MONTROSE COUNTY ADMINISTRATION CAPITAL EXPANSION IMPACT FEE

PREPARED FOR: MONTROSE COUNTY

PREPARED BY: RPI CONSULTING SEPTEMBER 2007

TABLE OF CONTENTS

Executive Summary 3
Introduction 3
Methodology 3
Need 3
Impact Fee 3
Introduction 4
Legal Authority 6
Impact Fees Generally 6
Permissible Uses of Impact Fees Imposed by Montrose County 7
Timing of Imposition of Impact Fee 8
Accounting for Received Impact Fees 9
Me thodology 10
Need, Trends, and Rational Nexus 12
Poulation 12
Current Residential and non-Residential Counts 12
Housing Projections 13
Non-Residential Projection 14
Need 15
Impact Fee Base Information 16
Proportionate Share 16
Capital Inventory 16
Level Of Service 17
Fee Schedule, Crediting, Final Fee And Cash Flow 18
Fee Schedule 18
Credits 18
Final Impact Fee 19
Cash Flow 20
Implementation and Administration 21
Who is Subject to the Fee? 21
Exemption for Affordable Housing 21
Exemptions for Certain Public Facilities 22
When to Collect the Fee 22
Other Considerations 23
Updating the Fee 23
Appendix 25

EXECUTIVE SUMMARY

INTRODUCTION

The purpose of this document is to establish an appropriate capital expansion impact fee for the Montrose County Administrative Departments.

METHODOLOGY

The methodology in this report utilizes common impact fee calculations and structures including: demand units, capital facility inventory, level of service (LOS), proportionate share, and crediting.

NEED

The population of Montrose County is forecasted to grow at a rate of 2.33%. From the year 2000 to 2006 almost 2,200 new housing units were built and over 1 million square feet of non-residential space was added. County Administration has experienced a considerable commensurate increase in workload in response to the new development.

IMPACT FEE

The final impact fee for administration capital facilities is $360 per residential unit and $293 per 1,000 square feet of non-residential development.

Figure 1. Montrose County Administrative Impact Fee

	Residential (per unit)	***Non-Residential (per 1,000 sq. ft.)***
Fee Schedule	*$ 443*	*$ 374*
Credit	*$ 83*	*$ 81*
Administration Impact Fee	*$ 360*	*$ 293*

INTRODUCTION

The purpose of this document is to establish an appropriate capital expansion impact fee for Montrose County Administration facilities.

Capital facilities are a critical element in the maintenance of publicly provided service levels. As any town, city, or county experiences growth and development, demands are placed upon infrastructure, administration, and other capital resources. This additional demand for services presents governments with two options; first, to maintain current funding levels and decrease service levels, or second, to find additional methods of revenue generation in order to maintain current service levels. If decreasing service levels are not acceptable governments must find a mechanism by which new growth pays its fair share of the increasing costs. Without additional revenue provided by new growth, taxpayers at large will have to bear the increased financial burden - this is in effect a subsidy of new growth by current residents.

Administration is a vital component of any governmental organization. This report considers Administration to consist of the following departments/services: Board of County Commissioners, Assessor's Office, Clerk, Recorder, Treasurer, County Attorney, County Manager, Human Resources, Finance, Land and Building Use, Maintenance and Custodial Department, and Tech Services (IT). These departments, while serving the citizens of Montrose County, are also responsible for managing many of the day to day activities that are necessary for the County's operations. These departments as a whole provide an organizational foundation for all of the services provided by County government.

Numerous data sources and complex calculations underlie the basic logic that this report is based upon. However, the foundation and concept of this report is relatively simple and is essentially answers the following questions:

1. Does Montrose County have a need for an impact fee to charge new development its share of the cost of expanding administrative facilities?
2. Does Montrose County have the legal authority to charge such a fee?
3. How do residential and non-residential land uses draw upon facilities for basic County services relative to one another?
4. How much does it cost to build or expand facilities?
5. What is the current level of service for Administrative facilities?
6. What should the fee amounts be?
7. Should credits or waivers be offered to any types of development?
8. How much revenue might the County expect the fees to yield?
9. What steps and considerations are involved in implementing the fee?

Impact fees are designed to maintain an existing level of service for capital facilities as populations and non-residential development increase. The impact fee in this report is designed around a 20 year planning horizon, thus the projections and analysis goes through 2027.

LEGAL AUTHORITY

The following legal analysis was provided by Lindsey Nicholson of Goldman, Robbins, Nicholson P.C. as a subcontractor to RPI Consulting LLC. The analysis is intended to provide third party legal analysis of impact fee legislation and application in Colorado; RPI Analysts are not attorneys nor does RPI retain attorney's on staff. The appropriateness and legality of imposing this or any other impact fee schedule is entirely at the Montrose County Board of Commissioners, and County Attorney discretion and judgment. RPI does not make any claims as to the legality or appropriateness of impact fees or the accuracy of the following legal analysis.

IMPACT FEES GENERALLY

The authority for counties to levy direct fees on new development to help offset the impacts of such development derives from C.R.S. § 29-20-104.5, adopted in 2001. This statute grants local governments the authority to impose growth-related impact fees as a condition of approval of an application for new development. However, the statute requires that such impact fees be:

(1) Legislatively adopted;

(2) Generally applicable to a broad class of property owners; and

(3) Intended to defray the projected impacts on capital facilities directly caused by proposed development[1].

In addition, the statute requires that the collected impact fees be used to "fund expenditures by such local government on capital facilities needed to serve new development".[2] "Capital facilities" are defined as "improvements or facilities" that:

(1) Are directly related to any service that the local government is authorized to provide;

(2) Have an estimated useful life of five years or longer; and

(3) Are required by the charter or general policy of the local government pursuant to resolution or ordinance[3].

It is not clear under current law whether a "capital facility" would include equipment.

The statute is clear, however, that the collected fees must be used to offset new impacts and that they cannot be used to remedy any current deficiency in capital facilities – i.e., one that exists without regard to the impacts of new development.[4] Accordingly, the statute requires a local government, before adopting any impact fee, to:

[1] C.R.S. § 29-20-104.5(1).
[2] *Id.*
[3] C.R.S. § 29-20-104.5(4).
[4] C.R.S. § 29-20-104.5(2).

(1) Quantify the reasonable impacts of the proposed development on existing capital facilities;

(2) Establish the fee at a level no greater than necessary to defray the impacts *directly related* to the proposed development[5]; and

(3) Include provisions in the legislatively-adopted fee structure to "avoid double-charging developers an impact fee for the same facility that the jurisdiction has imposed an exaction."[6]

The required quantification of the impacts and calculation of the fee so as not to be greater than necessary to defray directly-related impacts of development is typically met by the preparation of an impact fee study, such as this one. There are no reported cases construing these quantification requirements; however, based upon the holdings of the Colorado Supreme Court in a case[7] that shortly predates the adoption of the impact fee statute, legal commentators[8] believe that the requirements are meant to be less restrictive than the case-specific "essential nexus" and "rough proportionality" tests that are applied to government exactions (i.e., requirements that an owner give up a portion of his property for public use as a condition of approval of development). In the referenced case, the Colorado Supreme Court held that because the setting of impact fees is a "legislative function that involves many questions of judgment and discretion, [the courts] will not set aside the methodology chosen by an entity with ratemaking authority unless it is inherently unsound".[9] Further, the impacts of each specific development proposal need not be quantified, but may be looked at cumulatively, and an impact fee schedule may differentiate among different types of development and their likely impacts, so long as there is a rational basis for the differentiation.

PERMISSIBLE USES OF IMPACT FEES IMPOSED BY MONTROSE COUNTY

Based on the foregoing statutory requirements, Montrose County may adopt a schedule of impact fees applicable to new development; provided, however, that such fees will be used to fund capital facilities that are directly related to a service that the County is authorized by other law to provide. Statutory counties, like Montrose County, have limited express powers provided by statute and such implied powers as may be reasonably necessary to carry out the express powers.

It is our understanding that the County intends to adopt impact fees for the purpose of funding expenditures by or for the following departments: road and bridge; general administration; law enforcement; health and human services; and fairgrounds. Assuming that the County is

[5] *Id.*
[6] C.R.S. § 29-20-104.5(3).
[7] Krupp v. Breckenridge San. Dist., 19 P.3d 687 (Colo. 2001).
[8] Carolynne C. White, "Municipal Perspective on Senate Bill 15: Impact Fees", 31 Colo. Law. 93 (May 2002).
[9] Krupp, 19 P.3d at 694.

authorized by other law to provide the services provided by these departments[10], and further assuming that the fees generated will be used to purchase or construct "capital facilities" serving such departments (not to simply go into the general fund for such departments), the County has the authority to adopt impact fees for these departments. Again, the use of the funds must be prospective and cannot be used to remedy any existing deficiencies in the facilities of these departments.

TIMING OF IMPOSITION OF IMPACT FEE

With regard to the timing of the imposition of a newly enacted impact fee ordinance or resolution, the statute prohibits the imposition of any impact fee on any "development permit for which the applicant submitted a complete application" prior to the adoption of the impact fee schedule[11]. Accordingly, whether an impact fee can be imposed on an application that was put "into the pipeline" prior to the formal adoption of the impact fee resolution would need to be determined by reference to what constitutes a "complete application" under the local land use regulations.

With respect to whether impact fees can be imposed on building permit applications for lots in projects that were approved well before the impact fees were adopted, the statute is not clear. The statute provides that the payment of impact fees can be imposed as a condition of approval of a "development permit", which is defined as "any preliminary or final approval of an application for rezoning, planned unit development, conditional or special use permit, subdivision, development or site plan, or similar application for new construction".[12] With the exception of the last phrase "or similar application for new construction," all of the types of development permits listed are permits issued by a local government's planning department, rather than its building department. A conservative reading of the statute would be that the impact fees cannot be imposed as a condition of approval of a building permit in an approved development; however, reasonable minds can differ in this interpretation, and we understand that some local governments nonetheless impose fees at the building permit stage. We also understand that some local governments have remedied the situation by requiring the submittal of a site plan to the planning department as a prerequisite to the issuance of a building permit and including such site plan within the definition of "development permit" under their land use regulations.

[10] Counties have the express powers to lay out, alter and maintain roads (C.R.S. § 30-11-107(1)(h)) and to provide for the general administration of county affairs (C.R.S. § 30-11-107). The powers to provide and maintain fairgrounds and to provide law enforcement and health and human services may be reasonably implied powers; however, we defer to the legal opinion of the Montrose County Attorney on this issue.
[11] C.R.S. § 29-20-104.5(6).
[12] C.R.S. § 29-20-103(1).

ACCOUNTING FOR RECEIVED IMPACT FEES

Finally, all impact fees received by the County must be collected and accounted for in accordance with C.R.S. § 29-1-803.[13] This statute requires that all collected impact fees be deposited in an interest-bearing account that clearly identifies the category, account, or fund of capital expenditure for which the fee was imposed. Each such category, account, or fund must be accounted for separately, and interest earned on the fees must be credited to the account.

Limitation and Disclaimer (Lindsey Nicholson): This opinion letter is delivered solely for the benefit of Montrose County as general background information regarding its proposed adoption of impact fees. It is not to be relied on by any other party or for any other purpose. We are not familiar with and have not, in connection with this opinion letter or otherwise, undertaken any independent investigation of factual matters affecting this opinion, and we disclaim any obligation to do so. The final interpretation of state statutes and case law regarding impact fees and the legality and appropriateness of Montrose County's adoption of any impact fee program should be determined by the Montrose County Attorney and/or its Board of County Commissioners.

[13] C.R.S. § 29-10-104.5(5).

METHODOLOGY

An impact fee can be derived for any service that a county or municipality is authorized to provide to its constituents. While these reports differ from service to service (roads, law enforcement, parks, administration, etc.) there are a few underlying concepts present in all impact fee analysis:

1. Demand Units
2. Demonstration or Need (Nexus)
3. Capital Facilities Inventory
4. Level of Service (LOS)
5. Proportionate Share
6. Credits
7. Final Fee Calculation

Demand Units: the differing sectors of a population that demand specific services. Typically demand units are divided between the residential, non-residential sectors, and when relevant, report specific units (example: oil and gas wells).

The demand for administrative services originates from both the residential sector and the non-residential sector. For example, the Clerk and Recorder are responsible for issuing marriage licenses and managing elections, the demand for these services clearly originates from the residential sector of Montrose County. The same office is also responsible for issuing liquor licenses, a nonresidential service. Additionally, the Clerk and Recording Departments are responsible for keeping all real estate and vehicle records, the demand for which originates from both sectors.

Demonstration of Need (Nexus): In order for an impact fee to be legitimate, there must be an established link between the need for additional capital and growth. If growth is happening, but it is not affecting the amount of capital necessary for an organization to operate, then there is no nexus for the fee to be based upon. The demonstration of need is typically exhibited by an increase in services demanded due to additional population, housing units or non-residential square feet. Services, in terms of capital, are typically measured through a capital facilities level of service or an employee level of service.

Capital Facilities Inventory: provides a value of the capital employed by a department to provide a given service. This inventory is composed of all capital valued at over $5,000 or that has a life span of more than five years. RPI analysts are typically quite conservative in determining what assets constitute capital facilities (see appendix).

Level of Service: measured in two ways, the amount of capital per demand unit and the amount of employees per demand unit. It is an important concept that assigns capital value and employees to current demand units, this is then use as a measure of service levels. Level of service (LOS) is used to extrapolate future capital needs due to growth. For example, if there are 1000 residents and one Town Marshal the current level of service would be .001, if the town grows by 1000 people it would be necessary add an additional Marshal in order to maintain the .001 LOS.

For Administration the capital value LOS and employee LOS is utilized.

Proportionate Share: the relative amount of demand for services experienced by different sectors. Services provided by governments are not uniformly distributed to all sectors of society due to the differing needs of each sector. Proportionate share is analyzed on a case by case basis, using many different variables in order to provide a percentage breakdown of how services are used in a given population. In other words, proportionate share determines how much of what type of facility service land uses demand

In the case of Administration the proportionate share is divided among residential and non-residential units.

Credits: provide an equitable method for calculating impact fees. Often governments pay for capital expenditures from general fund accounts that are derived from taxes on the demand unit sectors (property taxes, sales taxes, motor vehicle taxes, etc.). Credits prevent double dipping, thus preventing impact fees from overcharging residents for improvements. For example, if a portion of road and bridge department capital is paid for by a mill levy upon property, residents and businesses are contributing monies used in a capital expenditures account. If developers were required to pay an impact fee while simultaneously paying property taxes, the resulting fee schedule would account for more than the developer's fair-share. Because this is both unfair and possibly un-statutory, credits must be developed where necessary.

Each credit is spread over a 20 year period; this is to account for the useful lifespan of most capital. By spreading out the credit the full per unit contribution is captured thus eliminating double dipping over a wide time-span. Credits are calculated on a per unit basis and then simply subtracted on a per unit basis from the fee schedule resulting in the final impact fee.

The following basic equations sum up impact fee methodology:

(Proportional Share * Capital Facilities Value) / Demand Units = Fee Schedule

((Departmental Revenues* Proportional Share)/Demand Units)*% Spent on Capital= Credit

Fee Schedule - Credit= Impact Fee

There are additional complexities in each department that depend on a variety of variables, the above equations are meant to outline the general methods by which impact fees are calculated.

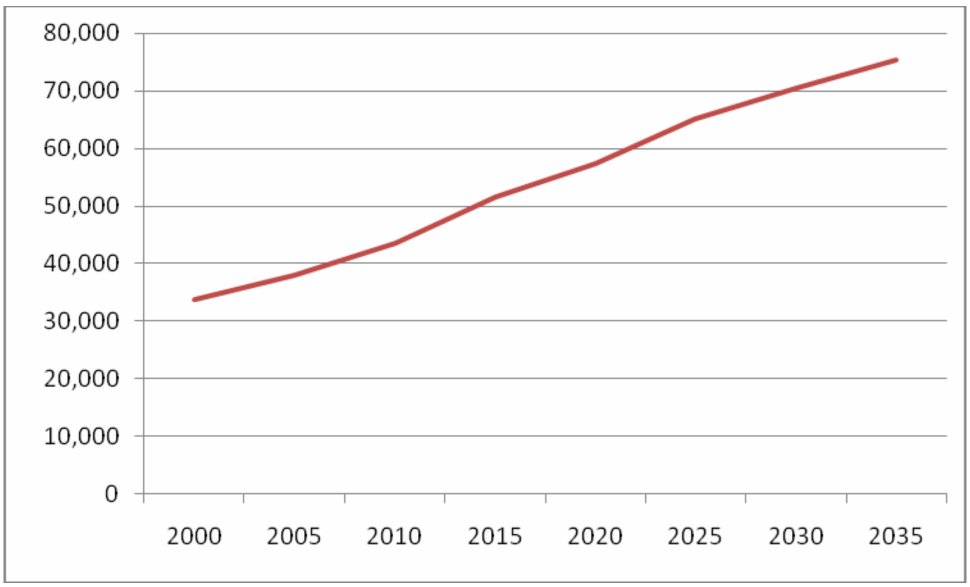
Final Fee Calculation: The final fee is calculated using the fee schedule and the crediting system. It is simply credit subtracted from the fee schedule; this results in a fee tied to a LOS but accounts for alternate capital revenue sources.

NEED, TRENDS, AND RATIONAL NEXUS

POULATION

The Colorado Department of Local Affairs (DOLA) conducts population forecasts for counties and municipalities in Colorado. DOLA forecasts that Montrose will grow at an average rate of 2.33% annually through 2035. At this rate, Montrose County's population will total over 75,000 residents by the year 2035.

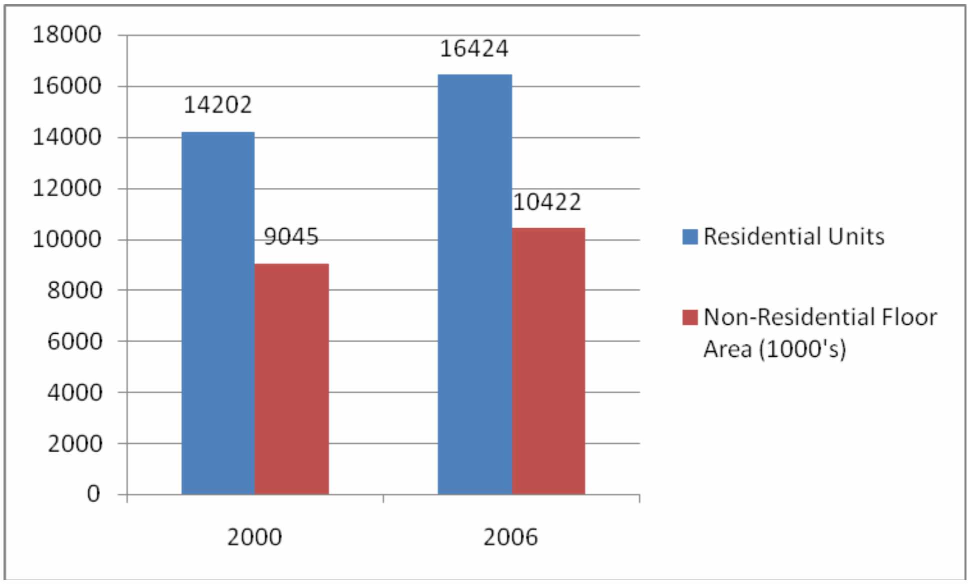
Figure 2 . DOLA Population Forecast Through 2035



CURRENT RESIDENTIAL AND NON-RESIDENTIAL COUNTS

In the past six years Montrose County has experienced a growth rate of 2.45% in the residential sector and has gained approximately 2,200 new housing units. Additionally, non-residential square footage increased at 2.40%. As the number of housing units and non-residential square footage grows additional strains are placed upon the infrastructure and organizational systems that are charged with providing certain services. Additional demand from houses (and their residents) and non-residential development means additional work for Administration employees.

Figure 3. Number of Housing Units and 1000's of Non-Residential Floor Space 2000 & 2006

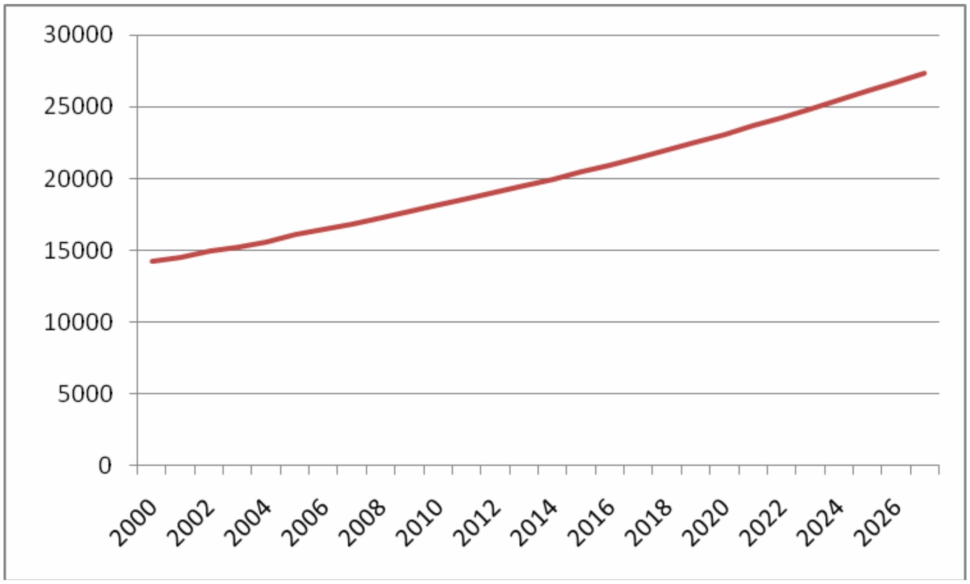


HOUSING PROJECTIONS

Impact fees are meant to provide revenue for capital expansion and maintain existing service levels in the face of future anticipated growth. The analysis in this report relies on growth projections through the year 2027. Projections, as opposed to forecasts, are based upon historical data in order to provide a best estimate as to future conditions. Projections are however subject to a variety of economic, political and, environmental factors that could drastically alter projection numbers.

To acquire a growth rate RPI analysts conducted a number of queries based upon building classification and year built fields within the Montrose County Assessor Database. The projections are based upon housing counts from the years 2000-2006, this method allowed RPI analysts to get specific demand unit historical data. By 2027 Montrose County is expected to gain more than 11,000 additional housing units.

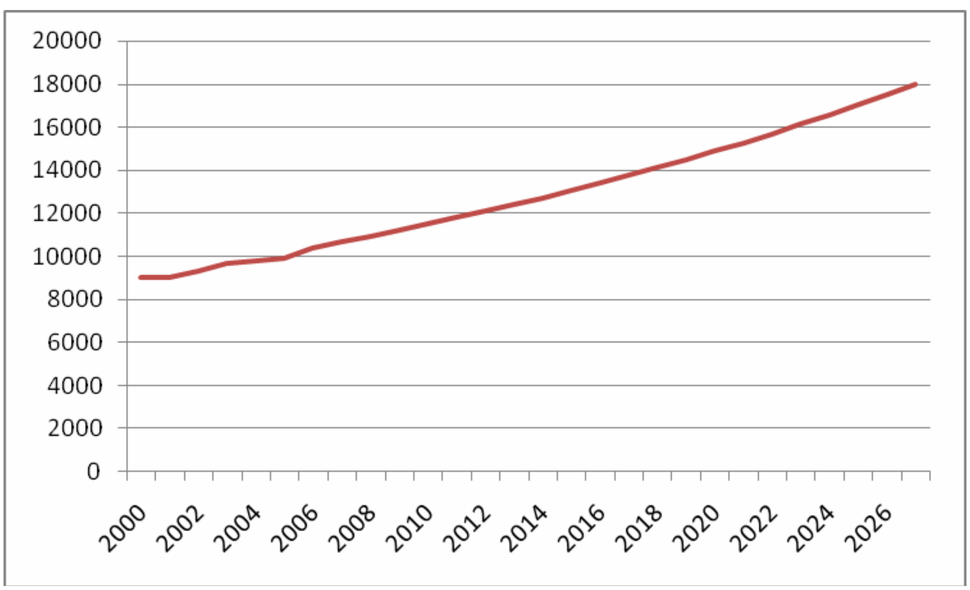
Figure 4. Housing Unit Projection



NON-RESIDENTIAL PROJECTION

The non-residential projection included all properties that cannot be considered residential dwellings, including commercial space, industrial space, and governmental/institutional buildings. By 2027 Montrose County could expect to have a total of 18.5 million square feet of non-residential floor area.

Figure 5. Non-Residential Square Footage Projection (in 1000's)



NEED

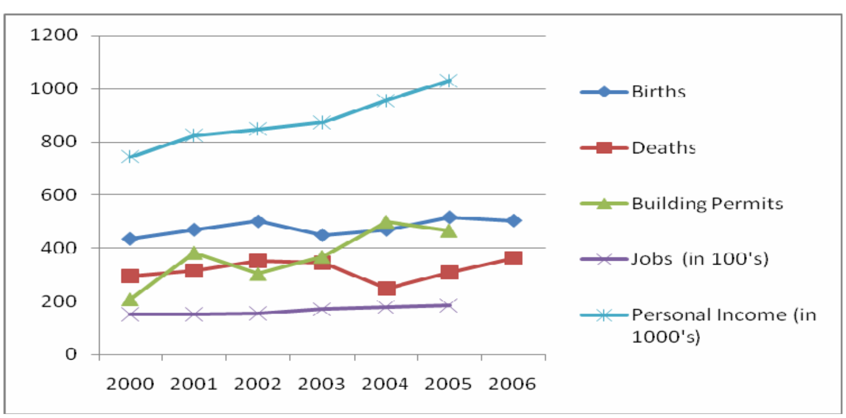
Historical data makes it clear that Montrose County is experiencing significant housing, non-residential and population growth. Montrose County should expect these trends to continue. The County should be prepared to handle future growth and demands associated with growth, in order to continue to provide its residents with current service levels.

The analysis in this report defines existing capital infrastructure service levels to the residents of Montrose County. A snapshot of 2006 base year was used to obtain current level of service (LOS). If the capital facilities utilized by the Administration department does not keep pace with growth the level of service currently provided will decline. Thus Montrose County must either accept a declining service rate or find a mechanism for which to pay for the necessary increases for capital facilities.

As residential and non-residential sectors grow additional strains are placed upon the Administration. The Clerk and Recording Office have to monitor additional births, deaths and marriages, the Finance department has to process more tax receipts, the Assessor's Office has to chronicle new properties, and the Land Use Department must issue building permits at an increasing rate. All of these activities, if the LOS is to remain be maintained will require additional employees. Additional employees require additional capital infrastructure in order to carry out their duties.

By examining the figure below it is evident that as the Montrose County demand units have increased so have the duties and responsibilities of the Administration Department. In addition to the increases from the residential and non-residential sector, the Administration Department is also tasked with managing certain aspects of the County's government as a whole. As the County expands the Public Works Department, Law Enforcement and Health and Human Services must also expand. These departments rely on Human Resources, Finance and other administrative departments to operate. Thus the Administration is faced with increasing demand from three sectors: residential, non-residential and governmental.

Figure 6. Various Administrative Duties 2000-2006



IMPACT FEE BASE INFORMATION

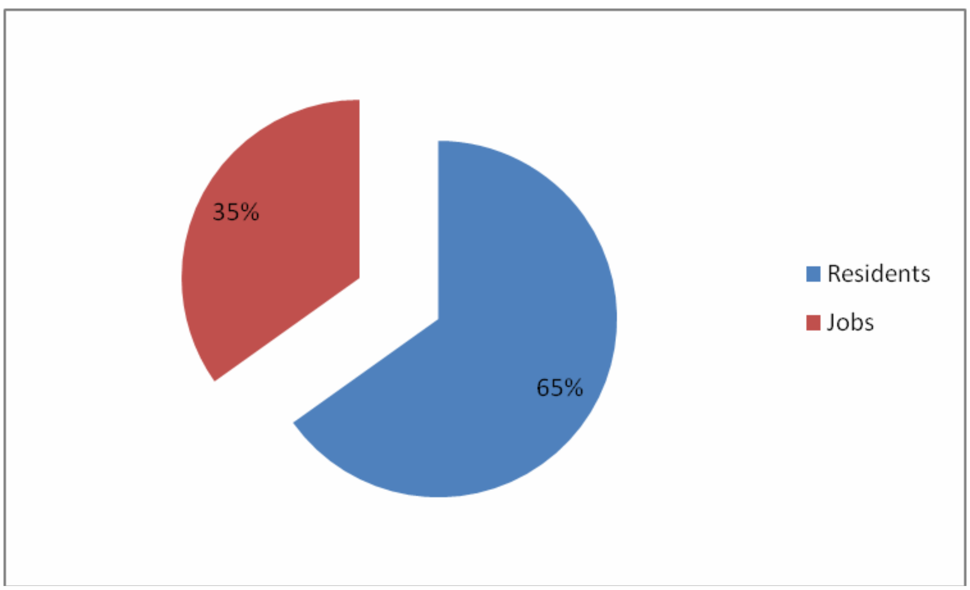
The proportionate share, capital inventory, and LOS are essential components of impact fee calculations, establishing a base value of capital per demand unit upon which the impact fee is further developed.

PROPORTIONATE SHARE

To determine the proportionate share RPI analysts compared the current number of jobs, in 2005 with the 2005 population.[14] This method was chosen because the Administration Department is involved with its citizens on two levels, the individual as a resident of Montrose County and the individual as an employee earning and spending money in Montrose County. This method is utilized as a proxy for activity levels and demands for services.

The resulting proportionate share is 65% of administrative time is occupied by matters related to the residential sector while the remaining 35% is taken up by non-residential demand for services (figure 7).

Figure 7. Administration Department Proportionate Share



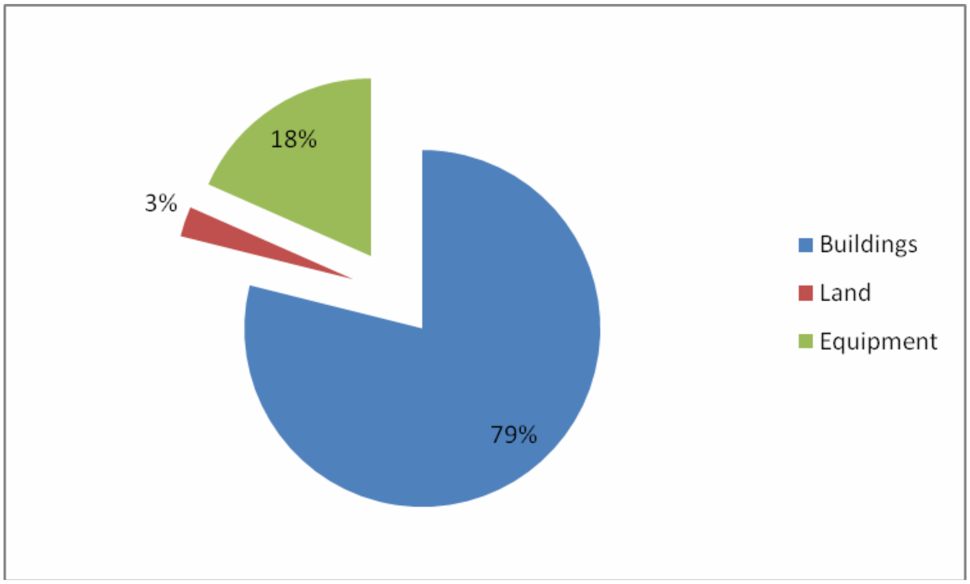
CAPITAL INVENTORY

With an active asset listing provided by the Montrose County Finance Director, and the Montrose County CIRSA, RPI analysts separated existing capital employed by the County into various departments. Using the Montrose County Assessor Database, analysts derived an

[14] *2005 was the latest year which had both population and job records*

average price per acre for vacant land ($31,186). This was necessary because land is considered capital and must be included in the total value of capital employed by each department. By combing the equipment and building values from the asset listing with the overall price of land a total capital amount is calculated.

Figure 8. Administration Capital Facility Breakdown



LEVEL OF SERVICE

The analysis used for the Administration Department relies on the employee LOS approach. This approach was used because the demand for Administration services is directly related to the number of employees facilitating administrative services. Impact fees are designed to help jurisdictions maintain existing service levels and pay for the rising costs of capital associated with increasing demand for services. Thus as populations grow in order to maintain the same LOS the County must hire more employees, these additional employees need office space and capital in order to properly carry out their responsibilities. By using the employee LOS, RPI analysts tie the capital cost of an employee to the LOS and ultimately to the demographic trends. Simply stated, new growth demands increased services, increases in services necessitate additional employees, and additional employees require additional capital resources.

Figure 9. Administration LOS

Sector	*Employees/ Sector*	*Employees/ Demand Unit*
Res LOS	*52.91*	*0.0032*
Non Res LOS	*28.29*	*0.0027*

FEE SCHEDULE, CREDITING, FINAL FEE AND CASH FLOW

FEE SCHEDULE

Because the fee is primarily based on an employee LOS, it is necessary to first obtain a cost per employee. Once a capital per employee cost is calculated it is then possible to derive how much of that cost is attributable to a housing unit or per 1,000 square feet of non-residential space.

Calculating the fee schedule for the Administration impact fee first required dividing the capital facilities into the three different capital categories; land, buildings and equipment. Each of these categories is measured by a specific variable or unit, buildings by square feet, land by acreage and equipment by a dollar value. The units were then converted into a monetary value, for building costs RPI analyst ran a building cost model obtained from the Real Estate Journal; this model is both geographically and structurally relevant. The model yields a build cost of $163 dollars per square foot. Land costs were obtained from the Montrose County Assessors database by sorting parcels of land sold within the last 5 years RPI analysts concluded that the average cost of land is $31,186 per acre. Equipment is already expressed in dollar terms and no conversion is necessary. To find out the amount of each unit needed to support an employee RPI analysts took the current facilities and divided them by total number of employees. Thus there is 706 square feet per employee; while this may seem high this includes conference rooms, break rooms, bathrooms and hallways. From the costs per unit and the units per employee is possible to calculate the capital cost per employee, overall it costs the County almost $140,000 in capital cost per employee. These costs were then multiplied by the residential and non-residential LOS to derive a per unit cost (figure 10).

Figure 10. Administration Impact Fee Calculation

	Unit	Cost/ Unit	Unit /Employee	Cost/ Employee	Residential Cost	Non Residential Cost
Building	*Square Feet*	*$ 163*	*706*	*$ 115,003*	*$ 370*	*$ 312*
Land	*Acreage*	*$ 1,186*	*0.048*	*$ 1,499*	*$ 5*	*$ 4*
Equipment	*Value*	*-*	*$ 21,136*	*$ 21,136*	*$ 68*	*$ 57*
TOTALS				*$ 137,638*	*$ 443*	*$ 374*

CREDITS

To ensure that an accurate and equitable fee is calculated a system of crediting is developed to avoid overcharging new development its fair share of increased capital costs. Although Montrose County does not specifically earmark any revenue for capital facility expenditures, RPI analysts included a crediting section in order to calculate the most accurate fee possible and capture revenue already spent on capital facilities.

The first step in creating the Administration credit was to analyze historical budgeting trends for the general fund and specifically the different administrative departments. RPI analysts obtained the 2004-2006 budgets and created a general fund crediting mechanism that included revenues from: non-departmental sources, administrative departments, law enforcement, and the health department. In addition to revenues, expenditures on capital were averaged over the last three years. The revenue averages were then multiplied by the appropriate proportionate share, for example use taxes are all attributable to the residential sector while law enforcement revenue is attributable to both sectors. This calculation resulted in a sector specific revenue contribution. The sector contribution was then divided by the department specific demand units to arrive at a per household and per 1,000 s.f. non-residential contribution. The final calculation involved finding the percentage of revenue spent of capital; this was simply expenditures on capital divided by the sum of the above revenues. On average 1.24% of these revenues is spent on expanding capital. Additionally non-departmental revenues were divided between the departments based upon the departments spent percentage of capital expenditures. The following equations sum up the general fund credit mechanism:

Capital Expenditures/ Revenues= % to Capital

(((Revenues*Proportional Share)/Demand Units)*% to Capital)*Dept. % of Capital Expenditures= Non-Departmental Revenue Credit

(((Revenues*Proportional Share)/Demand Units)*% to Capital)= Department Credit

Non-Departmental Credit+ Department Credit=Total Credit

The Administration credit is summed in figure 11.

Figure 11. Administrative Credits

	Non-Departmental Credit	Department Specific Credit	Total Credit	20 Year Contribution
Residential	*$ 1.39*	*$ 2.79*	*$ 4.19*	*$ 82*
Non-Residential	*$ 1.17*	*$ 2.87*	*$ 4.05*	*$ 78*

FINAL IMPACT FEE

The final impact fee is simply the fee schedule minus the 20 year creditable contribution. The final fee is $360 per residential units and $293 for 1,000 s.f. of non-residential floor space.

Figure 12. Administrative Capital Improvement Impact Fee

	Residential	***Non-Residential***
Fee Schedule	*$ 443*	*$ 374*
Credit	*$ 83*	*$ 81*
Total	*$ 360*	*$ 293*

CASH FLOW

RPI analysts performed 2 differing cash flow analyses to provide a picture of what the County could have realized had the Administrative impact fee been in place since the year 2000. The first cash flow analysis is based upon the number of single family building permits issued for the years 2000-2006. Because this method is the most conservative approach to cash flow analyses non-residential properties were not included due to the sporadic nature of non-residential development. Overall the County would have realized $272,000 in revenue (only counting residential development) if the Administration fee had been in place. On average the County would have had almost an additional $39,000 per year to spend on Administration related capital improvements.

Figure 13. Historical Cash Flow 2000-2006

Year	Permits	Administration Revenue
2000	*102*	*$ 36,680*
2001	*90*	*$ 32,365*
2002	*95*	*$ 34,163*
2003	*87*	*$ 31,286*
2004	*122*	*$ 43,873*
2005	*127*	*$ 45,671*
2006	*134*	*$ 48,188*
Total		*$ 272,226*

The second cash flow analysis is based upon the residential and non-residential projections. This analysis is far less conservative and includes non-residential development. Neither of these analyses should be used for budgeting purposes, they are simply intended to provide the County with an idea of what the revenue streams from this impact fee could look like. Since the fee is only applicable to development in the non-incorporated area of Montrose County un-incorporated projections were used to find the total amount of revue that could be expected by 2027. RPI emphasizes that these cash flow analyses are meant to be conservative by nature and these revenue streams are suspect to any number changes in that might occur in Montrose County.

Figure 14. Total Revenue through 2027 from Administration Impact Fee

Revenue Category	*Revenue Totals Through 2027*
Residential Revenue	*$ 997,924*
Non-Residential Revenue	*$ 254,829*
Total	*$ 1,243,753*

IMPLEMENTATION AND ADMINISTRATION

WHO IS SUBJECT TO THE FEE?

RPI recommends that the fee should be applied to all building permits for new residential and non-residential construction in the County boundaries. The fee should be applied to development on existing platted vacant lots and to development that may occur in the future. The fee should not apply to residential remodels since these do not typically result in increased traffic generation. Similarly it should not be applied to the replacement of any existing legal residential unit.

EXEMPTION FOR AFFORDABLE HOUSING

The impact fee Statute includes specific provisions allowing (but not requiring) local governments to exempt "low or moderate income affordable employee housing" from impact fees:

> *…a local government may waive an impact fee or other similar development charge on the development of low- or moderate- income housing or affordable employee housing as defined by the local government.*[15]

If the County chooses to consider an exemption or reduction in fees for affordable housing, several issues should be explored.

1. How does the County define affordable housing? The first step would be to determine how to measure affordability. Typically, affordability is based on the earning power of local households or prospective newcomer households, but local circumstances might make additional considerations necessary (such as commuter households with higher earnings in adjacent counties).

2. After affordability is defined, the question becomes: How does this affordability, or local households' ability to pay for housing relate to the construction of *new units* of various types and sizes? In other words, how does the County go from defining affordability (usually defined in terms of an affordable price) to setting some exemption threshold? Would the exemption be based on size, unit type, or location? Other issues related to real estate market dynamics and the fact that housing that is affordable in today's market may be unaffordable in next year's market.

---

15 CRS. 29-20-104.5

3. A waived fee can be a market cue, creating incentives for certain types of development and disincentives for other types. For example, the County conducts an analysis and finds that affordable housing, as defined by local earning power, includes mobile homes and apartments. If the County grants an exemption for affordable housing defined in such a way, it may create incentives for this type of development. This may be good, bad, or benign, depending on the County's ability to provide services to these denser development types without jeopardizing service levels or other community goals or values.

4. Finally, if the County waives fees for development of a certain type, or below a certain size, how does it propose to maintain service levels for County services given the waived revenue? The population occupying the affordable housing will draw upon general government facilities the same as other residents, but will not be paying the fee. Maintaining service levels may require the County to make up for the waived revenue from other funds.

In short, the County likely has full authority to create a waiver or discount for affordable housing, but implementing such waivers or discounts requires careful analysis of regional labor force dynamics, real estate markets, and may require some expenditure out of other funds to compensate for waived revenues.

EXEMPTIONS FOR CERTAIN PUBLIC FACILITIES

Montrose County may wish to waive impact fees for some public facilities (classified as government /institutional /community facilities). For example, the County might consider exempting all government and special district facilities from the impact fee. Fundamentally, services and facilities provided by governments (local, state, and federal) and special districts all serve the same end, to provide some type of service to residents, businesses, and visitors.

WHEN TO COLLECT THE FEE

Given the Impact Fee Statue language, it may be advisable for the County to collect the Administrative Impact Fee prior to the issuance of a building permit when permit fees are collected. This approach is sensible in the context of impact fees because the impacts are experienced when the development takes place. Furthermore, Developers generally prefer this method because it minimizes the amount of time they are required to carry the cost of the fee before they can pass it off to the buyer. Ultimately this decision is up to the County, as of yet the State Statues do not provide a clear cut time upon which impact fees need to be paid.

OTHER CONSIDERATIONS

- Be certain that the goal of requiring new development to pay its fair share of the costs of administrative capacity related improvements is a clearly stated goal, objective, or policy in the County's Master Plan.
- Adopt the fee schedule by resolution or ordinance into the land use code.
- The fee schedule, applicability, and purpose should be located or referenced in the Zoning Development Permit section of the Code.
- The Zoning Development Permit section of the Code should be amended to require the payment of the adopted Administrative impact fees prior to the issuance of a building permit.
- Include within the resolution or ordinance legislating code amendments a statement concerning the purpose of the fee (to require new development to pay its fair share of the costs of Administration capacity related improvements). Also note provisions to sequester the funds and stipulate the purposes of their expenditure.
- Adopt language into the code allowing for an administrative appeal process for the Administration impact fee. The ability to appeal should be granted to applicants for development as well as to the fee administrator. In practice, an applicant for appeal would be appealing a determination of the fee administrator. Given that the fee administrator will most likely be the County Manger or an assistant to the Manager, the appeal would best be directed towards the County Commissioners. Additionally, an appeal could be delegated to the specific department head. Generally, an appeal of a determination of an impact fee must occur within a certain window of time after the fee determination is made (15 days is typical). Statutory time limits on appeals can also limit the amount of time the County has to schedule the appeal hearing, and public notice should be provided to adjacent property owners and affected parties or more broad public notice should occur in the newspaper. [16] A fair administrative appeal process is a necessary tool for resolving conflicts and avoiding litigation.

UPDATING THE FEE

All of the revenue received from the implementation of this impact fee must be kept in a separate interest bearing account, and must be used only for projects that are related to administrative capital improvement. It is important that the monies garnered be placed in an account to accrue interest so that the fee revenues are not devalued by inflation.

Furthermore, RPI recommends that the fee undergo periodical revision and updating. The fee should be updated every 2 years to account for inflation in the cost of construction. McGraw Hill construction is the authority on construction inflation and conducts ongoing studies of

16 The County will need to research the specific time limits and noticing requirements surrounding this type of appeal.

construction costs to produce a construction inflation index. Since 1990 the construction prices have increased on average 3% due to inflation (figure 15).

Figure 15. Inflationary Increase to the Administrative Impact Fee

Year	Residential	Non-Residential
2007	$ 360	$ 293
2008	$ 370	$ 301
2009	$ 382	$ 311
2010	$ 393	$ 320
2011	$ 405	$ 329
2012	$ 417	$ 339
2013	$ 429	$ 350
2014	$ 442	$ 360
2015	$ 456	$ 371
2016	$ 469	$ 382
2017	$ 483	$ 393
2018	$ 498	$ 405
2019	$ 513	$ 417
2020	$ 528	$ 430
2021	$ 544	$ 443
2022	$ 560	$ 456
2023	$ 577	$ 470
2024	$ 594	$ 484
2025	$ 612	$ 498
2026	$ 631	$ 513
2027	$ 649	$ 529

Note on using 2006 dollars: All of the costs and fees are calculated in 2006 dollars throughout this support study. This is a consistent method because RPI assumes that the revenues collected will be invested to keep up with inflation while the fee amount will be adjusted at least every two years to keep up with inflation. So long as these accounting practices are followed, this revenue system will very closely keep up with inflation. For this reason, it was not necessary to calculate costs using dollar values from future or past years.

APPENDIX

Figure 16. Administration Capital Inventory

10__	'INTERNET-BASED ASSESSOR INFO/SERVER__	$	41,205
'11__	'407 BG DIAZO CARD DUPLICATOR__	$	10,267
'12__	'SYNERGIX SCAN SYSTEM__	$	17,455
'13__	HP SCANNING WORKSTATION__	$	10,395
'14__	'MODEL IIA BOOTH W/VOTE RECORDER__	$	25,000
'15__	'HEWLETT PACKARD FAX MACHINE__	$	45,997
'18__	'1999 CHEVY SILVERADO 1500__	$	21,312
'2__	'PITNEY BOWES POSTAGE MACHINE__	$	25,472
'20__	'2002 DODGE PICK-UP__	$	21,052
'21__	'EAGLE COMPUTER SYSTEMS - CAMA CONTRACT__	$	35,000
'212__	'1996 CHEVY S-10 PICK-UP__	$	21,128
'232__	'1999 JEEP CHEROKEE__	$	22,183
'293__	'2003 CHEVY IMPALA__	$	13,985
'3__	'SYNERGIX SCAN SYSTEM__	$	17,455
'342__	'2000 CHEVY 2500 PICK-UP 4X4__	$	8,600
'343__	'HP DESIGNJET 5500 PRINTER 42IN. PS DYE__	$	10,356
'352__	'GEOTHERMAL EXCHANGE SYSTEM__	$	450,000
'354__	'2005 JEEP LIBERTY__	$	15,638
'355__	'2005 JEEP LIBERTY__	$	15,620
'366__	'PHASE II GIS__	$	7,500
'368__	'READER, PRINTER, STAND__	$	7,316
'369__	'HARDWARE, SOFTWARE, AND LABOR__	$	7,007
'4__	'2003 GMC S-15 SONOMA PICK-UP__	$	19,961
'522__	'CAPELLA DUAL XEON 2U RACKMOUNT SERVER__	$	8,599
'523__	'CAPELLA DUAL XEON SCSI RACKMOUNT SERVER__	$	5,335
'524__	'CAPELLA DUAL XEON SCSI RACKMOUNT SERVER__	$	5,335
'535__	'GENSET ELL-45RD-25KW DIESEL GENERATOR__	$	6,825
'527__	'EAGLEASSESSOR, EAGELAPPRAISER, EAGLEWEB__	$	66,980
'679__	'TOSHIBA DP2320 DIGITAL COPIER__	$	6,495
'680__	'RECORDING SCANNER STATION__	$	6,211
'542__	'FIRE ALARM SYSTEM - SOUTH CAMPUS__	$	26,023
'686__	'2004 DODGE DAKOTA__	$	16,500
'699__	'ELECTRONIC VOTING EQUIPMENT__	$	459,883
'711__	'BIL-JAX 5031A BOOM LIFT W/GENERATOR__	$	29,095
'712__	'HVAC SYSTEM W/RE-MFG COMPRESSOR__	$	15,948
'714__	'TRACER SUMMIT BLDG AUTOMATION SYSTEM__	$	44,794
'715__	'LENEL CARD ACCESS SYSTEM__	$	9,995
'745__	'ONCORE & AIINDEX SOFTWARE__	$	99,500

'776__	'2007 CHEVROLET TRAILBLAZER__	$ 21,419
'8__	'1996 JEEP CHEROKEE__	$ 17,436
'262__	'LOTS 13,14 & W 15 FT LT. 15, BLK 95 MONT__	$ 103,744
'478__	'PARKING LOT COURT HOUSE - 3 CITY LOTS__	$ 6,503
'480__	'LOTS 20 THRU 24 BLOCK 95 - PARKING AREA__	$ 45,000
'481__	'3 LOTS BLOCK 95 - LAND USE BLDG__	6503.31
'483__	'2 LOTS BLOCK 61 NUCLA__	$ 2,060
'485__	'REDVALE LOTS 13-18 BLOCK 30__	$ 1,000
'491__	'23.65 ACRES - OLD D&G RAILROAD__	$ 10,000
'495__	'LOTS 18 & 19 BLOCK 95 - OLD JAIL__	$ 16,000
'496__	'LOTS E 10' OF 15,16,17 BLOCK 95__	$ 13,000
'248__	'COUNTY COURT HOUSE__	$ 3,583,592
'255__	'LAND USE BUILDING__	$ 3,446,916
'254__	'COUNTY ADMINISTRATION BUILDING__	Included in land use
'453__	'OLD BRICK SHOP BUILDING__	$ 21,681
	Tri-State (admin share)	$ 246,804.48
'250__	COURT HOUSE NUCLA__	$ 69,933

Figure 17. Construction Inflation

McGraw Hill Construction Inflation Index	% Inflation	
1990	4732	
1991	4835	2.2%
1992	4985	3.1%
1993	5210	4.5%
1994	5408	3.8%
1995	5471	1.2%
1996	5620	2.7%
1997	5826	3.7%
1998	5920	1.6%
1999	6059	2.3%
2000	6221	2.7%
2001	6343	2.0%
2002	6538	3.1%
2003	6694	2.4%
2004	7115	6.3%
2005	7888	3.2%
Average		3.0%

Source: McGraw Hill Construction