequence of needed improvements to CR 16.

Regarding County Road 212, the Transportation Plan concluded that under the "low-density" build-out scenario (1,070 new units over an unspecified time), CR 212 will continue operating below capacity and such growth will not trigger the need for capacity improvements.

The county's traffic engineer concurs that it does not appear that anticipated growth in the Stagecoach area will generate a need for additional roadway capacity within the Stagecoach area itself, other than the need to pave some of the gravel roads. The 1995 Transportation Plan did not address capacity constraints related to the existence of gravel roads, or the points at which those roads would need to be paved in order to

¹ With this concession came, in some instances, an important caveat; namely, that any new county-imposed development fees or charges not act as deterrents to new development in Stagecoach. The fear is that significant new fees or charges, when combined with the amount of special district fees, levies, and charges already in place, could depress new development activity, and consequently undermine the districts' own fiscal assumptions and funding mechanisms.

handle additional capacity. In addition, the county does not currently have a policy establishing maximum capacities of gravel roads, and the traffic thresholds at which they must be paved. However, some counties have adopted such standards to document the relationship between roadway capacity and the need for paving. If Routt County were to study this issue and establish a reasonable policy, it might be possible to treat the paving of gravel roads in Stagecoach as a capacity-related improvement.

Other Identified Roadway Improvements. The Oak Creek Fire and Safety District expressed concern and a future need for improvements to internal subdivision roads and to CR 16 within the boundaries of Stagecoach to ensure safe vehicle access and passage for purposes of providing adequate fire and EMS services to residents. Specific improvements cited included roadway paving, widening, and the provision of turn-outs for emergency access. At this time, there is no detailed study that measures current internal roadway deficiencies in meeting a minimum level of public safety service, or that quantifies the demand that future new development will add for such internal roadway improvements.

TARGET AREA #2: STEAMBOAT LAKE

The Steamboat Lake development approval in the 1970s included approximately 2,000 lots in 10 filings. Residential lots in these original filings—as in Stagecoach—are typically less than 5 acres in area, and lots of that size require central sewer service to before they can be developed. There is no commercial development within the Steamboat Lake subdivisions.

Steamboat Lake Community Plans—Relevant Finding, Goals and Objectives

Future land use and development activity in Steamboat Lake are governed by the policies adopted in the Upper Elk River Valley Community Plan (Feb. 1999). The plan recognizes the significant constraints that lack of central service capacity pose for Steamboat Lake's future development—only 10% (219) of the original 2,000 platted lots are eligible for central sewer and water service. Accordingly, planning goals for this area are to minimize public service expenditures, encourage land trades and lot consolidation to create new buildable lots, and preserve community open areas as originally approved.

The Upper Elk River Valley Community Plan also contains a transportation element, focused on the community's "lifeline": County Route 129. The plan reports that, as of 1998, traffic volumes on CR 129 were about 2,000 average daily trips (ADTs), while the design capacity for CR 129 was approximately 12,000 trips per day. CR 129's capacity was improved during the late 1980s and 1990s through a series of federally-funded projects, including paving, widening, and other surface repairs.

Recent Development Activity in Steamboat Lake

The Steamboat Lake Homeowners Association, Steamboat Lake Water and Sanitation District, and realtors active in the community all report that during the past 10 years an average of about 5 to 10 new homes have been built each year within the community. The bulk of activity has been within Filings 1 and 2 of the original Steamboat Lake subdivision, where central water and sewer services are available from the Steamboat Lake District. Data from the Routt County Assessor's Office confirms that the bulk of residential development activity in Steamboat Lake has occurred since 1990, as shown in Table 2 below.

TABLE 2 RESIDENTIAL DEVELOPMENT IN STEAMBOAT LAKE AREA (Routt County Tax District 17)	
Year	Total Residential Buildings Constructed
Total Pre-1990	18
1990	4
1991	1
1992	2
1993	8
1994	18
1995	5
1996	5
1997	8
1998	15
1999	5
2000	13
2001	11
2002	2
2003	8
Total	123

Source: Routt County Assessor's Office.

Table 2 shows a total of 123 residential buildings in Tax District 17 (Filings 1-8 of Steamboat Lake) as of the beginning of 2004. The first new homes were constructed in 1970, but only 18 residential buildings existed in the district as of 1990. From 1990 to 2203, 105 new homes were constructed or 85% of the total 123 residential buildings in the district. This translates to a 7.5% growth rate. Development activity, according to the Assessor's data, averaged about 9 new residential buildings a year during the most recent 10-year period (1993 through 2003), which equates to a growth rate of During the 1990s, in comparison, development occurred at an average pace of about 7 new homes per year. Many in the community attribute the growth spurt during the past decade to the paving of CR 129 from Clark to Hahn's Peak – making it much easier for Steamboat Lake residents to commute to employment in the Steamboat Springs area.

A recent trend in the Steamboat Lake area has been the consolidation of individual lots to form 5-acre or larger lots, which can then be rezoned and developed with individual water wells and on-lot waste disposal systems. Through year-end 2003, the county had approved nearly 50 lot consolidation applications in Steamboat Lake. As of June 2004, the multi-list service for Routt County reported at least 32 listings of consolidated property between 5 and 10 acres for sale within Steamboat Lake, and at least 9 sales of consolidated parcels during the previous year. According to its analysis of remaining vacant and consolidated lots in Filings 1-4, the Steamboat Lake HOA estimates future build-out of these four filings at 250 homes. This is a significant reduction from the build-out of 928 homes envisioned by the original subdivision approval in the 1970s (i.e., there were 928 lots originally approved in Filings 1-4).²

² Although Clarion evaluated potential build-out and the potential for future lot consolidations in both target areas, we did not go into depth in this effort because the primary purpose is to test the waters for the next 10 years – the time frame in which impact fees, if adopted, must operate to generate enough revenue to contribute to needed infrastructure or else be rebated. Arguably, at current growth rates, there appear to be enough lots in the northern portion of Stagecoach to accommodate the projected number of residential buildings during the next 10 years. Similarly, in Steamboat Lake, at current growth rates, there appears to

Provision of Public Infrastructure/Services in Steamboat Lake

In addition to Routt County, the primary service providers (not including schools) in Steamboat Lake are the Steamboat Lake Water and Sanitation District and the North Routt County Fire District.

The *Steamboat Lake Water and Sanitation District* is authorized under Title 32 of the Colorado statutes as a metropolitan district, with an approved service plan to provide central water and sanitation services within filings 1-8 of the Steamboat Lake development. However, current facilities owned and operated by the District can serve a portion of approved lots in Filings 1 and 2 only. The District operates 1 central wastewater treatment plant, which provides services to 113 residential lots. The District operates under the presumption that the current treatment plant can service a maximum of 200 residential lots. Thus, an estimated 87 lots comprise the remaining plant service capacity. The District recently approved an agreement to serve 20 residential lots (not yet developed), which would reduce the capacity to extend central sewer services to 67 additional new lots.

The District also operates two community wells, and provides water service to the same 113 lots that receive central sewage services. A lot owner seeking hook-up to the District's sewer system must also sign up and receive central water service. The District reports that it has capacity to provide central water service up to the same design capacity of the sewage treatment facility—i.e., up to a maximum of 200 residential lots.

The District currently collects a 6.661 mill levy, with tax revenues primarily devoted to ongoing operation and maintenance. Tap fees total \$12,600 for both water and sewer combined, plus a \$250 tap inspection fee. Tap fee revenues are earmarked for future capital investments. The District also charges user or service fees totaling \$600 per year (combined) for both water and sewer service; user fees provide revenue for ongoing operation and maintenance. The District reports that it has not been able to build up cash reserves during the past decade or more because of the mounting operation and maintenance costs for its current system, which is about 30 years old. The District has drawn on previous cash reserve deposits to fund capital improvements to date, which include completion of the second community well in 2002 and current efforts underway to extend the sewage treatment plant's outflow line to the Elk River.

The *North Routt County Fire District* provides fire safety and emergency services to the greater Elk River valley area, including Steamboat Lake. District voters overwhelmingly approved a bond issue about two years ago that has already funded construction of a new fire station and substantial new vehicle and equipment purchases. The District is struggling with the impending issue of maintaining these recent capital investments over the next 10 to 20 years, and has begun informally to discuss alternative financing options.

be enough potential for consolidated lots to accommodate the projected number of future homes during the next 10 years.

Future Capital Needs Identified

The Steamboat Lake Water and Sanitation District has adopted a capital improvement plan that includes replacing the existing wastewater treatment plant with a new plant, at an estimated cost of \$800,000. Initial designs for a new plant assume a design capacity of 225 residential lots, which is an increase in capacity of 25 lots from current capacity presumptions. The District, however, has not adopted a time schedule for completion of the new wastewater treatment plant, which will be dependent on yet-unidentified future funding.

The North Routt County Fire District has identified an immediate need for a new water tender truck for fire-fighting purposes, which it estimates will cost the district \$200,000. Funding for the truck is not available through the recently adopted bond proceeds and the District has not yet identified an alternative funding source. The Fire District has also identified an ongoing need to improve and maintain internal subdivision roads for better fire and EMS access.

County Road 129 is currently operating well below its design capacity. Neither the Upper Elk River Valley Community Plan nor the Director of the County's Road and Bridge Department have identified any roadway capacity shortages that are likely to occur due to growth in the next 10 years. However, the comments related to paving of gravel roads in the Stagecoach area apply to the Steamboat Lake area as well.

2-B. FEASIBILITY OF IMPACT FEES IN ROUTT COUNTY

WHAT ARE IMPACT FEES?

Impact fees are one-time charges added to the cost of a new house to recover the cost of new facilities/services required to serve the new house. Impact fees sometimes are called "land development charges" or "service fees." Impact fees, however, are not a charge on existing houses, not a property tax on either new or existing houses, and not a special assessment on either new or existing houses. Impact fees do not alter the total costs of new infrastructure, but do affect the distribution of costs, or who pays for the facilities. In the case of impact fees, the developer of a new house pays the impact fee and then typically passes most or all of the cost of the fee through to the buyer of the new home.

Example: Larimer County charges the following impact fees on a new single-family detached house built in the county. Fees are paid when the building permit is issued for the new house:

County Road Impact Fee	\$1,740
Community Park Impact Fee	\$303
Regional Park Impact Fee	\$700
Total Fees per Unit	\$2,743

Impact fees may be used to finance a wide variety of capital infrastructure, including roads, water, sewer, parks and open space, libraries, police/fire, storm drainage, and similar services provided by local governments. In Colorado, state law prohibits the use of impact fees to finance schools.

LEGAL PARAMETERS AND LIMITATIONS

In 2001, the Colorado legislature adopted specific enabling authority for counties and other local governments to adopt and implement impact fees. The legislation, referred to by its bill number—Senate Bill 15, sets forth the following legal parameters for impact fees in Colorado:

- Fees can only be used to address and pay for infrastructure or service impacts “directly related” to the proposed development.
- Fees cannot be aimed at a specific property. They must be generally applicable within an area or a class of properties.
- Fees must be legislatively adopted.
- Fees can apply only to “capital facilities,” which are specifically defined as any improvement or facility that has an estimated useful life of 5 years or more, are directly related to any service that the local government is authorized to provide, and are required by the charter or general policy of the government pursuant to a resolution or ordinance.
- Fees in Colorado cannot pay for ongoing operating or maintenance expenses.
- Fees cannot be used to remedy a previously existing deficiency in the level of service, because that would not be considered an impact of new development.
- No double-dipping is allowed. The county will have to recognize other payments, dedications, or contributions from the proposed development (including taxes) and will have to credit or offset the amount of fee paid by such development.
- Fees cannot be used to pay for schools.
- Fees can be waived on affordable housing.

In general, the requirement that impact fees be used to construct improvements that benefit the development for which the fee was paid means that the fees need to be used to construct additional capacity – or additional “service units” – that will be consumed by the new development. Although not specifically addressed in SB 15, case law from around the country generally requires that fees collected must be spent within a reasonable time (e.g., 6-10 years) to construct an improvement that benefits the development for which the fee was paid -- or the county must issue a refund of unspent, collected fees.

GENERAL PROS AND CONS OF IMPACT FEES

Any local government considering impact fees should be aware of their advantages and disadvantages as an effective infrastructure financing tool.

Generally, the primary argument in favor of impact fees is that new development “pays its own way”, or more precisely, pays its fair share of public infrastructure needed to service that development. In this way, current residents do not subsidize the new development and the local government can avoid some capital spending or general obligation debt. Another advantage of impact fees is that their establishment requires a detailed study of the actual costs of development, and a fair allocation of those costs to new development. This type of detailed analysis must hold up to legal scrutiny, which means that impact fees can be more equitable, less arbitrary, and more predictable than site-specific negotiations. On the other hand, impact fees do not require the type of benefit study required for an assessment district; the supporting study does not need to document how much each and every property will benefit from the expenditure, only that property in the paying area will generally consume or benefit from the additional capital

facilities. Finally, impact fees may allow new development to occur, where the alternative might be denial. In other words, local governments that may be inclined to deny a proposed development because of the capital costs it imposes on the government may change their minds if those expenses are instead born by buyers in the proposed development.

Arguments against impact fees typically focus on the fees' effect on the cost of housing. Impact fees will increase the price of housing in most cases to reflect the true cost of servicing new homes with the required level of infrastructure service. It is important to realize, however, that the cost of providing capital facilities to serve new development cannot be avoided – if impact fees are not used because of the desire to keep housing costs low, then the funds will need to be obtained from other sources. Other disadvantages relate to legal limits on the use of impact fees – such as the requirement that they cannot be used to make up for past deficiencies. In addition, impact fees are sometimes not used because a politically acceptable fee amount may not cover the total cost of the needed facility, or because the administrative costs of collecting and using the fees outweigh the benefits of the fee revenues themselves.

Example: *The county wants to improve County Road 500 by paving a 1-mile segment. The total cost of paving the road is \$500,000. The county wants to use impact fees to help pay for the paving, but first the county has to calculate what portion of the \$500,000 improvement is necessitated by impacts from existing development. The county figures that \$300,000 of the paving cost is due to deferred maintenance and wear and tear attributed to past growth, and only \$200,000 can be attributed to future planned housing growth in the county. Thus, at best, impact fees could contribute only 40% of the total cost of paving.*

2-C. CRITERIA FOR SUCCESS—HOW DO THE TARGET AREAS MEASURE UP?

This section of the report sets forth the minimum criteria or elements necessary for the successful implementation of impact fees under Colorado and federal law. The facts and circumstances of the two target areas are then evaluated against each criterion to help frame the opportunities and constraints for adopting impact fees for these purposes.

#1: THE NEED FOR CAPITAL IMPROVEMENTS MUST BE DIRECTLY RELATED TO THE IMPACTS FROM NEW DEVELOPMENT.

This criterion satisfies the “nexus” requirements under Colorado and federal law that guarantee a fundamental fairness in all impact fee programs. In order to require new growth to pay money as a condition of the county’s development approval process, Colorado law requires the money must be spent on infrastructure that is directly related to the impacts of the development paying the fee.

Based on our review of adopted county plans and on interviews with Routt County service providers, there are specific capital improvements identified in both target areas that appear to be directly related to the prospect of additional new development in the areas. Additionally, it should be possible to distinguish between the demand for the capital improvement attributable to projected new development and the demand for the same improvement from already-existing development. This distinction is important because, as discussed above, impact fee revenues cannot be used to fix existing deficiencies in service.

Stagecoach—Roads. In Stagecoach, the Transportation Plan concludes that development of an additional 1,070 units in the area after 1995 (based on the least-aggressive, “low-density” build-out scenario) will create a need for significant improvements to County Roads 14 and 16 to increase their capacity. In addition, the need for CR 14 and CR 16 improvements was determined in the Transportation Plan to be primarily attributable to future development within Stagecoach, and there is data available from that plan to distinguish new Stagecoach-generated demand for the road improvements from current non-Stagecoach demand. However, the Plan does not project a time frame for when build-out might occur; i.e., the threshold for the identified plan improvements might not be reached for 20, 30, or 50 years.

For purposes of this report, Clarion made some rough projections of possible future growth in Stagecoach during the next 10 years. We made estimates under three different scenarios shown in Table 3 below. Those three scenarios are:

- 4% growth (based on the average growth rate over time,
- (2) 5% growth (based on the average growth rate over the last 10 years), and
- (3) 10% growth (based on an aggressive estimate that growth will be double the historic rate over the next 10 years). This estimate is intended to cover the possibility that a golf course or other recreational amenity consistent with the Stagecoach Area Plan might be developed during the 10 year timeframe.

Future Growth Scenarios	Average New Homes Built Per Year 2004-2014	Projected New Homes 2004-2014	Estimated Total Homes in 2014
1. 4% Scenario: Stagecoach grows at 1990s rate of 4% annual rate for next 10 years	16	156	480
2. 5% Scenario: Stagecoach grows continues to grow at 5% annual rate for next 10 years	20	204	528
3. 10% Scenario: Stagecoach grows twice the rate it grew during the last 10 years –i.e., a 10% annual rate for next 10 years	52	516	840

Source: Clarion Associates

Under the third and most aggressive scenario, the Transportation Plan supports a finding that there will a need for future county road improvements to the portion of County Road 14 between State Highway 131 and CR 14’s intersection with County Road 16 during the next 10 years, and that such improvements would be directly related to new development in the target area.³ However, under both of the less aggressive scenarios, total new residential development in Steamboat during the next 10 years (an estimated 156-204 new units) would not trigger the need for CR 14 capacity improvements described in the Transportation Plan.

³ The Stagecoach Transportation Plan (DMJM 1995) found that this northern segment of CR 14 would require necessary improvements when the County has issued between 396 and 432 new single-family permits. Under Clarion’s rough “aggressive” growth scenario (10% average annual growth), we project a total of 516 new residential buildings would be permitted between 2004 and 2014.

Regarding CR 16, neither the Transportation Plan nor other available county sources support a conclusion that development in Stagecoach area during the next 10 years will trigger a need for capacity related improvements to a portion of CR 16 under any of the growth scenarios. The Transportation Plan provides specific building permit thresholds for plan-recommend improvements to CR 14, but does not do the same for CR 16 improvements. The Director of the county's Road and Bridge Department concurs with this finding. If the county decides to further pursue impact fees for roadway improvements in the Stagecoach area, it will probably need to undertake additional traffic engineering study to update the existing Stagecoach Plan to fill this gap regarding the timing of needed improvements. Once again, however, if the county concludes that there is a connection between the paving of gravel roads and the capacity of those roads, this analysis could change.

Steamboat Lake—Roads and Fire Safety Equipment. Clarion also made rough projections of possible future growth in the Steamboat Lake subdivision (Filings 1-8) during the next 10 years. These rough projections, based on three scenarios related to historical growth trends in the subdivision, are shown Table 4 below. Because of the lower pace of sales in the past, the limited capacity of the treatment plant, and the absence of a vault agreement, our range of growth assumptions for Steamboat Lake was somewhat more conservative than the range used for Stagecoach. In this case, the scenarios were:

- (4) **Slow Growth** – i.e., home construction would proceed more slowly than the last past 10 years (7 units per year instead of 9);
- (5) **Steady Growth** – i.e., home construction will proceed at the same rate as it has for the past 10 years (9 units per year); and
- (6) **Faster Growth** – i.e., home sales will increase by 50% over the rate during the past 10 years. Because there is no apparent likelihood of a major new recreational amenity being developed in the Steamboat Lake area, the high-end assumption for this area is lower than that used for the Stagecoach area.

TABLE 4: FUTURE GROWTH SCENARIOS IN STEAMBOAT LAKE AREA BASED ON CONTINUATION OF HISTORICAL TRENDS			
Future Growth Scenarios	Average New Homes Built Per Year 2004-2014	Projected New Homes 2004-2014	Estimated Total Homes in 2014
1. Slow Growth: Steamboat Lake grows slightly slower than it did in since 1990	7	70	193
2. Steady Growth: Stagecoach grows at the same rate it did since 1990	9	90	213
3. Faster Growth: Stagecoach 50% faster than it did since 1990	14	140	263

Source: Clarion Associates

In Steamboat Lake, even under Clarion's most aggressive future growth scenario, existing county information indicates no need for future capital improvements or enhancements to CR 129 directly related to future development demands in the next 10 years. The CR 129 improvements completed during the last 15 years are expected to adequately handle growth in traffic on the roadway

during the next 10 years. The Director of the county's Road and Bridge Department concurs with this conclusion.

However, the North Routt County Fire District, which services the Steamboat Lake subdivision, has identified an immediate need for additional fire-fighting equipment, specifically a new water tender truck. Obviously, a new fire-fighting truck will respond to demands from existing residents and visitors to the District as well as from residents of future development within Steamboat Lake. Thus, while future growth in Steamboat Lake will directly contribute to the demand for the fire safety truck, it will not contribute 100% of that demand. To avoid using fees to fix past deficiencies in fire-fighting services in the District and to avoid charging Steamboat Lake development with more than its proportionate share of the costs, an impact fee calculation study would need to carefully distinguish between: (1) demand for the equipment generated from future Steamboat Lake development, (2) demand generated from current homes in the subdivision and, (3) demand generated from new development in the fire district but not within Steamboat Lake filings 1-8.

As a rough indicator of future Steamboat Lake demand for fire-safety equipment, we assumed that demand for fire-fighting equipment is equal across all residential buildings or units in the District.⁴ Table 5 below shows our rough projections of future growth in the North Routt Fire District, which is comprised of Tax District 17 (Steamboat Lake) and Tax District 16.

TABLE 5 FUTURE GROWTH SCENARIOS IN NORTH ROUTT COUNTY FIRE DISTRICT BASED ON FASTER GROWTH SCENARIO			
Tax Districts 16 and 17	Average New Homes Built Per Year 2004-2014	Projected New Homes 2004-2014	Estimated Total Homes in 2014
Tax District 17 (Steamboat Lake Filings 1-8)	14	140	263
Tax District 16 (Remainder of North Routt Fire District)	84	203	840
Total	98	343	1,103

Source: Assessor's Data and Clarion Associates

Table 5 shows a projected total of 1,103 homes in the North Routt County Fire District in 2014. Of these, 263 units (or 25% of the total) are projected to be located within the Steamboat Lake area (Tax District 17). Given our general assumption that demand for fire-safety services is roughly equal across all housing units, future demand for fire services in the district from residents in the Steamboat Lake subdivision will be about 25% of the total district demand in 2014.

Summary. To withstand legal challenge, all impact fee programs must evidence a reasonable and direct relationship between the development paying the fee and the

⁴ We recognize that demand for fire safety services varies depending on a range of other relevant factors besides the existence or type of housing unit, but for our limited purposes we will operate under this general assumption. If impact fees are pursued for this purpose, a more detailed analysis would have to be completed during the formal impact fee study.

specific capital facilities financed by the collected fee. In the two Routt County target areas, existing county plans and other information indicate that there is demand for future capital facilities in both Stagecoach and Steamboat Lake directly related to projected future growth in those areas. In Stagecoach, at least under our most aggressive future growth scenario, it appears that new development during the next 10 years will directly trigger the need for roadway improvements to CR 14. In Steamboat Lake, it appears that new growth during the next 10 years will not trigger the need for additional roadway improvements to CR 129, but directly relates to the demand for new fire-safety equipment in the North Routt County Fire District. In both areas, there may be additional capital facility projects that could be addressed through impact fees if the county concludes that there is a relationship between the paving of gravel roads and their capacity.

#2: THE COST OF THE NEEDED CAPITAL IMPROVEMENTS MUST BE KNOWN OR ABLE TO BE ACCURATELY ESTIMATED.

An impact fee must ultimately be calculated using accurate cost estimates for the identified infrastructure needs. In the case of both roadway improvements and fire-safety equipment, accurate cost estimates are generally available. The Stagecoach Transportation Plan identifies the potential cost of improvements to CR 14 between CR 16 and State Highway 131 as \$4,550,327 (in 1995 dollars). The North Routt County Fire District has included in their capital budget \$200,000 for a new water tender truck. As stated earlier, if the county concludes that the paving of gravel roads increases their capacity, and wants to include such projects in a formal impact fee study, the per mile estimates for such work should also be available.

For the limited purposes of this report, however, it is not important to have an accurate estimate in hand, because we only need to know whether an impact fee can significantly contribute to the total cost of the capital facility. If the cost of the improvement or equipment is large, and the amount of future development generating any potential fees is modest, then the usefulness of impact fees as a financing tool may be limited. (See discussion under Criteria #4 below.)

#3: THE AMOUNT OF FEES MUST BE POLITICALLY ACCEPTABLE.

The purpose of this report is not to provide an estimate of possible fee amounts in Routt County. However, county decision-makers should have a basic understanding of how much impact fees might be so that they can make policy choices related to further study of possible fees. If decision-makers decide that the typical amount of a road or public safety impact fee is too high for Routt County to consider (for example, because of the possibility that high impact fees may depress development activity in the two target areas), then the potential use of impact fees becomes more problematic. In such a case, the county may decide not to pursue impact fees at all, or may decide to pursue some but not all of the possible fees, or may decide that individual impact fees should be capped at some specific amount. To provide the county with some understanding of the range of possible impact fees, we have compiled information from various available sources about typical impact fee amounts charged nationally and in Colorado.

Road Impact Fees. Table 6 includes national data on average road or traffic impact fees.

TABLE 6 NATIONAL DATA ON ROAD IMPACT FEES				
Development Unit	National Averages (2000)			
	Average	Median	Minimum	Maximum
Single-Family Unit	\$1,535	\$1,307	\$86	\$7,373
Per Multi-Family Unit	\$1,065	\$954	\$51	\$5,162

Source: Dr. James C. Nicholas, University of Florida (2000), based on a survey and analysis of 140 impact fee ordinances in 37 states.

Table 7 shows impact fees for road/traffic needs actually collected by several different Colorado counties in or about the year 2000.

TABLE 7 ROAD/TRAFFIC IMPACT FEES IN SELECT COLORADO COUNTIES (2000)		
Jurisdiction	Road Impact Fee per Single-Family Unit	Comments
Jefferson County	\$1,426	
Adams County	\$1,599	
Weld County	\$1,878	
Larimer County	\$1,749	2004 fees
Elbert County	\$575-\$1,760-\$2,220	1999 fees; graduated fee structure-lowest for most rural eastern portion, steps up for southwestern portion of county, and highest for fastest growing northeastern portion
Pitkin County	\$5,664	Varies by size of SFD; this fee is for 2,000-3,999 sq. ft. units
Average	\$2,346	Using \$1,760 for Elbert County
Average Without Pitkin County	\$1,682	Using \$1,760 for Elbert County

Sources: Clarion Associates and James Duncan and Associates presentation to CCI (2002)

Table 8 reports data from the Colorado Municipal League regarding road impact fees charged by its members as of October 2000.

TABLE 8 ROAD/TRAFFIC IMPACT FEES IN SELECT COLORADO CITIES (2000)	
City or Town	Road/Traffic Impact Fee
Aurora	\$69
Bennett	\$150
Boulder	\$1,634
Brighton	\$457
Castle Rock	\$445
Cedaredge	\$100
Commerce City	\$1,181
Durango	\$992
Erie	\$1,000
Fort Collins	\$1,480
Fort Lupton	\$850
Grand Junction	\$500
Greeley	\$720
Kersey	\$880
Longmont	\$605

TABLE 8 ROAD/TRAFFIC IMPACT FEES IN SELECT COLORADO CITIES (2000)	
City or Town	Road/Traffic Impact Fee
Louisville	\$1,600
Loveland	\$1,797
Miliken	\$1,980
Platteville	\$1,000
Rifle	\$300 [1]
Wellington	\$350
Windsor	\$700
Woodland Park	\$515
AVERAGE	\$839

Notes to Table: [1] The fee in Rifle shown is a minimum; the fee varies

Source: *Paying for Growth: (Colorado Municipal League, April 2002)*

The national average for road and traffic impact fees was \$1,534 for single-family units in 2000. Among the five Colorado counties surveyed (but not including Pitkin County, whose high fees are an aberration compared to the other Colorado jurisdictions with road fees), the average road/traffic impact fee in 2000 was about \$1,680. 2000 information for Colorado municipalities reveals much lower road impact fees, on average, than nationally or compared to the few Colorado counties cited here. In 2000, among the 22 Colorado municipalities with some sort of road or traffic impact fee, the average fee was just \$839.

Public Safety Fees. "Public safety" fees are typically devoted to fire safety and emergency medical services. Table 9 shows information on such fees in the year 2000 from the same national survey cited earlier.

TABLE 9 NATIONAL DATA ON PUBLIC SAFETY IMPACT FEES				
Development Unit	National Averages (2000)			
	Average	Median	Minimum	Maximum
Single-Family Unit	\$493	\$341	\$44	\$4,445
Per Multi-Family Unit	\$493	\$341	\$44	\$3,239

Source: *Dr. James C. Nicholas, University of Florida (2000), based on a survey and analysis of 140 impact fee ordinances in 37 states.*

Table 10 reports information from the Colorado Municipal League regarding public safety impact fees imposed by some of its members.

TABLE 10 PUBLIC SAFETY IMPACT FEES IN SELECT COLORADO CITIES (2000)		
City or Town	Public Safety Impact Fee	Comments
Fort Collins	\$786	
Greeley	\$250	Per SFD (1,500-2,500 sq. ft.; no sprinklers)
Gypsum	\$1,150	Fire and EMS
Mount Crested Butte	\$389	
Average	\$644	

Source: *Paying for Growth: (Colorado Municipal League, April 2002)*

The national average for public safety impact fees is \$493 per residential dwelling unit. In Colorado, although the use of impact fees for this purpose was not widespread in

2000, CML reported at least five cities and towns with such fees, averaging about \$644 per single-family dwelling unit.

Summary. Again, the purpose of providing the above fee information is to give Routt County decision-makers an understanding of the potential fee amounts based on national and state practices and averages. For roads, Colorado counties have, on average, charged impact fees of about \$1,600 per single-family unit—in line with national averages; Colorado municipalities charge less fees on average at about \$839 per unit. To help pay for public safety services, the national average impact fee from those communities surveyed is \$493, while among the handful of Colorado municipalities charging such fees, the average is higher at \$644. Knowing the potential range of possible fees in Routt County will help inform the policy choice whether impact fees, regardless of their technical justification, are politically acceptable.

Political acceptability is often tied to an impact fee's potential effect on the cost of housing in a community. Many jurisdictions considering impact fees deliberately choose to charge less than the maximum fee justified to mitigate concerns about impacts on housing affordability. Nationally, according to information from the federal Housing and Urban Development Department, total impact fees for public infrastructure, including fees for water, sewer, and roads, average about 3 to 5 percent of the total cost of a new single-family home. This represents a general benchmark of political acceptability with regard to total impact fees – although it is impossible to determine what effect concerns about housing affordability had on the adoption of final fee amounts. If Routt County proceeds to consider impact fees in the Stagecoach and Steamboat Lake areas, it may want to consider the relative affordability of housing in such areas (compared to other housing in the county) and what level of fees might be imposed without having an unacceptable impact on housing affordability in those areas.

#4: IMPACT FEE REVENUES SHOULD BE ABLE TO CONTRIBUTE MEANINGFULLY TO THE COST OF REQUIRED CAPITAL IMPROVEMENTS WITHIN A REASONABLE TIME FRAME.

Successful impact fees are completely dependent on an active real estate market. There must be enough real estate activity to generate fees that can meaningfully contribute to the cost of the needed infrastructure within a reasonable time frame. A “reasonable time frame” usually means within 5 to 10 years from the date the county collects the impact fee. If collected fees will not cover all of the cost of the identified improvement (which is common), then the county or other service provider must either (1) make up the shortfall from other revenue sources, so that capital facilities serving the new development can be built during the 5 to 10 year time frame, or (2) rebate the fee.

Development is occurring within each of the two Routt County target areas, and new growth is expected to continue over the next 10 years. However, the magnitude of growth in both target areas is not very high in terms of absolute numbers of homes. In many jurisdictions considering impact fees, local governments can count on new growth totaling many hundreds or thousands of units over a 5 to 10 year time frame. As shown above, simply continuing the trend established during the last 10 years, growth in Stagecoach would add 204 homes, and growth in Steamboat Lake would add 90 homes, between 2004 and 2014. Even under the aggressive growth scenario, the growth totals would be only 516 and 140, respectively. For purposes of this analysis, those numbers cannot be added together – facilities constructed in the Stagecoach area would be of little use to those living in Steamboat Lake, and vice versa – so the projected growth in

each area would need to be large enough to make a significant contribution to the facilities needed in that area. Satisfying this criterion is probably the most important challenge to the effective use of impact fees in Stagecoach and Steamboat Lake.

Stagecoach—Possible Impact Fee Contributions to Needed Roadway Improvements.

During the next 5 years, if Stagecoach grows at the same average annual rate as during the past 10 years (5% per year), there will be an estimated 100 new homes constructed by 2009. If future studies justified a road impact fee equal to the national average of about \$1,600 per single-family unit (in line with road fees currently levied by several Colorado counties), and assuming all 100 new buildings were single-family homes, this new development could generate gross fee revenues of approximately \$160,000 by 2009. At the end of 10 years, an estimated 204 new buildings will be built; assuming all new units are single-family homes, 204 new buildings within Stagecoach could generate impact fee revenues (at \$1,600 per SF unit) of about \$326,400 by 2014.

The total cost of road capacity improvements to the northern most segment of CR 14, as described in the Stagecoach Transportation Plan, is about \$4,500,000. The Transportation Plan found that non-Stagecoach background (pass-through) traffic on CR 14 was about one-third (36%) of current average daily traffic counts. The Plan also found that growth in Stagecoach would be the primary generator of increased traffic on CR 14 (as well as CR 16 and other internal county roads in Stagecoach). If the total cost of the CR 14 improvements was reduced by the 36% attributable to background traffic, the portion of the capital costs attributable to new growth would be \$2.88 million

Solely for the purposes of our rough estimations, we will assume that future growth in Stagecoach will contribute 100% toward needed roadway improvements on CR 14. If \$326,000 were collected in Stagecoach road impact fees over the next 10 years, that could raise about 7% of the total cost of needed improvements, or 11% of the portion of the costs attributable to Stagecoach growth. These figures reflect a fairly low contribution to CR 14 improvement costs, since the county would still need to find a mechanism to cover 93% of the total costs, including 89% of the costs attributable to Stagecoach growth.

Using the aggressive growth scenario, these figures would rise to \$416,000 in fees within 5 years and \$825,600 within 10 years. Under the aggressive growth assumptions, these fees would raise 18% of the cost of all required improvements to CR 14 and 29% of the costs attributable to Stagecoach area growth. While the aggressive growth assumptions result in more significant contributions, they would still require the county to find other mechanisms to fund 82% of the total costs – including 71% of the costs attributable to Stagecoach area growth. In the alternative, the county could decide to impose road impact fees significantly above the norm for Colorado in order to narrow these gaps.

Again, if the county determines that there is a relationship between the paving of gravel roads and the capacity of those roads, some paving projects might be included in a road impact fee program for Stagecoach. Since the total cost of those projects is probably significantly lower, the contribution of average-level impact fees would be larger, and any unfunded gaps would be smaller.

Steamboat Lake— Possible Impact Fee Contributions to Needed Fire Safety Improvements.

From our analysis of demand for new fire-safety equipment roughly attributable to Steamboat Lake development, we found that under the faster growth scenario an estimated 25% of the total projected housing units in the North Routt County Fire District would be located in Steamboat Lake by 2014. Assuming, again, that demand for fire-safety equipment is equal among all residential housing units in the district (i.e., a new fire truck provides equal benefits to each homes in the district), Steamboat Lake could be expected to contribute roughly 25% of the total district resident demand for fire-safety services in 2014.

The North Routt County Fire District estimates that the new water tender truck to adequately serve the district's fire safety demands will cost \$200,000. Thus, to cover its assumed 25% share of total demand, Steamboat Lake residents could be expected to contribute 25% of the total \$200,000 cost of the truck, or \$50,000. However, the analysis shows that only 140 (or 53%) of the projected Steamboat Lake area homes will be constructed in the next 10 years -- the remaining 123 homes (or 47%) already exist, and cannot be charged an impact fee. So the portion of the cost of a new fire truck that can be allocated to new growth in Steamboat Lake is 53% of \$50,000, or \$26,500. That amount reflects 13% of the cost of the required truck. If this cost were divided over the 140 projected new homes, it would result in a fire safety impact fee of \$189, which is significantly lower than the average level of such fees among those Colorado cities that impose such a fee.

Once again, the calculations above are only rough estimates for the purposes of framing policy choices in this area. The actual calculation of impact fees involves significant additional analysis, including credits to avoid double-counting of revenues, and the final fees might differ significantly from those used above.

Summary. If road impact fees were imposed in the Stagecoach area at the level that is normal both within Colorado and nationally, the limited amount of future development expected in the next 5 to 10 years would probably not generate enough revenues to pay a significant share of the of the anticipated costs of new capital improvements to CR 14. In Stagecoach, new growth will be responsible for a large share of the need for improvements to CR 14, but an impact fee imposed at a common level would raise a relatively small portion of the costs attributable to new growth. The county would have to impose fees at higher-than-average levels to make a significant contribution to those costs. If fees were adopted, the county would need to find significant additional sources of revenue to fund the portion of those costs attributable to growth in Stagecoach.

In contrast, if fire safety impact fees were imposed in the Steamboat Lake area at average or even lower than average levels, they could probably fund the portion of the costs of a new fire truck attributable to growth in that area. However, the result would still only fund about 13% of the cost of the new fire equipment, and the fire district would need to find another way to fund the remaining 87% of such costs. In other words, in Steamboat Lake, new growth contributes a fairly small share of the need for the new fire truck, but an impact fee imposed at a common level could completely fund that portion of the cost.

#5: IMPACT FEES SHOULD BE IMPOSED AT THE EARLIEST POSSIBLE STAGE OF NEW DEVELOPMENT.

Imposing impact fees at the earliest stages of development approval, such as at the time of subdivision approval, typically ensures that a community will capture the greatest amount of growth, and therefore collect the greatest amount of fee revenue to fund improvements needed to serve the development. However, in many jurisdictions, significant areas of land have already been subdivided. If impact fees cannot be collected on these already-subdivided lands, the loss of potential fee revenue could undermine the whole effort of calculating, administering, and collecting impact fees.

In Routt County, impact fees would not be able to capture all future growth at the subdivision stage of development. Much of the land within the Stagecoach and Steamboat Lake areas has already been subdivided. The question is whether the imposition of impact fees at a later stage of development approval can adequately address the needs that the fees are intended to address.

Senate Bill 15 is ambiguous as to whether a Colorado county can collect impact fees on new development that has already received final subdivision approval. There is no case law on this point yet. Nonetheless, the Colorado Municipal League has taken the stance that impact fees may be payable at the time of building permit issuance under Senate Bill 15, and could be successfully collected on developments that had previously received subdivision approval for the same development. In CML's recent publication, "Paying for Growth: Impact Fees Under Senate Bill 15 (April 2002)," in discussing the meaning of subsection (6) of Senate Bill 15, which exempts impact fees on "development permits for which the applicant submitted a complete application before the adoption of ...impact fees...", the report states:

"Thus, an impact fee that is payable at final building permit could probably be assessed against projects for which complete subdivision applications were filed before the fee was adopted, but which have not filed complete building permit applications." ("Paying for Growth," p. 18.)

Ultimately, the Routt County attorney would need to arrive at a similar conclusion if impact fees are to be seriously considered for the two target areas.

2-D. OPPORTUNITIES AND CONSTRAINTS FOR THE USE OF IMPACT FEES IN ROUTT COUNTY

The discussion above reveals both opportunities and constraints for the potential use of fees to finance needed capital improvements in the Stagecoach and Steamboat Lake areas.

Stagecoach. There may be opportunities for the use of impact fees in Stagecoach because the projected rates of growth, between 200 and 500 new homes in the next 10 years, could generate significant funds towards the costs of improvements to County Road 14. However, additional study is required to determine whether CR 14 road improvements would be necessitated if growth in the Stagecoach area occurs at the low-to-medium end of that growth forecast range (i.e., if growth is only 200 or 300 units).

There are also constraints and challenges to the use of impact fees in Stagecoach:

From available data, it is unclear whether residential growth of less than 1,070 new units would trigger a need for any growth-related improvements to CR 16. More specifically, it is unclear whether even growth under the aggressive scenario would create a need for improvements to CR 16 within the Stagecoach area.

More broadly, there is little evidence that growth will create a need for capacity improvements within the Stagecoach area such as CR 16, 18A, 212, or 131 during the next 10 years. If the county's intent was to use impact fees to help fund these or other internal subdivision roads, then this report's preliminary findings suggest a mismatch between that intent and the specific capacity-related improvements that will occur during the next 10 years. This conclusion could change if the county determines that there is a relationship between road capacity and the paving of gravel roads, and anticipated growth will cross a threshold where paving would be required.

Another challenge in Stagecoach is a concern on the part of the Oak Creek Fire District, and perhaps others, that impact fees will slow down future development activity. Such a slowdown would disrupt the fiscal planning and needs of the fire district and other service providers. That said, the fire district did state its openness to explore the feasibility of fees, particularly if they might contribute to the cost of improving county roads such as CR 16 for fire safety access.

Steamboat Lake. In the Steamboat Lake area, there may be limited opportunity to employ impact fees because of the relatively low levels of future growth expected, during the next 10 years. However, the identified future capital needs in Steamboat Lake—not including services already provided by the Steamboat Lake Water & Sanitation District—is also more limited; i.e., the need for 1 additional fire safety truck at a projected cost of \$200,000.

The challenge here is whether the demand attributable to the projected new development in Steamboat Lake will be significant enough to make the effort of calibrating, adopting, and administering impact fees worth the trouble. In other words, if a detailed impact fee calculation study affirms that future development in Steamboat Lake might generate fee revenues totaling only about \$26,000 toward a \$200,000 piece of equipment, is it worth the county resources to put in place an impact fee program? The answer might depend on the fire district's ability to fund the remainder of the cost given its current fiscal status, and how long it will be before the district could purchase the equipment.

Another challenge might be the effect of any required credits for future tax payments by the developer/property owner that will be used to pay for the same capital improvement. It may be that the total amount of credits could significantly erode the amount of a defensible impact fee to a level that would not generate significant revenues within a reasonable time frame. Credits may need to be calculated for future property taxes paid under the general mill levy assessed by the North Routt Fire District as well as the mill levy assessed to pay for the District's recently approved bond issue. The District reports that the general mill levy revenues are being used to pay for ongoing operating and maintenance expenses, and not for capital outlays, but that the bond issue proceeds were especially earmarked for a new fire station and new capital equipment.

2-E. POLICY CHOICES REGARDING THE USE OF IMPACT FEES

Based on the above discussion of legal requirements for impact fees, projected future development in the two target areas, and the opportunities and constraints associated with the use of impact fees, we recommend that Routt County consider the following questions in order to guide completion of this Feasibility Study.

Does the county want to consider financing tools, including impact fees, which generate less than 100% of the needed revenue within 10 years?

It is rare that impact fees or other special financing tools manage to raise 100% of the total cost of needed capital improvements. Impact fees may in Stagecoach and Steamboat Lake may be able to raise between 10% and 20% of the needed revenues for capital facilities related to growth.

Accordingly, Routt County should consider whether or how it will fill any financing gaps between revenues generated from impact fees and the total costs for county road or other needed capital improvements. The gap might be filled from a combination of existing or future new sources, including specific development exactions, dedicated road and bridge funds, county general funds, bond issues, or new special assessment districts. In the case of Steamboat Lake, the question is really whether the fire district has a plan to fund that gap.

If the county is not prepared to study the issue and to devote additional revenues to pay the remainder for the projected capital projects of CR 14, and the fire district will not have revenues to fund the remaining costs of the fire truck, then there are three possible options.

First, the county could decide the impact fees are not a good tool to use for these purposes.

Second, the county might decide to pursue impact fees now, and use its best efforts to identify and devote additional revenues to the CR 14 improvement, but be prepared to rebate the fees at the end of 6 to 10 years if supplemental revenues fail to materialize.

Third, the county might decide to pursue impact fees now, and be prepared to fund the remainder of the cost of necessary improvements near the end of the 6-to-10 year period. It could then continue to collect impact fees to repay itself for any costs related to Stagecoach growth.

Does the county want to focus on impact fees internal to the two target areas—Steamboat and Steamboat Lake, or does it want to consider applying impact fees to a broader, geographic area?

The presumption throughout this report is that the impetus for consideration of impact fees in Routt County comes from the prospect of future new development in Stagecoach and Steamboat Lake. Our discussion focused on the feasibility of using impact fees in these two specific, geographic areas. As discussed above, however, the small size of these two areas creates some challenges to effectively employing impact fees in these two areas.

Therefore, Routt County might want to consider whether it wants to adopt impact fees for areas larger than just Stagecoach and Steamboat Lake. In fact, this report provides preliminary support for broadening the geographic reach of impact fees beyond the two target areas. Identified capital needs in both areas—namely, capacity improvements to CR 14 and a new fire truck for the North Routt County Fire District area—will arguably benefit a wider population than that found in just the immediate Steamboat Lake and Stagecoach areas.

If impact fees are collected outside the immediate boundaries of Stagecoach and Steamboat Lake, the county will need to establish distinct benefit areas within which fees would be collected and spent. For example, one approach may be to establish a “northern benefit area” and a “southern benefit area.” The northern benefit area boundaries might be coterminous with the North Routt County Fire District boundaries, and the southern benefit area could include properties outside of Stagecoach that now or will use CR 14 as a major vehicle access route for travel within Routt County. Fees collected from development within the benefit area would need to be spent within the same area to satisfy legal standards that developments paying the fee directly benefit from the funded improvements.

By establishing benefit areas larger than the boundaries of the Steamboat Lake and Stagecoach subdivisions, the county might justifiably draw upon a larger base of future growth to help fund the needed capital improvements in these areas. This could narrow the gap between fee revenues generated just by Stagecoach and/or Steamboat Lake development and the cost of the identified capital improvements.

If the county does not want to consider impact fees over larger areas, does the county want to focus only on road improvements for Stagecoach and fire/EMS improvements for Steamboat Lake?

This effort began as an inquiry into the feasibility of using impact fees to fund roadway and fire/EMS facilities in the Stagecoach and Steamboat Lake areas. In the course of our inquiry, we established that the Oak Creek Fire and Safety District seems to have plans in place to fund the Fire/EMS facility in Stagecoach, and that impact fees would not be needed to fund that facility. In fact, the district was concerned that impact fees might slow down development activity whose taxes would help pay for that facility. As a result, it appears wise to narrow the discussion to cover only growth-related road improvements for Stagecoach.

Similarly, we discovered that there is no evidence that anticipated growth in Steamboat Lake will require capacity related improvements to roads in that area. It therefore seems wise to narrow the discussion to Fire/EMS facilities in that area. Once again, however, this could change if the county finds a relationship between the paving of gravel roads and the capacities of those roads.

Does the county agree that the remainder of this effort should be narrowed to address these growth-related capacity needs?

Does the county want to limit future analysis to fees that—together with existing charges—will add no more than 3-5% to the cost of a home?

Given the significant cost of future capital needs relative to the limited amount of future growth projected in the Stagecoach area, the actual fee that the county might be legally justified in charging new development could be quite large. Since most developers attempt to pass through most of the impact fee the home buyers, impact fees could increase the cost of housing where they are assessed. Nationally, studies conducted and compiled by the federal HUD Department show that impact fees and development charges of all types (including water, sewer, schools, and roads) typically comprise between 3 to 5 percent of the average cost of a new home.

Routt County should determine whether it wants the remainder of this effort to focus on fees that would total no more than 3 to 5 percent of housing costs. In the alternative, if preserving the affordability of housing in Stagecoach and Steamboat Lake is a high priority, then the county may want to limit future consideration to impact fees totaling no more than two percent of the average cost of new homes. In making this decision, the county should be aware that the more strictly the county “caps” the amount of fees to be considered, the more likely it becomes that the resulting fees will not make a meaningful contribution to financing needed facilities.

APPENDIX: Alternatives to Impact Fees

There are, of course, a wide variety of tools available to help pay for the cost of needed capital improvements in Routt County in addition to or instead of impact fees.

To help pay for the roadway improvements identified in the Stagecoach Transportation Plan, or to pay for other internal road improvements, the following tools might be considered:

The county may negotiate specific roadway improvements from new development where the county can make an individualized determination that the improvements are reasonably related to the new development's impacts on the roadway's capacity and safety.

The Morrison Creek District is a Title 32 metropolitan district, and thus has authority under Colorado law to provide a wider variety of services than just water and sewer services. The district could provide, for example, new roads and roadway improvements as part of its service plan. Any expansion of its current service plan, however, would require approval by a majority vote of the district's property owning electorate. If successful, the district would have the full arsenal of user fees, property taxes, development charges, and debt financing at its disposal to help fund the identified roadway improvements.

Local Improvement Districts (LIDs), such as the LID recently approved to fund local road and sewer/water connections for Meadowgreen in Stagecoach, may be particularly appropriate for financing internal subdivision road improvements. LIDs can levy special assessments against all properties specially benefited by a new or improved road for the purpose of paying for the improvement, or paying for debt service on special assessment bonds. LIDs, however, cannot levy property taxes, cannot operate the facilities constructed, nor impose rates, tolls, or other development charges.

The county might consider formation of a public improvement district (PID) in Stagecoach to undertake needed roadway improvements. A PID may levy property taxes, operate the facilities built, incur debt, and impose rates, tolls, and other development charges. The Board of County Commissioners would constitute the ex-officio board of directors for the district, and have direct control of the district's operations and long-range plans. To form a PID, electors within the proposed district representing ownership of at least one-half of the total assessed property value must consent to the district in a petition submitted to the Board.

The county might budget and devote a portion of general funds or road and bridge funds to pay for specific roadway improvements in Stagecoach. This alternative could still be combined with impact fees adopted to recoup part of the county's investment in the improvement.

To help pay for the fire safety/EMS improvements in Steamboat Lake as identified in this report, the following financing tools might be considered:

The county might budget and devote a portion of its general funds to pay for needed fire-safety equipment in Steamboat Lake. This alternative could still be combined with impact fees adopted to recoup part of the county's investment in the improvement.