

# System Development Fee Policy

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## **POLICY INTENT**

The intent of this policy is to provide a mechanism wherein one time drainage basin fees, hereinafter known as a System Development Fee (SDF), are assessed to a developer to recover the construction costs of stormwater improvements necessary to manage stormwater generated as a result of the development, redevelopment, and other related improvements or added impervious area.

## **STATEMENT OF PURPOSE**

The purpose of this Policy document is to establish SEMSWA's System Development Fee (SDF) policy. This policy establishes the SDFs within the SEMSWA Service Area for new development, redevelopment, or added impervious area. The intent of the SDFs are to be consistent, fair and equitable for development construction that places an impact on SEMSWA's stormwater system. SDFs serve to finance the construction of a development project's portion of facilities needed to serve it. Development will pay a portion through the SDF, while the remaining "public" portion of any project will be paid with funds collected through either the SEMSWA annual fee, or by leveraging the annual fees with other sources of revenue, such as the Urban and Drainage Flood Control District (UDFCD) mill levy funds, grants, or partnerships.

Definitions of common terms contained in this Policy document are contained in Appendix A.

## **REFERENCES**

Several documents were utilized in preparing this Policy memo, including the following:

- Development, Permit and Review Fees: Option Analysis for System Development Fees, Final Technical Memo, AMEC, May 5, 2008
- System Development Fees Policies and Procedures, AMEC, February 10, 2009

These documents are contained in Appendix B.

## **BACKGROUND**

The determination of a SDF begins with review of SEMSWA approved master planned improvements necessary to manage the stormwater drainage resulting from development construction activity or any naturally occurring activity, such as channel erosion or head cut conditions, within a drainage basin. The impervious area resulting from a development has an impact on the downstream stormwater system and needs to be accounted for in the stormwater management process. Master Plans have been prepared for many of the key basins within the SEMSWA Service Area; only a few basins have not been planned. In general, these Master Plans contain an analysis, including costs of the capital improvement projects that are necessary to manage stormwater runoff resulting from impervious area. The manner of

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how the SEMSWA drainage basins have been grouped for the purposes of calculating the SDF for each basin is summarized below.

The SDF takes into consideration the total cost of the capital projects identified in the drainage basin Master Plan, the percent of remaining developable area within the basin, and the remaining developable impervious area in acres for the basin. The resulting calculation of the SDF is in units of 'fee per impervious acre'. Each of the components necessary for the final calculation of the SDF is summarized below, and fully explained in the Appendix B reference documents.

## Basin Groups

The SEMSWA Service Area covers a large and diverse area in terms of land use, age of development, receiving waters, and development activity. For the purposes of determining SDF's, the SEMSWA Service Area was divided into five Basin Groups which have in common the same watershed, similar percentage of the basin developed, similar level of development activity, similar age of development, and other special considerations (**Table 1**).

**Table 1: Basin Group Characteristics**

Basin Group	Percent Developable	Average Age	Level of Development Activity	Watershed
1	7%	30 years	Low	S. Platte
2	21%	15 years	Medium	Upper Cherry Creek
3	6%	15 years	High	Sand Creek
4	71%	New	Low	Sand Creek
5	12%	20 years	Medium/ Low	Lower Cherry Creek/ S. Platte

**Table 2** contains a list of the individual drainage basins in each Basin Group. The drainage basins in bolded typeface have master planning documents associated with them and, as such, have specific SDFs calculated for that specific basin based on the specific projects identified in those master planning documents. In general, the developer will pay SDFs for the specific basin the development is in; however, for drainage basins with no identified projects (no master planning documents), the SDF for that development will be assessed as a Basin Group fee calculated by a weighted average. The Basin Group fee is necessary to generate revenues to address capital construction for both identified and unidentified capital construction projects. SEMSWA will establish separate SDF accounts for each of the Basin Groups to optimize accounting practices.

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**Table 2: Basins in each Basin Group**

Basin Group 1	Basin Group 2	Basin Group 4
<b>Bear Creek</b>	Antelope Creek	<b>Coal Creek</b>
<b>Big Dry Creek</b>	<b>Cottonwood Creek</b>	<b>First Creek</b>
<b>Coon Creek</b>	<b>Dove Creek</b>	<b>Murphy Creek</b>
<b>Dutch Creek</b>	<b>Happy Canyon Creek</b>	<b>Sand Creek</b>
<b>Greenwood Gulch</b>	<b>Lone Tree Creek</b>	<b>Lower Senac Creek</b>
<b>Lee Gulch</b>	<b>Piney Creek</b>	<b>Upper Senac Creek</b>
<b>Little Dry Creek</b>	<b>Saddle Rock Ranches</b>	
<b>Little's Creek</b>	<b>Sampson Gulch</b>	<b>Basin Group 5</b>
<b>SJCD(N)</b>	UDFCD ID 4406	5000
<b>SJCD(S)</b>	<b>Upper Cherry Creek</b>	<b>Harvard Gulch</b>
<b>Slaughterhouse Gulch</b>	<b>Upper Goldsmith Gulch</b>	<b>Lower Cherry Creek</b>
UDFCD ID 66	<b>Windmill Creek</b>	<b>Lower Goldsmith Gulch</b>
UDFCD ID 67		<b>Lower Goldsmith Gulch</b>
<b>Willow Creek</b>	<b>Basin Group 3</b>	<b>Westerly Creek</b>
	<b>East Toll Gate Creek</b>	( <b>Bold</b> typeface = master planned)
	<b>Unnamed Creek</b>	
	<b>West Toll Gate Creek</b>	

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## Capital Improvement Projects

Within each of the drainage basins, capital improvement projects have been identified that become the basis for the costs of remaining stormwater improvements that a development would need to construct to address the impact of the development on the stormwater system.

Projects in each Basin Group were identified through the review of existing Master Plans and other documents, and adjusted per other known stormwater improvements and related projects in the Basin Group. A master list of projects was developed in 2004, and was later revised to include only the projects within the SEMSWA Service Area (excluding those areas annexed by incorporated entities), removing those projects which are no longer necessary or relevant, and adding projects that were not identified in 2004.

The Master Plans utilized have a wide range of adoption dates, from 1987 to 2008. As such, the costs associated with each project have been adjusted using current data from the Engineering News Record construction costs indices for the Denver Metropolitan Area. The total costs were then grouped into each basin, to calculate the total cost of new projects in current dollars per basin and Basin Group.

Some of the outlying basins do not have completed Master Plans. Without a completed Master Plan, no projects are identified within those basins and therefore capital costs cannot be calculated in those basins using the method described for master planned basins. This does not mean that there are no projects needed in those basins, only that they have not been identified through the master planning process.

## Estimate of Remaining Impervious Area

For each basin and basin group, the percent developable and the remaining developable impervious acres were used to calculate the fee assessed per basin or basin group. The remaining developable impervious acres were estimated using the SEMSWA GIS information from the billing database and future land use information obtained from the Arapahoe County Comprehensive Plan and the City of Centennial Comprehensive Plan. From the comprehensive plans, the land use for each undeveloped or partially developed parcel was established and the impervious area percentage for each land use type was applied according to applicable standard applications.

Additional data used to estimate the remaining developable impervious area was obtained from the current SEMSWA billing database, including the existing impervious area currently billed outside of the right of way. For each basin, the basin area within the SEMSWA Service Area, the existing right-of-way area, the existing impervious acres, the percentage not developable, and the percent developable were also calculated.

## SDF Calculation

SDFs have been calculated for the specific basins and for the Basin Groups. In general, the developer pays fees for the specific basin the project is located in; however, in basins with no identified projects

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(no existing master planning documents); the basin fee equals the Basin Group fee, calculated by a weighted average. This approach allows for the best relationships between development and the required improvements.

In general, the total cost of the projects is multiplied by the percent of developable area calculated from future land use information to estimate the developer share of the projects. The developer share is then divided by the remaining developable impervious areas for the basin to achieve the fee per impervious acre. The fee assessed is equal to the fee per impervious acre multiplied by the remaining developable impervious area. The fees assessed assume that all of the remaining developable area will be developed without regard to time frame to complete the development. In addition to the method of calculation of the fee described above, a fee may also contain a component to address the provisions described in Section III. of the Intergovernmental Agreement entitled *Concerning the Formation of a Drainage Authority Amongst County of Arapahoe, City of Centennial, Arapahoe County Water and Wastewater Authority, East Cherry Creek Valley Water and Sanitation District and Inverness Water and Sanitation District Pursuant to Section 29-1-204, C.R.S.*

The SDF is in units of *impervious developed acre*. The developer fee per impervious acre is calculated as follows:

- **Basins Fee (for Basins with identified projects)**

Step 1: “Total Cost of Identified Projects” per Basin multiplied by “Percent Developable Area” per Basin equal the “Developer Share” per Basin.

Step 2: “Developer Share” per Basin divided by “Remaining Developable Impervious Area” equals the “Fee per Impervious Acre”.

- **Basin Group Fee (for Basins without projects)**

Step 1: The “Fee per Impervious Acre” equals the “Total Developer Share for the Basin Group” divided by the “Total Remaining Developable Impervious Area in Basins with Projects”.

Step 2: The fee per impervious acre is applied to all basins with no projects.

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An example calculation is contained in Appendix C.

## CRITERIA

Specific criteria that will assist in determining and managing SDFs for the SEMSWA Service Area have been established as follows:

### SDF Accounting

1. Fees collected within a Basin Group, regardless of which basin within the group the fees were collected in, may be used to fund improvement projects, or other similar improvements within that Basin Group.
2. SDF accounts will be used for improvements to a basin's drainage system.
3. SDF funds, or similar drainage basin-type fees, collected prior to the effective date will be transferred into the correct Basin Group.

### Annual Adjustments to SDFs

1. Annual inflation adjustments to the SDF may be assessed by SEMSWA upon approval of the Board.
2. Annual inflation adjustments to SDFs will be directly related to available cost indexes.
3. Annual adjustments will be applied to the SDFs on a specific date as determined by the Board.
4. Annual adjustments will apply to all basins and Basin Groups uniformly.

### Updating Fees with New Information

1. SDFs may be updated when new information becomes available.
2. Situations which may cause the fee to be updated include, but are not limited to:
  - a) Completed Master Plan or update to a Master Plan.
  - b) Completed Outfall System Plan (OSP) or update to an OSP.
  - c) Constructed master planned project.
  - d) Constructed regional stormwater facility that has an impact on master planned projects.
  - e) New information regarding the projects or cost of projects identified in the master plan that were used to calculate the SDF for a particular basin.
  - f) Updated zoning information which changes the developer share of new projects.
  - g) Updated zoning information which changes the remaining developable acres within a basin.
  - h) Other information which affects the project costs, remaining acres, or developer share for a particular basin.
3. Changes for one basin within a Basin Group will affect the entire Basin Group.
4. Fees may be updated annually, if applicable updated information is available.

### Adjusted Fees

To the extent allowed by law, the Board may adjust or otherwise impose SDF and other fees different from those currently charged. Those charges may, at the discretion of the Board, include but not be limited to reductions or increases in SDF the purpose of which is to more equitably assess these fees. Such adjustments shall only take place after a public hearing before the Board of Directors of SEMSWA.

### Additional Fees and Costs

Authorized SDFs are separated from and in addition to annual user fees, permit and review fees, and other charges lawfully imposed by SEMSWA or other entities with dual jurisdiction. In charging any such

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fees as a condition of development approval, SEMSWA recognizes that the fees shall be reasonable charges for the services provided.

## Developer Credits

A developer may be allowed a credit against SDF as detailed in the SEMSWA Credit Policy.

## IMPLEMENTATION PROCEDURES

1. SDFs shall be determined from the fee schedule in effect at the time of formal submittal of site plans to the applicable Land Use Agency.
2. Fees will be estimated by SEMSEWA at the pre-submittal meeting. Fees shall be collected in association with the issuance of a Subdivision Improvement Agreement (SIA), a similar instrument, a GESC Permit or a certificate that states no GESC Permit is required.
3. The impervious area for each development will be determined with the same, similar or equivalent guidelines and policies used to determine the impervious area for the annual fees.
4. Projects that are delayed beyond the technical plan expiration date may be assessed additional SDFs if the current fee schedule at the time of expiration has resulted in an increased fee for the basin or Basin Group the project is located in.

## POLICY EXEMPTIONS/LIMITATIONS

SEMSWA reserves the right to amend this Policy and adjust the method used to calculate fees to respond to unusual circumstances and thus ensure that fees are equitably assessed. No adjustment of fees will occur without legal posting of the proposed change and a public hearing by the Board of Directors.

SEMSWA recognizes that the following Reimbursement Agreements and exclusions are in place as of the effective date of this policy:

- a) Arapahoe County Water and Wastewater Authority (ACWWA) has existing Reimbursement Agreements in place for the basins of Dove Creek, Lone Tree Creek, and Windmill Creek.
- b) Inverness Water and Sanitation District (IWSD) has existing Reimbursement Agreements in place for the portion of Cottonwood Creek within their jurisdiction.
- c) The development of Tallgrass and Copperleaf are excluded from the SEMSWA SDF as documented in the SEMSWA formation IGA.

## APPEALS PROCESS

Appeals of SDF decisions may be brought to the SEMSWA Board of Directors by sending a formal written Request for Appeal of SDF Determination to SEMSWA such appeal shall include all information and data that the appellant relies on in the appellant's appeal. Such appeal shall be referred to the SEMSWA subcommittee delegated the task of initially reviewing such appeals. If such subcommittee determines that there is a basis for an adjustment in the SDF fee calculation, the appeal will be referred to the entire SEMSWA Board of Directors for a public hearing.

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The SDF may be appealed based on updated information that affects the fee calculation. Updated information and an appeal must be submitted to SEMSWA prior to the payment of the fee.

SEMSWA's decision in the appeals process is final with regards to the final fee calculation including the site's total impervious acres.

## Appendix A

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## Appendix A: Definitions

Development means any construction or expansion of building, structure or use, any change in use of building or structure, or any change in the use of land that creates additional demand and need for public facilities.

Impact that would preclude a developer from a refund may include any impact reasonably identified by SEMSWA, including, but not limited to: SEMSWA having sized facilities and/or paid for, installed and/or caused the installation of facilities based in whole or part upon the developer's planned development activity even though that capacity may, at some future time, be utilized by another development. (See Refunds section of this Policy for further details on refunds.)

Master Plan is a document used to lay out a strategy for effectively and efficiently responding to the effects of increased impervious area on urban streams with stream stabilization improvements, systems controls, and best management practices.

Percent impervious is the impervious area of a parcel divided by the total area of a parcel.

Project Improvements – site improvements and facilities that are planned and designed to provide service for development resulting from a development activity and are necessary for the use and convenience of the occupants or users of development resulting from a development activity.

Proportionate Share of the cost of public facility improvements means an amount that is roughly proportionate and reasonably related to the service demands and needs of a development activity.

System Development Fees are one-time charges paid by new development to finance the construction of public facilities needed to serve development or redevelopment.

System Improvements are improvements and facilities that provide service to more than one development that are intended to provide service to the Service Area, such as regional benefits or UDFCD master plan projects.

Weighted Average is an average that takes into account the proportional relevance of each component rather than treating each component equally.