

**CITY COUNCIL STUDY SESSION  
VIRTUAL AND IN PERSON, DURANGO CITY HALL, SMITH CHAMBERS**

**05/16/2023  
2:15 PM**

**Hybrid Meeting Information**

This meeting is being held in a Virtual/In Person format based on City of Durango Resolution R 2022-0017 adopted on April 5, 2022 by the Durango City Council.

The link to the virtual meeting is available here:

<http://durangogov.org/zoom>

***Please note:*** If this link does not take you directly to the meeting list, please copy and paste it into the address bar of your web browser.

**A G E N D A**

MAYOR:	Melissa Youssef
MAYOR PRO-TEM	Jessika Buell
COUNCIL MEMBERS:	Olivier Bosmans Dave Woodruff Gilda Yazzie
CITY MANAGER:	José Madrigal

**MISSION**

The City of Durango and our employees provide efficient city services, effectively maintain city assets and manage growth, are accountable, ethical and fiscally responsible, and collaborate with regional partners to improve the quality of life for our entire community.

**VISION**

Durango is an authentic, diverse, multigenerational, and thriving community. Our residents value and enjoy our unique natural environment and benefit from the management of our city's resources in a fiscally responsible, environmental, and socially sustainable manner.

**VALUES**

- \* Teamwork
- \* Dependability
- \* Professionalism
- \* Service
- \* Respect
- \* Innovation
- \* Well-Being

**STRATEGIC GOALS**

- \* Affordability & Economic Opportunity (AEO)
- \* Diversity, Equity, Inclusion (DEI)
- \* Effective Infrastructure Network (EIN)
- \* Enhanced Livability & Sense of Place (ELSP)
- \* Environmental Sustainability & Resilience (ESR)
- \* Financial Excellence & High Performing Government (FE)
- \* Engaged and Collaborative Governance (ECG)

Theme - Effective Infrastructure Network - 2:15 PM

Future New Business and Review of Agendas - 20 minutes

INFORMATION ONLY ITEMS 2:35 PM

Budget and Strategic Plan Update - Devon Schmidt - 15 minutes

Community Development Process Improvements & Forthcoming Code Updates - 45 minutes

DIRECTION NEEDED ITEMS 2:50 PM

Durango-La Plata County Airport Terminal Development Phase 1B Project Delivery Review - Tony Vicari - 1 hour

Downtown Pedestrian and Bicyclist Connectivity - Sarah Hill - 15 minutes

Adjournment - 4:50 PM

*NOTE THAT ALL TIMES ARE APPROXIMATIONS*



## AGENDA DOCUMENTATION

Meeting Date: May 16, 2023

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**TO: DURANGO CITY COUNCIL**

**FROM: SCOTT L. SHINE, DANIEL MURRAY & EVA HENSON;  
COMMUNITY DEVELOPMENT DEPARTMENT**

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**SUBJECT: COMMUNITY DEVELOPMENT PROCESS IMPROVEMENTS & CODE UPDATES –  
AEO, ELSP & FEHPG**

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### **RECOMMENDATION**

This item is an informational update and does not require formal Council action at this time. Staff will explain the next steps for multiple process improvement and code update initiatives. The goal of this Study Session is to inform Council and ensure Council is comfortable with the direction staff is taking. Some items will require public hearings or some other formal action in the future. When formal action is necessary, staff will bring back the particular items which necessitate Council review and approval.

### **BACKGROUND SUMMARY**

Community Development staff will be presenting departmental updates on a variety of process improvements and code amendments which are being undertaken to enhance customer service, improve employee engagement, and achieve Strategic Plan goals.

To begin, staff will provide a brief overview of the Department's organizational structure, customer service strategy, and 2023 Work Plan. The Work Plan includes the following four overarching goals:

- Strategic Partnerships & Communication
- Process Improvement & Customer Service Enhancements
- Staff Development & Well-Being
- Code Reform

This Study Session is particularly relevant to the 'Code Reform' and 'Process Improvement & Customer Service Enhancements' goals.

Staff will then provide greater detail on the following initiatives:

- *Community Development Boards & Commissions Reconfiguration*
  - Current & Proposed Structure
  - Engagement with and feedback from existing members
  - Timeline
- *Process Improvements*
  - Public Hearing Procedures
  - Technology Deployment
  - Reporting
- *Fee Updates*
- *Affordable Housing Fee Offset Policy*

### **STRATEGIC PLAN ALIGNMENT**

All of these initiatives apply primarily to the **Affordability & Economic Opportunity (AEO)** objective in the Strategic Plan while also addressing elements of the **Enhanced Livability & Sense of Place (ELSP)** and the **Financial Excellence & High Performing Government (FEHPG)** objective.

**AEO**

1.2 Support the production of a variety of housing types through incentives, partnerships, efficient review processes, and other mechanisms with a particular emphasis on middle-income housing.

3.3 Reduce barriers for established and new businesses that will encourage new investment and longevity.

**ELSP**

3.2 Through a robust and inclusive planning processes, create a framework of coordinated district plans that embrace the unique character of Durango and provides a vision for the future.

**FEHPG**

1.3 Identify innovative revenue streams that create a long-term structurally balanced operating budget. Determine long-term revenue solutions for core services

3.1 Leverage technology to deliver faster and more convenient services.

**FISCAL IMPACT**

All of the fiscal impacts were anticipated in the 2023 budget process. These initiatives use previously appropriated funds along with grant funds to accomplish the stated outcomes. Regarding the fee updates, the impacts are not very large, but the proposal will bring the fee structure closer to covering the costs of services while also providing relief for projects which meet stated community priorities.

**NEXT STEPS AND TIMELINE**

Information about next steps and the timeline for each initiative is included in the attached memos. Staff will also share information about the proposed next steps during the Study Session.

**ATTACHMENTS**

1. Draft Study Session Presentation
2. Board and Commission Reconfiguration Memo
3. Public Hearing Process Improvements Memo
4. Building Permit Fee Update Memo
5. Building Permit Fee Information
6. Affordable Housing Fee Offset and Waiver Policy Memo





MAY 16, 2023

# COMMUNITY DEVELOPMENT PROCESS IMPROVEMENTS & CODE UPDATES

SCOTT SHINE | DANIEL MURRAY | EVA HENSON

## STRATEGIC PLAN GOALS:

- AFFORDABILITY & ECONOMIC OPPORTUNITY
- FINANCIAL EXCELLENCE & HIGH PERFORMING GOVERNMENT



## **Mission** (Why we exist)

*"The City of Durango and our employees provide, efficient city services, effectively maintain city assets and manage growth, are accountable, ethical, fiscally responsible, and collaborate with regional partners to improve the quality of life for our entire community."*

## **Vision** (What we want to be)

*"Durango is an authentic, diverse, multigenerational, and thriving community. Our Residents value and enjoy our unique natural environment and benefit from the management of our City's resources in a fiscally responsible, environmental, and socially sustainable manner."*

## **Values** (What we believe in)

Teamwork | Dependability | Professionalism | Service |  
Respect | Innovation | Well-Being

## **PURPOSE**

UPDATE ON DEPARTMENTAL  
EFFORTS TO IMPROVE THE  
DEVELOPMENT REVIEW  
PROCESS AND AMEND CODE  
TO ACHIEVE STRATEGIC PLAN  
GOALS



# OVERVIEW



- 1. Departmental Overview & Work Plan***
- 2. Community Development Boards & Commissions Reconfiguration***
- 3. Process Improvements***
- 4. Fee Updates***
- 5. Affordable Housing Fee Offset Policy***





# COMMUNITY DEVELOPMENT DEPARTMENT







# BUILDING COMMUNITY TOGETHER

***Committed, caring employees...***build community!

***Great customer service...***builds community!

***Partnerships...***build community!

***Well-built infrastructure...***builds community!

***Gathering input from citizens...***builds community!

***Transparency & clear communication...***builds community!

***Beautiful, safe public spaces...***build community!

***Supporting locally-owned businesses...***builds community!

***Being a good neighbor...***builds community!

***Developing diverse housing options...***builds community!

***Accessible & inclusive places...***build community!

***Preserving our history...***builds community!

***Innovative design...***builds community!

***Safe, efficient, sustainable structures...***build community!

***Creating walkable & bikeable places...***builds community!

***Efficient, effective review processes...***build community!

***Places served by transit...***build community!

***Preserving ecological health...***builds community!

***Inclusion of all perspectives ...*** builds community!





# BUILDING COMMUNITY TOGETHER



# **2023 WORK PLAN**

**Strategic  
Partnerships &  
Communication**

**Process  
Improvement &  
Customer Service  
Enhancements**

***Building  
Community  
Together***

**Staff Development  
& Well-Being**

**Code Reform**





# 2023 WORK PLAN

Strategic  
Partnerships &  
Communication

Process  
Improvement &  
Customer Service  
Enhancements

*Building  
Community  
Together*

Staff Development  
& Well-Being

Code Reform

## 2023 WORK PLAN



- **Software improvements:** Online portal for digital submittals and fillable forms, online payments, publicly accessible files, map-based displays
- **Process improvements:** Checklists (both internal and for customers), efficient and expedient internal project review, grant tracking
- **Standardization** of public improvements and design standards

## 2023 WORK PLAN



### Housing

- Enhance existing **density bonus** for affordable housing
- **Fair Share** Housing program
- **Standardize incentives** (fee waivers, etc.) for affordable housing projects

### Process/Standards

- Create **better definitions** of Commercial & Mixed Use
- **Update Chapter 6 - Administration**
- **Landscaping refinements**
- Portable **storage containers**
- Review **parking standards** - Downtown residential permit program
- Simplify & clarify **special event permits**

### General

- Move towards **2024 International Building Codes**
- **Comp Plan** Clean-Up

# BOARDS & COMMISSIONS REFRESH



- Current & Proposed Structure
- Engagement with and feedback from existing members
- Timeline

# PUBLIC HEARING PROCESS IMPROVEMENTS

## **Objective:**

To increase land use permitting process effectiveness and efficiency.

## **Questions:**

1. Can any project approvals be shifted from Council to PC, or PC to Administrative?
2. Can Consent Agenda be utilized for routine project reviews?

## **Examples:**

- Major Planned Development Amendment, shift from Council to PC
- Minor Planned Development Amendment, shift from PC to Administrative
- Final Development Plan, shift final approval from PC to Administrative
- Rezoning, shift from Council to PC?

Are there other projects review/approval which Council believes can be delegated to the Planning Commission?

# TECHNOLOGY DEPLOYMENT & REPORTING

## Renewed Investment & Utilization of Software

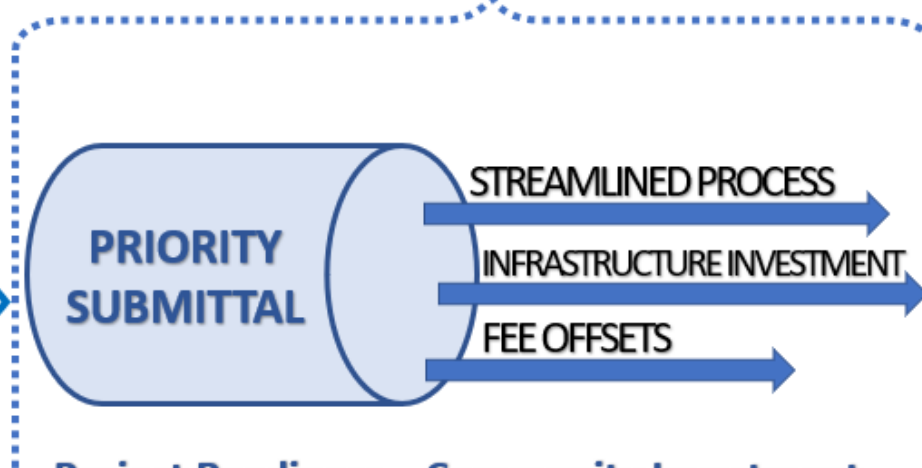
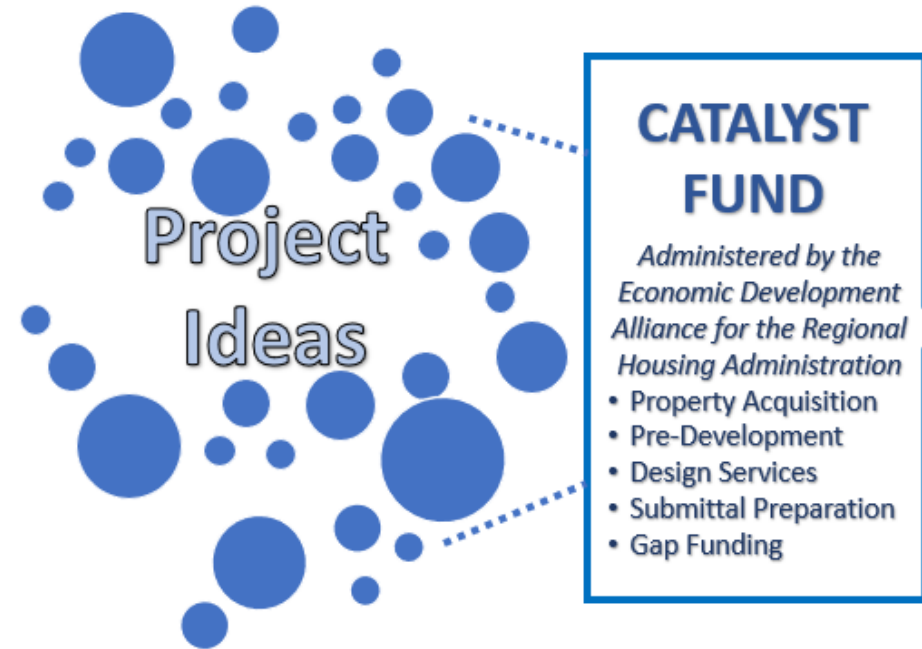
- Citywide transition from *Innoprise* to *CitySuite* - interface upgrade
- *CitySuite* allows document integration with *OnBase* – Direct file management of digital files
- Progress towards *Citizen Access* – online portal for project status, submittal, document viewing
- Online payments with *Citizen Access*
- Improved interdepartmental workflows and project tracking
- Improved accuracy and ease of reporting

# DURANGO HOUSING PARTNERSHIPS PIPELINE

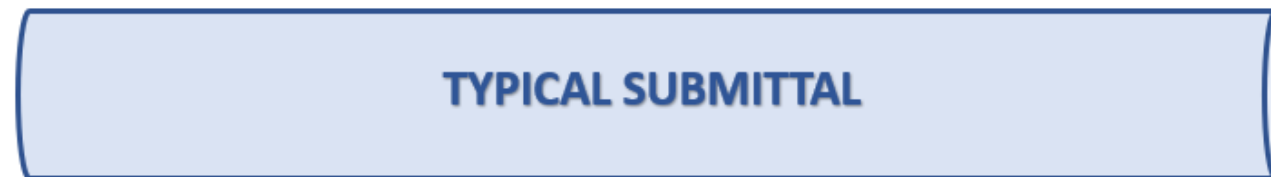
## CITY OF DURANGO HOUSING ACCELERATOR

## HOUSING

Adaptable to many sizes of projects and diverse unit types including low-income, affordable, workforce, attainable and below market



**Project Readiness = Community Investment =  
Community Benefit**



**Market Rate  
HOUSING**



# FEE STRUCTURE UPDATES

## Building Permit Valuation Fees

- Current fees based on 2013 ICC valuations
- Comparison of 2013 (current), 2018 (date of Building Codes) and 2023 (up to date) ICC valuations (see spreadsheet)

	2013 \$/SQFT	2023 \$/SQFT	Fee Increase	Total Fee 2023
Single Family Res (1,500 SF)	\$107.08;	\$167.37	\$2,470.63	\$7,131.82
Multi-Family (35k SF)	\$97.29	\$149.80	\$37,187.37	\$110,322
Commercial	\$155.73	\$233.85	\$8,450.50	\$27,298.88

- Code Alignment Working Group feedback on April 27, 2023
- Fees correlate to City's ability to ensure building safety and compliance with adopted energy codes.

## Land Use Permit and Building Flat Fee Update

- Minor updates to flat fees for consistency with other fees, reflect staff time, create incentives



# Affordable Housing Fee Offset Policy

Expand current offset policy to a broader scope and standardize policy for housing developments that contain affordable or workforce units in the City.



# Affordable Housing Fee Offset Policy – Baseline

Gauge Apartments – 75 market rate/14 rent restricted

For-Profit Mixed Income Multi-Family	MEETS 16%
Development Review Fee – Major Site Plan	\$1,000
Fair Share Fee	Not applicable
Building Permit Fee	\$34,053.99
Use Tax	\$193,002.06
<b>Total = fees paid in whole then reimbursed</b>	<b>\$228,056.05</b>
Other eligible improvements & eligible costs	May be considered
<b>1% Bonus</b> if permits pulled within 12 months	<b>Yes = \$2,280.56 additional reimbursement</b>

# Affordable Housing Fee Offset Policy – Enhanced Example

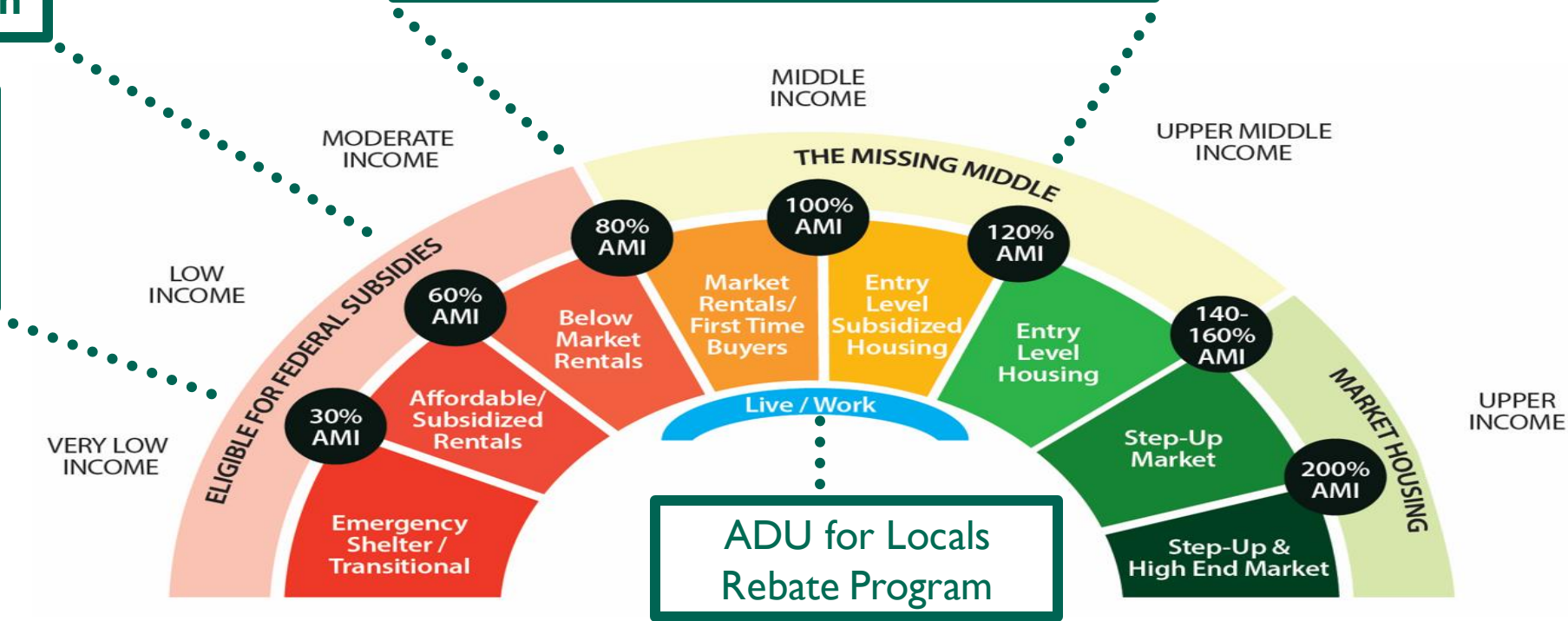
Animas City Park Overlook Townhomes – 12 market rate/10 deed restricted

For-Profit Mixed Income	EXCEEDS 16%
Development Review Fee – Planned Development	\$1,600
Fair Share Fee	\$337,400
Building Permit Fee	\$25,994
Use Tax	\$58,416.44
Water Tap	Not Applicable
<b>Total = fees paid in whole then reimbursed</b>	<b>\$423,410.44</b>
Other eligible improvements & eligible costs	May be considered
2% Bonus if permits pulled within 12 months	Yes = <b>\$8,468.20 additional reimbursement</b>

Three Springs Infrastructure Support & Land Donation for Land Trust Model  
Mountain Trace II Deed Restrictions  
Multi-Family Fee Offsets  
Other Opportunities

Best Western  
Motel Conversion

Westside MHP  
Annexation &  
Land Trust  
Model







# QUESTIONS & DISCUSSION

## MEMORANDUM

TO: Code Alignment Working Group and City Council  
FROM: Scott Shine and Community Development Staff  
DATE: April 27, 2023  
RE: Community Development Boards & Commissions Refresh

### ***Introduction***

Community Development is currently **providing administrative support to six boards and commissions**, including:

1. Planning Commission (PC)
2. Design Review Board (DRB)
3. Historic Preservation Board (HPB)
4. Urban Renewal Authority (URA)
5. Creative Economy Commission (CEC), and
6. Board of Adjustment (BOA).

Recently, **Council asked staff to review the current Boards and Commissions structure**. Community Development staff took this opportunity to review current structures and purposes of these various Boards and Commissions. The following question was asked, *"How would we design our Boards and Commissions if we were starting from scratch?"* We started by first identifying the goals of a restructuring initiative specific to Community Development Boards and Commissions then we collaboratively developed a proposal.

### ***Goals***

- **Remove redundancy and increase efficiency.**
- Retain and enhance a **high level of customer service, ensure transparency, and allow for adequate public input** on development proposals and other community development items.
- **Lessen the administrative burden and costs** to prepare packets and run meetings while also ensuring adequate public involvement.
- **Establish more clarity** for applicants and the public regarding the sequence of events involved in development review process.
- Ensure that the **most effective path** is in place for items that are appealed.

### ***Community Development Boards & Commissions Refresh***

Staff proposes to **combine Planning Commission, Design Review Board, and Board of Adjustment in a comprehensive, modernized and restructured 'Planning & Design Commission' (PDC)**. This consolidation will achieve the goals outlined above while still ensuring that proper legal procedures and due process are provided to customers and community members.



The PDC would have seven (7) members and one (1) alternate. The three Boards proposed for consolidation currently have five (5) members.

All members **must be residents of the City of Durango**, as currently required for the Planning Commission. A minimum of three of the positions would be community members, *“who are trained in the fields of architecture, landscape architecture, urban design, or urban planning.”*, as currently required of the DRB.

Article 8, Section 7 of the City Charter contains the following:

*“Board of adjustment. The council shall, by ordinance, establish a board of adjustment and shall provide standards and procedures for such board to hear and determine appeals from administrative decisions, petitions for variances in the case of peculiar and unusual circumstances which would prevent the reasonable use of land and such other matters as may be required by the council or by law.”*

Community Development staff will need assistance from an attorney to explore and affirm options for making sure this provision in the Charter is still met through the proposed restructured Board.

Applicants may request or staff may require an **Early Design Guidance session with the Planning & Design Commission** on projects if an applicant wants initial guidance or if staff has design concerns.

*The timeline for these adjustments is separate from the recent action taken to consolidate other City Advisory Boards. Staff has laid out the actions necessary to accomplish this refresh for Community Development, particularly related to Land Use and Development Code amendments, and has begun drafting these amendments. Staff anticipates having the amendments completed in July/August and then advancing them through the review and approval process. The target is to have the new structure be effective January 1, 2024.*

### **Other Boards**

#### **HPB**

This Board is required by state statute in order for the City to retain its Certified Local Government status and eligibility for historic preservation funding. This Board has recently been utilizing sub-committees to speed up decision-making. This is proposed to continue and be expanded to move small, simple projects through the process quickly. No other changes are proposed at this time for this Board.

#### **URA**

This Board is required by state statute. It may be possible to move the URA Board meeting to once every two months in order to decrease administrative costs. No other changes are proposed at this time for this Board. In the long-term, the URA Board can be re-designed to be more independent and not include all of City Council.

#### **CEC**

The CEC has established itself as an effective and impactful Commission especially related to the administration of the Lodgers Tax: Arts and Culture Funds. Meetings could potentially be moved to once every two months and, if Council desired, the Council liaison position could be removed. In the long term, there is a possibility that this work could be transitioned to the Durango Creative District, but staff proposes to keep the Commission as is while that is being evaluated over the next 2-3 years.

***Other Process Improvement and Increased Efficiency Tasks***

Staff also identified a number of refinements that could easily be integrated into this effort to improve the efficiency and effectiveness of development review processes.

- **Consent agendas will be added** to the PDC agendas to cover minor items, grant approvals, minutes and other items. Staff will send Public Notice for these items as necessary, but place them on Consent agenda. Either a Commission member or a member of the public can attend the meeting and ask for it to be pulled off.
- Continue and expand use of sub-committees for Historic Preservation and design guidance.
- It may be possible to not have a Council liaison sitting on the Creative Economy Commission.
- Move CEC and URA to bi-monthly meeting schedule.



## **MEMORANDUM**

TO: City Council  
FROM: Daniel Murray & Community Development staff  
DATE: May 16, 2023  
RE: *Public Hearing Process Improvements*

The Community Development Department is exploring ways to make the land use permitting process more efficient and effective. One specific initiative is to analyze the currently-prescribed public hearing process for each permit type to determine if reviews are designed properly given community goals and changing circumstances. The questions being asked during this process include:

1. Can reviews which currently require public hearings before Planning Commission and City Council be shifted to solely Planning Commission approval?
2. Can some permits currently requiring public hearings at Planning Commission be shifted to not require a public hearing through a consent agenda format or administrative approval by staff?

The objective is to ensure there is the right scale of review process and decision making relative to the permit type. Since being adopted in 2014, the permitting processes of Land Use Development Code (LUDC) are well established and there is now an opportunity for the decision-making authority to be delegated down the review hierarchy to improve the process, minimize costs and administrative complexities, and appropriately focus staff efforts, while continuing to ensure compliance with LUDC development standards and provide sufficient opportunities for public input.

This process is in line with the City's overall focus on organizational excellence and high performance, particularly in how it supports improved customer service and Strategic Plan achievement. Code revisions such as these, and the work of the Code Alignment Working Group (CAWG) overall, fulfills the Strategic Plan goal of *Affordability and Economic Opportunity* and the following objective: *"Ensure Land Use and Development Code Alignment Project promotes development of affordable housing by reviewing standards for density, multiple dwelling units,*

*mixed-use definitions, street, access design, ADUs and conversion of motels to long-term residential rental units” (Policy 1.2.2).*

Staff has analyzed the permit types and corresponding hearing procedures in LUDC Table 6-3-2-3 and identified at least two opportunities to delegate the decision-making authority from City Council to the Planning Commission. This includes Preliminary Development Plans and Major Planned Development Amendments. Staff will also initiate conversations with the new City Attorney to look at ways to improve the easement and platting process.

Similarly, staff has identified at least three instances where Planning Commission approval can be delegated to administrative approval, such as Boundary Adjustments, Final Development Plans, and Minor Planned Development Amendments.

Staff will continue to analyze where process improvements can occur in the LUDC and welcomes Council’s feedback.

The general next steps in this sequence are:

- Introduce topic to CAWG (Nov. 30, 2022)
- Begin drafting detailed redlines to LUDC, e.g. Table 6-3-2-3 (early 2023)
- Introduce topic to City Council at a Study Session (May 2023)
- Present redlines to CAWG (Summer 2023)
- Advance LUDC Text Amendments to Planning Commission, including public notices and comment (Fall 2023)
- A public hearing on the LUDC Text Amendments and first reading of an ordinance at City Council, including public notices and comment (Fall 2023)
- Second reading of LUDC Text Amendments ordinance (Fall 2023)

Staff presented these items to the Code Alignment Working Group in November 2022. They provided valuable feedback and asked staff to check in with Council to gauge support for this approach prior to advancing with the formal amendments.

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## **MEMORANDUM**

TO: City Council  
FROM: Daniel Murray and Community Development Staff  
DATE: May 16, 2023  
RE: Building Permit Fee Update

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### **Introduction**

The City of Durango's building permit fees and use tax are one form of revenue collected by the Community Development Department and directed to the city's General Fund. In theory, these fees are intended to offset the cost of providing the service of the Development Services Division to the community. City staff is proposing to update the current building permit fees and use tax, which has not been updated since 2013, to more closely reflect 2023 building valuation data.

### **Background**

The International Code Council (ICC) provides building valuation data bi-annually to jurisdictions for their evaluation. The City of Durango has historically relied upon the ICC data in setting its building permit fees, currently based on 2013 ICC building valuation data. The ICC data is a national average of construction costs per square foot and does not precisely capture the cost of construction in Durango, CO. Anecdotally, we know that the cost of building in Durango is significantly more than is typically in the ICC data. Attached to this memo are the ICC 2013 and 2023 Building Valuation Data sheets for comparison.

The City's Strategic Plan goal of *Financial Excellence and High Performing Government* is applicable in this matter. More specifically, the practice of keeping fees up to date and based on nationally accepted data is supported by the following strategic plan objectives:

#### **1. Fiscal Sustainability**

1.2 Strive to create clearly understandable plans & policies that establish long-term innovative financial health for all funds. Reduce organizational risk while encompassing sustainable infrastructure needs with considerations for special revenues sunseting or reapproval.

1.3 Identify innovative revenue streams that create a long-term structurally balanced operating budget. Determine long-term revenue solutions for core services, housing innovation, storm water management considering ballot initiatives for debt service or cash funding.

The Development Services Division provides valuable services to the community by ensuring that new buildings are built safely and in accordance with adopted energy codes. The fees intended to cover these services should be more closely in line with the reality of what it costs to deliver these services while not becoming an overly burdensome cost to the construction industry.

This topic was presented to the Code Alignment Working Group (CAWG) on April 27, 2023 for discussion. Staff can elaborate on CAWG feedback during the study session.

### **Proposal**

Community Development Department staff has compiled a spreadsheet reflecting the building valuation in 2013 (current baseline), 2018 (which is the date of the City's adopted Building Codes), and 2023 (up to date). The spreadsheet shows three examples of valuation for single-family residential, multi-family residential, and commercial construction. Based on the spreadsheet, updating the building permit fees and use tax to 2023 values would result in an increase of \$2,470 for a 1,500 SF single-family residence. For a 35,000 SF multi-family residence, fees would increase \$37,187, and for a 5,000 SF commercial building, fees would increase \$8,450. Please see the attached spreadsheet for additional comparison of existing and proposed fees. Because use tax is based on building permit valuations, changes to the building valuation will have a corresponding change on use tax, however staff is not proposing to change the use tax percentages of 1.75% or 3.5%.

Related to building permit valuation fees, staff is also proposing minor changes to the flat fees associated with building permits and land use permits. These changes are reflected in the attached spreadsheet.

Since the city's building permit fees are now 10 years out of date, staff recommends updating the building permit fees to reflect the 2023 data. As the practice of updating fees occurs infrequently, it is best practice to adopt the most current fees when updates do occur. There is also ample context for maintaining up-to-date fee schedules such as those associated with water and sewer rates and tap fees, and impact fees.

It is important to note these valuations are a national average and the price per square foot (SF), for example at \$167/SF for a single-family residence, is about half or less than the actual cost of construction in Durango. While the proposed increase in fees is noticeable, the price per SF valuations used are reasonable when compared to the actual cost of construction in our area. These fees are a very small percentage of the overall cost of construction. Additionally, construction in Durango has been stable over the past five years and the current conditions are suitable for such a fee adjustment. Attached to the memo is a graph that shows that the number of building permits issued over the past five years has been relatively consistent.

### **Process and Next Steps**

Staff proposes the following process and next steps:

- Initial discussion with CAWG – April 27, 2023

- City Council Study Session – May 16, 2023
- Planning Commission - May 22, 2023
- Public outreach (HBASC, DAAR, Twin Buttes, Three Springs, development community) – Summer 2023
- City Council public hearing – Late Summer 2023

Staff invites Council's questions and comments on the proposal to increase building permit valuation fees and use tax from 2013 to 2023 valuations.

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Comparison of Building Permit Fees and Use Tax

Single Family Residence (SFR) Example:

ICC Building Valuation Data	\$/SQFT	1,500 sqft SFR Valuation	400 sqft attached garage valuation	Total Valuation	Building Permit Fee	BP Fee Increase	Use Tax*	Use Tax Increase	Total Fees	Total Fee Increase	% Fees of ICC Home Value
February 2013 (Current)	SFR @ \$107.08; Garage @ \$40.62	\$160,620.00	\$16,248.00	\$176,868.00	\$1,566.00	Baseline	\$3,095.19	Baseline	\$4,661.19	Baseline	2.64%
August 2018	SFR @ \$127.75; Garage @ \$47.80	\$191,625.00	\$19,120.00	\$210,745.00	\$1,804.00	\$238.00	\$3,688.04	\$592.85	\$5,492.04	\$830.85	2.61%
February 2023	SFR @ \$167.37; Garage @ \$66.48	\$251,055.00	\$26,592.00	\$277,647.00	\$2,273.00	\$707.00	\$4,858.82	\$1,763.63	\$7,131.82	\$2,470.63	2.57%

Multi-Family Example (Apartments) Example:

ICC Building Valuation Data	\$/SQFT	35,000 sqft R-2 VB Valuation	N/A	Total Valuation	Building Permit Fee	BP Fee Increase	Use Tax*	Use Tax Increase	Total Fees	Total Fee Increase	% Fees of Home Value
February 2013 (Current)	R-2 VB @ \$97.29	\$3,405,150.00		\$3,405,150.00	\$13,545.00	Baseline	\$59,590.13	Baseline	\$73,135.13	Baseline	2.15%
August 2018	R-2 VB @ \$110.68	\$3,873,800.00		\$3,873,800.00	\$14,949.00	\$1,404.00	\$67,791.50	\$8,201.37	\$82,740.50	\$9,605.37	2.14%
February 2023	R-2 VB @ \$149.80	\$5,243,000.00		\$5,243,000.00	\$18,570.00	\$5,025.00	\$91,752.50	\$32,162.37	\$110,322.50	\$37,187.37	2.10%

Commercial Example (Carwash) Example:

ICC Building Valuation Data	\$/SQFT	5,000 sqft B IIB Valuation	N/A	Total Valuation	Building Permit Fee	BP Fee Increase	Use Tax*	Use Tax Increase	Total Fees	Total Fee Increase	% Fees of Home Value
February 2013 (Current)	B IIB @ \$155.73	\$778,650.00		\$778,650.00	\$5,222.00	Baseline	\$13,626.38	Baseline	\$18,848.38	Baseline	2.42%
August 2018	B IIB @ \$173.98	\$869,900.00		\$869,900.00	\$5,677.00	\$455.00	\$15,223.25	\$1,596.87	\$20,900.25	\$2,051.87	2.40%
February 2023	B IIB @ \$233.85	\$1,169,250.00		\$1,169,250.00	\$6,837.00	\$1,615.00	\$20,461.88	\$6,835.50	\$27,298.88	\$8,450.50	2.33%

\*Use tax is only applied at 1.75% for the entire valuation of the building project, or 3.5% for half the valuation. Use tax percentages are changing

PROPOSED BUILDING PERMIT FEE INCREASES - 2023

PERMIT	EXISTING FEE	PROPOSED FEE	COMMENTS
Solar Permit	\$20	\$20	<i>This could be reduced to \$0 to incentivize renewable energy</i>
Mobile Home	\$24	\$75	<i>Includes gas line, service lines, foundation inspections.</i>
Gas Line	\$15	\$75	
New Cell Tower	\$15	\$75	<i>Engineering Staff spends up to 1 hour reviewing easements etc. Planning and Building review is minimal.</i>
Modification to Existing Cell Tower	\$15	\$75	<i>Engineering Staff spends up to 1 hour reviewing easements etc. Planning and Building review is minimal.</i>
Demolition	\$15	\$5/sqft demolished, require Planning review for historic significance	
Sub (Mechanical/Plumbing)	0.05% x blanket valuation, Minimum \$24	0.1% x blanket valuation, Minimum \$50	
Additional Plan Review to Approved Plans	\$0	\$0	<i>There could be a fee added to account for staff's time when developers change approved plans</i>
Re-Inspection Fee for Failed Inspections	\$0	\$175 for 2nd reinspection	
Re-Inspection Fee for Premature Inspection Request	\$0	\$175	

PROPOSED LAND USE PERMIT FEE INCREASES - 2023

PERMIT	EXISTING FEE	PROPOSED FEE	COMMENTS
ADU Owner-Occupancy Affidavit Fee (Every 2-Years)	\$25	\$0	<i>To incentivize accessory dwelling units, and the accompanyinh compliance tracking</i>
AP - Appeal of Decision	\$550	\$750	<i>To reflect the amount of staff time required for an appeal and a hearing</i>
CP - Conceptual Plan (Subdivision, Boundary Adjustment, etc.)	Major (6+ lots) - \$400	\$750	<i>Consistent with fee for projects that requires a public hearing</i>
LUP - Limited Use Permit, ADU	\$550	\$350	<i>Reduced to encourage ADU's</i>
LUP - Limited Use Permit, <i>Marijuana Businesses</i>	\$350	\$350	<i>so no change?</i>
LUP - Limited Use Permit, Vacation Rentals	\$350	\$750	<i>To reflect staff time in permitting and monitoring compliance of vacation rentals</i>
PD - Planned Development Conceptual Development Plan (CDP)	400	750	<i>Consistent with fee for projects that requires a public hearing</i>
PD - Planned Development Preliminary Development Plan (PDP)	\$800	\$1,000	<i>To reflect staff time accocated with preliminary PD, often a complex stage of review</i>
PD - Planned Development Final Development Plan (FDP)	\$400	500	<i>To reflect staff time associated with final review of a PD Agreement</i>

## Building Valuation Data – February 2013

The International Code Council is pleased to provide the following Building Valuation Data (BVD) for its members. The BVD will be updated at six-month intervals, with the next update in August 2013. ICC strongly recommends that all jurisdictions and other interested parties actively evaluate and assess the impact of this BVD table before utilizing it in their current code enforcement related activities.

The BVD table provides the “average” construction costs per square foot, which can be used in determining permit fees for a jurisdiction. Permit fee schedules are addressed in Section 109.2 of the 2012 *International Building Code* (IBC) whereas Section 109.3 addresses building permit valuations. The permit fees can be established by using the BVD table and a Permit Fee Multiplier, which is based on the total construction value within the jurisdiction for the past year. The Square Foot Construction Cost table presents factors that reflect relative value of one construction classification/occupancy group to another so that more expensive construction is assessed greater permit fees than less expensive construction.

ICC has developed this data to aid jurisdictions in determining permit fees. It is important to note that while this BVD table does determine an estimated value of a building (i.e., Gross Area x Square Foot Construction Cost), this data is only intended to assist jurisdictions in determining their permit fees. This data table is not intended to be used as an estimating guide because the data only reflects average costs and is not representative of specific construction.

This degree of precision is sufficient for the intended purpose, which is to help establish permit fees so as to fund code compliance activities. This BVD table provides jurisdictions with a simplified way to determine the estimated value of a building that does not rely on the permit applicant to determine the cost of construction. Therefore, the bidding process for a particular job and other associated factors do not affect the value of a building for determining the permit fee. Whether a specific project is bid at a cost above or below the computed value of construction does not affect the permit fee because the cost of related code enforcement activities is not directly affected by the bid process and results.

### Building Valuation

The following building valuation data represents average valuations for most buildings. In conjunction with IBC Section 109.3, this data is offered as an aid for the building official to determine if the permit valuation is underestimated. Again it should be noted that, when using this data, these are “average” costs based on typical construction methods for each occupancy group and type of construction. The average costs include foundation work, structural and nonstructural building components, electrical, plumbing, mechanical and interior finish material. The data is a national average and

does not take into account any regional cost differences. As such, the use of Regional Cost Modifiers is subject to the authority having jurisdiction.

### Permit Fee Multiplier

Determine the Permit Fee Multiplier:

1. Based on historical records, determine the total annual construction value which has occurred within the jurisdiction for the past year.
2. Determine the percentage (%) of the building department budget expected to be provided by building permit revenue.

$$\text{Permit Fee Multiplier} = \frac{\text{Bldg. Dept. Budget x (\%)}}{\text{Total Annual Construction Value}}$$

### Example

The building department operates on a \$300,000 budget, and it expects to cover 75 percent of that from building permit fees. The total annual construction value which occurred within the jurisdiction in the previous year is \$30,000,000.

$$\text{Permit Fee Multiplier} = \frac{\$300,000 \times 75\%}{\$30,000,000} = 0.0075$$

### Permit Fee

The permit fee is determined using the building gross area, the Square Foot Construction Cost and the Permit Fee Multiplier.

$$\text{Permit Fee} = \text{Gross Area} \times \text{Square Foot Construction Cost} \times \text{Permit Fee Multiplier}$$

### Example

Type of Construction: IIB  
Area: 1st story = 8,000 sq. ft.  
2nd story = 8,000 sq. ft.  
Height: 2 stories  
Permit Fee Multiplier = 0.0075  
Use Group: B

1. Gross area:  
Business = 2 stories x 8,000 sq. ft. = 16,000 sq. ft.
2. Square Foot Construction Cost:  
B/IIB = \$155.73/sq. ft.
3. Permit Fee:  
Business = 16,000 sq. ft. x \$155.73/sq. ft x 0.0075  
= \$18,688



## Important Points

- The BVD is not intended to apply to alterations or repairs to existing buildings. Because the scope of alterations or repairs to an existing building varies so greatly, the Square Foot Construction Costs table does not reflect accurate values for that purpose. However, the Square Foot Construction Costs table can be used to determine the cost of an addition that is basically a stand-alone building which happens to be attached to an existing building. In the case of such additions, the only alterations to the existing building would involve the attachment of the addition to the existing building and the openings between the addition and the existing building.
- For purposes of establishing the Permit Fee Multiplier, the estimated total annual construction value for a given time period (1 year) is the sum of each building's value (Gross Area x Square Foot Construction Cost) for that time period (e.g., 1 year).
- The Square Foot Construction Cost does not include the price of the land on which the building is built. The Square Foot Construction Cost takes into account everything from foundation work to the roof structure and coverings but does not include the price of the land. The cost of the land does not affect the cost of related code enforcement activities and is not included in the Square Foot Construction Cost.

### Square Foot Construction Costs<sup>a, b, c, d</sup>

Group (2009 International Building Code)	IA	IB	IIA	IIB	IIIA	IIIB	IV	VA	VB
A-1 Assembly, theaters, with stage	218.43	211.06	205.70	197.03	185.03	179.84	190.46	169.17	162.46
A-1 Assembly, theaters, without stage	199.96	192.59	187.22	178.56	166.57	161.38	171.98	150.70	144.00
A-2 Assembly, nightclubs	170.48	165.64	161.01	154.54	145.16	141.23	148.83	131.55	127.83
A-2 Assembly, restaurants, bars, banquet halls	169.48	164.64	159.01	153.54	143.16	140.23	147.83	129.55	126.83
A-3 Assembly, churches	201.93	194.56	189.19	180.53	168.68	163.49	173.95	152.81	146.11
A-3 Assembly, general, community halls, libraries, museums	168.94	161.57	155.21	147.54	134.66	130.47	140.97	118.80	113.09
A-4 Assembly, arenas	198.96	191.59	185.22	177.56	164.57	160.38	170.98	148.70	143.00
B Business	175.94	169.50	163.74	155.73	141.26	135.99	149.30	124.14	118.20
E Educational	183.47	177.15	171.88	164.04	152.79	144.62	158.31	132.93	128.42
F-1 Factory and industrial, moderate hazard	105.35	100.40	94.40	90.74	80.87	77.38	86.70	66.73	62.58
F-2 Factory and industrial, low hazard	104.35	99.40	94.40	89.74	80.87	76.38	85.70	66.73	61.58
H-1 High Hazard, explosives	98.69	93.74	88.74	84.08	75.41	70.92	80.04	61.27	N.P.
H234 High Hazard	98.69	93.74	88.74	84.08	75.41	70.92	80.04	61.27	56.12
H-5 HPM	175.94	169.50	163.74	155.73	141.26	135.99	149.30	124.14	118.20
I-1 Institutional, supervised environment	172.59	166.52	161.68	154.82	142.07	138.32	154.51	127.48	123.05
I-2 Institutional, hospitals	298.73	292.30	286.54	278.52	263.00	N.P.	272.10	245.87	N.P.
I-2 Institutional, nursing homes	206.50	200.06	194.30	186.29	171.80	N.P.	179.86	154.67	N.P.
I-3 Institutional, restrained	200.40	193.96	188.20	180.19	167.24	160.97	173.76	150.11	142.18
I-4 Institutional, day care facilities	172.59	166.52	161.68	154.82	142.07	138.32	154.51	127.48	123.05
M Mercantile	127.05	122.21	116.58	111.11	101.45	98.53	105.40	87.85	85.12
R-1 Residential, hotels	173.90	167.83	162.99	156.13	143.63	139.89	155.83	129.05	124.61
R-2 Residential, multiple family	145.89	139.82	134.98	128.12	116.31	112.56	127.81	101.72	97.29
R-3 Residential, one- and two-family	137.67	133.88	130.54	127.18	122.21	119.14	124.55	114.28	107.08
R-4 Residential, care/assisted living facilities	172.59	166.52	161.68	154.82	142.07	138.32	154.51	127.48	123.05
S-1 Storage, moderate hazard	97.69	92.74	86.74	83.08	73.41	69.92	79.04	59.27	55.12
S-2 Storage, low hazard	96.69	91.74	86.74	82.08	73.41	68.92	78.04	59.27	54.12
U Utility, miscellaneous	73.21	69.14	64.71	61.11	54.84	51.28	58.17	42.89	40.62

- a. Private Garages use Utility, miscellaneous  
b. Unfinished basements (all use group) = \$15.00 per sq. ft.  
c. For shell only buildings deduct 20 percent  
d. N.P. = not permitted

## Building Valuation Data – FEBRUARY 2023

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include foundation work, structural and nonstructural building components, electrical, plumbing, mechanical and interior finish material. The data is a national average and does not take into account any regional cost differences. As such, the use of Regional Cost Modifiers is subject to the authority having jurisdiction.

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Determine the Permit Fee Multiplier:

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2. Determine the percentage (%) of the building department budget expected to be provided by building permit revenue.
- 3.

$$\text{Permit Fee Multiplier} = \frac{\text{Bldg. Dept. Budget} \times (\%)}{\text{Total Annual Construction Value}}$$

### Example

The building department operates on a \$300,000 budget, and it expects to cover 75 percent of that from building permit fees. The total annual construction value which occurred within the jurisdiction in the previous year is \$30,000,000.

$$\text{Permit Fee Multiplier} = \frac{\$300,000 \times 75\%}{\$30,000,000} = 0.0075$$

### Permit Fee

The permit fee is determined using the building gross area, the Square Foot Construction Cost and the Permit Fee Multiplier.

$$\text{Permit Fee} = \text{Gross Area} \times \text{Square Foot Construction Cost} \times \text{Permit Fee Multiplier}$$

### Example

Type of Construction: IIB  
 Area: 1st story = 8,000 sq. ft.  
       2nd story = 8,000 sq. ft.  
 Height: 2 stories  
 Permit Fee Multiplier = 0.0075  
 Use Group: B

1. Gross area:  
Business = 2 stories x 8,000 sq. ft. = 16,000 sq. ft.
2. Square Foot Construction Cost:  
B/IIB = \$233.85/sq. ft.
3. Permit Fee:  
Business = 16,000 sq. ft. x \$233.85/sq. ft x 0.0075  
= \$28,062

## Important Points

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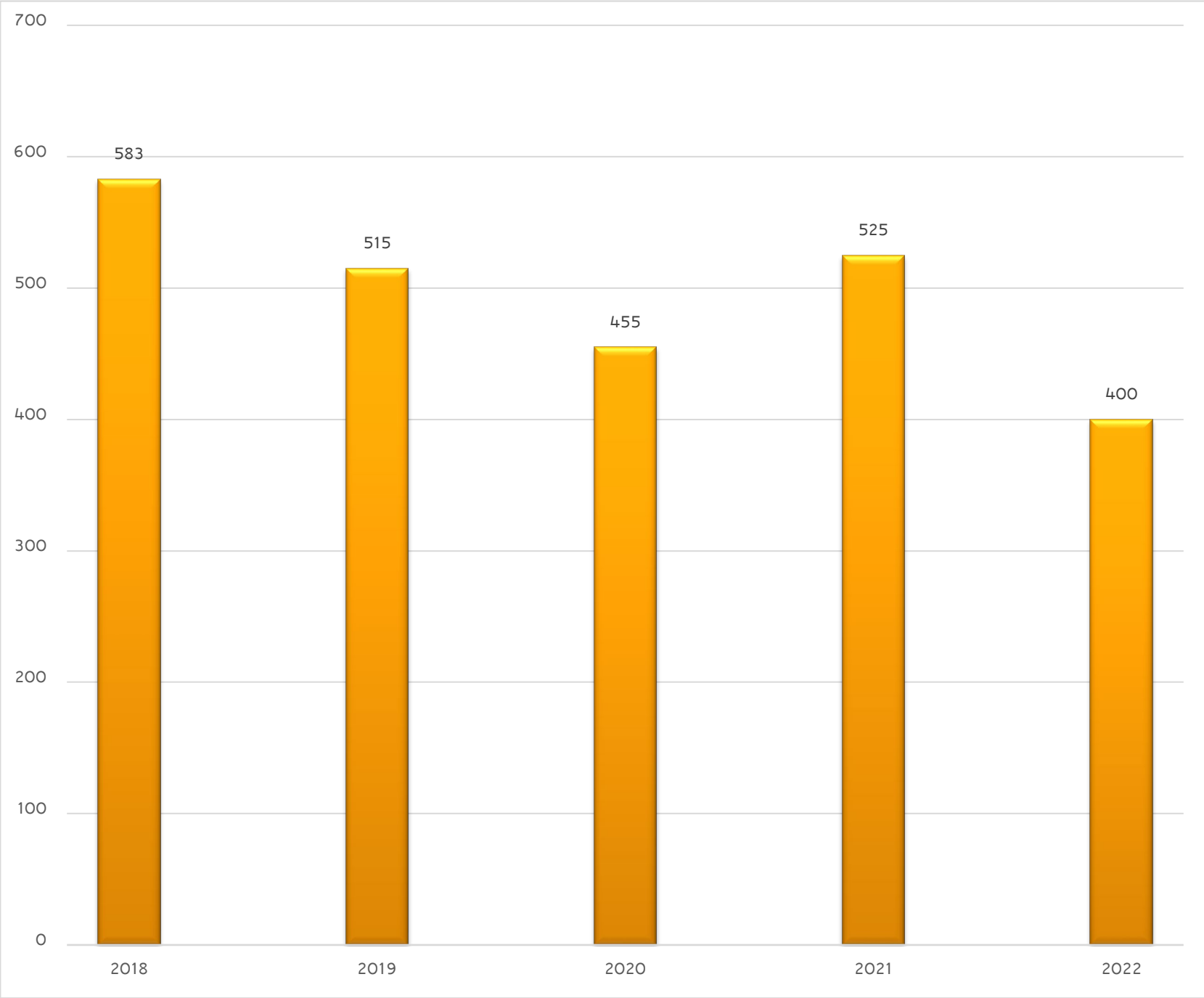
**Square Foot Construction Costs** <sup>a, b, c</sup>

Group (2021 International Building Code)	IA	IB	IIA	IIB	IIIA	IIIB	IV	VA	VB
A-1 Assembly, theaters, with stage	338.88	327.46	319.76	307.63	289.42	280.47	298.24	268.37	259.83
A-1 Assembly, theaters, without stage	310.12	298.70	291.00	278.87	260.66	251.71	269.48	239.62	231.07
A-2 Assembly, nightclubs	275.09	266.93	259.34	250.54	234.96	228.26	241.54	213.57	206.65
A-2 Assembly, restaurants, bars, banquet halls	274.09	265.93	257.34	249.54	232.96	227.26	240.54	211.57	205.65
A-3 Assembly, churches	314.65	303.24	295.53	283.41	265.65	256.70	274.02	244.61	236.06
A-3 Assembly, general, community halls, libraries, museums	268.44	257.02	248.32	237.19	218.26	210.31	227.80	197.22	189.68
A-4 Assembly, arenas	309.12	297.70	289.00	277.87	258.66	250.71	268.48	237.62	230.07
B Business	263.16	253.51	244.15	233.85	213.00	204.65	224.67	187.98	179.49
E Educational	280.42	270.83	263.70	252.34	235.54	223.64	243.64	205.87	199.45
F-1 Factory and industrial, moderate hazard	161.70	154.21	144.70	139.94	124.72	118.51	133.72	103.40	96.83
F-2 Factory and industrial, low hazard	160.70	153.21	144.70	138.94	124.72	117.51	132.72	103.40	95.83
H-1 High Hazard, explosives	150.85	143.36	134.84	129.08	115.17	107.96	122.87	93.86	N.P.
H234 High Hazard	150.85	143.36	134.84	129.08	115.17	107.96	122.87	93.86	86.28
H-5 HPM	263.16	253.51	244.15	233.85	213.00	204.65	224.67	187.98	179.49
I-1 Institutional, supervised environment	264.93	255.57	246.84	238.11	217.64	211.63	238.15	195.82	189.67
I-2 Institutional, hospitals	438.26	428.62	419.26	408.96	386.98	N.P.	399.78	361.97	N.P.
I-2 Institutional, nursing homes	304.86	295.22	285.86	275.55	256.23	N.P.	266.37	231.21	N.P.
I-3 Institutional, restrained	298.67	289.02	279.66	269.36	250.30	240.95	260.18	225.29	214.80
I-4 Institutional, day care facilities	264.93	255.57	246.84	238.11	217.64	211.63	238.15	195.82	189.67
M Mercantile	205.22	197.06	188.47	180.67	164.83	159.13	171.67	143.44	137.53
R-1 Residential, hotels	267.42	258.06	249.33	240.60	220.62	214.60	240.64	198.79	192.64
R-2 Residential, multiple family	223.61	214.25	205.52	196.79	177.77	171.76	196.82	155.95	149.80
R-3 Residential, one- and two-family <sup>d</sup>	211.77	205.84	200.99	197.13	190.36	183.32	193.75	177.67	167.37
R-4 Residential, care/assisted living facilities	264.93	255.57	246.84	238.11	217.64	211.63	238.15	195.82	189.67
S-1 Storage, moderate hazard	149.85	142.36	132.84	128.08	113.17	106.96	121.87	91.86	85.28
S-2 Storage, low hazard	148.85	141.36	132.84	127.08	113.17	105.96	120.87	91.86	84.28
U Utility, miscellaneous	115.48	108.95	102.64	98.13	88.49	81.89	93.86	69.76	66.48

- a. Private Garages use Utility, miscellaneous
- b. For shell only buildings deduct 20 percent
- c. N.P. = not permitted
- d. Unfinished basements (Group R-3) = \$31.50 per sq. ft.

# 2018 - 2022 BUILDING PERMITS ISSUED

DATE	PERMITS ISSUED
2018	583
2019	515
2020	455
2021	525
2022	400



## MEMORANDUM

TO: City Council

FROM: Eva Henson, Housing Innovation Manager

DATE: May 16, 2023 Study Session

RE: Affordable Housing Fee Offset Policy

### INTRODUCTION

The City of Durango (City), to make residential construction less costly and therefore more affordable, has identified cost offsets only for Fair Share developers, as codified in the Land Use Development Code (LUDC) [Section 5-4-4-7 Cost Offsets for Fair Share Developers](#). The resulting housing price discounts should equal or exceed City-funded offsets. Typically, the developer would request fee offsets in a letter to the City Manager, who has the authority to administratively approve certain cost offsets for development fees on qualified affordable housing projects, including planning review fees; building permit fees and use tax; and water taps, if applicable.

Any justification for these administrative waivers or reimbursements must show how the project provides a public benefit. Historically, the City has granted building permit fee waivers for projects that received a Low Income Housing Tax Credit (LIHTC) allocation or if all of the units are affordable often in partnership with a non-profit (e.g. HomesFund, Housing Solutions for the Southwest, and Volunteers of America). In 2023, the Best Western motel conversion, *Residences at Durango*, will become the first 4% LIHTC motel conversion project in the state and will be developed by a private developer (TWG) pointing to a need to update the City's policy. The applicant requested fee waivers for the project, but due to funding sources that include State grant funds, the Department of Local Affairs (DOLA) has requested the developer pay the fees in whole with City reimbursement to TWG, with DOLA then directly reimbursing the City with the grant funds.

Staff is proposing an expansion of the current cost offset policy so that policy updates not only reflect the *Residences at Durango*, but for other new applications as well. This new policy exploration will set expectations, reduce cost barriers to development, and support the production of a variety of housing types. Support of housing production can be through incentives, partnerships, efficient review processes, and other mechanisms with a particular emphasis on middle-income housing. This policy is just of one of several initiatives being developed by the City to create more affordable housing in Durango.

## BACKGROUND SUMMARY

In 2022, Council allocated \$500,000 to the City's new Housing Innovation Division to fund incentives and cost offsets for affordable housing development. The Housing Incentive Program was developed in 2022 to direct investment for the Division. In 2023, the Housing Division will pursue even more ambitious housing goals. In March 2023, Council approved a budget amendment for additional fund appropriations of \$5.2 million, with \$3.2 million from the General Fund Reserve, \$1 million from American Rescue Plan Act (ARPA), and \$1 million from DOLA IHOI grant funds for *Residences at Durango* to the Housing Innovation Fund.

In new development, the Housing Incentive Program allows staff to secure public benefits such as long-term deed restrictions, reduced rental rates, efficient production of attainable housing types, and leverage private investment to create workforce housing units. Overall, YTD public investment for the 2022 allocation was \$431,654 resulting in the creation of 34 units dedicated to local workers. These funds also led to a direct discount in home prices for four (4) units of \$125,000 each. On average, that is a \$14,706 (\$500,000 divided by 34 units) investment per unit. The 2022 Housing Program accomplishments include:

- \$250,000 to support the Animas City Park Overlook mixed-income housing agreement resulting in 10 deed-restricted units and 12 market rate units.
- \$75,000 towards partnerships with Three Springs to re-evaluate the Development Agreement terms and identify ways to stimulate new housing production.
- \$26,654 towards building permit fee reduction for affordable rental units at the Gauge Apartments development that will have 14 rent restricted units and 75 market rate units.
- \$80,000 allocated for the launch of the *ADUs for Locals Rebate Program* to stimulate the creation of 10 ADUs on existing residential properties. The program has reinvigorated interest in ADUs in the community, with multiple Limited Use Permit applications (LUPs) under review. Qualifying units must be rented to local workers for at least two years and properties must be owner-occupied. The investment of \$8,000/unit encourages the creation of new units, helps residents offset mortgage costs with ADU rental income, and provides housing for local workers.

The 2023 Housing Incentive Program allocation includes \$800,000 to fund a three-pronged approach which includes partnerships, incentives and programs to increase affordable and workforce housing in the community. Additionally, the allocation will fund the ADUs for Locals Rebate program and will enhance policy initiatives utilizing funds to improve locals access to existing residential units (e.g. continue support of HomesFund's downpayment assistance program to promote homeownership in the City). New initiatives for 2023 will further Strategic Plan goals and objectives, as categorized in the following program areas:

- New Housing Development, e.g., including public-private partnerships, *ADU for Locals Rebate Program*, assessing City owned parcels and URA support.
- Preservation of existing housing, e.g., incentivizing long-term units for locals and/or the workforce.
- Adaptive Re-use, e.g., hotel conversions, office-to-residence conversions.
- Housing Policy and Code, e.g., text amendments, inclusionary zoning updates and implementation.
- Land Acquisitions/Land Banking, e.g., pursuing opportunities to purchase vacant or underutilized property.
- Funding Sources, e.g., grants, partnerships, non-profits, and state funding programs including Colorado Proposition 123.

## Durango Housing Accelerator

In partnership with the Economic Development Alliance's and the Regional Housing Alliance's Housing Catalyst Fund, the City's Housing Accelerator is one of multiple implementation strategies for deployment of Housing Incentive Program monies.

- Level up proven approaches to catalyzing and accelerating production of diverse types of housing units and price points.
- Use a model that is adaptable to various scales and types (rental and ownership).
- Secure units with tools that ensure long-term affordability for workforce and local residents.
- Engage a diverse set of community partners and funding sources to establish a unified, sustainable program.
- Conduct multi-platform outreach around a consistent message will be achieved to engage community and build support.
- Reduce development cost barriers.
- Align with State and Federal efforts to leverage local funds for greater impact.

## PROPOSAL

Staff recommends expanding the scope of cost offsets to include not only projects that the Fair Share manual currently permits funding for, but to include new development, preservation, or rehabilitation. The Affordable Housing Fee Offset Policy would direct funding to new development, preservation, or rehabilitation that contains four (4) or more units, whether developed by non-profit or for-profit, and for multi-family rentals (in 2021, the Colorado General Assembly legalized requirements for rental affordability). Additionally, mixed-income partnerships are required to either provide at least sixteen percent (16%) or which voluntarily contribute a portion of units of a housing development. These units would be subject to Fair Share when the units are dedicated to the Housing Program for affordable and workforce housing when they have long-term commitments through recordation of restrictive covenants or other contractual agreements, such as:

- At a minimum, rental restrictions must commit to 25 years or longer
- Perpetual deed restrictions, land use restrictive agreements, or other contractual agreement
- Land leases (e.g. such as a 99-year land lease or other terms defining the long-term affordability)

Staff has drafted two opportunities for expanding Cost Offsets for Fair Share Developers to a broader scope that would offer fee waivers and cost offsets as reimbursables for housing developments that contain affordable or workforce units. There is a **BASELINE** incentive and a more **ENHANCED** incentive depending on whether it **MEETS** or **EXCEEDS** certain criteria. There is also a **BONUS** incentive to build quicker if pulling a building permit within 12 months of final project approvals.

## Baseline Affordable Housing Fee Offset Policy

The following cost offsets and waivers will be used in consideration for construction of affordable and workforce units if the project **MEETS the requirement of 16%** or **voluntarily contributes a certain portion of units for the Housing Program at or below 16%**. The following options are available:

### OPTION #1: NON-PROFITS (FEE OFFSET/WAIVER/REIMBURSEMENT)

Non-profits that voluntarily contribute a portion of their units to be affordable or for local and/or workforce at or below 16%, or if required to **MEET** at least 16% of their units to be affordable or for local and/or workforce, they would be eligible for fee offsets as a waiver since they are tax exempt at time payment is due. A letter must be submitted in writing to the City Manager outlining the request before project submittal to accommodate staff review and formal approval.

a. Fee Offset Waiver

- Development Review Fee
- Building Permit Fees
- Use Tax

b. Administration of Fee Waiver:

The Housing Incentive Funds would administratively cover these costs, proportionate to the number of units designated for affordable or for local/and or workforce for development review fee, building permit fees and use tax.

c. Fee Offset Rebate

- 16% Fair Share Fees (currently applies to for-sale/ownership only at this time)\*
- Depending on Fair Share Income Limits, Price Limits, and In-Lieu Amounts, other eligible improvements & eligible costs may be considered

d. Administration of Fee Offset/Rebate:

If Fair Share applies, a non-profit must pay all fees in whole. The City would use Housing Incentive Funds to reimburse these costs as a rebate, proportionate to the number of units designated for affordable or for local and/or workforce for development review fee, building permit fees and use tax.

Bonus: Incentivize to build quicker. If building permits are pulled within 12 months of final approval, an **additional 1% bonus off the total of these fees** will be reimbursed after these fees are paid.

### OPTION #2: FOR-PROFIT MULTIFAMILY (FEE OFFSET/REIMBURSEMENT)

For-profit multifamily (apartment) developers that voluntarily contribute a portion of their units to be affordable or for local and/or workforce at or below the 16%, or if required to **MEET** at least 16% of their units to be affordable or for local and/or workforce, they would be eligible for fee offsets as a reimbursable and must pay all fees in whole at time payment is due. At a minimum, this requires a 25-year term for affordability. A letter must be submitted in writing to the City Manager outlining the request before the project submittal to accommodate staff review and formal approval.



a. Fee Offset/Rebate:

- Development Review
- Fee Building Permit Fees
- Use Tax
- Fair Share Fees (N/A at this time)\*

b. Administration of Fee Offset/Rebate:

Developers must pay all fees in whole. The City would use Housing Incentive Funds to reimburse these costs as a rebate, proportionate to the number of units designated for affordable or for local and/or workforce for development review fee, building permit fees and use tax.

Bonus: Incentivize to build quicker. If building permits are pulled within 12 months of final approval, an **additional 1% bonus off the total of these fees** will be reimbursed after these fees are paid.

### OPTION #3: FOR-PROFIT MIXED INCOME (FEE OFFSET/REIMBURSEMENT)

For-profit developers who partner with the City for mixed-income development, who voluntarily contribute a portion of their units to be affordable or for local and/or workforce at or below the 16%, or if required to **MEET** at least 16% of their units to be affordable or for local and/or workforce, then they would be eligible for fee offsets as a reimbursable and must pay all fees in whole at time payment is due. A letter must be submitted in writing to the City Manager outlining the request before project submittal to accommodate staff review and formal approval.

a. Fee Offset/Rebate:

- Development Review Fee
- Building Permit Fees
- Use Tax
- 16% Fair Share Fees (currently applies to for-sale/ownership only at this time)\*
- Depending on Fair Share Income Limits, Price Limits, and In-Lieu Amounts, other eligible improvements & eligible costs may be considered

b. Administration of Fee Offset/Rebate:

The Developer must pay all fees in whole. The Housing Incentive Funds would be a rebate through an administrative reimbursement, proportionate to the number of units designated for affordable or local/and or workforce for development review fee, building permit fees and use tax.

Bonus: Incentivize to build quicker. If building permits are pulled within 12 months of final approval, an **additional 1% bonus off the total of these fees** will be reimbursed after these fees are paid.

### OPTION #4 FAIR SHARE DEVELOPER (FEE OFFSET/REFUND PER FAIR SHARE PROGRAM)

The City offers the following cost offsets to Fair Share Developers in consideration of their construction and sale of Fair Share homes, and to the extent that price discounts on such homes are equal to or exceed such cost offsets. There are alternatives if not building to Fair Share, such as pay Fee-in-Lieu or Land Donation.

#### Fee Offset/Refund:

Such refunds will be made **only for fees** paid in connection with the construction of Fair Share homes in price **Tier 1 (80% AMI) and Tier 2 (100% AMI)**, with such refund payable only after a sale to a qualified buyer has been certified.

The fees paid or allocable on a per-dwelling-unit basis that qualify for such refunds are as follows:

- Building permit fees
- Use Tax
- Water Plant Investment Fees
- Sewer Plant Investment Fees
- Water Taps, if applicable

With regard to sewer plant investment fees, the City will, via a refund, subsidize a portion of the fee paid for connection to the South Durango Sewer District (SDSD) system. Such portion shall be equal to the sewer plan investment fee charged by the City of Durango Sewer District when the fee was paid to SDSD. Notwithstanding the foregoing, the total amount of fees refunded for construction and sale of Fair Share home shall not exceed the price discount for that home, as defined in Section 14.

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Land use application fees will be refunded for projects involving which are entirely residential and in which all of the residential units have price and income restrictions equivalent to or lower than those for Fair Share homes. At the City's sole discretion, such fees may be waived in advance rather than refunded.

#### Enhanced Affordable Housing Fee Offset Policy

The following cost offsets and waivers in consideration for their construction of affordable and workforce units if project **EXCEEDS the requirement and provides more than 16%**, or **voluntarily contributes a certain portion of units for the Housing Program that is more than 16%**, then the following options are available:

##### OPTION #1: NON-PROFITS (FEE OFFSET/WAIVER)

Non-Profits that voluntarily contribute a portion of their units to be affordable or for local and/or workforce that is more than 16%, or if **EXCEEDS** requirement and contributes more than 16% of their units to be affordable or for local and/or workforce, they would be eligible for fee offsets as a waiver since they are tax exempt at time payment is due proportionate to the number of units committed. A letter must be submitted in writing to the City Manager outlining the request before project submittal to accommodate staff review and formal approval.

- a. Fee Offset Waiver
  - Development Review Fee
  - Building Permit Fees
  - Use Tax
  - Water Taps, if applicable
- b. Administration of Fee Waiver:

The Housing Incentive Funds would administratively cover these costs, proportionate to the number of units designated for affordable or for local/and or workforce for development review fee, building permit fees, use tax and water taps, if applicable.

c. Fee Offset Rebate

- 16% Fair Share Fees (currently applies to for-sale/ownership only at this time)\*
- Depending on Fair Share Income Limits, Price Limits, and In-Lieu Amounts, other eligible improvements & eligible costs may be considered

d. Administration of Fee Offset/Rebate:

If Fair Share applies, a non-profit must pay all fees in whole. The City would use Housing Incentive Funds to reimburse these costs as a rebate, proportionate to the number of units designated for affordable or for local and/or workforce for development review fee, building permit fees, use tax, and water taps, if applicable.

Bonus: Incentivize to build quicker. If building permits are pulled within 12 months of final approval, an **additional 2% bonus off the total of these fees** will be reimbursed after these fees are paid.

#### OPTION #2: FOR-PROFIT MULTI-FAMILY (APARTMENTS)

For-profit developers that voluntarily contribute more than 16% of their units to be affordable or for local and/or workforce, or if **EXCEEDS** requirement and contributes more than 16% of their units to be affordable or for local and/or workforce, they would be eligible for fee offsets as a reimbursable and must pay all fees in whole at time payment is due. Affordability terms are more than 25 years. The applicant must submit a written request to the City Manager before project submittal to accommodate staff review and formal approval.

a. Fee Offset/Rebate:

- Development Review Fee
- Building permit fees
- Use Tax
- Water Taps, if applicable
- Fair Share Fees (N/A at this time)\*

b. Administration of Fee Offset/Rebate:

Developer must pay all fees in whole. The Housing Incentive Funds would administratively reimburse these costs as a rebate, proportionate to the number of units designated for affordable or for local/and or workforce for development review fee, building permit fees, use tax, and water taps, if applicable.

Bonus: Incentivize to build quicker. If building permits are pulled within 12 months of final approval, an **additional 2% bonus off the total of these fees** will be reimbursed after these fees are paid.

#### OPTION #3: FOR-PROFIT MIXED INCOME (FEE OFFSET/REIMBURSEMENT)

For-profit developers, who partner with the City for mixed-income development, who voluntarily contribute a portion of their units to be affordable or for local and/or workforce that is more than 16%, or if the contribution **EXCEEDS** the requirement with more than 16% of the units to be affordable or for local and/or workforce, they

would be eligible for fee offsets as a reimbursable and must pay all fees in whole at time payment is due. The applicant must submit a written request to the City Manager before project submittal to accommodate staff review and formal approval.

a. Fee Offset/Rebate:

- Development Review Fee
- Building Permit Fees
- Use Tax
- Water Taps, if applicable
- 16% Fair Share Fees (currently applies to for-sale/ownership only at this time)\*
- Depending on Fair Share Income Limits, Price Limits, and In-Lieu Amounts, other eligible improvements & eligible costs may be considered

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Developer must pay all fees in whole. The Housing Incentive Funds would administratively reimburse these costs as a rebate, proportionate to the number of units designated for affordable or for local/and or workforce for development review fee, building permit fees, use tax, and water taps, if applicable.

Bonus: Incentivize to build quicker. If building permits are pulled within 12 months of final approval, an **additional 2% bonus off the total of these fees** will be reimbursed after these fees are paid.

#### OPTION #4 FAIR SHARE DEVELOPER (FEE OFFSET/REFUND PER FAIR SHARE PROGRAM)

The City offers cost offsets to Fair Share Developers in consideration of their construction and sale of Fair Share homes, and to the extent that price discounts on such homes are equal to or exceed such cost offsets. Fee offsets must align with the current manual as described above. There are alternatives if not building to Fair Share, such as pay Fee-in-Lieu or Land Donation.

#### STRATEGIC PLAN ALIGNMENT

The City's Strategic Plan goal of *Affordability & Economic Opportunity and Financial Excellence and High Performing Government* in the Strategic Plan is applicable in this matter. More specifically, to the following:

*Affordability and Economic Opportunity*

- 1.1 Identify and commit resources and revenue towards implementing a long-term plan that encourages housing opportunities for mixed-income demographics with an emphasis on workforce housing.
  - 1.1.1 Ensure there is adequate City staff to focus on ways to increase affordable and workforce housing inventory through a variety of mechanisms that include land and or infrastructure acquisition (or bank), changes to code, and public-private incentives.
- 1.2 Support the production of a variety of housing types through incentives, partnerships, efficient review processes, and other mechanisms with a particular emphasis on middle-income housing.
  - 1.2.1 Establish policies to allow use of Housing Funds to facilitate unit construction.

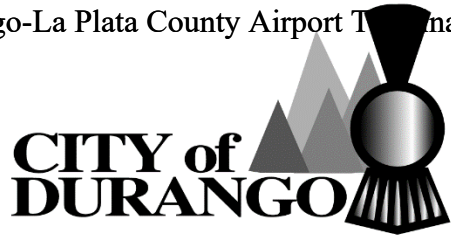
*Financial Excellence and High Performing Government*

1.1 Identify partnership opportunities to leverage dollars, capacities, and efficiencies including grants and volunteers to offset City expenditures.

## PROCESS AND NEXT STEPS

Staff proposes the following process and next steps:

- City Council Study Session – May 16, 2023 today
- Housing and Urban Development Office will be releasing new 2023 income limits, price limits, and maximum rent tables in May.
- Fair Share program is currently being evaluated and the City has hired Root Policy who is administering the manual updates and feasibility study. This work began March 2023 and is anticipated to take seven (7) months to complete.
- This fee policy may need to be amended to reflect the new Fair Share Administrative updates once adopted .



AGENDA DOCUMENTATION

Meeting Date: May 16, 2023

TO: DURANGO CITY COUNCIL                      FROM:     TONY VICARI, AVIATION DIRECTOR

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SUBJECT:     DURANGO-LA PLATA COUNTY AIRPORT TERMINAL DEVELOPMENT  
                  PHASE 1B PROJECT DELIVERY REVIEW

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**RECOMMENDATION:**

It is recommended that City Council direct staff to take the necessary next steps to proceed with the proposed project delivery and financing plan for Phase 1B of the terminal development program at the Durango-La Plata County Airport.

**BACKGROUND SUMMARY:**

With the recovery of air service and consumer demand following the pandemic, the terminal facilities at the Durango-La Plata County Airport (DRO) are again being pressured.

To address these challenges, and to begin preparations for more substantial programmed terminal expansion consistent with the 2020 Terminal Area Plan, a formal terminal expansion design process was initiated in September 2021. The intent of this project was to move forward expeditiously with the design and construction of a near-term phase 1A project to alleviate congestion and improve the passenger experience in the post-screening concourse, while also completing conceptual and schematic design on phases 1B & 2 of planned terminal development to ensure coordination between phase 1A and future phase 1B & 2 architectural layouts, structural framing, technology, and utilities.

Schematic design was completed in May 2022. An RFP for Construction Manager At Risk (CMAR) services on the project was issued in June 2022, with the airport awarding a preconstruction services contract to Nunn Construction. Design development for Phase 1A was substantially completed in September 2022, with Nunn Construction submitting a partial Guaranteed Maximum Price (GMP) for early procurement in October. Finalization of construction documents was completed in January 2022, with a final GMP for Phase 1A delivered in February 2022. Groundbreaking for Phase 1A occurred in April 2022.

Phase 1B of the terminal development program is tentatively planned for construction beginning in 2024. Design development and the production of construction documents for Phase 1B is planned and budgeted for 2023. Given the larger scope and cost associated with Phase 1B, the financial implications of this component of the overall project are significant and must be carefully contemplated within the parameters of the airport’s financial capabilities as a self-sustaining enterprise fund. While Phase 1A of the terminal development program will be cash-funded, Phase 1B is anticipated to require financing to provide sufficient capital to execute construction.

Airport staff will discuss the project scope and financial implications of Phase 1B, including the following topics:

- An overview of the terminal development program, anticipated timeline, and project funding
- An overview of financing considerations for Phase 1B of the project, including involved parties, financing mechanisms, and legal process
- Presentation of a debt service analysis for the project
- Review of DRO’s relative competitive positioning with Airline Rates & Charges
- Review of the airport financial position and long-term fund balance forecasts under various scenarios
- Timeline of the terminal financial plan detailing key decision points

**STRATEGIC PLAN ALIGNMENT:**

Operations at the Durango-La Plata County Airport support the City of Durango’s Strategic Plan and its Effective Infrastructure Network goal. Specifically, terminal development at DRO supports the aviation strategies of implementing the Airport Master Plan and maintaining airport facilities in a safe, efficient, and sustainable manner to support all forms of aviation services.

**ALTERNATIVE OPTIONS CONSIDERED:**

Multiple iterations of terminal development have been considered over the last 10-15 years. A Terminal Area Plan (TAP) was initiated in 2019 to re-evaluate development opportunities following the acquisition of additional land adjacent to the existing terminal complex. The TAP identified the expansion and renovation of the existing terminal facility as the preferred option. The final TAP was supported by the Airport Commission, City Council, and Board of County Commissioners and formally adopted in 2020.

**FISCAL IMPACT:**

Design costs for Phase 1B are projected to total approximately \$1.8 million, with funding included in the airport’s appropriated 2023 capital budget. Construction and associated soft costs for Phase 1B are preliminarily estimated at \$26 million, with anticipated 2024 funding consisting of a mixture of FAA AIP and BIL AIG grants, CDOT matching grants, airport unrestricted reserves, and airport financing.

**POTENTIAL ADVERSE IMPACTS:**

None.

**NEXT STEPS AND TIMELINE:**

Design development and the production of construction documents for Phase 1B will occur through the duration of 2023. FY24 airline rates and charges will be established in the fall of 2023, with a financing RFP or loan application occurring in a similar timeframe. A GMP for Phase 1B construction will be produced in the first quarter of 2024. FAA and State grants supporting the project are anticipated to be finalized in the spring of 2024, with a financial close thereafter. Phase 1B of the terminal development program is tentatively planned for construction beginning in summer 2024.

# DURANGO-LA PLATA COUNTY AIRPORT (DRO) TERMINAL DEVELOPMENT PHASE 1B PROJECT DELIVERY

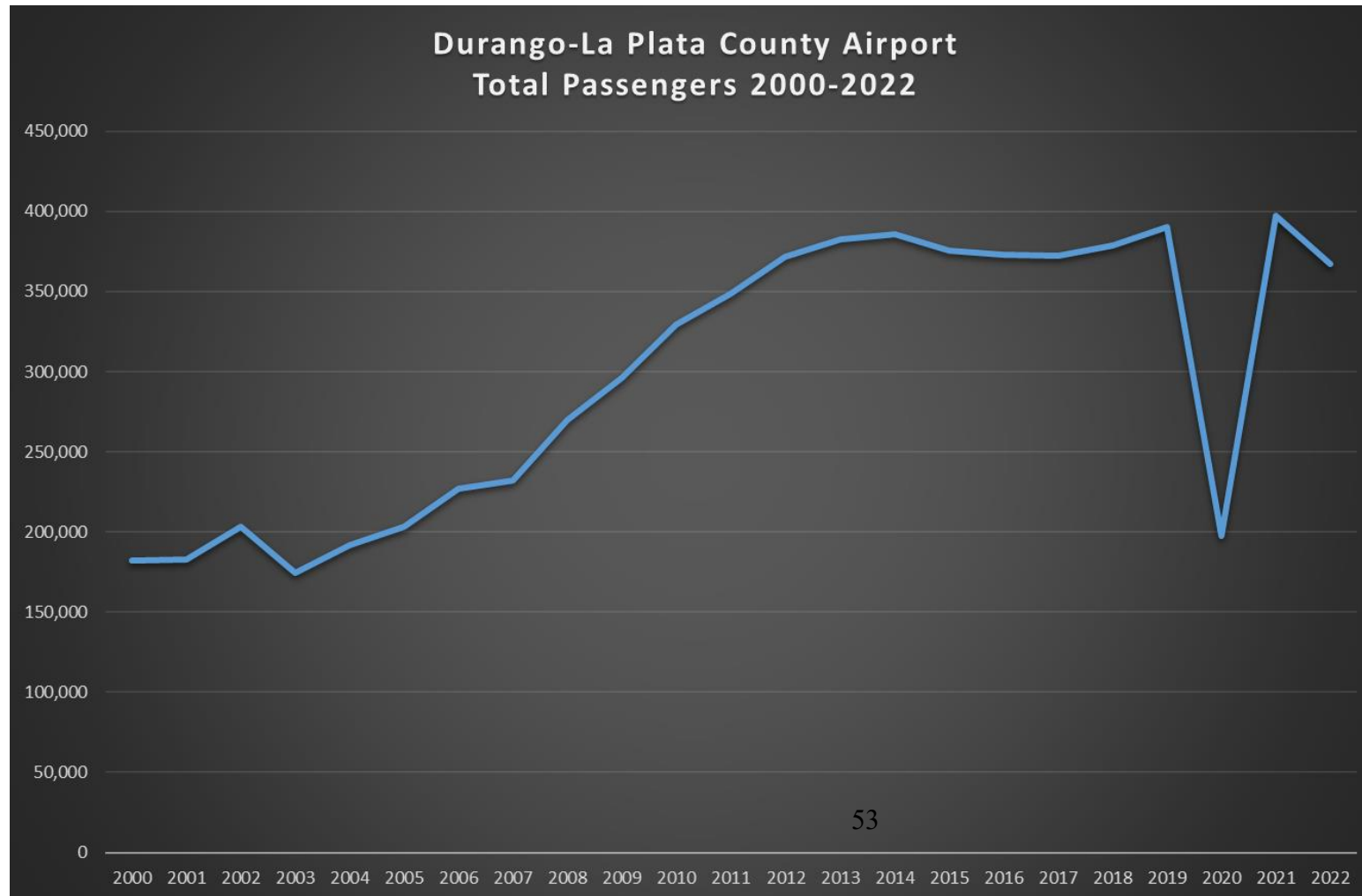
May 16, 2023





# Long Term Airport Growth

- Passenger traffic at DRO has doubled over the last two decades, and is now 120% higher than 1988 when the existing terminal facility was constructed.



# Managing Airport Growth

- Since 1988, the only substantial changes to the terminal facility have been the addition of a ~4,500 square foot temporary tensile fabric structure in 2013 to add airline boarding gates and the renovation/expansion of airline office and baggage screening operations in 2019.
- Approximately 50% of usable square footage post-TSA is comprised of the temporary tensile fabric structure. At minimum, the airport must enable permanent infrastructure to backfill the square footage that will be lost when the temporary structure must be decommissioned.
- Evolutions in the airline industry are leading to upgauging – the utilization of larger sized aircraft to more efficiently carry passenger traffic. Modern regional airports must be sized to accommodate a larger airline fleet and the associated periods of passenger traffic peaking.
- Existing facilities have other key deficiencies
  - Improperly sized and non-linear TSA screening checkpoint
  - Limited post-TSA food/beverage concessions
  - Limited availability of airline boarding gates
  - Undersized post-TSA public restrooms

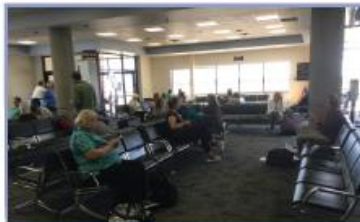
# Terminal – Existing Conditions



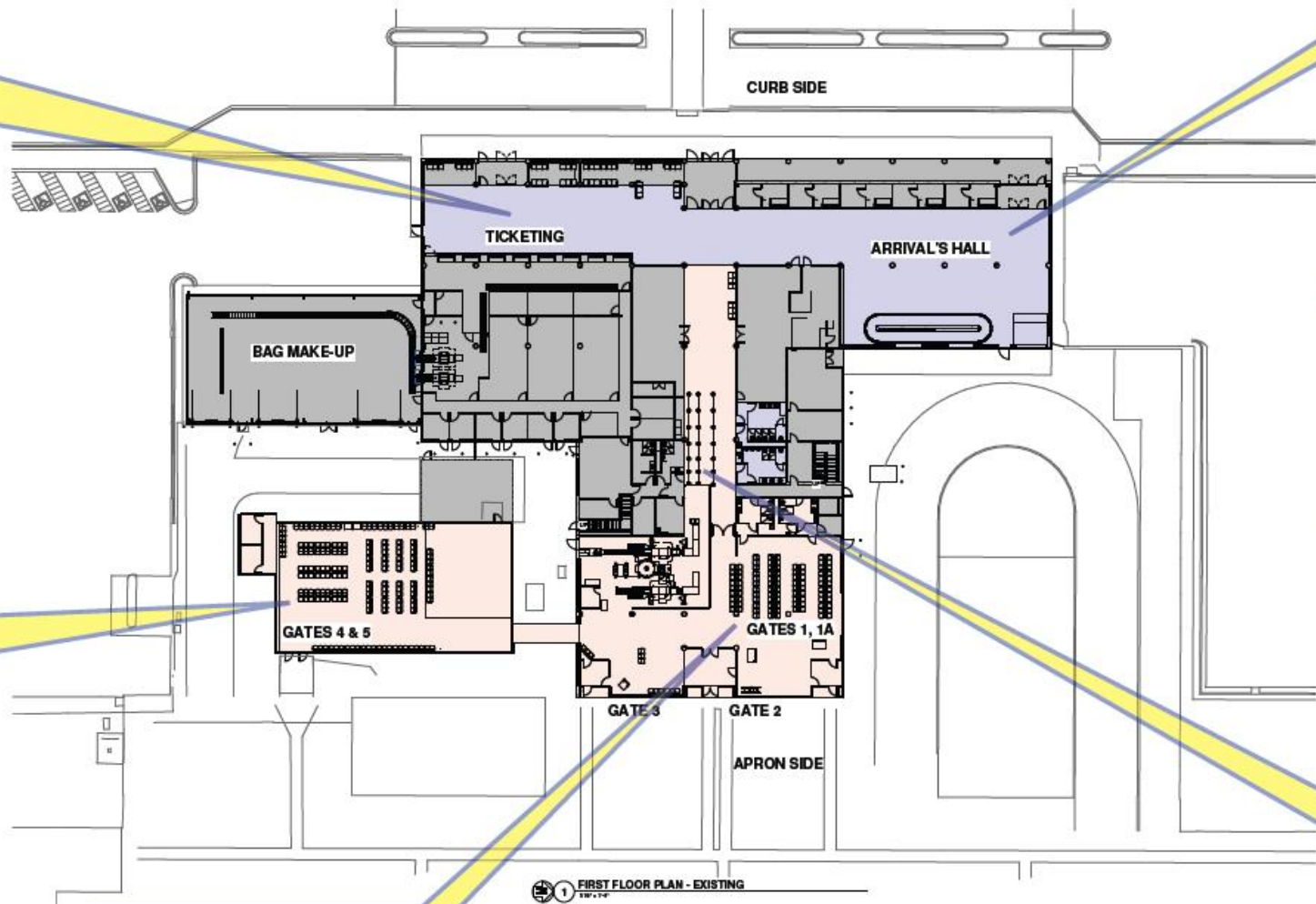
AIRLINE TICKET HALL - CIRCULATION AND QUEUING SHARE A RELATIVELY CONFINED AREA IN FRONT OF TICKET COUNTERS.



SPRUNG STRUCTURE - TEMPORARY BUILDING. DEPARTURE LOUNGE FOR TWO GATES. OUTDOOR BEER GARDEN.



GATE SEATING - OVER CAPACITY. CONGESTION AT SHARED GATES.



1 FIRST FLOOR PLAN - EXISTING



2 SECOND FLOOR PLAN - EXISTING



BAG CLAIM AND RENTAL CAR - SECOND DEVICE IS NEEDED FOR SIMULTANEOUS ARRIVALS

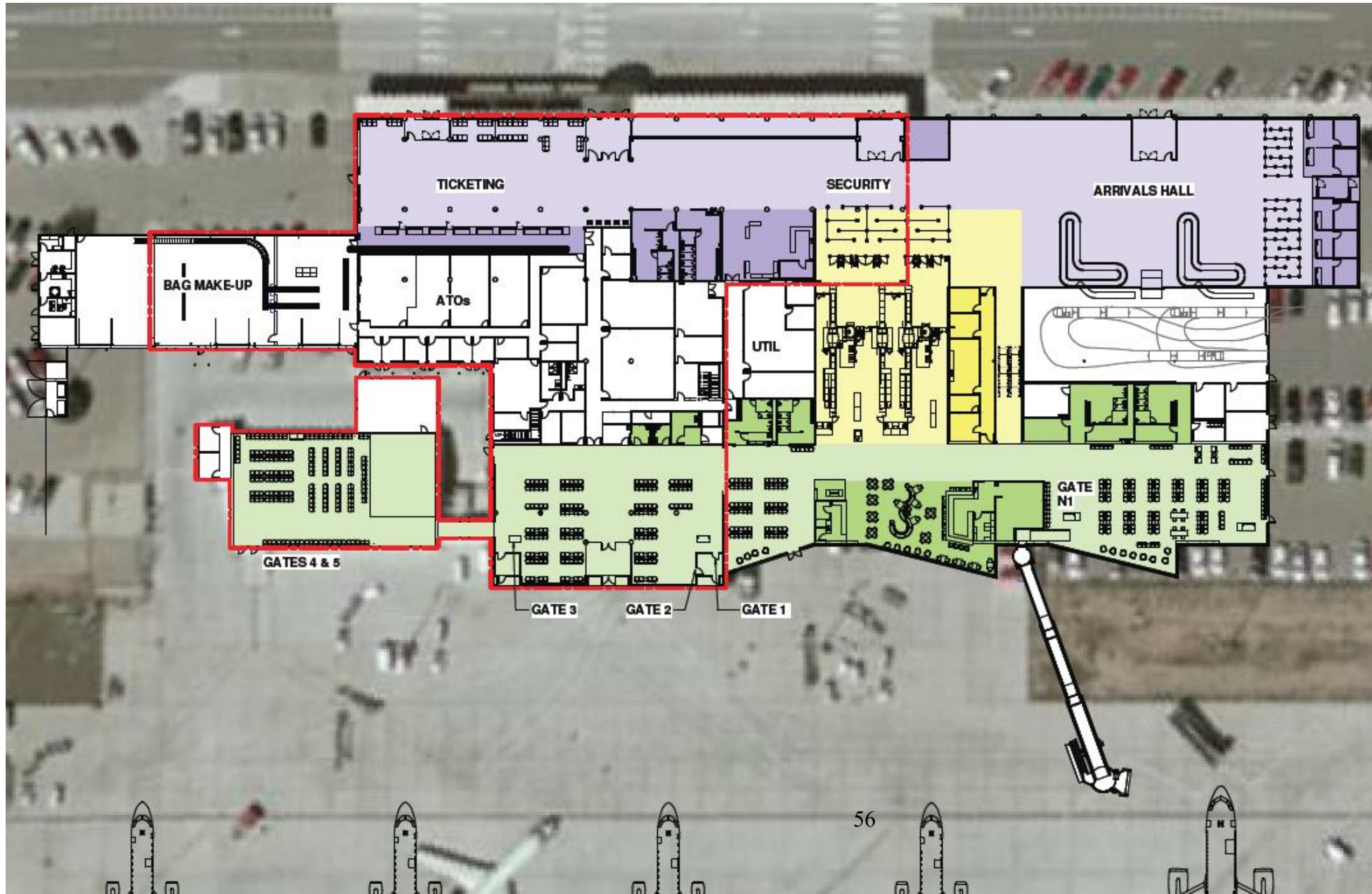
- MOST URGENT AIRPORT TERMINAL NEEDS:**
  - MORE HOLDROOM SPACE
  - FUNCTIONAL (WITH PLUMBING) POST-SECURE CONCESSIONS
  - UPGRADED UTILITY INFRASTRUCTURE (GAS LINE)
  - IMPROVED POST-SECURE RESTROOMS AND CUSTODIAN SPACES
  - FUNCTIONAL TSA CHECKPOINT QUEUING AND SCREENING LAYOUT
- OTHER PRIMARY AIRPORT TERMINAL NEEDS:**
  - ENLARGED ARRIVAL'S HALL
  - ENLARGED TICKETING HALL
  - IMPROVED PRE-SECURE RESTROOMS AND CUSTODIAN SPACES
  - ENLARGED BAG SCREENING ROOM
  - MORE ADMINISTRATIVE SPACES FOR AIRPORT/TSA/ARFF
- GENERAL DEFICIENCIES:**
  - LEAKING SKYLIGHTS
  - LACK OF NATURAL LIGHT
  - OUTDATED FINISHES



SECURITY SCREENING CHECKPOINT - QUEUING AND SCREENING AREAS ARE UNDERSIZED. SCREENING IS IMPACTING DEPARTURE LOUNGE SEATING.



# Terminal Development – Long Term Vision



# Terminal Development – Phase 1A

## Phase 1A Overview

- Develop an added airline boarding gate and seating area
- Add new and expanded public restrooms
- Add family restrooms and nursing room
- Add food/beverage concessions at new Gate 1
- Relocate electrical utilities and replace backup generator



# Terminal Development – Phase 1B

## Phase 1B Overview

- Relocate and expand TSA screening checkpoint
- Relocate and expand baggage claim
- Develop new airline boarding gate N2 and seating area
- Reclaim boarding gate 3 seating area
- Expand post-TSA concessions and dining
- Heavy remodel of existing pre-TSA spaces to include new and expanded public restrooms, concessions, and security queueing.
- Expand airline offices and ticket counter positions
- Enable future solar PV installation on expanded rooflines





# Terminal Development – Phase 1B



# Terminal Development Renderings





# Terminal Development Renderings



# Project Timeline

- Phase 1A Design
  - 2021-2022
- Phase 1A Construction
  - April 2023 – Q1 2024
- Phase 1B Design
  - Q1 2023 – Q1 2024
- Phase 1B Construction
  - 2024 - 2026



# Project Funding

- DRO operates as an enterprise fund of the City of Durango – no local taxpayer dollars are utilized for airport operations or capital projects
- The terminal expansion program utilizes an incremental development strategy that can be funded through airport revenue streams.
  - FAA AIP grant funds
  - FAA BIL grant funds
  - CDOT matching grant funds
  - Airport retained earnings
  - Airport financing
    - Debt to be serviced by PFC's/airport operating revenues

	Cost Estimate	FAA AIP	FAA BIL AIG	FAA BIL ATP	CDOT AIP Match	CDOT AIG Match	DRO Cash Funding	DRO Financing
Phase 1A - Design (2021-2022)	\$1,150,000	\$0	\$0	\$0	\$0	\$0	\$1,150,000	\$0
Phase 1A - Construction (2023-2024)	\$7,000,000	\$0	\$1,946,347	\$3,200,000	\$0	\$84,917	\$1,768,736	\$0
Phase 1B - Design (2023-2024)	\$1,850,000	\$760,159	\$0	\$0	\$33,590	\$0	\$1,056,251	\$0
Phase 1B - Construction (2024-2026)	\$26,000,000	\$11,700,000	\$5,765,193	\$0	\$250,000	\$254,751	\$0	\$8,030,056
<b>Totals</b>	<b>\$36,000,000</b>	<b>\$12,460,159</b>	<b>\$7,711,540</b>	<b>\$3,200,000</b>	<b>\$283,590</b>	<b>\$339,668</b>	<b>\$3,974,987</b>	<b>\$8,030,056</b>

# Phase 1B Financing Considerations

- Financing mechanism and process
  - Legal analysis of debt issuance process for the airport enterprise fund
  - Cost of issuance vs. amount borrowed (efficiency)
- Airport rates & charges competitive positioning
  - Airline rates
  - Other rates (parking, etc.)
- Risk assessment
  - Interest rate environment
  - Construction cost environment
- Involved parties
  - Legal/Bond Counsel
  - Financial advisor
  - Airport staff
  - FAA
  - CDOT
  - City
  - County



# Phase 1B Financing - Legal Analysis

- Involved parties
  - Bond counsel
  - City legal
  - County legal
  - Airport and city finance staff
  - Financial advisor
- Debt issuance overview for the airport enterprise fund
  - Review of TABOR and City Charter requirements complete
  - Per legal advisement, the airport enterprise fund may issue debt backed solely by airport revenues without a ballot initiative
    - If State and local government grants received by the airport do not exceed 10% of total airport revenues during the year prior to the borrowing (e.g., in 2023 for a 2024 borrowing) then no voter approval is legally required for any borrowing for which the net airport revenues are pledged for payment (e.g., GARB, SIB, or bank loan).
    - State grant revenue for 2023 is forecast at ~\$215,000, or about 1.3% of total airport revenue
    - No local government revenues are utilized by the airport enterprise fund
    - Airport revenues are not City or County revenue – FAA grant assurances prohibit revenue diversion

# Phase 1B Financing Options

Borrowing Source	Pros	Cons
General Airport Revenue Bond (GARB)	<ul style="list-style-type: none"> <li>• Market acceptance</li> <li>• Varying terms available</li> </ul>	<ul style="list-style-type: none"> <li>• Higher rates</li> <li>• Origination fees</li> <li>• Reserve/coverage requirements</li> </ul>
State Infrastructure Bank (SIB) Loan	<ul style="list-style-type: none"> <li>• Lowest fees</li> <li>• Very competitive rates</li> <li>• Can be combined with other sources</li> </ul>	<ul style="list-style-type: none"> <li>• 10-year term limitation</li> <li>• Shorter term = higher annual payment</li> </ul>
Lease-Purchase	<ul style="list-style-type: none"> <li>• Lower upfront costs</li> <li>• Competitive rates</li> </ul>	<ul style="list-style-type: none"> <li>• Limited term</li> <li>• Shorter term = higher annual payment</li> <li>• Question of pledged asset</li> </ul>
Bank Loan	<ul style="list-style-type: none"> <li>• Potentially lower fees</li> <li>• Potential to draw as needed</li> </ul>	<ul style="list-style-type: none"> <li>• Uncertain availability</li> <li>• Limited term</li> </ul>

# Phase 1B Financing Options – SIB Loan

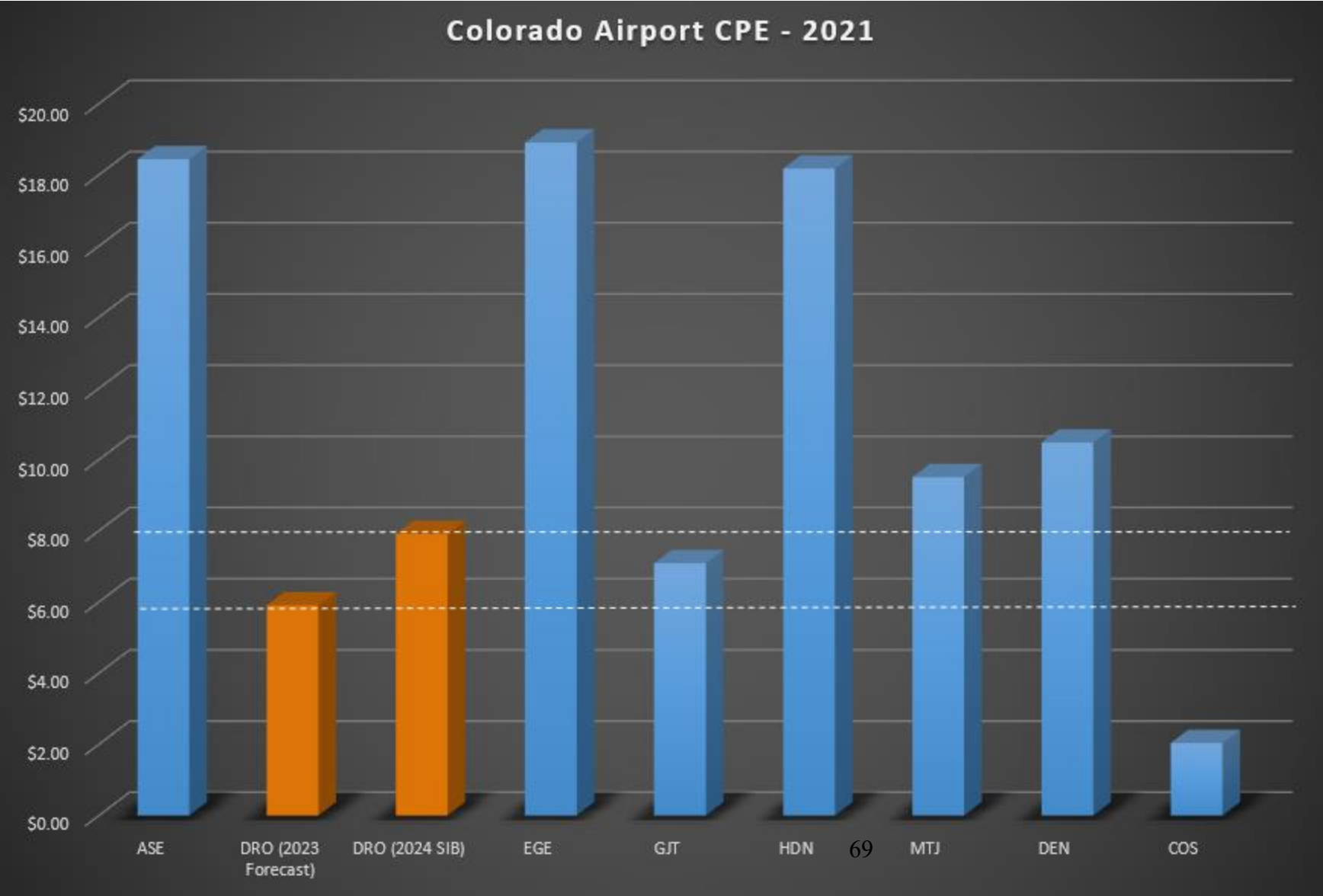
- Colorado State Infrastructure Bank (SIB) loan
  - The SIB Loan Program was enacted by the Colorado Legislature in 1998 and adopted by the Colorado Department of Transportation in 1999. This unique funding source is supported by the Colorado Transportation Commission and helps fund transportation facilities with funds available through a low interest revolving loan program.
  - Loans awarded to Colorado public-use airports from the SIB have been used to support funding for projects such as capital airport improvements, air traffic control towers, snow removal equipment and airport pavement reconstruction.
  - After previously reaching maximum funding capacity, the SIB program was recapitalized in the fall of 2022, allowing for the consideration of new projects
  - Streamlined application process
  - 10-year maximum borrowing term
  - The annual interest rate for SIB loans shall be established not later than June 30 of each year for the ensuing fiscal year. Such rate shall correspond to a rate equal to or less than the market rate.
  - If assessed, the origination fee schedule shall be as follows:
    - A maximum of one percent for loan proceeds up to \$1 million
    - Three-quarters of a percent for loan proceeds over \$1 million and up to \$2.5 million
    - One-half percent on the amount of loan proceeds over \$2.5 million and up to \$5 million
    - One-quarter percent on the amount of loan proceeds over \$5 million.
  - No prepayment penalties

# Phase 1B Financing – Debt Service Modeling

Scenario	USER INPUT	Scenario 13	Δ
Issuance Type	SIB	GARB	
CapEx	\$ 26,000,000	\$ 26,000,000	\$ -
Bond Proceeds used for CapEx	\$ 8,035,000	\$ 8,035,000	\$ -
Interest Rate	4.50 %	6.00 %	1.50 %
Borrowing Term (Years)	10	20	10
Issuance Amount	\$ 8,055,138	\$ 8,999,620	\$ 944,482
Total Borrowing Cost	\$ 10,179,988	\$ 15,692,558	\$ 5,512,570
Total Project Cost (incl. financing)	\$ 28,144,988	\$ 33,657,558	\$ 5,512,570
Debt Service	\$ 1,017,999	\$ 784,628	\$ (233,371)
Paid by PFC	\$ 590,034	\$ 501,911	(88,123)
Paid by Rates	\$ 427,965	\$ 282,717	(145,248)
EPAX	185,000	185,000	-
CPE used for DS	2.31	1.53	\$ (0.79)

\*Forecasted 83% overall project PFC eligibility

# Phase 1B Financing – Airline Rates & Charges



# Phase 1B Financing – Airline Rates & Charges





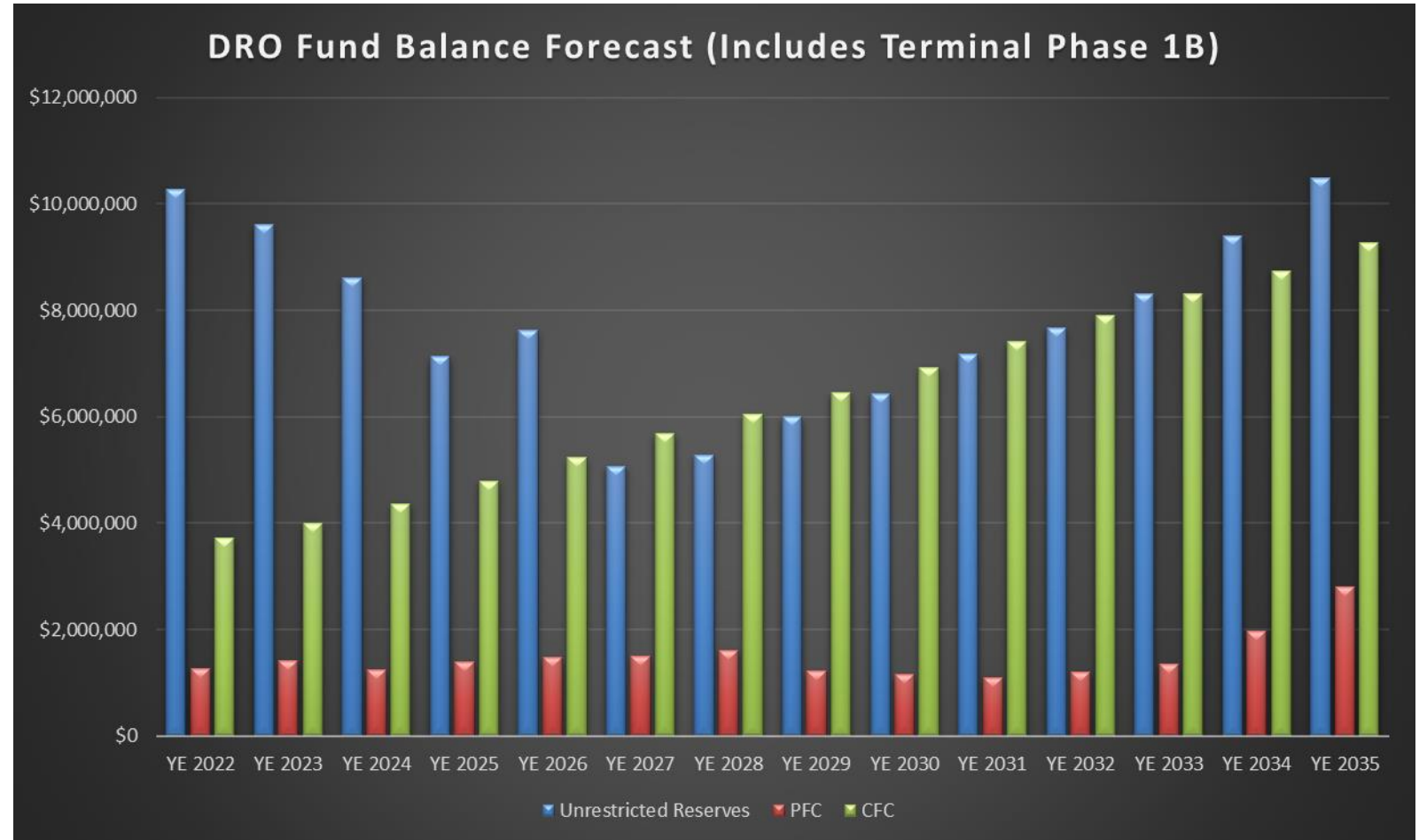
# Phase 1B Financing – Financial Modeling

## Baseline Scenario

- \$8M SIB loan in 2024 w/ \$1.02M annual debt service - 83% PFC eligibility
- \$2.00 CPE increase in 2024 w/ 3% annual airline rate increases thereafter
- 1.9% annualized passenger traffic growth
- No change to parking rates
- 3% annualized revenue growth for non-parking/airline
- 3.5% annualized expense growth
- No change to PFC/CFC rates

## Outcome

- Unrestricted reserves settle to 102% of OpEx in 2027 and climb to 161% by 2035
- PFC and CFC programs stable with additional capacity
- Fully funded CIP – opportunity for more aggressive infrastructure investment



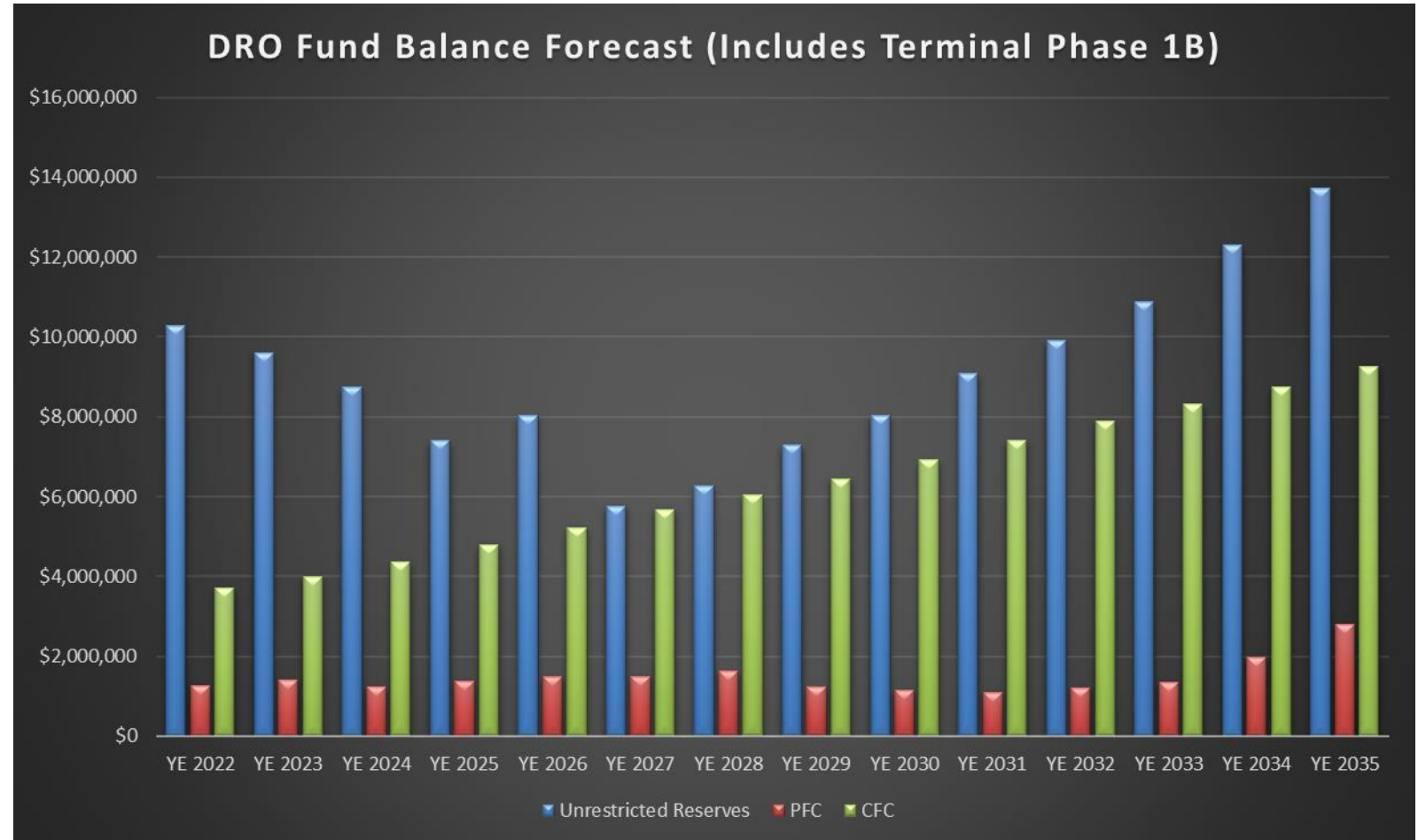
# Phase 1B Financing – Financial Modeling

## Parking Rate Increase Scenario

- \$8M SIB loan in 2024 w/ \$1.02M annual debt service - 83% PFC eligibility
- \$2.00 CPE increase in 2024 w/ 3% annual airline rate increases thereafter
- 1.9% annualized passenger traffic growth
- \$1/day parking rate increases in 2024 and 2027 to support landside improvements
- 3% annualized revenue growth for non-parking/airline
- 3.5% annualized expense growth
- No change to PFC/CFC rates

## Outcome

- Unrestricted reserves settle to 116% of OpEx in 2027 and climb to 210% by 2033
- PFC and CFC programs stable with additional capacity
- Fully funded CIP – significant opportunity for more aggressive infrastructure investment
- Opportunity to reduce airline rate impact of Phase 1B financing



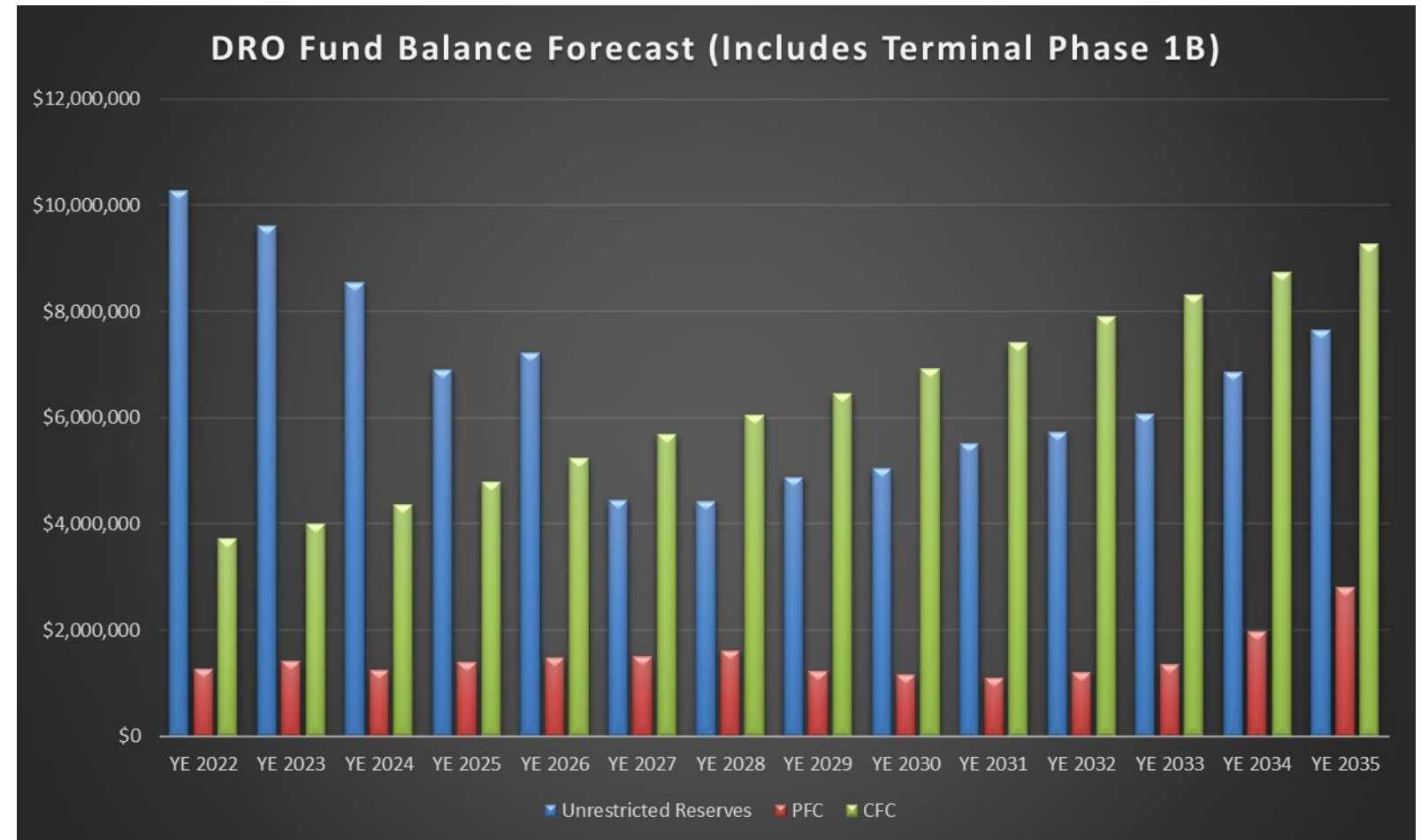
# Phase 1B Financing – Financial Modeling

## Increased Staffing Scenario

- \$8M SIB loan in 2024 w/ \$1.02M annual debt service - 83% PFC eligibility
- \$2.00 CPE increase in 2024 w/ 3% annual airline rate increases thereafter
- 1.9% annualized passenger traffic growth
- No change to parking rates
- 3% annualized revenue growth for non-parking/airline
- 3.5% annualized expense growth, plus three FTE's added between 2024-2027
- No change to PFC/CFC rates

## Outcome

- Unrestricted reserves settle to 82% of OpEx in 2028 and climb to 112% by 2035
- Passenger traffic growth, parking rate increases, or other fee increases are needed to push reserves above 115% of OpEx or engage in an expanded capital program
- PFC and CFC programs stable with additional capacity



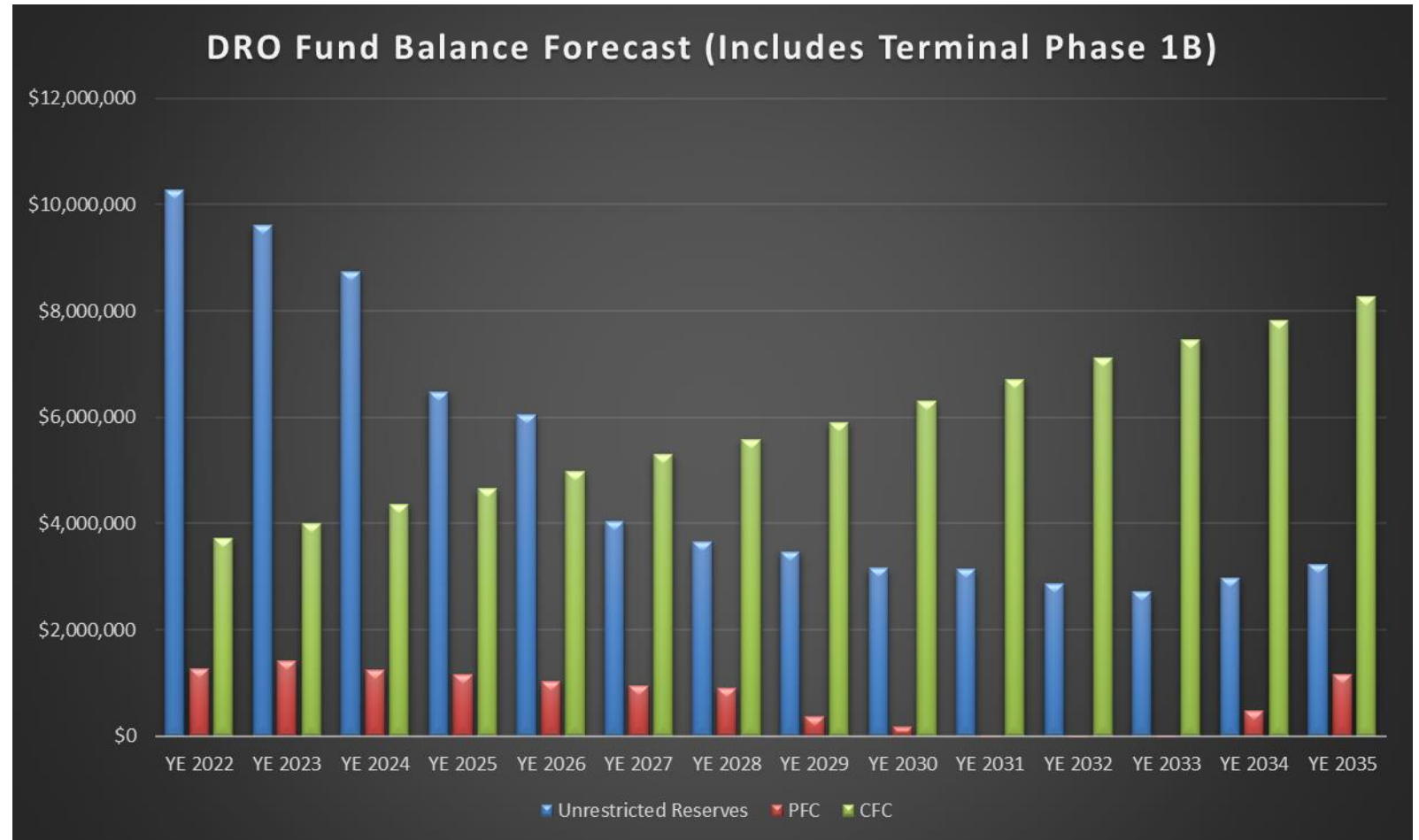
# Phase 1B Financing – Financial Modeling

## Airline Market Exit Scenario

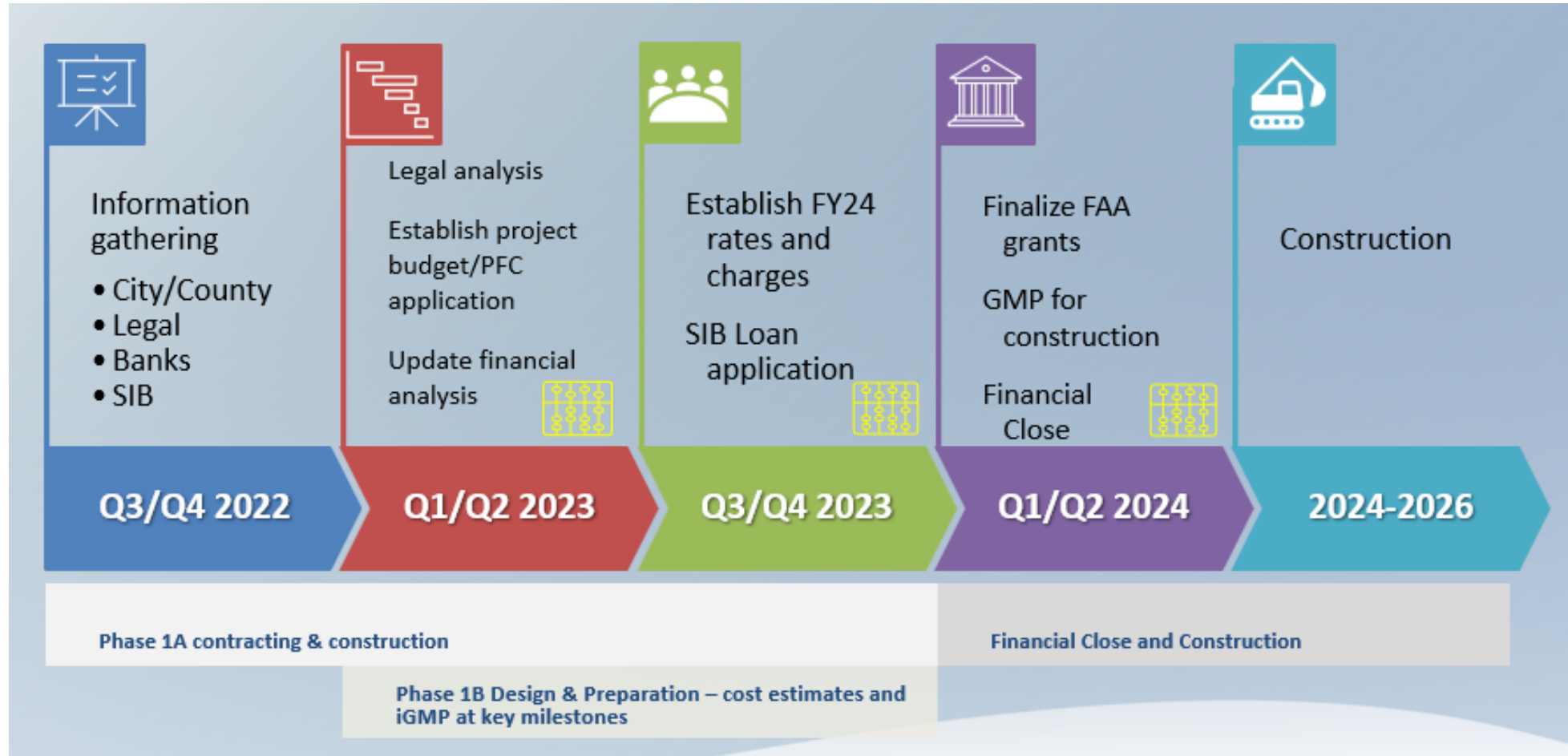
- \$8M SIB loan in 2024 w/ \$1.02M annual debt service - 83% PFC eligibility
- \$2.00 CPE increase in 2024 w/ 3% annual airline rate increases thereafter
- Airline market exit in 2025, reducing overall traffic 32%. 5-6 year recovery period to achieve 2022 baseline.
- 3.5% annualized expense growth
- No change to PFC/CFC rates

## Outcome

- Unrestricted reserves dip to 59% of OpEx in 2030 and stabilize around 50% of Opex if no additional action is taken
- PFC program remains solvent, but with no additional capacity beyond 1B debt service
- CFC program stable with additional capacity
- CIP must be aggressively trimmed 2025-2028
- Staffing reductions may be needed



# Phase 1B Financial Timeline & Next Steps





# Questions?

## CONTACT:

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AGENDA DOCUMENTATION

Meeting Date: May 16, 2023

TO: DURANGO CITY COUNCIL FROM: SARAH HILL, TRANSPORTATION DIRECTOR

SUBJECT: DOWNTOWN PEDESTRIAN AND BICYCLIST CONNECTIVITY - EIN

BACKGROUND SUMMARY:

At the May 2, 2023 Study Session, Council requested an update on projects related to Downtown Connectivity, and asked staff to address Councilor Bosman’s requests to discuss two potential alignments: one from the Animas River Trail (ART) at Rotary Park to downtown adjacent to the train tracks and one from the ART on the east side of HWY 160 south of Santa Rita Park across Larry Valdez Way.

STRATEGIC PLAN ALIGNMENT:

Effective Infrastructure Network

ALTERNATIVE OPTIONS CONSIDERED:

There are currently two connection points for bicyclists and pedestrians into downtown that were identified in the Multimodal Transportation Plan, and prioritized and funded through the CIP process. They are both currently under design.

The **MidTown Safety and Connectivity Improvement Project** proposes a two-way protected cycle track along E 2<sup>nd</sup> Avenue from Rotary to 13<sup>th</sup> Street and completed sidewalk. This proposed design will provide a safe connection for bicyclists and pedestrians from both the Florida Road path and the ART to downtown Durango.

The **Camino Crossing Project** proposes an underpass of Camino del Rio near 12<sup>th</sup> Street. This connection will capture both ART users and residents on the west side of North Main Avenue. The underpass will provide a safe connection with no conflict points with motor vehicles along Camino del Rio into downtown Durango. This project is being coordinated with the Durango Fire Protection District in conjunction with the DFPD’s site plan design of the current River City Hall campus.

FISCAL IMPACT:

\$300,000 was originally adopted in the 2021 2015 Half Cent CIP for MidTown Safety and Connectivity Improvement Design. To date, \$141,412 has been spent on the MidTown Safety and Connectivity Improvement Design Project, including a traffic study completed jointly with CDOT to analyze the proposed design alternatives with a protected cycle track along E 2<sup>nd</sup> Avenue.

\$350,000 was originally adopted in the 2021 2015 Half Cent CIP for Camino Crossing Design. To date, \$68,109 has been spent on the Camino Crossing Design Project.

Additional fiscal commitment would be necessary should alternative alignments be pursued.

POTENTIAL ADVERSE IMPACTS:

In March 2022, staff and consultant engineers discussed the proposed alignment from the ART at Rotary Park to downtown, adjacent to the train tracks, at Councilor Bosmans’s request. It was not considered the preferred option due to constraints. A few of the constraints that were observed include the following:

- The Public Utility Commission requires 10 feet clearance from the rail of the railroad tracks. There are buildings on the east side of the tracks that would cause a trail to encroach within that clearance space.
- There are challenging grades present on the west side of the tracks to the rear of existing buildings that would create drainage issues. Additionally, there is approximately 21 feet from the rail to building facades leaving only 1 foot of separation from a potential 10-foot shared use path to the building’s edge. These constraints on the west side would have substantial impacts to the cost and viability of a shared use path.
- The intersection at 14<sup>th</sup> Street, Main Avenue, and US Hwy 550 has the highest Average Daily Traffic (ADT) in Durango, and presents a large amount of conflict points between motor vehicles, the train, and bicyclists and pedestrians. An alignment adjacent to the tracks and through the 14<sup>th</sup> Street, Main Avenue, and US Hwy 550 intersection would not decrease conflict points for bicyclists or pedestrians

compared to the current MidTown Safety and Connectivity Improvement Design’s path along E 2<sup>nd</sup> Avenue.

- The north-south connection to downtown via the ART at Rotary Park sees one of the highest volumes of pedestrian and bicyclist traffic in town, and it is not staff’s recommendation to direct multimodal traffic through the busiest motor vehicle intersection in town, when a safer alignment has been identified in the MidTown Safety and Connectivity Improvement Project.

Regarding the proposed alignment from Santa Rita Park, both the 2016 Multimodal Transportation Plan and Parks, Open Space, Trail and Recreation Master Plan identify a trail connection from the Animas River Trail near Santa Rita Park to the Horse Gulch trailhead and Geoglein Gulch Road trail. The Multimodal Transportation Plan presents a trail connection from the Animas River Trail on the east side of US Hwy 550 north of the Animas River Trail bridge south of Larry Valdez Way. The Parks, Open Space, Trail and Recreation Master Plan presents a trail alignment from Santa Rita Park across US Hwy 550 at the Larry Valdez Way intersection. Further analysis would be required to look at the proposed trail connection from the Animas River Trail east of US Hwy 550 to the trail connection from Larry Valdez Way to E 5<sup>th</sup> Avenue.

- The proposed trail connection would require easements through CDOT right-of-way.
- There is identified wetland and riverine habitat in this area that would need to be assessed.
- Due to project size and length, this proposal would need to be prioritized through the city’s established capital improvement projects process.

**NEXT STEPS AND TIMELINE:**

Midtown Safety and Connectivity Improvement Design:

- Public meeting to review 30% design on May 23 at 5 PM at the Durango Public Library
- 60% design completion and engineer’s estimate for project cost anticipated by fall of 2023.

Camino Crossing Design:

- Further design work is pending site plan progress from the Durango Fire Protection District.