



To: Town Board of Trustees

From: Tom Boni, Acting Town Manager
Morgan Landers, Town Planner

Date: January 9, 2018

Re: EQR Schedule and Proposed Tap Fee Changes

DEPARTMENT: Community Development Department

REQUEST: Review proposed revisions to the town's residential EQR schedule and proposed changes to the base EQR rate.

RECOMMENDED ACTION: Approve proposed changes and direct staff to prepare necessary ordinances.

DISCUSSION:

In November 2016, SGM completed a DRAFT Water Rate and Tap Fee Study in anticipation of the upcoming Lower Basin Water Treatment Plant. Since that time, staff has been working with SGM to refine and finalize the report to make recommendations on future Plant Investment Fees (PIF) and water rates. In that document, it outlined the current condition that the Plant Investment Fee (PIF) currently charged is not adequately covering the share of the infrastructure cost and perpetual use of the Town of Eagle's water distribution system. Based on the replacement cost of our water distribution system, the study identified that the fee should be \$12,256 in 2017 if the town had a system of continuous adjustments for escalation and infrastructure improvements. However, the town has not been in that practice and the current fee is \$7,000 per Equivalent Residential Unit (EQR). The study proposed four different paths forward to achieve parity in the fees over a period of ten years (goal of 2027). An overview of those four paths is attached.

At the August 22, 2017 meeting of the Board of Trustees, staff presented a proposed Tap Fee increase of \$12,256 beginning in 2018. The board felt that this was too much of an increase too quickly and directed staff to make a proposal more closely aligned with Option 2 in the study. In review of the potential increase in PIF, town staff identified inequities in the way EQRs were allocated to residential projects (MF and SF). The board also requested that staff review the EQR schedule for residential projects and recommend changes.

At the December 12, 2017 meeting of the Board of Trustees, staff presented a revised proposal more aligned with Option 2 but with the recognition that the option is one year behind in implementation. The board proposed that instead of a 25% increase in 2018 with 12.5% increases for the subsequent 4 years, that we increase at a consistent rate for the next five years achieving the same outcome, but to be more consistent and predictable.

Tap Fee Proposal

Staff recommends a 15% increase for the first five years and a 3% increase for the second five years of the ten-year planning period. The increases would be the following:

Year	PIF	% Increase
Current	\$7,000	n/a
2018	\$8,050	15%
2019	\$9,258	15%
2020	\$10,646	15%
2021	\$12,243	15%
2022	\$12,610	15%
2023	\$12,989	3%
2024	\$13,378	3%
2025	\$13,780	3%
2026	\$14,193	3%
2027	\$14,619	3%

If this proposed structure is accepted, it will likely go into effect February 2018 after ordinances are drafted and approved. Staff recommends consideration of an option for prepayment of PIF at the current rate for pending projects at certain stages. This would generate cash flow for funding of the new water plant.

EQR Schedule Proposal

The town assesses the PIF based on an EQR schedule that outlines what share of an EQR is allocated to certain types of residential units. Based on a development’s composition, the allocation of the schedule results in a total number of EQRs, which then is multiplied by the base EQR rate (currently \$7,000). As mentioned above, staff identified inequities in the current EQR schedule that should be addressed. More specifically, a single-family home with an 8,000-square foot lot is assessed the same EQR as a two bed/two bath apartment or condominium. The water consumption of these two types of units is very different primarily due to the amount of irrigated areas per unit or lot. In reviewing water usage for accounts in the Town of Eagle (SF and MF), irrigation accounts for approximately 25% of water use on an annualized base (much higher in the summer months).

On December 12, 2017 at the Board of Trustees meeting, staff presented an initial draft of a revised EQR schedule.

- Current and Proposed EQR Schedule for Single-Family Units
- Current and Proposed EQR Schedule for Multi-Family Units
- Proposed discount structure for non-potable irrigation systems

- Examples of Projects with current and proposed schedule

In the discussion, the trustees suggested staff review the following areas of the proposed schedule and present a revised schedule according to findings:

- Whether the schedule should allocate additional EQRs for additional bedrooms and bathrooms or just one.
- Is the 2500 SF allocation for irrigation appropriate and whether it should include all irrigated areas or just lawn/sod areas.
- Recalibrate the scenarios for the single-family homes to review the impact of the revised schedule

The board was also very concerned about the potential increase to single family homes in that the first schedule resulted in a substantial increase from what is currently being assessed. Staff has continued discussions with Resource Engineers and has made the following suggested changes to the schedule:

- Remove the allocation for bathrooms, but keep the allocation for wet bars in single-family homes.
- Keep the base EQR irrigation allocation at 2,500 square feet
- Apply the irrigation allocations to all permanent irrigation, drip and lawn areas
- Do not apply irrigation allocation to temporary irrigation

Staff also re-evaluated the scenarios of single-family homes to understand how the revised EQR schedule would apply to homes that were approved during the 2017 building season. Staff reviewed six building permits, five from Eagle Ranch (Highlands, Meadows, and Uplands) and one from Soleil. The building permits had varying numbers of bedrooms and amounts of irrigated area. Of the 6 homes, three exceeded the base allocation of 2500 SF and all but one had more than three bedrooms. When the new EQR schedule at the new Plant Investment Fee rate of \$8,050 was applied, two of the homes had a decrease in PIF, one stayed the same, and three had an increase. The largest increase was from \$10,465 to \$13,886.25 for a 5-bedroom home with 4,200 SF of irrigated area. The full overview is attached for your review.

BUDGET / FISCAL IMPACT:

The recommended increase in the tap fees will generate additional revenue for the town, however, the adjustment of the EQR schedule will change the composition of future revenues based on the amount and type of future development. It is difficult to predict the mix of unit types and when those will come online, however, the adjustment made to large lot single-family is more predictable. The town consistently sees between 20-25 single-family homes per year. The town's budget in 2018 will not be negatively impacted, as the estimate for EQRs is very conservative at 33 EQR for the year. For comparison, attached is a spreadsheet that evaluates a set of projects based on the current schedule and the proposed schedule.

COMMUNITY INPUT: There have been a few stakeholder meetings regarding the Lower Basin Water Treatment Plant where potential tap fee increases were discussed. The Community Development Department has conducted outreach to the development community in regards to this issue and the development community expressed caution of an increase in rates too high

too quickly. The development community supports a reduction of the multi-family schedule and a credit for raw water irrigation.

ATTACHMENTS:

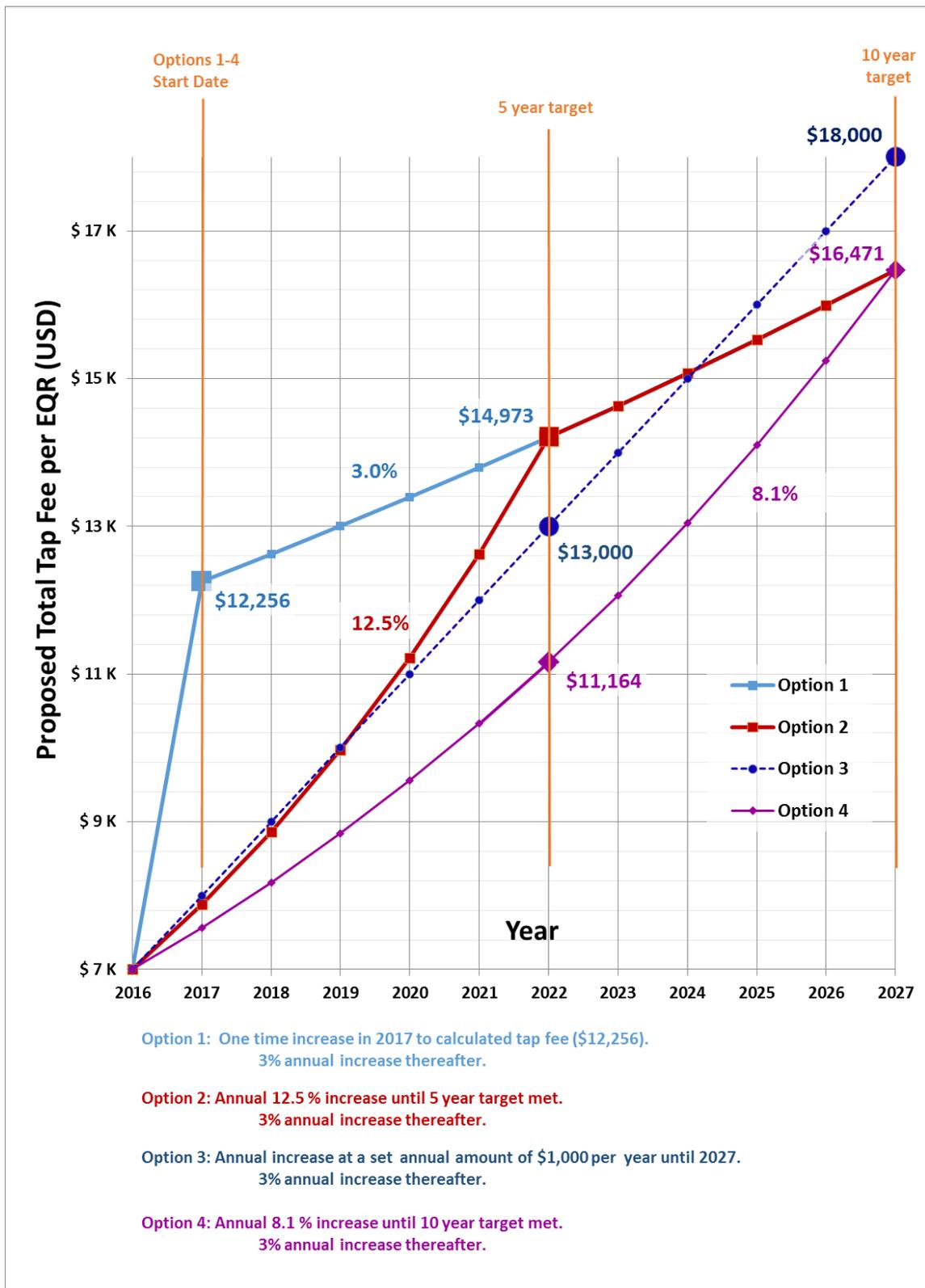
- Tap Fee Increase Options – Figure 3-2 from Final Water Rate and Tap Fee Study
- Revised Single Family EQR Schedule – current and proposed
- Revised Multi-Family EQR Schedule – current and proposed
- Raw Water Irrigation Credit Overview
- Revised Plant Investment Fee Calculation Comparison Chart (MF and SF projects)

PREPARED BY:

Tom Boni, Acting Town Manager
Morgan Landers, Community Development Director
Resource Engineering, Inc.

APPROVED BY: _____ Acting Town Manager

Figure 3-2: Recommended Tap Fee Increase Options for the Town of Eagle



Single-Family Residential Units EQR Comparison

CLASSIFICATION	EQR				
	GLENWOOD SPRINGS	CARBONDALE	GYPSUM	RIFLE	EAGLE PROPOSAL
Single-Family Residential Units					
Single-Family residence, with up to three bedrooms, two bathrooms, and no greater than 2,500 sqft of irrigated lawn and garden	1.0 ⁽¹⁾	1.0	1.0	1.0	1.0
Single-family homes, with up to four bedrooms, two bathrooms, one kitchen, no greater than 3,500 sqft irrigated lawn and garden watered by sprinkler	1.0	3.10 ⁽²⁾		1.0	
Each additional bedroom	0.15			0.15	0.15
Each additional bathroom	0.50				
Each additional kitchen	0.65				0.10 ⁽³⁾
Residences over 1,500 sqft will be charged an additional 0.03 EQR for each increment of 100 sqft over 1,500 sqft, or fraction thereof, in building size. There shall not be an adjustment for fractional increments of less than 100 sqft.		0.03			
Residences over 3,000 sqft will be charged an additional 0.03 EQR for each increment of 100 sqft over 3,000 sqft, or fraction thereof, in building size. There shall not be an adjustment for fractional increments of less than 100 sqft.			0.03		
Irrigation					
Each additional 1000 sqft of irrigated lawn and garden by sprinkler or drip irrigation exceeding allowable amount	0.05	0.20	0.30	0.15	0.25 ⁽⁴⁾

(1) Calculated as the greater of 0.25 EQR per bedroom or 0.06 EQR per 100 sqft, not to exceed 1.0 EQR.

(2) Calculated based on 0.02 EQR/100 sqft of irrigated lawn and assumed the additional bedroom was approximately 300 sqft.

(3) Not a full separate kitchen but a wetbar. A full kitchen additional kitchen would be considered an ADU.

(4) Same as current code, no change.

Multi-Family Residential Units EQR Comparison

CLASSIFICATION	EQR						EAGLE PROPOSAL			
	EAGLE	NEW CASTLE	GLENWOOD SPRINGS		CARBONDALE	GYPSUM				
Muti-Family Residential Units										
Multi-family residential duplex (per unit), up to 3 bedroom and 2 bath - includes 1,250 square feet of watered lawn area							0.9			
Multi-family residential, townhouses, condominiums, apartments (per unit), - includes 2,500 square feet of watered lawn area							500 sq ft per unit			
Studio - no bedrooms 1 bath	0.6	0.6	1.0	(1)	0.6	0.6	0.4			
Up to 2 bedrooms and 1.5 baths	0.8	0.8	1.0	(1)	0.8	0.8	0.6			
2 bedrooms and 2 baths	1.0	1.0	1.0	(1)	1.0	1.0	0.8			
Each additional bedroom			0.15				0.15			
Each additional bathroom			0.50				0.3			
Each additional kitchen			0.65				0.1 (5)			
Accessory Dwelling Unit maximum 700 square feet										
One bedroom	0.2		0.25				0.2			
Two bedrooms		0.5					N/A			
Irrigation										
Sprinkler or automatic irrigation system per 1,000 sq ft above allowed limit	0.25	0.30	(2)	0.05	(3)	0.20	(4)	0.30	(2)	0.25

(1) Calculated as the greater of 0.25 EQR per bedroom or 0.06 EQR per 100 sqft, not to exceed 1.0 EQR. Able to have up to 3 bedrooms, 2 baths, and 3,500 sqft of irrigated lawn

(2) Calculated based on 0.03 EQR/100 sq ft of irrigated lawn.

(3) Calculated based on 0.1 EQR/2,000 sq ft of irrigated lawn. Note that Glenwood allows up to 3,500 sq ft on its single and multi-family homes.

(4) Calculated based on 0.02 EQR/100 sq ft of irrigated lawn.

(5) Not a full separate kitchen but a wetbar. A full kitchen additional kitchen would be considered an ADU.

Raw Water Irrigation Credit

CLASSIFICATION	EQR or Fee Reduction						
	EAGLE	NEW CASTLE	GLENWOOD SPRINGS	CARBONDALE	GYP SUM	Rifle	EAGLE PROPOSAL
EQR Credit Received for using raw water to irrigate the entire property.	None	25% of water tap fees	50% of assessed EQR	0.02 EQR per 100 sqft, not to exceed 25% of the EQR dedication	0.5 EQR per 2,500 sqft, not to exceed 50% of total EQR	25% of the total water system improvement fees	0.25 EQR per 2,500 sqft, not to exceed 25% of total EQR

Comparison of Current and Proposed EQR Schedule

CLASSIFICATION	EQR	PLANT	EQR	PLANT
	CURRENT TOWN CODE	INVESTMENT FEE @ \$8050/EQR	EAGLE PROPOSAL	INVESTMENT FEE @ \$8050/EQR
Single-Family Residential Units				
Single- Family residence, with up to three bedrooms, two bathrooms, and no greater than 2,500 sqft of irrigated lawn and garden on a 7000 sq ft lot	1.0	\$8,050	1.00	\$8,050
Single- Family residence, with 4 bedrooms and 2,350 sq ft of permanent irrigation on a 37,000 sq ft lot	1.3	\$10,465	1.15 ⁽¹⁾	\$9,258
Single- Family residence, with 5 bedrooms and 1,895 sq ft of permanent irrigation on a 57,935 sq ft lot	1.3	\$10,465	1.30 ⁽²⁾	\$10,465
Single- Family residence, with 4 bedrooms and 3,300 sq ft of permanent irrigation on a 16,945 sq ft lot	1.3	\$10,465	1.35 ⁽³⁾	\$10,868
Single- Family residence, with 5 bedrooms and 4,200 sq ft of permanent irrigation on a 19,210 sq ft lot	1.3	\$10,465	1.73 ⁽⁴⁾	\$13,886
Single- Family residence, with 3 bedrooms and 2,800 sq ft of permanent irrigation on a 17,555 sq ft lot	1.3	\$10,465	1.08 ⁽⁵⁾	\$8,654
Single- Family residence, with 4 bedrooms and 2,115 sq ft of permanent irrigation on a 5,040 sq ft lot	1.0	\$8,050	1.15 ⁽⁶⁾	\$9,258
Multi-Family Residential Units				
12 unit Multi-Family residential project , with 2 bedrooms and 2 bathrooms each, on a one acre site with 20% irrigation (8500 sq ft)	12.00	\$96,600	10.23 ⁽⁷⁾	\$82,311
12 unit Multi-Family residential project , with 2 bedrooms and 2 bathrooms each, on a one acre site with 20% irrigation (8500 sq ft) from Raw Water System	12.00	\$96,600	9.00 ⁽⁸⁾	\$72,450
4-Plex townhouse project , with 3 bedrooms and 2 bathrooms each, with 2000 sq ft irrigation (500 sq ft each)	4.00	\$32,200	3.80 ⁽⁹⁾	\$30,590
4-Plex townhouse project , with 3 bedrooms and 2 bathrooms each, with 2000 sq ft irrigation (500 sq ft each) from Raw Water Sysytem	4.00	\$32,200	3.60 ⁽¹⁰⁾	\$28,980

(1) Calculated as 1.0 EQR plus 0.15 for an additional bedroom.

(2) Calculated as 1.0 EQR plus 2 x 0.15 for additional bedrooms.

(3) Calculated as 1.0 EQR plus 0.15 for an additional bedroom plus 0.8 x 0.25 for additional irrigation.

(4) Calculated as 1.0 EQR plus 2 x 0.15 for additional bedrooms plus 1.7 x 0.25 for additional irrigation.

(5) Calculated as 1.0 EQR plus 0.3 x 0.25 for additional irrigation.

(6) Calculated as 1.0 EQR plus 0.15 for an additional bedroom.

(7) Calculated as 12 x 0.8 EQR plus 2.5 x 0.25 for additional irrigation (6000 sq ft allowed).

(8) Calculated as 12 x 0.8 EQR minus 6000/2500 x 0.25 EQR for raw water irrigation system.

(9) Calculated as 4 x 0.8 EQR plus 4 x 0.15 for additional bedroom.

(10) Calculated as 4 x 0.8 EQR plus 4 x 0.15 for additional bedroom minus 2000/2500 x 0.25 for raw water irrigation system.