

**TOWN OF ERIE
TOWN COUNCIL MEETING
May 6, 2025**

SUBJECT: Comprehensive Plan – Land Use Fiscal Analysis & Implementation

PURPOSE: Discussion only

CODE REVIEW: N/A

DEPARTMENT: Planning and Development
Communications and Community Engagement

PRESENTER: Sarah Nurmela, Director of Planning and Development
Josh Campbell, Senior Strategic Planner
Gabi Rae, Communications and Community Engagement Director
Consultant – Kevin Shepherd, Verdunity

STAFF RECOMMENDATION:

Informational item only.

SUMMARY AND BACKGROUND OF SUBJECT MATTER:

At the March 4 Study Session on the Comprehensive Plan, the Council expressed a desire to have an additional Study Session on the Land Use Fiscal Analysis with the consultant the Town previously hired to complete that analysis. Additionally, Council shared interest in outreach and education efforts for the Comprehensive Plan and its implementation.

The Comprehensive Plan is an overarching guide for development, services, and lived experience in the Town. The document establishes a vision, guiding principles, and policies, with action items to implement the Town’s vision. As a guiding document, the policies are meant to provide direction to decision makers and staff alike as they review development, prioritize investments, and deliver infrastructure improvements.

The vision articulated in the Comprehensive Plan is implemented by more detailed plans and implementation strategies like the Transportation and Mobility Plan (TMP), Water Supply Plan, Affordable Housing Strategy, or Parks, Recreation, Open Space and Trails (PROST) Plan. An update to the Town’s Unified Development Code (UDC) is planned as a part of implementation.

Comprehensive Plan Fiscal Analysis

Fiscal health is the financial well-being of a government, including its ability to meet financial and service obligations. Municipalities must have sufficient revenue to cover service and infrastructure costs or be faced with the difficult decision to either reduce services or increase costs for residents. Municipal revenues come from many sources including property taxes, sales taxes, development fees, and charges for services. The majority of Erie’s General Fund comes from sales tax, of the remaining portion, 11% comes from property tax, and 14% from development fees. As Erie reaches full buildout over the next 20 to 30 years, revenues from development fees will go down. When planning for long-term fiscal health, the Town must ensure it has the resources it needs to cover service and infrastructure costs that will increase as the Town matures.

How a community grows directly impacts its fiscal health. While some development patterns produce enough property and sales tax revenue to cover service and infrastructure costs, others fall short. One of the largest unfunded liabilities for many municipalities is the cost associated with maintaining and replacing public streets, parks and amenities, and infrastructure. The more spread out a development pattern is, the larger the resource gap between liabilities and revenues. A fiscally healthy municipality will have a mix of development types and land uses, resulting in a balance between long-term liabilities and revenues. The following graphics, excerpted from the Land Use Fiscal Analysis, illustrate this point.



Figure 1: Financial Impacts of One Development Pattern



Figure 2: Fiscal Impacts of Mixed Development Pattern

The Town’s consultant, Verdunity, completed the Land Use Fiscal Analysis to quantify and communicate the fiscal performance of the Town’s current and projected development and service model. Erie’s current fiscal health shows an expansion of its service area and population along with increasing costs. Due to the lower density development pattern of this development the cost per household is increasing. Other General Fund (GF) observations from the analysis include:

- Over the last five years, expenses have increased from \$2,191 to \$4,283 per acre, while the revenue per acre has only grown from \$2,757 to \$3,935 in this same span.
- Expenditures per acre are increasing, despite the Town boundary also increasing. This indicates that the Town’s spending as a ratio of its service area (Town limits) is increasing.
- Expenses per capita and per household have both increased significantly over the last five years, with the largest spike in fiscal year 2022 (FY22), below.

Year	FY19 Actual	FY20 Actual	FY21 Actual	FY22 Budget	FY23 Adopted
GF Expenses	\$ 26,015,610	\$ 26,427,619	\$ 31,743,954	\$ 58,272,858	\$ 52,861,085
Population	22,965	24,223	30,038	29,367	34,828
Households	7,732	8,156	10,114	9,888	11,727
Acreage	11,872	11,880	12,325	12,341	12,341
GF/Capita	\$ 1,133	\$ 1,091	\$ 1,057	\$ 1,984	\$ 1,518
GF/HH	\$ 3,365	\$ 3,240	\$ 3,139	\$ 5,893	\$ 4,508
GF/Acre	\$ 2,191	\$ 2,225	\$ 2,576	\$ 4,722	\$ 4,283

Verdunity’s work also informed discussions on ways to improve long-term fiscal health by quantifying the land use scenarios developed during the Comprehensive Plan process. The following excerpt from the Fiscal Analysis summarizes the findings of the scenario modeling:

"Growth Scenario Modeling

Continuing the status quo (represented by Scenario A in the modeling) results in a larger net revenue deficit than current conditions. This is not a fiscally sustainable position for the Town long-term. Scenarios B, C, and the Preferred Scenario have positive net revenue, thereby decreasing the revenue deficit of the Town. By accommodating more people and increasing the density, the revenue per acre (property and sales tax) increases while the average cost per household decreases, as there are more people to share the cost burden." (p. 4)

Verdunity’s analysis considered all revenue sources, including sales tax. The following illustrates the fiscal performance of each scenario, and the selected ‘preferred scenario’, also known as the Future Land Use Map. **The Preferred Scenario has an average household cost that is 28% less than the Town’s existing development pattern. Additionally, the Preferred Scenario has the highest revenue growth (522% property tax revenue, and 294% total revenue).**

Cumulative Values (Existing + Scenario Additions)					
	Existing (2023)	Scenario A	Scenario B	Scenario C	Preferred Scenario
Population	33,104	67,761	75,065	89,718	77,572
Households	10,585	23,142	25,788	31,097	26,697
Revenues					
Property Tax Revenue at Current Tax Rate	\$ 5,411,857	\$ 11,843,366	\$ 28,103,302	\$ 30,118,474	\$ 33,646,524
Sales Tax Revenue (Development Related)	\$ 7,152,002	\$ 31,804,192	\$ 30,169,587	\$ 30,461,618	\$ 30,009,350
Sales Tax Revenue (Internet + All Other)	\$ 8,900,854	\$ 18,219,241	\$ 20,183,223	\$ 24,123,092	\$ 20,857,148
Total Tax Revenue (Property + Sales)	\$ 21,464,713	\$ 61,866,799	\$ 78,456,112	\$ 84,703,184	\$ 84,513,022
Costs					
Public Services and Maintenance Costs	\$ 52,861,085	\$ 71,764,669	\$ 74,172,859	\$ 78,492,861	\$ 73,791,119
Future Street Liabilities	\$ 11,969,485	\$ 46,416,213	\$ 45,602,355	\$ 47,000,006	\$ 44,285,893
Total Cost (Services + Infrastructure)	\$ 64,830,570	\$ 118,180,882	\$ 119,775,214	\$ 125,492,866	\$ 118,077,012
Net Revenue	\$ (43,365,857)	\$ (56,314,083)	\$ (41,319,102)	\$ (40,789,682)	\$ (33,563,990)
Avg Cost / New HH	\$ 6,125	\$ 5,107	\$ 4,645	\$ 4,035	\$ 4,423

Since the March 4 Study Session, several Council members asked for clarity on the difference between the annual expenditures assumed in the Fiscal Analysis model and the Town’s current planned expenditures for street improvements identified by the Town’s Streetscan program. The fiscal analysis prepared for the Comprehensive Plan is a conservative, high-level model of total life cycle costs. The number used in the model assumes full street reconstruction every 20 years, which is estimated to cost \$299 million during the 25-year horizon of the Comprehensive Plan and model. This overall number was averaged over the 25-year horizon to \$12 million/year and is not meant to be used as an engineering study for capital improvements planning

(CIP) or for budgeting. This works out to a cost of \$750,000 per lane mile to reconstruct a lane mile every 25 years, or the equivalent of \$30,000/lane mile/year. In contrast, the Town's actual costs for street maintenance, and in fact the amount spent at the 75 Percentile for over 100 jurisdictions in Colorado, is much lower, at about \$11,000/lane mile/year. This lower figure reflects the preservative effect of routine maintenance and regular resurfacing treatments that extend the useful life of pavement over a period longer than 25 years. The fiscal analysis points out that only 7% of Erie's streets require reinvestment over the next 10 years and assumes that greater investment will be required as new infrastructure ages and must be improved or reconstructed.

Since most of Erie's development has occurred over the last 20 years, the Town will need to spend more on infrastructure over time. Based on current practices, The Town does not fully reconstruct every 20 years and thus will be able to extend the \$299 million cost over a longer period. Excerpt from the Fiscal Analysis: (pg. 77)

*"The Town's current budget is set up to cover current costs and doesn't fully account for future infrastructure costs that will be coming in the next several decades as the streets and other infrastructure put in by developers in past years must be replaced. If the Town wanted to cover these future street reconstruction liabilities completely with property tax **[alone]** at the current tax rate, it would need to quadruple the average property tax revenue/acre townwide from \$444 to \$1,612. If property tax continues to make up the same 11% of the overall general fund as it does currently, this would mean the general fund per acre townwide would need to be around \$15,605. emphasis added*

*If the Town continues to add development on the periphery of the Town that is lower density and requires additional thoroughfares, local streets, and public services, these values will increase even more. Due to state legislation that limits the Town's ability to collect property taxes, it is not likely these revenue goals can be accomplished with just property tax, so sales tax will need to grow significantly. **The most viable solution to grow both property and sales tax revenue while limiting costs is to prioritize mixed-use infill development that increases value capture in areas that already have infrastructure and services.** Additionally, new greenfield development should be evaluated to ensure it helps the Town close resource gaps as opposed to making them bigger."*
(p. 77)

StreetScan analysis does factor in recommendations of full reconstruction, where needed, based on the data collected. StreetScan estimates and the Town's approach will evolve over time. StreetScan is real-time data that helps the Town understand pavement deterioration rates and forecast a definitive 5-year capital improvement plan. The StreetScan analysis is an on-the-ground reflection of what it costs to

maintain streets. This does not change the fiscal analysis findings and the relationship between development patterns and resulting lane miles, property values, and other revenues. Public Works and Transportation staff will be presenting information about this year's StreetScan findings, the annual maintenance program, and 5-year capital improvement plan for the street infrastructure this summer.

The StreetScan analysis is used for CIP and budgeting, while the fiscal analysis is an average of 25-years of infrastructure costs and assumes full replacement every 25 years. The Fiscal Analysis shows Erie's development pattern and infrastructure to be relatively young, and lower cost in the short term. Erie's costs in the next 10 years will be lower than the average \$12M identified in Fiscal Analysis, but as the Town reaches build-out costs will increase due to decreasing revenue and increased infrastructure maintenance. As Erie reaches build out over the next 20-30 years, the Town will have less development-related revenue, and more streets liabilities, given the age of streets. As Erie's neighborhoods and infrastructure continue to age, more funds will be needed for the Public Works department, Streets and Parks divisions.

Education and Outreach

During the engagement phases of the Comprehensive Plan, staff recognized that future messaging and community education about the Comprehensive Plan and its role was a necessary step for successful implementation. Since plan adoption, the Communications team and Planning staff have been working on creating a multi-pronged outreach approach to provide continual education on development processes, areas of growth, and the Comprehensive Plan overall.

The multi-pronged approach will include a "Road Show" and Awareness Campaign(s) over a 6-month period.

- **Phase One** (2-3 months): The Road Show is a community education opportunity where the Comprehensive Plan and past community efforts will be shared at various Town events throughout the community. Staff will also be available to attend HOA meetings upon request. The goal of these efforts is to build off past momentum and share where the Comprehensive Plan is now and where it is going, answer resident questions, and inform on items that are actively being implemented.
- **Phase Two** (2-3 months): During the Road Show, staff anticipate there will be certain areas and/or items of the Comprehensive Plan that are points of confusion. These points of confusion are opportunities for staff to engage and explain issues to develop further awareness. This phase will focus in on these areas and/or items by working cross departmentally on creating Awareness Campaigns. These campaigns will be deep dives of

the areas and/or topics utilizing videos, social media, print materials, and additional in-person events. The goal for the awareness campaigns is to inform and provide clarity.

Unified Development Code (UDC) Update

When Comprehensive Plans are updated, it is common to follow with an update to a municipality's development codes and regulations. This ensures the vision expressed in the plan, and the development related policies are implemented. As a part of the approved 2025 budget, \$200,000 was approved to hire a consultant for the UDC update. The project will have stakeholder engagement and feedback. Project goals are as follows:

- Implement Comprehensive Plan policies and goals, including addressing the needs of infill development, water conservation, green infrastructure, and diverse housing options.
- Create a transparent, predictable, and consistent process.
- Respond to feedback and concerns from the community, business owners, developers, and builders.
- Remain consistent with State and federal law.
- Ensure the last five years of individual UDC updates are cohesive.
- Increase use of standard zoning districts instead of Planned Development (PD) zone district.
- Address technical concerns identified by staff since the 2019-2022 updates.