

# Workforce Housing Taxes and Fees

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## Introduction and Purpose

This paper examines fees charged and taxes levied specifically for workforce housing. The purpose is:

1. To share information among communities that have fees or taxes in place and are interested in learning how they are working elsewhere; and
2. To educate communities that are interested in establishing a reliable local revenue source for housing.

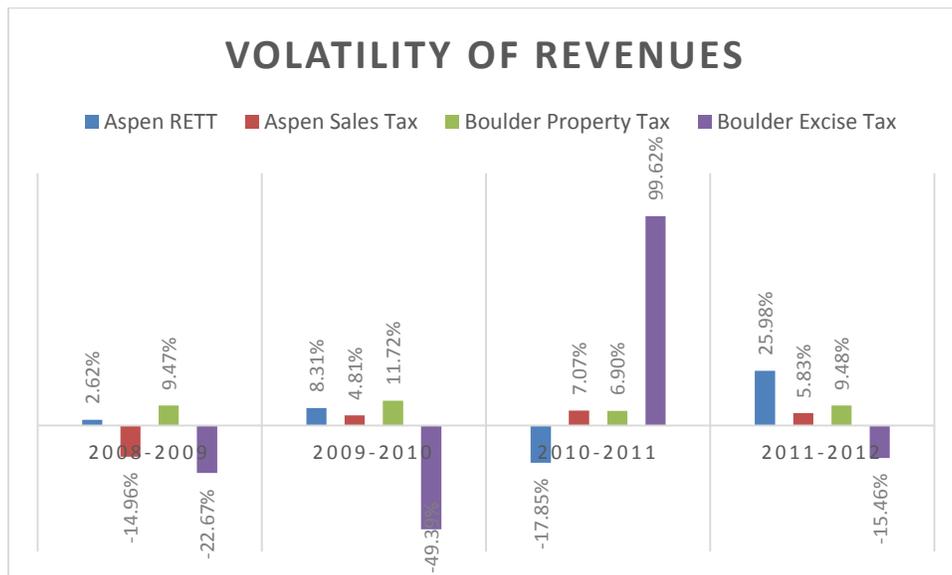
The fees and taxes covered in this paper include:

Type of Tax or Fee	Jurisdiction
Sales tax	<ul style="list-style-type: none"><li>• City of Aspen</li><li>• City of Boulder</li><li>• Town of Mountain Village</li><li>• Summit County w/ Breckenridge, Dillon, Frisco &amp; Silverthorne</li><li>• Town of Telluride</li></ul>
Property tax	<ul style="list-style-type: none"><li>• City of Boulder</li></ul>
Real estate transfer tax	<ul style="list-style-type: none"><li>• City of Aspen</li></ul>
Development excise tax	<ul style="list-style-type: none"><li>• City of Boulder</li></ul>
Housing impact fees	<ul style="list-style-type: none"><li>• Gunnison County</li><li>• Pitkin County</li><li>• San Miguel County</li><li>• Summit County w/ Breckenridge, Dillon, Frisco &amp; Silverthorne</li><li>• Town of Winter Park</li></ul>

While this paper may reference general fund and tax revenues allocated on an annual discretionary basis to housing, the intent is to examine dedicated revenue sources for housing. Fees paid in lieu of inclusionary housing and mitigation/linkage programs were only briefly mentioned if part of a larger housing fund since they are best understood in conjunction with the underlying zoning and mitigation requirements.

## Key Findings

- Just prior to the 2008 through 2012 period, revenues were at or near peak levels. The recession caused revenues from all types of taxes and fees to decline. In most areas, revenues started to increase in 2011 as the economy recovered and construction slowly resumed.
- Sales taxes and property taxes were less influenced by the economic volatility of the past five years than were impact fees or real estate transfer taxes. The City of Aspen and the City of Boulder illustrate this relationship.



- Since property assessments lag behind the market by a couple of years, revenues from property taxes remained steady while prices dropped, then declined when prices started to rise. The City of Boulder is a good example of this trend.
- Impact fees can provide insight into development patterns and variation in the rate of growth of communities. The impact fee receipts from the towns within Summit County reflect the varying levels of construction, with Breckenridge exhibiting the greatest stability due to more consistent levels of development.
- Tax rates are fixed and cannot be changed without voter authorization. None of the taxes examined have a built-in escalation formula to cover the increase in the costs of providing housing over time. Fees can be updated regularly to cover increasing costs but often are not. How, when and by whom fees are updated varies with no clear pattern of responsibility.

- On average the impact fees and taxes charged for affordable housing among the selected jurisdictions generated a combined total of nearly \$12.5 million per year from 2008 through 2012. While Aspen was responsible for 55% of this total, Boulder and Summit County’s communities combined received in excess of \$1 million.

### Revenues Received, 2008 – 2012

	2008	2009	2010	2011	2012	Average
Aspen						
1% Real Estate Transfer Tax	\$5,731,302	\$5,881,378	\$6,370,311	\$5,233,329	\$6,592,914	\$5,961,847
45% of .45% Sales Tax	\$1,059,497	\$901,048	\$944,433	\$1,011,179	\$1,070,178	\$997,267
Boulder						
Property Tax	\$1,371,903	\$1,501,780	\$1,677,777	\$1,793,468	\$1,963,493	\$1,661,684
Development Excise Tax	\$202,496	\$156,587	\$79,247	\$158,194	\$133,737	\$146,052
Gunnison County			\$243,168	\$235,775	\$116,749	\$198,564
Mountain Village						\$260,000
Pitkin County	\$829,867	\$367,857	\$312,051	\$482,542	\$1,050,108	\$608,485
San Miguel Co	\$99,757	\$58,236	\$109,232	\$89,698	\$56,635	\$82,712
Summit County Sales Tax	\$1,260,516	\$1,005,077	\$1,063,677	\$1,036,602	\$1,070,828	\$1,087,340
Summit County Impact Fee						
Summit County	\$74,945	\$146,794	\$55,022	\$44,068	\$214,007	\$106,967
Breckenridge	\$493,372	\$763,208	\$322,372	\$231,633	\$271,500	\$416,417
Dillon	\$23,786	\$7,321	\$0	\$0	\$0	\$5,947
Frisco	\$39,957	\$71,914	\$53,040	\$58,691	\$76,515	\$60,023
Silverthorne	\$209,408	\$40,696	\$56,334	\$280,893	\$58,860	\$129,238
Telluride						\$520,000
Winter Park	\$567,959	\$464,349	\$98,075	\$1,878	\$97,934	\$246,039
<b>Total</b>						\$12,488,582

Note: Other revenues derived from fees in lieu, property income, etc. have not been included in this table.

### City of Aspen

The City of Aspen leads among the jurisdictions researched in generating revenues for workforce housing. Aspen’s receipts have ranged from about \$9 million to over \$12 million per year in the past five years. The City has two taxes dedicated to affordable housing and several miscellaneous sources of revenue:

- A 1% real estate transfer tax on all types of development and undeveloped land. The first \$100,000 of each sale is exempt.
- 45% of a 0.45% sales tax (effectively a 0.2025% tax).
- Miscellaneous revenue from other sources including fees in lieu, development impact fees, lease revenues from properties owned by the City, and investment income.

Both taxes were enacted prior to the passage of state legislation requiring a vote of the public, and before real estate transfer taxes were made illegal by an amendment to the Colorado Constitution (TABOR). Collections are placed in a Housing Development Fund and used to fund development of both deed restricted ownership and rental housing by the City, which is then managed by the Aspen Pitkin County Housing Authority.

### City of Aspen Workforce Housing Revenues

	2008	2009	2010	2011	2012	Forecast 2013
1% Real Estate Transfer Tax	\$5,731,302	\$5,881,378	\$6,370,311	\$5,233,329	\$6,592,914	\$4,500,000
45% of 0.45% Sales Tax	\$1,059,497	\$901,048	\$944,433	\$1,011,179	\$1,070,178	\$1,163,000
Other Sources	\$5,816,648	\$1,591,322	\$1,006,832	\$3,508,444	\$1,323,488	\$927,800
<b>Total</b>	<b>\$12,607,447</b>	<b>\$8,373,748</b>	<b>\$8,321,576</b>	<b>\$9,752,952</b>	<b>\$8,986,580</b>	<b>\$6,590,800</b>

### City of Boulder

The City of Boulder has multiple local sources of revenue dedicated to affordable housing including:

- A **Property Tax** of 0.8 mil that generates approximately \$2 million annually. Revenues from the property tax are relatively stable and have generally increased over time, although there was a slight decline in 2013.
- A **Housing Excise Tax** of \$0.23 per square foot on new residential and annexed dwelling units and \$0.51 on new/annexed non-residential square footage. The tax does not apply to affordable units or to additions, renovations/remodeling of existing dwelling units. Demolitions/replacements have specific rules. Revenues from the excise tax dipped in 2009 and 2010 when construction slowed during the recession and have not yet returned to pre-recession levels.
- A **Downtown Linkage Fee** is assessed on any development in the DT-5 zone that utilizes a density bonus to increase the office space that can be built. A fee of \$9.53 per square foot is applied to the density bonus.
- The City's affordable housing programs typically receive a discretionary allocation from **General Fund and Sales Tax** revenues. In 2013, the City Council awarded \$400,000 to affordable housing, of which 43% or \$172,000 was from sales tax.

Revenues received from these sources and from Inclusionary Housing cash-in-lieu payments fund the City's Community Housing Assistance Program (CHAP) and Affordable Housing Funds

(AHF). These funds are then allocated to housing programs and projects on a competitive basis through an RFP.

### ***Town of Mountain Village***

Of the receipts collected by the Town of Mountain Village through its 4.5% sales taxes, 11.11% is directed into the Town’s Affordable Housing Development Fund. This fund is used for a myriad of housing projects. Annual receipts vary. For modeling purposes, revenues have been estimated at \$260,000 per year.

### ***Pitkin County***

Pitkin County adopted an employee housing impact fee in 2005. The fee is based on job generation with \$38,903 charged per employee that must be housed. The fee applies to new residential units in excess of 5,750 square feet, all commercial development and all lodging. The job generation rates vary by use (primary vs. second home) and size of units.

As with impact fees in other communities, revenues dropped off sharply with the recession. By 2011, however, revenues were rising. In 2012, revenues topped \$1 million, exceeding the 2008 level.

#### **Pitkin County Employee Housing Impact Fee Revenues**

<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013 Jan - Nov</b>
\$829,867	\$367,857	\$312,051	\$482,542	\$1,050,108	1,006,114

### ***Summit County and Towns of Breckenridge, Dillon, Frisco and Silverthorne***

Voters passed Initiative 5A in 2006 (55% voting in favor) authorizing Summit County and the towns of Breckenridge, Dillon, Frisco and Silverthorne to charge:

- A 0.125% sales tax county wide, the revenues from which can be used for bricks and mortar as well as affordable workforce housing programs, including the operations of the Summit Combined Housing Authority. The sales tax revenues can only fund workforce housing, not senior or special needs housing.
- An impact fee on new commercial and residential construction that can only be used for capital costs associated with the development of workforce housing.

The sales tax and impact fee expire in 2016 unless reauthorized by voters. Broadening the purposes for which the revenues can be used, by including retiree housing for example, may be considered as part of the reauthorization.

### Summit County Sales Tax and Impact Fee Revenues

	2008	2009	2010	2011	2012	2013 Jan -June
<b>Sales Tax</b>	\$1,260,516	\$1,005,077	\$1,063,677	\$1,036,602	\$1,070,828	\$594,263
<b>Impact Fee</b>						
County	\$74,945	\$146,794	\$55,022	\$44,068	\$214,007	\$34,658
Breckenridge	\$493,372	\$763,208	\$322,372	\$231,633	\$271,500	\$115,825
Dillon*	\$23,786	\$7,321	\$0	\$0	\$0	
Frisco	\$39,957	\$71,914	\$53,040	\$58,691	\$76,515	\$8,980
Silverthorne	\$209,408	\$40,696	\$56,334	\$280,893	\$58,860	
<b>Total Impact Fee</b>	<b>\$841,468</b>	<b>\$1,022,612</b>	<b>\$486,768</b>	<b>\$615,285</b>	<b>\$620,882</b>	<b>\$150,483</b>

Note: The sales tax figures are gross revenues before the state takes their admin fee out each month.

\*Dillon received \$5,773.50 in August 2013.

In lieu of paying the impact fee, Summit County gives developers the option to place a one-third of 1% Real Estate Transfer Assessment (RETA) on property developed, which is called a Voluntary Endowment. The towns do not allow this option. The County Building Department reports this is becoming a popular option now that construction is picking up again, yet it is too soon to forecast revenues from the RETA for comparison to payment of the impact fee.

#### **Telluride**

Through a public vote in 1994, the Town established an Affordable Housing Fund with revenues from a 0.5% sales tax and use tax, and authorized up to \$5 million of debt for housing development. The fund also receives fees paid in lieu for affordable housing mitigation, reimbursements from the sale of homes that the Town builds and a small amount of miscellaneous revenue.

The Town receives approximately \$520,000 on average each year in tax revenues. The amount received from mitigation varies each year. 2010 was an exceptional year in which a mitigation payment of \$300,000 was received. Approximately \$270,000 is earmarked for repayment on \$3 million in bonded indebtedness. While revenues may be higher in some years, there is a steady stream of roughly \$250,000 available each year for new projects after payment of debt and the San Miguel Regional Housing Authority (SMRHA).

#### **San Miguel County**

San Miguel County enacted an impact fee in 2007 to generate funds for affordable housing. The County has had an Inclusionary Housing program in place since 1990. While the program was initially effective at producing deed restricted for-sale housing, the last PUD to which these regulations applied was approved in 1994. The program is still on the books, and its rate has been increased from 15% to 35%.

The affordable housing impact fee is imposed in conjunction with building permit fees on new single-family residences (SFR) built in the Telluride R-1 School District. Exemptions include:

- Residences less than 1,800 square feet;
- Additions to SFR if the existing house is **less** than 1,800 sq.ft.; and
- Residences in Aldasoro, San Bernardo and Lawson Hill where the County charges a real estate transfer assessment.

**San Miguel County Affordable Housing Impact Fee Revenues**

2008	2009	2010	2011	2012	2013 Jan - Nov
\$99,757	\$58,236	\$109,232	\$89,698	\$56,635	\$54,869

Funds can be used for land acquisition and other capital expenses/development, but cannot be used to purchase homes in foreclosure.

The fee is based on an employee mitigation rate of 30%. It is calculated according to a formula applied to the specific square footage of units proposed to be built. The fee increases with unit size due to the increase in job generation rates as unit size increases. The fee is updated annually

**San Miguel County Fee Examples**

Unit Size in Sq Ft	2011	2012	2013
1,000	\$1,856.73	\$1,898.06	\$1,939.75
2,000	\$2,767.77	\$2,860.42	\$2,943.81
3,000	\$3,901.55	\$4,040.54	\$4,165.62
5,000	\$5,335.82	\$7,416.34	\$7,624.81
7,000	\$12,816.22	\$13,140.51	\$13,432.37
10,000	\$30,796.60	\$31,259.87	\$31,676.81

San Miguel County also applies a Real Estate Transfer Assessment to the Lawson Hill, San Bernardo and Aldasoro PUD’s, where all or a portion of the units are deed restricted. Funds from this assessment have been used to support the San Miguel Regional Housing Authority and to purchase homes in foreclosure with deed restrictions that would otherwise expire. The fund had reached a level of about \$900,000, but was significantly depleted by the purchase of two deed restricted homes and one lot in foreclosure. Proceeds from the sale of these assets will replenish the fund.

***Gunnison County***

Gunnison County adopted a workforce housing linkage fee in 2006 applicable to the construction of residential units and commercial buildings. It was amended in 2008. The current rates are \$1,990 per 1,000 square feet of commercial space and a stepped up fee based on size for residential units ranging

from \$710 for homes under 1,000 square feet in size to \$37,637 for homes that are 8,000 square feet or larger.

The fee was based on a Nexus Study by Rees Consulting and RRC Associates. In 2008, a complaint was filed in the District Court against the fee by a couple who was building a home, the contractor they hired and the Gunnison County Contractors Association. In March 2009, it was dismissed in its entirety. The 14-page decision upheld the fee, the County’s authority to enact it and the justification in the Nexus Study for the amount.

**Gunnison County Housing Impact Fee**

2008	2009	2010	2011	2012	2013 Jan -July
		\$243,168	\$235,775	\$116,749	\$64,139

**Winter Park**

The Town of Winter Park adopted an Affordable Housing Fee in 1999. \$3.00 per square foot of habitable space is assessed on both new residential and commercial construction and additions. Residential units are exempt if the owners provide an accessory unit rented to residents. The town monitors occupancy/use of the accessory units every couple of years. Public facilities and deed restricted units are exempt from the fee.

A nexus study was not done at the time; however, the enacting ordinance contained language about housing problems in the area and the need/justification for the fee. The fee has not been controversial or challenged in the nearly 15 years it has been in place. It has also not been changed or updated over this period.

**Winter Park Affordable Housing Fee**

2008	2009	2010	2011	2012
\$567,959	\$464,349	\$98,075	\$1,878	\$97,934

Revenues from the fee can only be spent on capital costs. To date, they have been used to purchase vacant land, build deed restricted ownership units and buy units listed for sale during the recessionary years in order to write down the price, making them more affordable for buyers with reduced incomes.

## Miscellaneous Revenue Sources

- The ***Town of Breckenridge*** has a history of dedicating general fund revenues to workforce housing. Even during the recession when many towns were struggling from a reduction in sales tax and other revenues, Breckenridge allocated over \$1 million per year to workforce housing.
- ***Teton County, WY*** has a Special Purpose Excise Tax approved by voters through which various community projects and programs are funded. Revenues from this tax have twice been allocated to workforce housing, in 2001 for \$9.3 million and in 2006 for \$5 million. These funds have been used to produce over 50 low-income rentals, 100 ownership units restricted for household income Categories 1 through 3 and to purchase over 14 acres of land for development over the next 15 years.
- The ***Town of Crested Butte*** has a residential linkage program through which mitigation is typically achieved by payment of a fee. This fee is stepped up based on unit size.
- The ***Town of Grand Lake*** imposes a fee of \$1.00 per square foot on new residential development (?) for affordable housing. Given the small size of the community and the low fee, it was not researched for inclusion in this paper.

### Summary of Affordable Housing Taxes and Fees

Type	Applicability	Rate	Avg. Annual Revenue
<b>Sales Tax</b>			
Aspen	all sales	0.2025%	\$1 million
Boulder	all sales		\$400,000
Mountain Village	all sales	0.5%	\$260,000
Summit County	all sales	0.125%	\$1 million
Telluride	all sales	0.5%	\$520,000
<b>Excise Tax</b>			
Boulder	new construction	\$.23/sf res \$.51 non-res	\$150,000
<b>Property Tax</b>			
Boulder	residential & commercial	.8 mil	\$1.7 million
<b>Real Estate Transfer Tax</b>			
Aspen	all real estate transfers	1%	\$6 million
<b>Impact/Linkage Fees</b>			
Boulder	downtown w/ office density bonus	\$9.53/sf	?
Gunnison County	commercial	1%	\$200,000
	residential	5% - 45%	
Pitkin County	residential & commercial	\$38,903 /employee	\$600,000
San Miguel County	SF residential	varies by unit size	\$83,000
Summit County	commercial	\$2.00/SF	\$129,000
	SF residential	1500-2499:\$.50/SF	\$107,000
Breckenridge	residential & commercial	2500-3499:\$1.00/SF	\$416,000
Dillon	residential & commercial	3500-4999:\$1.50/SF	\$5,900
Frisko	residential & commercial	5000+:\$2.00/SF	\$60,000
Silverthorne	residential & commercial		
Winter Park	residential & commercial	\$3.00/SF	\$247,000