



Town of Timnath Impact Fee Study

Timnath, Colorado

FINAL REPORT

Final Report

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Town of Timnath Impact Fee Study

Prepared for

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SECTION I.

Town of Timnath Impact Fees Update

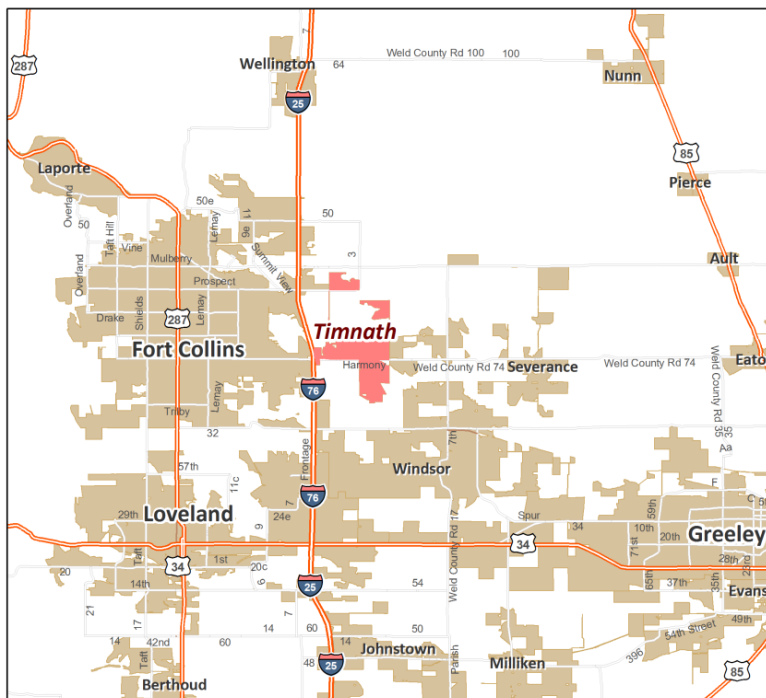
In 2022, the Town of Timnath retained BBC Research & Consulting (BBC) to update the Town's impact fees for growth-related police, public buildings, parks, transportation, and stormwater infrastructure. This report presents the maximum allowable fees and underlying fee calculations.

Background

The Town of Timnath, located in Larimer County, Colorado, was established in 1882 as an agricultural community, a characteristic that has defined the Town throughout most of its existence. The Town grew from 625 residents at the 2010 Census to 6,487 residents by the 2020 Census, increasing population by a factor of more than 10 in the past decade.

Growth in Timnath is driven by the Town's high standard of living and its proximity to major urban centers along Colorado's Front Range. Moreover, over the past two decades, Timnath has annexed thousands of acres of land, greatly expanding the Town boundaries and enabling new residential and non-residential development. After a brief development slowdown during the 2008 to 2009 recession, growth in Timnath has remained rapid, like most Northern Colorado communities. This trend is expected to continue. Figure 1 on the following page shows the location of Timnath in relation to other Northern Colorado communities.

Figure I-1.
Location of Timnath, Colorado



Source: BBC Research & Consulting, 2023.

Many Colorado communities impose development impact fees on new development to pay for growth-related capital infrastructure needs. Most cities with impact fees, have an entire fee suite with separate charges for multiple infrastructure categories, such as streets, parks, and fire protection. Virtually all Colorado communities impose system development fees for water and sewer utility system expansion. Utility development fees, sometimes termed *tap fees* or *plant investment fees*, are in essence a form of impact fee. The amount that a community can charge as impact fees and the manner in which these fees can be devised, imposed, and spent is dictated by Colorado statute and more generally by a series of United States Supreme Court decisions.

Impact Fee Requirements

Although there is no universally accepted definition of defensible impact fees, most feasibility assessments focus on the following requirements:

- *One-time application*, meaning that fees are a one-time payment for new development;
- *Restricted use*, meaning that fees are only applicable to infrastructure expansion projects;
- *New development*, meaning that fees are only applicable to new development and not improvements to existing developments; and
- *Proportionality requirements*, meaning that fees must be limited to the proportionate share of the capital costs associated with providing services to the new development.

For example, Juergensmeyer and Thomas (2008) describe impact fees as:

“Fees collected through a set schedule or formula, spelled out in a local ordinance fees are levied only against new development projects as a condition of permit approval to fund infrastructure needed to serve the proposed development. Impact fees are calculated to cover the proportionate share of the capital costs for that infrastructure...”¹

Colorado requirements. Consistent with Juergensmeyer and Thomas’s (2008) description of impact fees, Colorado law specifies the following requirements for impact fees:

- Impact fees are a one-time payment levied on new development;
- Funds can only be used for capital infrastructure projects:
 - Applicable projects must have a five-year life.
 - No funds can be diverted for operations, maintenance, repair, or facility replacement.
- Impact fee revenue must be segregated from other revenue and used for the purposes for which it was collected;
- Fees must be imposed on all forms of development and cannot be limited to one type of land use;

¹ Juergensmeyer, Julian C., and Thomas E. Roberts. Land Use Planning and Development Regulatory Law. St. Paul, MN: WestGroup, 2003; and ImpactFees.com, Duncan Associates, 20 February 2008.

- Impact fee revenue must be used for capital infrastructure expansion. No funds can be used for correcting existing system deficiencies; and
- There must be a reasonable expectation of benefit by the fee payer.

U.S. Supreme Court decisions. Impact fees must also be in accordance with a series of United States Supreme Court rulings. The two most notable court decisions that speak to impact fee requirements are often referred to as *Nollan* and *Dolan*.² Guidance from those decisions requires that there be an "essential nexus" between the fee and the community's interest. In *Dolan v. City of Tigard* (1994), the Supreme Court held that, in addition to an "essential nexus," there must be "rough proportionality" between the proposed fee and the impacts that the fee is intended to mitigate. In *Dolan*, the Court further ruled that "rough proportionality" need not be derived with mathematical exactitude but must demonstrate some relationship to the specific impact of the project:

*"We think a term such as 'rough proportionality' best encapsulates what we hold to be the requirements of the Fifth Amendment. No precise mathematical calculation is required, but the city must make some sort of individualized determination that the required dedication is related both in nature and extent to the impact of the proposed development."*³

Over the past two decades since *Dolan*, many cities and towns have imposed impact fees, resulting in a broad set of common practices when considering how best to reflect judicial and statutory requirements in designing new fees.

Fee Applicability

As noted above, towns and cities can only use impact fee revenue to cover the costs of any necessary expansion of public infrastructure that is needed to serve new development. In addition, fee amounts can only be set in a manner that is proportional to the cost of such infrastructure expansion.

Public infrastructure. *Public or capital infrastructure* is the physical component of public services. Under Colorado statute, the definition of *infrastructure* can include all equipment that has at least a five-year lifetime. It does not include personnel or any elements of service costs, even in circumstances where new staff are required to operate new facilities. Public infrastructure generally includes buildings, facilities, parking, lighting, recreation centers, or other support facilities. Capital infrastructure generally includes streets, parks, administrative facilities, specialized fire or police buildings, and recreational facilities.

Nature of infrastructure investments. Not all capital infrastructure costs are associated with community growth or with the expansion of facility capacity. Most cities and towns make infrastructure investments not due to growth pressures but for the repair and replacement of existing facilities. For example, towns and cities make infrastructure investments related to:

² *Nollan v. California Coastal Commission*, 483 U.S. 82; 1987 and *Dolan v. City of Tigard* (1994) 114S.Ct. 2309.

³ *Dolan v. City of Tigard* (1994) 114S.Ct. 2309

- *Repair and replacement of existing facilities*, such as annual building maintenance or replacing a roof;
- *Betterment of existing facilities*, such as introducing new services or improving existing infrastructure without increasing service capacity; and
- *Facilities expansions*, such as expanding an existing building to accommodate growing personnel requirements.

Municipalities are not allowed to account for such investments as part of impact fee calculations.

Capital Standards

In designing impact fees, towns and cities must determine the appropriate capital standards applicable to each category of infrastructure. Facility standards can vary widely between different municipalities. Whereas some states have legislation that describes such criteria with great specificity, other states—like Colorado—use more general standards. There are two primary approaches for calculating capital standards.

Replacement value approach. Capital standards can be estimated using the replacement value of specific capital facilities and the qualified equipment necessary for each category of infrastructure. For example, a city of 2,500 homes with a 20,000 square foot recreation center that has a replacement value of \$5 million would have a recreation center standard of 8 square feet per housing unit (i.e., 20,000 square feet/2,500 homes = 8 square feet per home) and a replacement value of \$250 per square foot (i.e., \$5 million/20,000 square feet = \$250 per square foot). Thus, each existing residence would have an embedded recreational investment of \$2,000 per home (i.e., \$250 x 8 square feet = \$2,000 per home), representing the community's recreational facility standard, which is what a developer could be charged for recreational facilities for each new unit.

If capital standards are defined using a replacement value approach, then calculations of those standards must account for any debt that applies against the relevant infrastructure. Because current residents are already responsible for that debt, it would be duplicative and inappropriate to charge developers impact fees that also include that debt.

Plan-based approach. Communities can also use a *plan-based approach* to set capital standards, which relies on capital improvement or other specific plans to estimate the value of capital required to serve future development. A plan-based approach requires forecasts of residential and commercial growth and data on capital expansion plans and costs. Plan-based approaches must focus on expansion-related projects or the expansion portion of projects rather than betterment or replacement projects.

A plan-based approach must also account for the existing balance of impact fee funds. Fund balances represent cash investments the existing community has made into various capital expansion categories. As these existing revenues will be used to pay for forthcoming capital improvement projects, impact fee reserve amounts are removed from the impact fee-eligible costs under the plan-based methodology.

Other Considerations

Over time, some consensus has emerged on how best to ensure that impact fees comply with state statutes and court rulings. Many of the factors that towns and cities must consider in designing fees appropriately are described above, but BBC also presents other considerations that these communities must make.

- **Allocation by land use.** Courts have indicated that all forms of development that have facility impacts—that is, residential, industrial, and commercial developments—must pay their fair share of expansion costs. If one type of development is exempted from fees, then fees may not be sufficient to cover expansion costs that result from new development.
- **Use specificity.** Impact fee calculations vary between different forms and sizes of residential development and different uses of commercial buildings and how they impact demand for public services. When compelling evidence is available that the forms, sizes, or uses of particular types of development will result in substantially different demands for services, then towns' and cities' impact fees should reflect that information.
- **Redevelopment.** The application of impact fees raises questions about how to deal with the redevelopment of existing properties. The redevelopment of a residence—even if it involves full scraping—does not lead to an increase in service demands, because it is still one residential unit with no implications for service delivery costs or capital needs. In contrast, the redevelopment of a larger lot into multiple homes would be assessed an impact fee based on the net number of new residential units, because there would be clear implications for service delivery and capital needs. Commercial redevelopment would be subject to the same considerations.
- **Waivers.** Municipalities should not waive fees unless the funds are reimbursed from other sources such as the general fund or other contributions by the developer to system expansion that exceed the calculated fees.
- **Timing.** Fees should be assessed at the time that building permits are issued.
- **Updates.** Impact fee calculations should be updated periodically. Many towns and cities update their fees every two or three years. Inflationary adjustments are recommended on an annual basis using the U.S. Bureau of Labor Statistic's Consumer Price Index.
- **Fee design costs.** The cost of fee design studies can be recovered through impact fees and used to reimburse communities' expenditures on the studies.

SECTION II.

Impact Fee Calculations

BBC used a plan-based methodology to calculate the impact fees presented in this report. The decision to employ the plan-based approach was a result of the availability of capital improvement plans developed by Town staff. The Town of Timnath developed capital improvement plans for each service category, and, using those plans, BBC worked with staff to conduct an analysis to identify growth-related costs as described in more detail, below.

GRUM Analysis

In Timnath, as in any local government, not all capital costs are associated with growth. Some capital costs are for repair and replacement of facilities (e.g., standard periodic investment in existing facilities such as paving and roofing). These costs *are not* impact fee eligible. Some capital costs are for betterment of facilities, or implementation of new services (e.g., development of an expanded town hall). These costs *are not entirely* impact fee eligible. Some costs are for expansion of facilities to accommodate new development at the current level of service (e.g., purchase of new parks equipment to accommodate an expanding population). These costs *are* impact fee eligible.

Because there are different reasons Timnath invests in capital projects, the study team conducted a GRUM analysis on all capital improvement projects:

Growth. The “G” in GRUM stands for growth. To determine if a project is solely related to growth, we ask “Is this project designed to maintain the current level of service as growth occurs?” and “Would the Town still need this capital project if it weren’t growing at all?” “G” projects are only necessary to maintain the Town’s current levels of service as growth occurs. It is thus appropriate to include 100 percent of their cost in the impact fee calculations.

Repair and replacement. The “R” in GRUM stands for repair and replacement. We ask, “Is this project related only to fixing existing infrastructure?” and “Would the Town still need it if it weren’t growing at all?” “R” projects have nothing to do with growth. It is thus not appropriate to include any of their costs in the impact fee calculations.

Upgrade. The “U” in GRUM stands for upgrade. We ask, “Would this project improve the Town’s current levels of service?” and “Would the Town still do it even if it weren’t growing at all?” “U” projects have nothing to do with growth. It is thus not appropriate to include any of their costs in the impact fee calculations.

Mixed. The “M” in GRUM stands for mixed. It is reserved for capital projects that have some combination of G, R and U. By their very definition, “M” projects are partially necessitated by growth, but also include an element of repair, replacement, and/or upgrade. In this instance, a cost amount between 0 and 100 percent should be included in the fee calculations. Although the need for these projects is triggered by new development, they will also benefit existing residents.

Projects that are 100 percent growth-related were determined by our study to be necessitated solely by growth. Alternatively, some projects were determined to be “mixed”, with some aspects of growth and other aspects of repair and replacement.

Allocating Growth-Related Costs

BBC combined projected growth-related capital costs for each service category with existing development statistics for the Town to estimate the share of capital costs that can be fairly and proportionally allocated to new residential and non-residential development. BBC then used future growth projections developed by Town staff to allocate growth-related capital costs to each unit of future residential and non-residential development. The resulting impact fees represent the maximum allowable amount that the Town can charge to new development to pay for capital required maintain existing service standards.

Land Use and Growth Projections

The impact fee calculations presented in this report section are based on the distribution of current built square footage in the Town of Timnath, shown in Figure II-1.

**Figure II-1.
Current Built Square
Footage in Timnath**

Source:
Larimer County Assessor; BBC Research & Consulting, 2023.

Land Use	2023	Percent
Residential Sq Ft	7,640,992	88.9%
Non-Residential Sq Ft	956,299	11.1%
Total	8,597,291	100.0%

The distribution of residential and non-residential built square footage in Timnath is based on current data from the Larimer County Assessor.

Town staff provided estimates of anticipated development over the next decade; these data are shown in Figure II-2.

**Figure II-2.
Future Land Use in Timnath**

*Based on average 2,487 sq. ft. of a single-family dwelling built in Timnath between 2010 and 2022 inclusive.

Source:
Town of Timnath; Larimer County Assessor; BBC Research & Consulting, 2023.

Land Use	New Development 2023-2033
Residential (Units)	2,118
<i>Square Feet*</i>	5,267,466
Non-Residential (Sq. Ft.)	659,243

BBC used the Town’s projected capital costs and anticipated growth to calculate impact fees for four service categories: police, public buildings, parks and recreation, and transportation.

Police Impact Fees

Town staff estimate that growth will require an investment of approximately \$688,500 in police-related capital assets (Figure II-3). Growth-related capital is divided into vehicles and equipment. A portion of the impact fee study cost is also included in the capital costs.

Figure II-3.
Timnath Planned Police Capital Infrastructure and Growth Shares

Type of Capital Infrastructure	CIP Value	Portion to Include in Impact Fees	Allocated Value
Vehicles			
Police Vehicles	\$357,800	100%	\$357,800
Police Vehicle Equipment	\$153,700	100%	\$153,700
Equipment			
5 police staff @\$15k per office for office equipment	\$75,000	100%	\$75,000
5 police staff @\$4k per officer for IT	\$20,000	100%	\$20,000
Ballistic Armor (x 5)	\$7,500	100%	\$7,500
Radar (x 5)	\$20,000	100%	\$20,000
Firearms (x 5)	\$20,000	100%	\$20,000
Body Cameras (x 5)	\$10,000	100%	\$10,000
Squad vehicle cameras (x 5)	\$20,500	100%	\$20,500
Fee Study			
Fee Study	\$4,000	100%	\$4,000
Police Impact Fee Fund Balance			\$0
Total Value of Public Building Infrastructure for Fee Calculation			\$688,500

Source: Town of Timnath Capital Improvement Plan; Town of Timnath Staff; BBC Research & Consulting, 2023.

Figure II-4 shows the proposed police impact fees for Timnath based on the growth-related capital costs in Figure II-3, existing residential and non-residential development patterns, and projected residential and non-residential development.

Figure II-4.
Timnath Police Impact Fees

Source:
BBC Research & Consulting, 2023.

Calculation of Impact Fees	
Value of Growth-Related Capital	\$688,500
Current Land Use Distribution	
Residential	88.9%
Non-residential	11.1%
Costs by Land Use Category	
Residential	\$611,916
Non-residential	\$76,584
Growth-Related Development, 2023-2033	
Residential (in dwelling units)	2,118
Non-residential (in square feet)	659,243
Impact Fee by Land Use	
Residential (per dwelling unit)	\$289
Non-residential (per 1,000 sq ft)	\$116

As shown in Figure II-4, the police impact fees are \$289 per dwelling unit and \$116 per 1,000 square feet of non-residential development.

Public Buildings Impact Fees

Town staff estimate that growth will require an investment of approximately \$7,096,318 in public building capital assets after accounting for the public buildings impact fee fund balance (Figure II-5). Growth-related capital consists of buildings and land. A portion of the impact fee study cost is also included in the capital costs.

Figure II-5.
Timnath Planned Public Buildings Capital Infrastructure and Growth Shares

Type of Capital Infrastructure	CIP Value	Portion to Include in Impact Fees	Allocated Value
Buildings and Land			
4750 Signal Tree	\$5,500,000	100%	\$5,500,000
Parks Maintenance Facility	\$2,000,000	65%	\$1,300,000
4800 Goodman Facility	\$350,000	100%	\$350,000
Fee Study			
Fee Study	\$4,000	100%	\$4,000
Public Buildings Impact Fee Fund Balance			\$57,682
Total Value of Public Building Infrastructure for Fee Calculation			\$7,096,318

Source: Town of Timnath Capital Improvement Plan; Town of Timnath Staff; BBC Research & Consulting, 2023.

Figure II-6 shows the proposed public building impact fees for the Town based on the growth-related capital costs in Figure II-5, existing residential and non-residential development patterns, and projected residential and non-residential development.

Figure II-6.
Timnath Public Buildings Impact Fees

Source:
BBC Research & Consulting, 2023.

Calculation of Impact Fees	
Value of Growth-Related Capital	\$7,096,318
Current Land Use Distribution	
Residential	88.9%
Non-residential	11.1%
Costs by Land Use Category	
Residential	\$6,306,976
Non-residential	\$789,342
Growth-Related Development, 2023-2033	
Residential (in dwelling units)	2,118
Non-residential (in square feet)	659,243
Impact Fee by Land Use	
Residential (per dwelling unit)	\$2,978
Non-residential (per 1,000 sq ft)	\$1,197

As shown in Figure II-6, public buildings impact fees are \$2,978 per dwelling unit and \$1,197 per 1,000 square feet of non-residential development.

Parks, Open Space, and Trails Impact Fees

Town staff estimate that growth will require an investment of approximately \$12,318,306 in parks, open space, and trails capital assets after accounting for the parks, open space, and trails impact fee fund balance (Figure II-7). Growth-related capital consists of buildings and land, open space and trails, and equipment. A portion of the impact fee study cost is also included in the capital costs.

Figure II-7.
Timnath Planned Parks, Open Space, and Trails Capital Infrastructure and Growth Shares

Type of Capital Infrastructure	CIP Value	Portion to Include in Impact Fees	Allocated Value
Timnath Community Park	\$0	0%	\$0
Water rights and non-potable system	\$500,000	100%	\$500,000
TROC Trail	\$800,000	5%	\$41,220
Timnath Reservoir Trail and Park	\$825,000	8%	\$68,013
Poudre River Trailhead Park	\$0	0%	\$0
Wildwing Park	\$8,035,000	12%	\$993,613
Future 80 Acre Community Park	\$18,000,000	8%	\$1,483,927
Park and Recreation Center	\$30,000,000	40%	\$12,000,000
Timnath Ranch Park	\$8,700,000	12%	\$1,075,847
Riverbend Park	\$2,100,000	8%	\$173,125
Heritage Park	\$2,650,000	12%	\$327,701
Poudre River Trail Realignment	\$0	0%	\$0
Poudre River Trail Contribution	\$0	0%	\$0
Open Space Acquisition	\$1,000,000	8%	\$82,440
Fee Study			
Fee Study	\$4,000	100%	\$4,000
Parks Impact Fee Fund Balance			\$4,431,580
Total Value of Parks, Recreation, and Trail Infrastructure for Fee Calculation			\$12,318,306

Notes: The portion to include in fee calculations has been adjusted for the existing level of service (acres per 1,000 residents) for Timnath parks.

Source: Town of Timnath Capital Improvement Plan; Town of Timnath Staff; BBC Research & Consulting, 2023.

Figure II-8 shows the proposed parks, open space, and trails impact fees for Timnath based on the growth-related capital costs in Figure II-7, existing residential development patterns, and projected future residential development. Non-residential development is not included in the impact fee calculation since it is not a user of the parks and recreation system.

**Figure II-8.
Timnath Parks, Open Space and
Trails Impact Fees**

Source:
BBC Research & Consulting, 2023.

Calculation of Impact Fees	
Value of Growth-Related Capital	\$12,318,306
Current Land Use Distribution	
Residential	100.0%
Non-residential	0.0%
Costs by Land Use Category	
Residential	\$12,318,306
Non-residential	\$0
Growth-Related Development, 2023-2033	
Residential (in dwelling units)	2,118
Non-residential (in square feet)	659,243
Impact Fee by Land Use	
Residential (per dwelling unit)	\$5,816
Non-residential (per 1,000 sq ft)	\$0

As shown in Figure II-8, parks, open space, and trails impact fees are \$5,816 per dwelling unit. There are no parks, open space, and trails impact fees applied to new non-residential development.

Transportation (Streets) Impact Fees

Town staff estimate that growth will require an investment of approximately \$10,712,837 in transportation capital infrastructure after accounting for the transportation impact fee fund balance (Figure II-9). Growth-related capital consists of roads, bridges, traffic signals, and crossings. A portion of the impact fee study cost is also included in the capital costs.

Figure II-9.
Timnath Planned Streets Capital Infrastructure and Growth Shares

Type of Capital Infrastructure	CIP Value	Portion to Include in	
		Impact Fees	Allocated Value
I-25 Prospect Interchange Participation (thru 2038)	\$2,693,536	0%	\$0
Railroad Crossing Improvements - Three Bell	\$0	0%	\$0
Weitzel Street - Walmart Traffic Improvements	\$0	0%	\$0
Weitzel Street Extension to CR 5	\$150,000	0%	\$0
Parkway Improvements	\$11,800,000	25%	\$2,950,000
Parkway Improvements - reimbursed by Develop	\$1,100,000	0%	\$0
Parkway from Buss Grove North to Main	\$3,650,000	50%	\$1,825,000
Main Street Railroad Crossing Upgrade	\$0	0%	\$0
Main Street Buss Grove to Prospect	\$8,200,000	30%	\$2,460,000
Main Street (CR5) Bridge South of Harmony	\$7,800,000	25%	\$1,950,000
Main Street - Timnath Elementary to Buss Grove	\$1,050,000	100%	\$1,050,000
Buss Grove - Landings to Water Tower Road	\$1,000,000	25%	\$250,000
Buss Grove - Main St to Frontage Road	\$1,000,000	0%	\$0
Colorado Blvd - Wildwing to Highway 14	\$1,000,000	0%	\$0
Colorado Blvd to Prospect Road Intersection Improvements	\$5,200,000	50%	\$2,600,000
Colorado Blvd South of Harmony Road	\$6,500,000	50%	\$3,250,000
Timnath Landings Traffic Signal (Timnath Landings Parkway)	\$0	0%	\$0
Harmony Road widen to 6 lanes	\$8,000,000	10%	\$800,000
4th Street Pedestrian Improvements	\$0	0%	\$0
4th Street Sewer Connections	\$0	0%	\$0
Bethke School Zone	\$0	0%	\$0
Harmony Club Fire Access Drive	\$0	0%	\$0
Fee Study			
Fee Study	\$4,000	100%	\$4,000
Transportation Impact Fee Fund Balance			\$6,426,163
Total Value of Transportation Infrastructure for Fee Calculation			\$10,712,837

Source: Town of Timnath Capital Improvement Plan; Town of Timnath Staff; BBC Research & Consulting, 2023.

BBC allocated growth-related transportation capital costs to residential and non-residential land uses by estimating each land use's use of Timnath's roads. BBC estimated the peak hour trips associated with each land use and applied a weighted trip generation factor based on the number of trips generated by non-residential development (e.g., retail stores that attract customers throughout the day) compared to residential development (e.g., residents driving to and from home). These trip adjustments are shown in Figure II-10.

Figure II-10.
Timnath Development-Related Peak Hour Trip Distribution

Land Use	Future Development Units	P.M. Peak Hour Trips per Development Unit	Weighted Trip Generation Factor	Percent Distribution
Residential	2,118	1.00	2,118	72%
Non-Residential	659,243	1.23	811	28%
Total			2,929	100%

Source: Institute of Transportation Engineers, Trip Generation Manual; BBC Research & Consulting, 2023.

Figure II-11 shows the proposed transportation impact fees for Timnath based on the growth-related capital costs in Figure II-9, existing residential and non-residential development patterns, and trip generation by land use category.

Figure II-11.
Timnath Transportation Impact Fees

Source:
BBC Research & Consulting, 2023.

	Calculation	Value
	Allocated Value for Streets Infrastructure	\$10,712,837
<i>Divided by</i>	Total Peak Hour Trips	2,929
<i>equals</i>	Transportation Infrastructure Cost per Trip	\$3,658
<i>Multiplied by</i>	Trip Generation Per Land Use Category	
	Residential (per Unit)	1.00
	Non-Residential (per 1,000 square feet)	1.23
<i>Equals</i>	Impact Fee per Land Use Category	
	Residential	\$3,658
	Non-Residential (per 1,000 square feet)	\$4,499

As shown in Figure II-11, transportation impact fees are \$3,658 per dwelling unit and \$4,499 per 1,000 square feet of non-residential development.

Stormwater Drainage Impact Fees

Town staff estimate that growth will require an investment of \$1.3 million in stormwater drainage capital assets. However, the current stormwater drainage impact fee fund balance is adequate for covering this expense, meaning no impact fee is needed (Figure II-12). Future stormwater projects may justify a new stormwater impact fee in the future.

Figure II-12.
Timnath Planned Stormwater Capital Infrastructure and Growth Shares

Type of Capital Infrastructure	CIP Value	Portion to Include in Impact Fees ⁽¹⁾	Allocated Value ⁽²⁾
Main Street (CR5) Bridge South of Harmony	\$5,200,000	25%	\$1,300,000
Fee Study			
Fee Study	\$4,000	100%	\$4,000
Stormwater Impact Fee Fund Balance			\$1,539,535
Total Value of Stormwater Infrastructure for Fee Calculation			\$0

Source: Town of Timnath Capital Improvement Plan; Town of Timnath Staff; BBC Research & Consulting, 2023.

Figure II-13 shows the proposed stormwater drainage impact fees for the Town based on the growth-related capital costs in Figure II-12, existing residential and non-residential development patterns, and projected residential and non-residential development.

**Figure II-13.
Timnath Stormwater Drainage
Impact Fees**

Source:
BBC Research & Consulting, 2023.

Calculation of Impact Fees	
Value of Growth-Related Capital	\$0
Current Land Use Distribution	
Residential	88.9%
Non-residential	11.1%
Costs by Land Use Category	
Residential	\$0
Non-residential	\$0
Growth-Related Development, 2023-2033	
Residential (in dwelling units)	2,118
Non-residential (in square feet)	659,243
Impact Fee by Land Use	
Residential (per dwelling unit)	\$0
Non-residential (per 1,000 sq ft)	\$0

As Figure II-13 shows, since the impact fee fund balance is equal to identified capital investment projects, no stormwater drainage impact fees are required. Future stormwater drainage projects could create a need for a stormwater impact fee.

Impact Fees Comparison

Figures II-14 and II-15 show the maximum allowable impact fees proposed for residential and non-residential development in Timnath as compared to eight other northern Colorado communities.

Figure II-14. Comparison of Impact Fees for Residential Development in Northern Colorado

Municipality	Impact Fee Category (1, 2)						Total Fees
	Police	Public Buildings	Parks	Streets / Transportation	Storm Drainage	General Government	
Timnath (Current)	\$ 659	\$ 800	\$ 3,669	\$ 2,003	\$ 560	\$ -	\$ 7,691
Timnath (Proposed)	\$ 289	\$ 2,978	\$ 5,816	\$ 3,658	\$ 0	-	\$ 12,741
Berthoud (2)	-	\$ 1,007	\$ 5,892	\$ 3,657	\$ 2,100	-	\$ 12,656
Fort Collins (2)	\$ 480	-	\$ 8,371	\$ 8,169	<i>Independent calculation</i>	\$ 1,170	\$ 18,190
Greeley (2)	\$ 280	-	\$ 6,213	\$ 7,213	\$ 660	-	\$ 14,366
Johnstown (3)	\$ 797	\$ 3,018	\$ 1,316	\$ 3,062	\$ -	-	\$ 8,193
Loveland (4)	\$ 1,104	\$ 1,675	\$ 8,299	\$ 2,651	\$ 3,300	\$ 1,370	\$ 18,399
Severance	\$ 500	\$ 1,000	\$ 1,600	\$ 2,523	\$ 1,000 minimum	-	\$ 5,623
Wellington (5)	-	\$ 250	\$ 1,450	\$ 1,700	840	-	\$ 4,240
Windsor	-	-	\$ 7,974	\$ 4,459	<i>Independent calculation</i>	-	\$ 12,433

Note: (1) Municipalities may have additional impact fee categories (e.g., Fire) that are not presented in the figure.

(2) Fees are based on the square footage of the dwelling; this table presents the fees for the largest category of single-family dwelling.

(3) The fee amount presented for Johnstown under public buildings includes a public facilities fee as well as a library and cultural facilities fee.

(4) The fee amount presented for Loveland under public buildings represents the library and cultural services fees; under parks, the amount represents the total of four separate fees for parks, recreation, trails, and open lands.

(5) The fee amount presented for Wellington under public buildings represents the library impact fee.

For residential development in Timnath, the maximum allowable impact fees total \$12,741 per dwelling unit. In contrast, the eight comparison communities shown in Figure II-14 charge between \$4,240 and \$18,399 in impact fees per dwelling unit.

Figure II-15. Comparison of Impact Fees for Non-Residential Development in Northern Colorado

Municipality	Impact Fee Category (1, 2) - Fee per 1,000 Square Feet					Total Fees per 1,000 sq. ft.
	Police	Public Buildings	Streets / Transportation	Storm Drainage	General Government	
Timnath (Current)	\$ 330	\$ 401	\$ 4,954	\$ 267	\$ -	\$ 5,952
Timnath (Proposed)	\$ 116	\$ 1,197	\$ 4,499	\$ 0	\$ -	\$ 5,812
Berthoud (3)	\$ -	\$ 4,684	\$ 4,025	\$ 840	\$ -	\$ 9,549
Fort Collins	\$ 364	\$ -	\$ 9,946	\$ <i>Independent calculation</i>	\$ 1,777	\$ 12,087
Greeley (3)	\$ 841	\$ -	\$ 8,347	\$ 264	\$ -	\$ 9,452
Johnstown	\$ 750	\$ 820	\$ 542	\$ -	\$ -	\$ 2,112
Loveland (4)	\$ 489	\$ -	<i>Independent calculation</i>	\$ 4,400	\$ 527	\$ 5,416
Severance	-	-	\$ 7,566	\$ <i>\$1,000, plus more for area exceeding 10,000 sq ft</i>	-	\$ 8,566
Wellington (3)	-	-	<i>Independent calculation</i>	\$ 330	-	\$ 330
Windsor	-	-	\$ 5,897	<i>Independent calculation</i>	-	\$ 5,897

Note: (1) Municipalities may have additional impact fee categories (e.g., Fire) that are not presented in the figure.
 (2) For municipalities that distinguish between various non-residential types, the fee amount for commercial/retail is used.
 (3) Stormwater impact fees for these municipalities are per 1,000 impervious square feet
 (4) For stormwater impact fees, note that unit of measurement (e.g., per dwelling, per 1,000 sq ft) is not given in the fee schedule

For non-residential development in Timnath, the maximum allowable impact fees total \$5,812 per 1,000 square feet of development. In contrast, the eight comparison communities shown in Figure II-15 charge between \$330 and \$12,087 in impact fees per 1,000 square feet of non-residential development.

The Town can choose to charge less than the maximum allowable amounts detailed in this study, but discounts must be uniformly applied to all land use categories. If the Town chooses to charge less than the proposed impact fee amounts, usage of general fund revenues may be required to “backfill” capital funds to ensure that the capital projects used in the impact fee calculations continue to have a reasonable expectation of completion.

The calculated impact fees for the Town of Timnath are within the range of other comparable Colorado municipalities as shown in Figures II-14 and II-15.

SECTION III.

Implementation Recommendations

As the Town of Timnath evaluates whether or not to adopt the maximum allowable fee amounts summarized above, we also offer the following implementation recommendations for your consideration.

Impact fee credits. If the Town requires a developer to construct all or part of growth-related infrastructure that would otherwise be financed by impact fees, that developer should receive a “credit” against the total amount of fees owed to prevent double charging. These types of physical exactions are commonly found in annexation agreements, development agreements or subdivision improvement agreements.

In our experience, keeping track of who is owed credit and how much is owed can become administratively complex for local governments. To simplify the process, we recommend placing the burden of proof for potential credit on the fee payer.

In other words, the presumption would be that builders/developers owe the entirety of the impact fee amount until such time that they apply for a credit. Town staff would then evaluate the credit application for consistency with Timnath’s current service standard and forward a recommendation of approval, denial and amount to the Board. This “credit application” process shifts much of the administrative burden away from the Town and leaves the Board to act in a quasi-judiciary capacity.

Impact fee phasing. If the Town adopts the impact fee amounts proposed in this study, it must decide the effective date of fee collections. Some local governments choose to set this date six months or one year after the ordinance is passed in consideration of development projects already “in the pipeline.” The theory of such phasing is that some developments are near applying for a building permit and their financial plans do not include the extra cost of additional impact fee costs.

We recommend that the Town address this issue by carefully defining the term “complete application.” It is the submission of a “complete application” that exempts developments “in the pipeline” from paying impact fees. If the Board desires to phase in the impact fee updates more slowly, the ordinance should loosely define complete application to cover more projects. If the Board desires to phase in fee updates more quickly, the ordinance should strictly define complete application to encompass fewer projects.

Impact fee accounting. The Town should continue to maintain its impact fee funds separately and apart from the General Fund. All future impact fee revenue should continue to be deposited into the respective fee accounts and withdrawn only to pay for growth-related infrastructure, reserving the Town’s General Fund solely for the receipt of tax revenues, grants, user fees and associated interest earnings, and ongoing operational expenses including the repair and replacement of existing infrastructure not related to growth.

Financial responsibility of current residents. The cost burden of constructing new facilities that would serve both existing and expected growth may not be fully funded by impact fees. Existing residents and businesses must contribute their pro rata share.

There are three common methods for existing residents and businesses to contribute their share. First, the Town could reserve the appropriate amount from existing fund balances. Second, the Town could finance the new construction using impact fee revenue and municipal bonds that would be repaid through property tax from existing residents and businesses located in a special district. Finally, the Town could issue municipal bonds backed by a town-wide tax increase, and then reduce the applicable impact fees by an amount representing the likely future tax payments by new residents.

Economic development considerations. It is likely that the Town will be presented with development proposals that could yield significant net fiscal benefit (e.g., tax revenues in excess of service delivery costs) for Timnath. When this occurs, the Town should reserve the discretion to reduce or eliminate impact fees for that particular project.

If the Town decides to reduce or eliminate impact fees, it must identify an alternate source of revenue to keep the above referenced impact fee funds “whole.” Some local governments in Colorado choose to dedicate a portion of the sales and property tax from a development for this purpose.

Whatever the reimbursement mechanism, the Town should also adopt a list of criteria for economic development waivers so that all builders/developers enjoy a level playing field in their pursuit of potential fee relief.

Fee updates. The fees calculated in this study should be updated periodically as the Town invests in additional infrastructure beyond what is listed in this report, and/or as the Town’s relationship of population to commercial square footage changes significantly. Impact fee studies should be updated every three to five years to align with changing conditions in the market for residential and non-residential development and construction costs. In the period between updates, impact fees can be adjusted using inflation.

The Bureau of Labor Statistics Consumer Price Index (CPI) is based on a broad basket of goods and more direct measures of infrastructure-specific inflation would be more appropriate for updating street impact fees. However, other alternatives, like the Engineering News Construction Cost Index (CCI), only accounts for inflationary factors influencing construction.¹ These factors can often exceed the rate of inflation measured by the CPI, making the CCI a better index upon which to base annual increase in streets impact fees.

¹ <https://www.enr.com/economics>