

# Fort Collins construction costs could rise with revised water fees

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Changes in how Fort Collins lets developers tap into the city's water system are expected to increase the cost of building new homes and businesses.

Although the availability of affordable housing is a community concern, higher development fees are needed to pay for the infrastructure and water needed to accommodate growth in the decades to come, city officials say.

"The goal here really is to generate adequate funds or water rights to provide a reliable water supply," said Donnie Dustin, water resources manager with Fort Collins Utilities, during a recent City Council meeting.

City Council is scheduled Tuesday to give final consideration of an ordinance that would make several changes to the city's "raw water requirements."

When building a project, developers must bring sufficient water rights from select sources to meet the development's needs and dedicate them to the city. Developers also have an option to pay cash in lieu of water rights.

Under the new system, the cash-in-lieu payment would increase from \$6,500 for one acre-foot of water to \$16,700. An acre-foot of water is enough to meet the annual needs of three to four urban households.

The new system also would require less water dedication, depending on the type of development, to reflect a continuing decline in indoor water consumption. It also would recognize the difference in consumption between a one-bedroom unit and a five-bedroom unit, Dustin said.

The cost of supplying water to a typical new single-family home would increase from \$4,300 to \$9,000 under the revised rates. A tap for a multi-family development would increase from \$2,800 to \$3,900 per unit.

The cost of taps for commercial developments would increase from \$5,900 for a 0.75-inch line to \$15,100; the cost of a 1-inch line would go from \$19,500 to \$37,800.

The revised system has its critics. Some developers and affordable housing advocates say the increase costs will only add to the soaring price of housing.

However, local environmentalists say the cash-in-lieu rate should be even higher to reflect the rising cost of water rights.

The city already owns most of the water it needs and has shown little justification for raising water costs to developers, said Greg Miedema, executive officer of the Northern Colorado Home Builders Association.

Would-be homeowners are struggling to find starter homes they can afford, he said.

“For every thousand dollars the price of a house goes up, about 950 people are priced out ... they can’t qualify,” Miedema said.

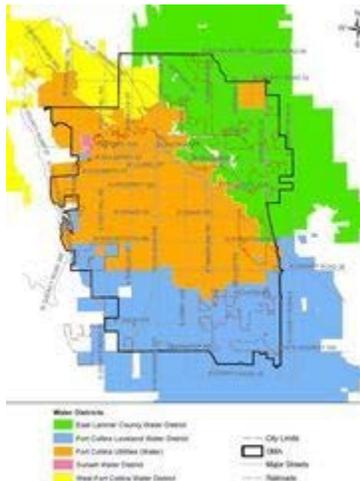
Longtime local developer Gino Campana, a former City Council member, said periodic increases in water costs, such as 3 or 5 percent every few years, would be understandable. But more than doubling the cost at one time is too much.

“That’s hard for me to stomach,” he said. “The city is sitting on a lot of water. It probably has enough water to satisfy its needs through build-out.”

Even with the increase, the city’s proposed \$9,000 charge for supplying water to a single-family home would be less than charges of other local providers.

The Fort Collins-Loveland Water District, which covers most of south Fort Collins, charges \$25,000 for a single-family home. Wellington charges \$19,300.

City development fees affect the cost of building a home, council member Ross Cunniff said, but they are not responsible for high housing costs. Market forces, as in supply and demand, drive the cost of housing, he said.



Fort Collins Utilities is one of five water providers that serve the city's Growth Management Area. (Photo: Fort Collins Utilities)

## **Growth pressure**

Fort Collins Utilities expects the population in its water service area to increase by 45,000 by 2065.

About \$129.9 million in additional funding will be needed to address the growth, Dustin said. About \$63.9 million would be for infrastructure, primarily for storage.

The city is going through the costly process of getting permits to expand Halligan Reservoir for several years. A draft environmental impact statement on the project is expected to be released next year.

An additional \$25.5 million is expected to be needed to buy additional water rights. Another \$40.5 million is expected to come from new customers buying into the city's existing system and water portfolio, Dustin said.

In addition to a new cost structure, Fort Collins Utilities plans to focus on a cash-only approach for accessing the water system. It would accept shares of water from Colorado-Big Thompson project and North Poudre Irrigation Co. but not from other ditch companies.

That would be a significant change, said developer Les Kaplan, in that it would expand the market for raw water shares to other providers, such as the East Larimer County Water District, or ELCO.

ELCO serves much of northeast Fort Collins, including the Mulberry Street Corridor, where the city is expected to grow in the coming years. The district is "starved" for raw water supplies to keep up with the growth, Kaplan said.

Kaplan also supports raising the capital through higher cash-in-lieu fees to pay for enlarging Halligan Reservoir. The city needs a way to store its current water holdings more than it needs more water rights, he said.

"That is a very smart thing for the city to do," he said.

Some believe the projected buy-in need of \$40.5 million is too low, as is the proposed fee of \$16,700 per acre foot of water.

In an email to city officials, Save the Poudre director Gary Wockner said the city should have a cash-in-lieu rate that is more reflective of current market rates for high quality water.

"We strongly encourage you to raise the (cash in lieu) significantly above \$16,700," Wockner stated. "If you don't, you may not recover your costs and will need to have current ratepayers subsidize growth."

In an interview, Dustin said the city's senior water rights have a high value because they represent a highly reliable supply. They were purchased many years ago at relatively low prices.

The city's charges must be based on its costs, not the current market, he said.

“You’re potentially getting into legal risks if you ask for more than you need,” Dustin said.

*Kevin Duggan is a Coloradoan senior reporter covering local government. Follow him on Twitter, @coloradoan\_dugg, and on Facebook at Coloradoan Kevin Duggan.*

### **By the numbers**

For Fort Collins Utilities water service area:

- 45,000: Additional residents by 2065
- \$129.9 million: Funding requirement to meet future water needs
- 7,800 acre-feet: Water needed to meet future demand
- \$16,700: Proposed development charge per acre foot of water
- \$6,500: Current charge

### **Water costs**

What local water providers charge to supply to a typical single-family home:

- Fort Collins-Loveland Water District (including Timnath): \$25,000
- Wellington: \$19,300
- East Larimer County Water District (ELCO): \$14,180
- Greeley: \$14,000
- Loveland: \$12,600
- Fort Collins (proposed): \$9,000
- Fort Collins (current): \$4,300

Source: Fort Collins Utilities

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