



The “Costs Of Growth” Fall Into Three Primary Categories:

- Capital improvements necessary to serve new development local government
- Costs to maintain those new capital investments
- Costs of the regulatory process mandated by

The City of Colorado Springs has over a 20-year history of requiring new development to pay its way, purposefully avoiding a drain on general taxpayer funding to fund new development. El Paso County also requires new development to pay for development related costs.

Background:

The primary sources of implementing the requirements and payments are through:

- Annexation Development and Agreements
- Impact Fees
- Sales, use and property taxes collected in the construction process
- Specific city fees and charges
- Maintenance costs for public landscaping and parks transferred to districts and home owner associations

Development Agreements and Annexation Agreements typically require developers to construct the streets and utility systems, both on and off site in a new development. The Agreements also require the developer to set aside land for public purposes, and to provide special items such as interchanges, public safety facilities, and drainage facilities. Recent agreements require the creation of associations and districts that will require the future homeowners to pay for maintenance responsibilities that have historically been paid out of the general tax base. The costs of performing the requirements under these agreements average approximately \$8,500 per new home constructed.

Impact Fees are in place for water development, sewer facilities, drainage basin costs, and school and park lands. In 2001, these fees added up to over \$14,000 on a typical new home.

Significant taxes are paid to the City and County and School Districts in the development and construction process. The 1999 Fiscal Impact Analysis report by Dotzour and Bamberger shows that the sales and use tax collection by the City on new homes far exceed what the City actually spends to support new growth. Sales, use and property taxes collected during the construction process yielded approximately \$3,000 on a typical \$220,000 new home in 2001. In addition to this payment, the average new homebuyer is a “more than average” new taxpayer, paying more to the City in taxes than the average taxpayer, and thus paying more than the services that are required by a new homeowner.

Fees and Charges by the City and Colorado Springs Utilities include fees for building permits, planning, and inspections. These fees significantly offset

PAYING FOR THE COSTS OF GROWTH

the City costs of providing those functions. In 2001 these fees generated about \$14,000 per new home.

Overall, a typical new home in Colorado Springs selling at \$220,000 pays or provides for about \$30,500 in direct and allocated costs, fees and taxes to the city.

Capital Improvements:

The capital improvements required by new development are paid out of the existing fee structures, negotiated agreements and the taxes paid in the development and homebuilding processes. The improvements are financed through various means including private financing, special district bonds and funds created from fees. The capital improvements become property of the City or County once the improvements have passed all the inspections and have met the specifications required. The City or County will not approve and accept the improvements until the specifications are met, and the warranty periods have been achieved.

Maintenance Costs:

Maintenance of the City or County owned capital improvements generally becomes the responsibility of the general tax base. Maintenance of publicly owned capital improvements is a traditional responsibility of local government. The City has a history of not being willing to accept landscaping improvements for general tax maintenance. The Housing Industry has worked to create special districts, primarily Special Improvement Maintenance Districts, or set up home owners associations that can fund those improvements.

Costs of the regulatory process mandated by local government:

Local governments choose to promulgate development and building regulations to protect the health, safety and welfare of the citizens of Colorado Springs. These regulations are required by and enforced by numerous departments within the local governments including planning, transportation, engineering, the Regional Building Department, Colorado Springs Utilities and other utility providers, Fire and Police and others.

Historically, local governments have borne the costs of such regulation through the general tax base, however in more recent times, this function has been labeled a "cost of growth" and the costs of performing this function has shifted to the Housing Industry.

Position:

- *The HBA believes that growth should pay its way.*
- *Growth pays its way. City performed fiscal impact studies calculated by City staff on annexation requests further support those conclusions.*
- *The HBA believes that growth not only pays its way, but actually subsidizes the City budget.*
- *The HBA opposes the implementation of any new impact fees or excise taxes that do not take into account the costs that are already paid in the development and construction process, and are used to offset general fund shortfalls.*
- *Maintenance of publicly owned assets are reasonably the responsibility of the entity that owns them. All taxpayers (including new homeowners and the Industry) are responsible to maintain all the commonly owned assets.*
- *The amount of regulation and the related costs tend to spiral when the funding responsibility is placed solely on those being regulated. In general, the costs of regulatory review and administration should be shared between the local government and the members of the industry on a 50/50 basis in a fee based system. This assures that the local government manages a cost efficient system. The taxes paid in the development process certainly are a portion of the general fund source to administer the regulatory process.*
- *The HBA is willing to consider paying even higher fees if the complex approval process can be made reliable, efficient and effective.*