

For a better quality of life.



HOME BUILDERS
ASSOCIATION
of
METRO DENVER®

April 27, 2023

City of Commerce City
Mayor Benjamin Huseman
Members of City Council
7887 E. 60th Avenue
Commerce City, CO 80022

Dear Mayor and City Council:

I am writing to share our concerns regarding the Commerce City's proposed impact fee increases for new residential development currently under consideration by City Council.

These comments are being provided on behalf of the Home Builders Association of Metro Denver.

As the largest HBA in Colorado, Metro Denver HBA represents over 500 homebuilders, developers, remodelers, architects, mortgage lenders, title companies, subcontractors, suppliers and service providers in the eight metro-area counties we serve.

In the City of Commerce City, the HBA of Metro Denver represents many active builders and developers within the municipality with over 700 registered permits over the past 12 months.

Based on the information presented at the Council's April 17, 2023 meeting, the HBA of Metro Denver understands that Commerce City is seeking significant increases in impact fees on new homeowners to help support police, capital improvements, public works and recreational facilities within the City. Specifically, the proposal suggests imposing a new Development Impact Fee up to \$10,415 for a single-family home and up to \$7,909 for a multi-family residential unit. Although City staff has indicated these figures to be the maximum justified impact fees permitted, it also appears this is the amount they are recommending be implemented.

We have had a substantial number of members reach out since this proposal was made public and it is safe to say the builder community is uniformly concerned with this cost increase, the lack of public process and collaboration to date and is legitimately worried about the ongoing affordable and attainable housing situation in Commerce City should these new impact fees be adopted.

As you are aware, Commerce City has already imposed a significant burden on new homeowners with the recent addition of two new impact fee increases for transportation and stormwater just last month- adding over \$9,000 to the price of an average single-family home in some neighborhoods. Furthermore, it appears

City Council is also poised to adopt a new sprinkler mandate for single family homes as well – adding thousands of dollars to the cost of a home and pricing out many aspiring homeowners out of the market as a result. In total, the cumulative cost of these additional fees will increase home prices in Commerce City by over \$30,000 or more per home depending on where they are located.

These additional costs, especially if increased all at once, will make the cost of homeownership unattainable for many aspiring residents with moderate incomes. The National Association of Home Builders' (NAHB) latest "Priced-out Estimates" from January 2023 indicate a \$1,000 increase in the cost of a median-priced new home will further price 1,305 Colorado households out of the market.

It is important to note that the costs associated with the City's proposed fee increases will be added to a number of other related financial burdens already directly impacting aspiring homeowners. From lumber and concrete, to paint, copper, and gypsum – the primary materials used in homes – building costs are already prohibitively expensive and are projected to remain high for the foreseeable future.

Furthermore, housing attainability across the front range has only become more elusive given our recent environment of rising interest rates coupled with rampant inflation. Mortgage rates have increased from 3.1% at this time last year to 7% today – making it the largest magnitude increase for mortgage costs in decades.

These challenges confronting the housing market nationally, coupled by recent actions in Commerce City (like the City's moratorium on metropolitan districts), have created a challenging building environment for the residential construction industry – making the proposed fee increases even more precarious.

In conclusion, we strongly encourage the Commerce City Council to consider the implications of the proposed increase to the City's development impact fees and their impact on the future of attainable residential development. Reducing the amount of the fees, exempting existing permit applicants currently under review, taking a phased-in approach, implementing the fees incrementally over time and evaluating other funding options should also be considered before any final decisions are made.

We are available for additional consultation with the city staff, as necessary.

Thank you for your time and consideration of our concerns.

Sincerely,



Ted Leighty
Chief Executive Officer
Home Builders Association of Metro Denver

Cc: Jason Rogers, City Manager
Jim Tolbert, Community Development Director
Jenn Hahn, Executive Management Analyst