

## MEMORANDUM

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**To:** Rusty Snow  
Summit Housing Group

**From:** BBC Research & Consulting

**Re:** Fiscal impacts of Lyons Valley Townhomes

**Date:** January 30, 2020

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This report provides an overview of the fiscal impacts of the Lyons Valley Townhomes development on the Town of Lyons (the Town).

### Background

As with many communities on Colorado's Front Range, the Town of Lyons faces challenges related to the supply of affordable housing for low- and middle-income residents. Housing prices have grown faster than wages and salaries making it difficult for many residents to purchase homes, especially in desirable communities such as Lyons. The 2013 floods and subsequent need for rebuilding and recovery exacerbated the situation for the town, but also provided an opportunity to address the issue. In 2014 the Town selected Summit Housing Group to develop 40 units of affordable housing on a 6.58 acre shovel-ready parcel. As a part of the development process, Summit Housing Group is required to document the fiscal impacts of the project on the Town. Summit Housing Group retained BBC Research & Consulting to provide an overview of:

- The costs of the overall project for the Town;
- Any mitigation of those costs;
- Estimates of revenues associated with the development; and
- Risks associated with the fiscal estimates.

Below we provide an overview of one-time costs and revenues associated with the project along with operational (long-term, steady state) revenues and costs for the Town's general fund, electric fund, water fund, sanitation fund, stormwater fund, and parks and recreation fund.

### Summary of Fiscal Impacts

As with most residential developments in Colorado, due to the constraints for the Gallagher Amendment and reliance on sales tax, at buildout, the Lyons Valley Townhome project may

result in a net operational deficit for the general fund as well as a number of the utility funds. The development, however, will contribute substantial one-time contributions to various Town and other governmental funds, as discussed below. Figure 1 provides an overview of one-time revenues as well as recurring general fund revenues and expenditures.

**Figure 1.**  
**Town of Lyons Fiscal Summary**

Recurring Revenues	Total
Property Taxes (General Fund)	\$10,058
Sales Taxes (General Fund)	\$3,471
Other Revenue (General Fund)	\$9,036
<b>Total</b>	<b>\$22,565</b>
Per household	\$627
Sales Tax (Park Fund)	\$1,389

  

One Time Revenues	Total
Plan check fee (General Fund)	\$18,140
Use taxes (General Fund)	\$112,442
<b>Total</b>	<b>\$130,582</b>
Per household	\$3,627
Park tax	\$59,153

  

General Fund Recurring Expenditures	Total
Cost to Serve	\$56,448
<b>Total</b>	<b>\$56,448</b>
Per household	\$1,568

It is important to note that in Colorado, the combination of municipal reliance on sales taxes and the gap between the assessment ratio for commercial properties (29%) and residential properties (7.2%) makes it rare that residential developments (especially those featuring affordable housing) will result in a net fiscal benefit for a local government. Residential developments, do, however have economic benefits that can be more difficult to quantify, including:

- Providing workforce housing for the local labor force;
- Reducing commute times for local workers; and
- Helping promote a sense of community within the municipality.

Figure 2 provides an overall summary of recurring impacts by the various Town funds. It is important to note that much of the Town revenue is derived from out-of-town sales tax, so in effect, all current and new residents incur a net negative impact on the general fund.

**Figure 2.**  
**Lyons Valley Townhome Per Unit Fiscal Summary**

Fund Recurring Impact (per household)	Total
General fund	\$ (941)
Electric fund	\$ (118)
Water fund	\$ (319)
Sanitation fund	\$ (354)
Storm water fund	\$ (4)
Parks and rec fund	\$ (822)

**Caveats, risks, and assumptions.** Wherever possible, BBC chose to use the most conservative assumptions for revenue generation. Overall economic conditions may impact these assumptions substantially. Much of the modeling is based on the recent fiscal history of the Town of Lyons and substantial changes in Town operations, cost of service, or other factors might result in considerable deviations from these estimates.

### One-time Expenditures and Revenues

The development of LVT will result in substantial one-time revenues for the Town. Below we provide an estimate of those revenues from building fees and use taxes.

**Building Fees and Taxes.** The Town of Lyons collects fees from developers for:

- Building permits;
- Plan reviews;
- Electric tap and permits;
- Water tap and meters; and
- Sewer tap.

Figure 3 provides an overview of these fees along with the estimate of these fees for the LVT development. As shown, the Summit Housing Group will pay approximately \$1.4 million in building-related fees for the project. While nearly all of these fees are collected by the Town (with the exception of the raw water fee), many of these fees are designed to cover the service provided or materials required. As a result, it is expected that these fees will offset capital investment required by the town for electrical, water, and sewer services. In many cases for annexations and new developments the plan check fee (\$18,140 in this instance) is considered a net fiscal gain for the administrating agency.

**Figure 3.**  
**Projected Building Fees for Lyons Valley Townhomes**

<b>Building fees</b>	
<b>Assumptions</b>	
Detached single family homes (1,371 square feet)	19
Four-plex units (1,013 square feet)	21
<b>Total units</b>	<b>40</b>
<b>Total buildings</b>	<b>24</b>
<b>Total residential area</b>	<b>47,322</b>
<b>Total value</b>	<b>\$ 8,329,000</b>
<b>Building permit fee</b> (\$5553.97 for first \$1,000,000 and \$3.05 for each \$1000 or fraction thereof)	\$ 27,907
<b>Plan check fee</b> (65% of building permit fee)	\$ 18,140
<b>Electrical</b>	
Permit (\$270 + \$13.5 per 100 square feet over 2000 Sq Ft)	\$ 6,388
Tap (\$4,500 per unit)	\$ 180,000
Permanent meter (\$400/unit)	\$ 16,000
Construction meter	\$ 58
<b>Water and sewer</b>	
Water tap (\$17,500 for first unit in building \$11,500 for each unit thereafter)	\$ 604,000
Sewer tap (\$8,500 for first unit in building \$6,375 for each unit thereafter)	\$ 306,000
Water meter (\$400/unit)	\$ 16,000
Raw water fee (40 units at \$7,000 each per Summit Housing Group)	\$ 280,000
Total building fees (note many cover cost of service or materials)	
<b>Fee totals</b>	<b>\$ 1,454,493</b>

**Use Taxes.** The Town also collects a number of use taxes for new developments including:

- The town parks and general fund use tax;
- The general park tax;
- The Boulder Valley Open Space and Recycling Tax; and
- The St. Vrain Valley Schools fair contribution fee.

Figure 4 provides a summary of these taxes and fees. While fees for the Boulder County Open Space and Recycling programs and St. Vrain Valley Schools will not contribute to Town finances, the total of \$168,000 in use taxes and park fees will represent one-time revenues for the Town.

**Figure 4.**  
**Projected Use Taxes and Fees for Lyons Valley Townhomes**

Use taxes and fees	
<b>Assumptions</b>	
Detached single family homes (1,371 square feet)	19
Four-plex units (1,013 square feet)	21
<b>Total units</b>	<b>40</b>
<b>Total buildings</b>	<b>24</b>
<b>Total living space</b>	<b>47,322</b>
<b>Total value</b>	<b>\$ 8,329,000</b>
<b>Parks and general fund use tax</b> (valuation X 45% X 3.0%)	\$ 112,442
<b>Town Park Tax</b> (\$1.25 per square feet of living space)	\$ 59,153
<b>Boulder Valley Open Space and Recycling Tax</b> (valuation X 45% X 0.985%)	\$ 36,918
<b>St. Vrain Schools Fair Contribution Fee</b> (\$551 per single family, \$353 per multifamily unit)	\$ 17,882

## Operational Revenues and Expenditures

BBC estimated operation and revenue costs for the following Town funds:

- General fund;
- Electrical fund;
- Water fund;
- Sanitation fund;
- Stormwater fund; and
- Parks and recreation fund.

Below we provide the results of this analysis.

**General fund.** The Town relies on a variety of funding sources related to economic and resident activity within the Town limits. Figure 5 provides a brief summary of Town revenues.

**Figure 5.**  
**Town of Lyons Revenue**

Town revenues (2018 actual)		
<b>Taxes</b>	\$	<b>1,718,368</b>
Property	\$	537,015
Sales	\$	890,279
Other taxes (franchise, use, etc.)	\$	291,074
<b>Fees</b>	\$	<b>113,631</b>
<b>Intergovernmental</b>	\$	<b>12,021</b>
<b>Fines</b>	\$	<b>104,001</b>
<b>Miscellaneous</b>	\$	<b>424,767</b>
<b>Total</b>	\$	<b>2,372,788</b>

The majority of town revenue comes from sales and property taxes. New residents in LVT will generate new property taxes, sales taxes, fees, and fines. Below BBC provides an estimate of the amount these residents will generate in each of those categories.

**Property taxes.** Based on the value of the units along with the State of Colorado assessment rate for residential properties, BBC estimates that LVT will contribute approximately \$10,000 in annual revenue for the Town. Figure 6 provides additional detail on estimated property taxes.

**Figure 6.**  
**Lyons Valley Townhomes Property Tax Revenue**

Calculation of Property Taxes		
Number of units		40
Total value	\$	8,329,000
Residential assessment rate		7.15%
Assessed value	\$	595,524
Town of Lyons mill levy rate		16.889
<b>Annual property tax revenue</b>	\$	<b>10,058</b>
Property tax per unit	\$	251

**Sales taxes.** BBC used two methods to estimate new sales tax generated by the new residents in Lyons Valley Townhomes. Figure 7 provides a summary of both methods. For the first method, BBC estimated the 2018 per-household sales tax for the Town. The total sales tax in 2018 was approximately \$890,000. Given the popularity of the Town as a tourist destination and gateway, BBC assumed that approximately 15 percent of Town sales taxes were generated by residents. These assumptions suggest that per household sales taxes are approximately \$164.

BBC also estimated sales tax using income and spending information about potential LVT residents. Based on the affordable housing requirements, LVT residents will have a lower income than other residents. BBC assumed that LVT residents will have a household income of

approximately 60 percent of typical Town households. Based on data from consumer spending from the Bureau of Economic analysis, BBC estimates that new residents will spend approximately 28 percent of their income on retail purchases. Assuming that Town establishments capture a conservative 20 percent of this income, this method suggests that LVT households will contribute approximately \$107 in sales tax annually to the Town.

Based on these two estimates, BBC used a value of \$135 in sales tax per household. Given a 90 percent occupancy rating, this suggests that LVT residents will contribute approximately \$4,860 in sales taxes to the Town. Approximately \$3,500 of this amount would be recognized in the general fund with the remainder going to the parks and recreation fund.

**Figure 7.**  
**Lyons Valley Townhomes Sales Tax Revenue**

Calculation of Sales Taxes	
Number of units	40
Average household size	2.6
Estimated occupancy	0.9
<b>Based on per resident sales</b>	
2018 Town Sales Tax	\$ 890,279
Proportion from Town residents	15%
Town of Lyons current households	814
Per household sales tax	\$ 164
<b>Based on Income and Spending Patterns</b>	
Median Household Income	\$ 90,806
Income for LVT residents	\$ 54,484
Retail spending proportion (using Consumer Expenditure Survey)	28%
Town capture rate	20%
Household spending in Lyons	\$ 3,051
Per household sales tax	\$ 107
<b>Estimated per household new sales tax</b>	\$ 135
<b>Annual new sales tax revenue</b>	\$ 4,860
<b>General fund</b>	\$ 3,471
<b>Annual new sales tax revenue</b>	\$ 1,389

**Other revenues.** While intergovernmental, miscellaneous, and other financing revenues would not likely scale with the number of households, fines and fees are likely related to the number of residents. Based on the 2018 budget and the number of households, BBC estimates approximately \$251 per household in annual fees from Lyons Valley Townhome residents.

**Expenditures.** Figure 8 provides an overview of Town expenditures. The bulk of expenditures are Allocated expenditures (technology, equipment, insurance, etc.), Law enforcement, and Streets.

**Figure 8.**  
**Town of Lyons Expenditures**

Town expenditures (2018 actual)		
Allocated expenditures	\$	469,944
Administration	\$	316,027
Legislative	\$	27,204
Judicial	\$	31,876
Planning and zoning	\$	201,536
Health, welfare, and community	\$	136,920
Economic development	\$	103,416
Building inspection	\$	43,150
Law enforcement	\$	431,454
Streets	\$	299,030
Visitor center	\$	22,671
Other	\$	<u>34,713</u>
<b>Total</b>	<b>\$</b>	<b>2,117,942</b>

Seven expenditure categories: Administration; Legislative; Judicial; Health, welfare, and community; Law enforcement; Streets; and Other expenses might be expected to scale with the number of residents. Based on the 2018 budget, Figure 9 shows the per-household expenses for these categories.

**Figure 9.**  
**Recurring Lyons Valley Townhomes resident expenditures**

Per household resident driven expenditures (2018 actual)		
Allocated expenditures	\$	-
Administration	\$	388
Legislative	\$	33
Judicial	\$	39
Planning and zoning	\$	-
Health, welfare, and community	\$	168
Economic development	\$	-
Building inspection	\$	-
Law enforcement	\$	530
Streets	\$	367
Visitor center	\$	-
Other	\$	<u>43</u>
<b>Total</b>	<b>\$</b>	<b>1,568</b>



## Electric fund.

Using information from the 2014 Cost of Services Study, BBC estimates that 66 percent of total electric demand can be attributed to residential use. Based on the cost to serve for current households in Lyons, BBC estimates that new annual recurring expenditures for the electric fund will total approximately \$41,707. One-time revenues associated with electrical permits, taps, and meters are outlined in Figure 1. BBC estimates that these one-time revenues will cover the capital expenses associated with the electric fund. Recurring revenues associated with utility use are estimated to be \$1,041 per household, or \$37,476 for the LVT development, as shown in Figure 10. Annual recurring expenditures exceed annual recurring revenues by \$4,231, resulting in a negative annual fiscal impact.

**Figure 10.**  
**Lyons Valley Townhomes Electric Fund Fiscal Impact**

Electric Fund Net Fiscal Impact		
Electric Fund Operation Expenditures	\$	1,428,847
Town of Lyons current households		814
Electric Fund Cost to Serve per HH	\$	1,159
Number of Units		36
<b>Additional annual recurring expenditures</b>	<b>\$</b>	<b>41,707</b>
Average annual energy use per household		8676 KWH
Price per KWH	\$	0.10
Average annual energy cost per household	\$	1,041
<b>Additional annual recurring revenue</b>	<b>\$</b>	<b>37,476</b>
<b>Net fiscal impact</b>	<b>\$</b>	<b>(4,231)</b>
Net fiscal impact per HH	\$	(118)

Note: Average annual energy cost per household includes \$13/month base rate per month

Source: BBC Research & Consulting.

## Water fund.

Based on the 2017 rate study, residential usage accounts for about 85 percent of water costs. BBC calculated the cost to serve for current households in Lyons and estimates that new annual recurring expenditures for the water fund will total approximately \$26,469. One-time revenues associated with water tap fees and meters are outlined in Figure 1. BBC estimates that these one-time revenues will cover the capital expenses associated with the water fund. As shown in Figure 11, recurring revenues associated with utility use are estimated to be \$629 per detached household, and \$335 per attached household, for a total of \$15,002 for the LVT development. Annual recurring expenditures exceed annual recurring revenues by \$11,468 resulting in a negative annual fiscal impact.

**Figure 11.**  
**Lyons Valley Townhomes Water Fund Fiscal Impact**

Water Fund Net Fiscal Impact		
Water Fund Operation Expenditures	\$	704,123
Town of Lyons current households		814
Water Fund Cost to Serve per HH	\$	735
Number of Units		36
<b>Additional annual recurring expenditures</b>	<b>\$</b>	<b>26,469</b>
Detached SFH water cost per household	\$	629
Attached SFH water cost per household	\$	335
<b>Additional annual recurring revenue</b>	<b>\$</b>	<b>15,002</b>
<b>Net fiscal impact</b>	<b>\$</b>	<b>(11,468)</b>
Net fiscal impact per HH	\$	(319)

Source: BBC Research & Consulting.

## Sanitation fund.

BBC estimated sanitation fund revenues and expenditures based on current rates and an 85-15 percent split for expenditures between residential and non-residential uses. Based on the cost to serve for current households in Lyons, BBC estimates that new annual recurring expenditures for the sanitation fund will total approximately \$29,988. One-time revenues associated with sewer tap fees are outlined in Figure 1. BBC estimates that these one-time revenues will cover the capital expenses associated with the sanitation fund. Figure 12 provides data on recurring revenues associated with LVT utility use. Annual recurring expenditures exceed annual recurring revenues by \$12,730, resulting in a negative annual fiscal impact.

**Figure 12.**  
**Lyons Valley Townhomes Sanitation Fund Fiscal Impact**

Sanitation Fund Net Fiscal Impact		
Sanitation Fund Operation Expenditures	\$	797,728
Town of Lyons current households		814
Sanitation Fund Cost to Serve per HH	\$	833
Number of Units		36
<b>Additional annual recurring expenditures</b>	<b>\$</b>	<b>29,988</b>
Average annual sanitation cost per HH	\$	479
<b>Additional annual recurring revenue</b>	<b>\$</b>	<b>17,258</b>
<b>Net fiscal impact</b>	<b>\$</b>	<b>(12,730)</b>
Net fiscal impact per HH	\$	(354)

Source: BBC Research & Consulting.

## Storm water fund.

BBC estimates that residential land use in Lyons is responsible for approximately 85 percent of storm water costs. Based on the cost to serve for current households in Lyons, BBC estimates that new annual recurring expenditures for the stormwater fund will total approximately \$4,455. The Town charges a residential customer monthly user fee of \$10 per household. The \$124 annual revenue per household associated with this user fee results in additional annual recurring revenue of \$4,320, as shown in Figure 13. Annual recurring expenditures exceed annual recurring revenues by \$135, resulting in a negative annual fiscal impact.

**Figure 13.**  
**Lyons Valley Townhomes Storm water Fund Fiscal Impact**

Stormwater Fund Net Fiscal Impact		
Stormwater Fund Operation Expenditures	\$	118,515
Town of Lyons current households		814
Stormwater Fund Cost to Serve per HH	\$	124
Number of Units		36
<b>Additional annual recurring expenditures</b>	<b>\$</b>	<b>4,455</b>
Residential customer annual user fees per HH	\$	120
<b>Additional annual recurring revenue</b>	<b>\$</b>	<b>4,320</b>
<b>Net fiscal impact</b>	<b>\$</b>	<b>(135)</b>
Net fiscal impact per HH	\$	(4)

Note: Stormwater fund operation expenditures reflect 2019 budget due to uncharacteristically low actual expenditures in 2018.

Source: BBC Research & Consulting

## Parks and recreation fund.

Based on the cost to serve for current households in Lyons, BBC estimates that new annual recurring expenditures for the park fund will total approximately \$30,781. One-time revenues associated with the parks use tax and town park tax are outlined in Figure 2. BBC estimates that these one-time revenues will cover the capital expenses associated with the parks and recreation fund. A portion of sales tax is allocated annual to the parks and recreation fund, resulting in additional annual recurring revenue from sales tax of \$1,389. Annual recurring expenditures exceed annual recurring revenues by \$29,392, resulting in a negative annual fiscal impact. As with the general fund, the parks and recreation fund receives substantial support from the town sales tax, much of which is generated by out-of-town customers.

**Figure 14.**  
**Lyons Valley Townhomes Parks and Recreation Fund Recurring Expenditures**

Parks and Recreation Fund Net Fiscal Impact	
Parks and Rec Fund Operation Expenditures	\$ 695,995
Town of Lyons current households	814
Parks and Rec Fund Cost to Serve per HH	\$ 855
Number of Units	36
<b>Additional annual recurring expenditures</b>	<b>\$ 30,781</b>
<b>Additional annual recurring revenue from sales tax</b>	<b>\$ 1,389</b>
<b>Net fiscal impact</b>	<b>\$ (29,392)</b>
Net fiscal impact per HH	\$ (816)

Source: BBC Research & Consulting.