

Colorado Front Range Comparative Study and Scorecard:

Building Fees and Estimated Approval Times

For 20 Local Governments

Conducted by:

Everitt Real Estate Center

Colorado State University

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College of Business

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Acknowledgements

The Everitt Real Estate Center (EREC) in the College of Business at Colorado State University (CSU) acknowledges significant financial underwriting for this report from **Metro Denver Economic Development Corporation (Metro Denver)** and the **Colorado Chapter of the Society of Industrial and Office Realtors® (Colorado SIOR)**¹. Tom Clark and Peter Kast respectively helped facilitate logistics for the project and provided advice as requested. Panattoni Development Company, Inc. supplied the sample industrial property and the Everitt Companies supplied the office building used in this study. Torto Wheaton Research approved exhibits illustrating history and forecast for the Denver metropolitan statistical area (MSA) office and industrial markets.

Andreas Bauer and Wes Castle, two CSU undergraduate real estate students interviewed, collected data, and prepared initial statistics on the 20 local governments included in this study. Andrew Mueller, PhD candidate in economics managed the field research activities of the students and co-authored the final report with Steven Lapos, PhD, director of the Everitt Real Estate Center and Loveland Commercial Endowed Chair in Real Estate. Anne Spry of the EREC assisted on this study too.

We appreciate the time, interest, and assistance from all building, planning, and other government employees interviewed for this study. It is our intent that the results of this study enlighten public and private market participants to improve the delivery of goods and services associated with commercial real estate. We encourage continued dialogue, education, and research during these challenging economic times with reduced development activities, such that any '*lessons learned*' regarding the development process, fees, and approval times over the next few years are obvious during forthcoming recovery and expansion cycles.



¹ See <http://www.metrodenver.org/> and <http://siorcolorado.com/index.html> for more information on Metro Denver and Colorado SIOR respectively. [March 7, 2009]

Disclaimer

CSU students and co-authors engaged in the preparation, collection and analysis of data, reporting and presentation attempted all reasonable efforts to confirm the results contained herein. During the field research phase, CSU students personally contacted several government agencies numerous times to confirm building fees and approval timing estimates. We also maintained an audit trail of all correspondences to and from public individuals and officials such as emails and field notes².

We recognize each city and county included in this report may have conditions that potentially alter the final results for special circumstances such as historical districts, urban renewal and enterprise zones, or targeted redevelopment geographic areas. This report does not account for any special situations; rather we used a generic office and industrial building for a non-descriptive site within the jurisdiction's boundary.

The CSU team has made every effort to supply correct and equivalent fees across local governments for the two theoretical building plans used for this study. The intention of this report is to be a starting point for developers in assessing the timelines and fees typical to a large scale project in each local government, and to gain some perspective on the risks and costs associated with each local government's approval and permitting process. CSU reviewed the comparative score card studies produced by Oklahoma City University (Fall 2008) and Brigham Young University (Spring 2008) – two studies that investigated local governments in Utah and Oklahoma - and attempted to follow similar methodologies.

CSU makes no representations or warranties, expressed or implied as to the accuracy or completeness of this report or the information it contains. CSU is not liable for any damages arising from the use of or reliance on any information contained in this report, whether directly or indirectly, including damages from inaccuracies, omissions, and errors. It is the responsibility of the readers and users of this report to verify building fees and approval time estimates for specific developments.

Local governments surveyed in this study are invited to revise any and all calculations. Please submit corrections via phone, email or fax by April 15, 2009.

² All emails and notes are held in the Everitt Real Estate Center.

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Introduction

Regional economic growth occurs for various reasons and in various locations. Factors such as the cost of living and cost of business, access and composition of labor pools, the quality and quantity of available commercial real estate space, rents or undeveloped land, and numerous demographic characteristics combine to explain differences over time why one city or county grows and others don't.

Public policies also dictate and influence the spatial distribution of regional economic growth patterns. For example, business license fees, property taxes, building codes, land planning, and zoning regulations have positive and negative impacts and consequences for firms, households, and real estate developers. Site location strategies and decisions integrate a wide variety of national and regional data, including public policies, in order to select where to establish or expand operations. Perceptions of individual cities and counties typically result in assigning different 'grades' by the real estate community based on a continuum from extreme pro-growth to anti-growth policies.

The commercial real estate industry, including developers, builders, brokers, appraisers, architects, and others are highly cognizant of regional economic growth patterns and trends. Commercial real estate information providers and the brokerage community release quality and quantity of market trend data on a timely basis. During the initial phase of the commercial real estate life cycle, there is generally a simple question raised in a pre-development meeting; "...how long will it take to obtain government approvals for my office or industrial development?" This question is quickly followed by, "...how much are the building fees?"

This study answers those two questions for a sample group of cities and counties located on the Front Range in Colorado. Initially, the report addresses national construction trends, setting the foundation and describing the 'big picture' in order to then determine regional and local impacts. Next, we summarize office and industrial permit fees for the sample local governments, followed by a subjective grading of professionalism, communications, and website information for each local government. Finally, we discuss the implications or 'so what' questions this study raises for the public and private sector.

National and Regional Trends

Commercial real estate construction cycles do not necessarily follow economic cycles. History teaches us that lags sometimes exist between when the economy changes from one phase to another, and when construction responds. For example, when the economy expands as measured by Gross Domestic Product (GDP), construction put-in-place³ growth lags due to the time to develop, design, and build commercial real estate properties such as warehouses, office buildings, retail centers, and hotels.

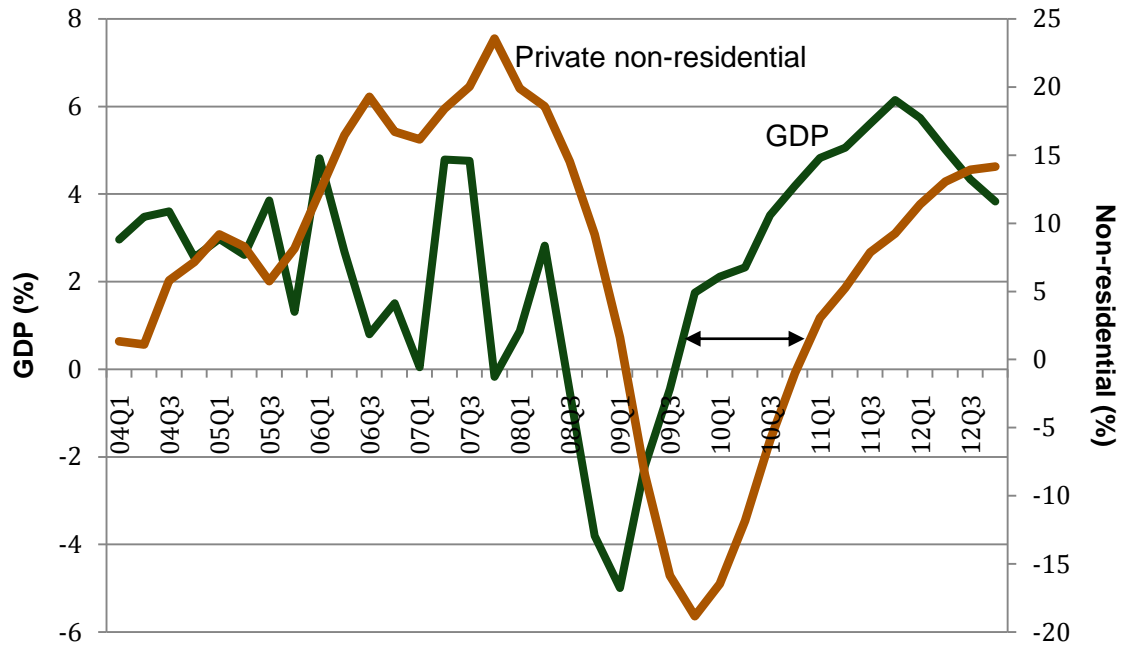
Exhibit 1 illustrates recent history and forecasts for GDP and private non-residential construction using quarterly annualized growth rates from 4th quarter 2001 through 4th quarter 2012. Private non-residential construction continually increased through the 4th quarter 2007, even though GDP growth peaked in the 1st quarter 2006 followed by intermittent high points and sputtering declining growth. Once GDP growth contracted in 2008 and eventually entered a deep recession, construction growth mirrored the economy albeit by two quarter lags. Moody's Economy.com (MEC) forecasts a gradual recovery by 2010 and even substantial economic expansion in 2011 and 2012. Construction growth, however, appears to lag economic recovery by five quarters in the forecasted time period. The five quarter lag is most likely due to expected lower occupancies across all major property types, and not necessarily due to oversupply conditions as experienced in the late 1980s and early 1990s.

Recently, the national construction cycle has lagged two quarters during contraction and recession economic phases;

Forecasts indicate five quarter lag during future recovery and expansion phases

³ For more information, see <http://www.census.gov/const/www/c30index.html> [March 11, 2009]

Exhibit 1 - GDP vs. Construction Put-in-Place Annualized Growth Rates



Source: Moody's Economy.com, February 2009

This study answers several questions based on empirical research and field due diligence, but there are other questions left to the reader to adapt to their own situation. . . Why is the national forecasted lag of commercial construction to economic growth important to this study, to the local governments, or firms? What are the probabilities that such a lag will also occur in the Front Range, and if so, how will that affect the level and timing of building permit fee revenues for cities and counties? Are the decisions to locate or build in any city or county actually impacted by building permit fees and approval times, and are locations with higher fees justified due to significant differences in quality of life, delivery of public services, growth policies, or a '*...we didn't know we were so high*' response.

Background

The Everitt Real Estate Center at Colorado State University conducted this comparative study of cities and counties located in the northern and central areas of the Front Range of Colorado. The motivation originated with previous studies conducted by Brigham Young University (BYU) and Oklahoma City University (OCU) focused on local markets in their respective geographies and underwritten with the support of the National

Association of Industrial & Office Properties and also the Society of Industrial and Office Realtors. This study, similar to the BYU and OCU studies, focuses on two major questions:

1. What are the estimated approval times for a standard office and industrial development, and,
2. What are the estimated building-related fees for the same two properties?

The Everitt Real Estate Center selected the sample cities or counties based on a cross section of geographies, city sizes, and interest factors (Exhibit 2). CSU students visited the building and planning departments of the local governments beginning November 2008 and ending March 2009.

Exhibit 2 – Local Governments in Survey

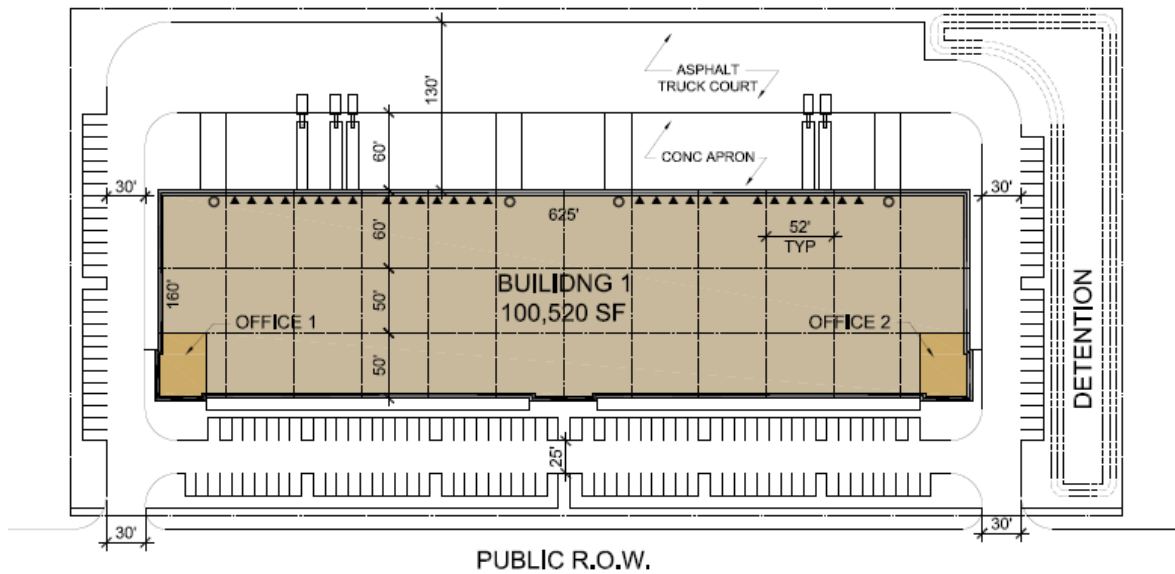
Cities	Counties
Arvada	Arapahoe County
Aurora	Boulder County
Brighton	City and County of Broomfield
Castle Rock	City and County of Denver
City of Boulder	Douglas County
Fort Collins	Jefferson County
Golden	Larimer County
Greeley	
Greenwood Village	
Littleton	
Longmont	
Loveland	
Westminster	

We solicited development plans for a sample office building and warehouse property through Colorado SIOR. Exhibits 3 and 4 illustrate the sample properties used with the building departments in our selective list. We obtained building valuations from the Everitt Companies for the office property and the 2008 edition of Marshall & Swift⁴ for the industrial

⁴ See <http://www.marshallswift.com/> for more information

property. We did not have values by any industry standard construction divisions⁵ for each property nor building type information. If any building department required such information we then applied the same assumptions across all local governments.

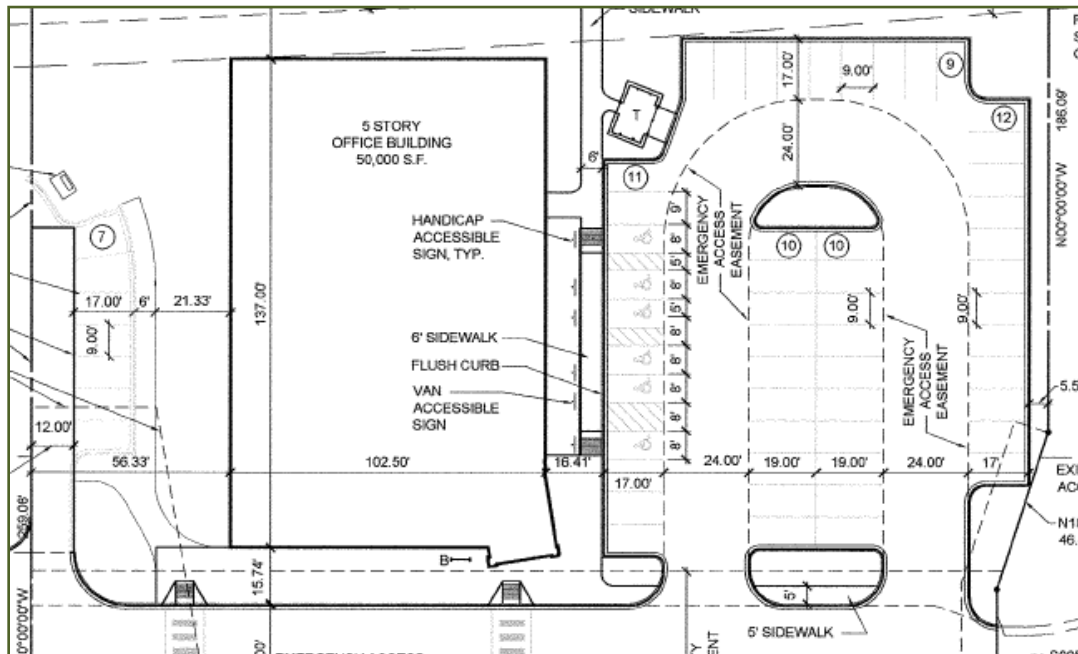
Exhibit 3 – Sample Industrial Building



Source: Panattoni Development Company, Inc.

⁵ Such as The Construction Specification Institute
(http://csinet.org/s_csi/index.asp?gclid=CPC_0JrEp5kCFR0SagodQg9UqQ) [March 15, 2009]

Exhibit 4 – Sample Office Building



Source: Everitt Companies

Methods

We followed the three step approach used by previous studies to collect data from the selected local governments. Descriptions of the steps are as follows:

1. Our first step was to contact each local government and furnish them with our building plans for the office and industrial project, request information on the fees and timeline for each project, and gain as much information about the timing and web resources available to estimate fees. Typically, we gathered a list of fees from each local government, a government contact, as well as a general estimate of timing for each project.
2. We applied the list of fees to the two proposed projects based on the list of fees gathered from web resources and discussions with the planning or building department of each local government. Due to the variance in building fee categories across local governments, fees deemed 'apples to apples' such as building permit and plan review fees are shown separately than other fees that are not as conducive to comparisons across local governments.

3. Finally, our data collection of fees and timing was sent via email to local government contacts to **verify** that estimated fees and timing schedule were correct for the proposed projects. Although we repeatedly attempted to verify building permit fees and approval times, numerous local governments did not respond citing various and unknown reasons. If no response was received within one week of sending the final verification request, we accepted the building permit fee estimates as verified and final for the purposes of this study⁶.

Permit Time Estimates

This study also compares the time needed to obtain permits across the sample local governments. For simplicity and consistency, only the length of time needed for building plan approvals was assessed, as the variance of platting, zoning, environmental impact, and other permitting processes varied too widely across the different local governments to be of value as direct comparisons. The building permit process, however, is relatively uniform across the 20 local governments studied in this report. Information is provided based on estimates obtained from government agency, primarily maximum weeks for approval. Therefore direct comparisons of approval times as reported may have limited value due to a wide range of variables and situations that may streamline or extend the review and approval process.

Assumptions

We used several consistent specifications in all calculations of fees to provide uniformity of the data collected across local governments. The office building was assumed to be designed to ICC standard Business 1A and the industrial building was designed to standard F2 – 2B to guarantee the building meets minimum code standards for each local government. For industrial and office, a 2” water hookup was assumed, and a 4” sewer pipe. Water meter sizing was based on the size of the hookup, and a turbo meter was assumed to be required for the sprinkler system when fee schedules were available. Note that local governments across the front range have wide and varying ways of collecting the overall building permit fees, with a much wider variance in collection of use taxes on building materials, water and sewer connection fees, park and open space fees, and public

⁶ Note: several local governments were given an opportunity to review individual estimates prior to publication of this report. Additionally, we also physically canvassed the majority of local governments on the Front Range, meeting with local officials, during the week of March 16-20, 2009 to attempt verification.

infrastructure improvement fees such as traffic impact fees, and associated fees for police and fire. Exhibit 5 describes the major characteristics of the sample office and industrial building.

Exhibit 5 – Sample Property Descriptions

Description	Office	Industrial
Building Type	B-1A	F2-2B
Square Feet (sq ft)	51,497	100,520
Cost/sq ft (\$) ⁷	\$161.10	\$83.96
Total Construction Cost	\$8,296,331	\$8,439,186
General	81.50%	81.50%
HVAC (% of total)	6.00%	6.00%
Plumbing (% of total)	3.00%	3.00%
Electrical (% of total)	7.00%	7.00%
Fire Protection (% of total)	2.50%	2.50%
Parking Spaces (#)	175	163
Building Coverage (sq ft)	12,270	100,520
Drives & Streets (sq ft)	68,533	108,331
Landscaped Area (sq ft)	27,153	0
Sidewalk & Paving (sq ft)	11,997	72,306
Detention Space (sq ft)	16,698	21,867
Impervious Area (sq ft)	92,800	281,158
Total Area (sq ft)	136,651	303,025

Observations

Water rights - Due to the nature of the water rights in Colorado, water rights appear to be of major concern to most local governments who have a given allocation of water resources that are not easy and often very costly to augment. In some cases, water rights must be deeded to local governments to obtain city water connections for a commercial development. In addition, some local governments pay for the expensive costs of supply water and sewer services to their local government by charging significant taxes to new developments in the form of water and sewer hookup fees. As the data shows, water fees can be a sizeable portion of the overall total permitting fee schedule, impacted by local

⁷ Source of cost per square footage is International Building Code, 2009 edition (see appendix for table).

governments' access to water. This is a critical consideration for developers who may be contemplating purchase of property that comes with significant water rights, as some of these fees may be augmented by the value of water rights that may be deeded over to the local government.

Building codes - Many of the local governments in this study have or will be switching to the international building code guidelines as to construction type, required fire protection, and required materials for each type of usage. Although these requirements are beyond the scope of this study, the fact that they are generally in line with the international building code guidelines makes the results of this study generally comparable as far as building safety and material requirements are concerned, and adds to the comparability across local governments.

Fee Summaries

Local governments have building permit fee tables available on their respective websites. Ease of use and finding such tables is not uniform across local governments but generally the tables are available and maintained up to date. Since many of the local government staff members pointed our visiting teams to their websites, we've included general comments and recommendations as appropriate in this study.

Is it possible to compare building permit and plan review fees across the sample local governments? Yes (and no). Of all the fees associated with a new commercial project, local governments use a simple linear equation to calculate building permits. For a building over \$1 million, the equation $y = a + bx$ estimates the building permit where 'y' equals the total building permit fee, 'a' equals the fee for the first one million in value, 'b' equals the \$ per square foot (sq ft) for values above one million dollars, and 'x' equals total building value minus one million divided by 1,000. Once the building permit fee is calculated, then the plan review fee is based on a percentage of the building permit fee.

Exhibit 6 illustrates the linear model inputs for the building permit fee and also the percentage used to calculate the plan fee for the sample local governments. There are several obvious factors that influence the total building permit and plan review fee. Whereas Fort Collins and the City and County of Broomfield have low fees for the first one million, Broomfield's fee for each additional \$1,000 in value is the highest at \$4.75. Golden has the lowest percentage for the plan review fee calculation and Aurora's plan fee percentage at 100% results in a plan review fee equal to the building permit fee.

Exhibit 6 – Building and Plan Review Fee Inputs⁸

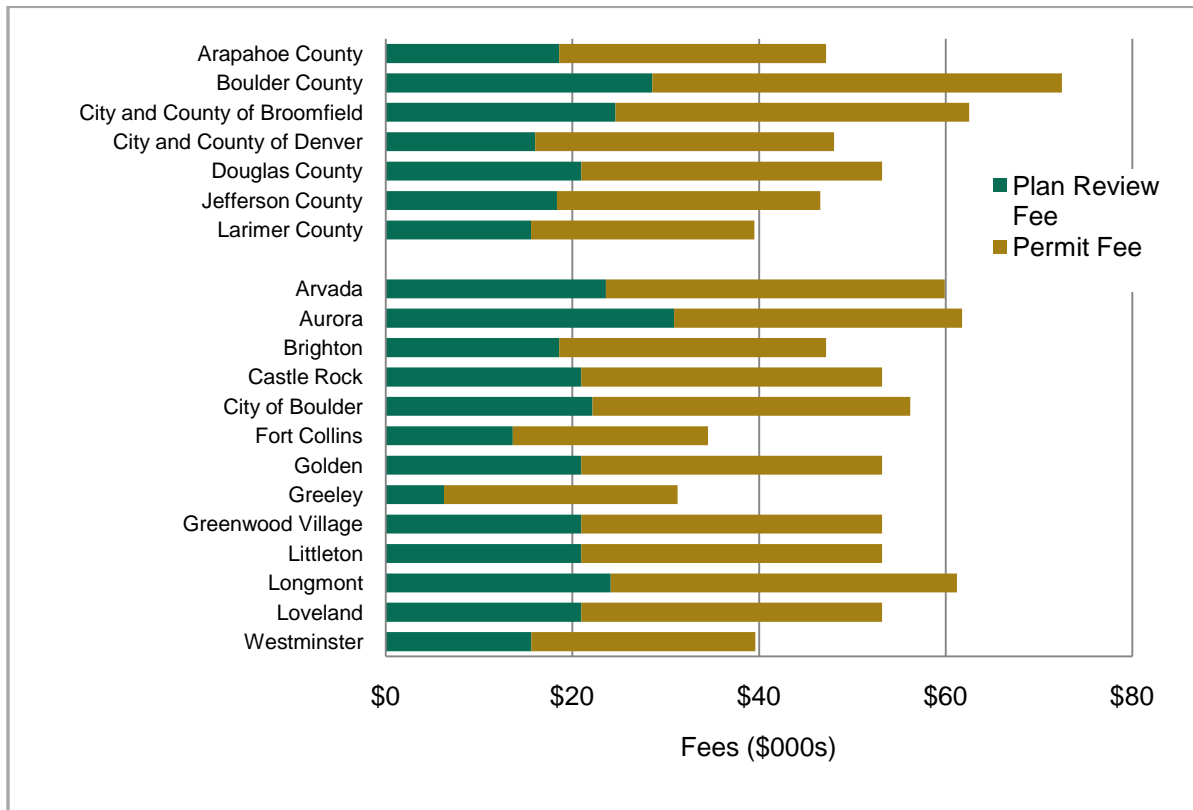
Local Government	First \$1 million	\$ per sq ft additional \$1,000 > \$1m	Plan Fee % Building Permit
Arapahoe County	\$5,608.75	\$3.15	65%
Arvada	\$6,824.49	\$4.04	65%
Aurora	\$6,072.00	\$3.40	100%
Boulder County	\$8,750.24	\$4.82	65%
Brighton	\$5,608.75	\$3.15	65%
Castle Rock	\$5,608.75	\$3.65	65%
City and County of Broomfield	\$3,233.75	\$4.75	65%
City and County of Denver	\$5,385.00	\$3.65	50%
City of Boulder	\$5,979.00	\$3.85	65%
Douglas County	\$5,608.75	\$3.65	65%
Fort Collins	\$2,683.00	\$2.50	65%
Golden	\$5,608.75	\$3.65	25%
Greeley	\$4,955.00	\$2.75	65%
Greenwood Village	\$5,608.75	\$3.65	65%
Jefferson County	\$6,327.00	\$3.00	65%
Larimer County	\$4,672.34	\$2.64	65%
Littleton	\$5,608.75	\$3.65	65%
Longmont	\$6,448.55	\$4.20	65%
Loveland	\$5,608.75	\$3.65	65%
Westminster	\$4,659.20	\$2.65	65%

Source: Everitt Real Estate Center, local governments (March 2009)

Exhibit 7 graphs plan review and building permit fees for the 20 local governments, grouping counties and cities. Several local governments have the exact building permit and plan review fees as expected for the sample office building - Castle Rock, Douglas County, Golden, Greenwood Village, Littleton, and Loveland.

⁸ Several local governments have unique value range tables and fees such as Boulder County, Fort Collins, and Jefferson County. In such cases, we calculated the fee for the first one million in value.

Exhibit 7 – Office Plan Review and Building Permit Fees



Source: Everitt Real Estate Center, Building Departments

Greeley has the lowest (\$31,275) and Boulder County the highest (\$72,465) in total building permit and plan review fees for the sample office building. Exhibit 8 includes the subtotals for the plan review and building permit fees, total fees, and ranking based on total fees (1=highest, 20=lowest). The exhibit also includes averages, standard deviations, minimums, maximums, and medians for the plan review and building fee estimates.

Exhibit 8 – Office Fees Table

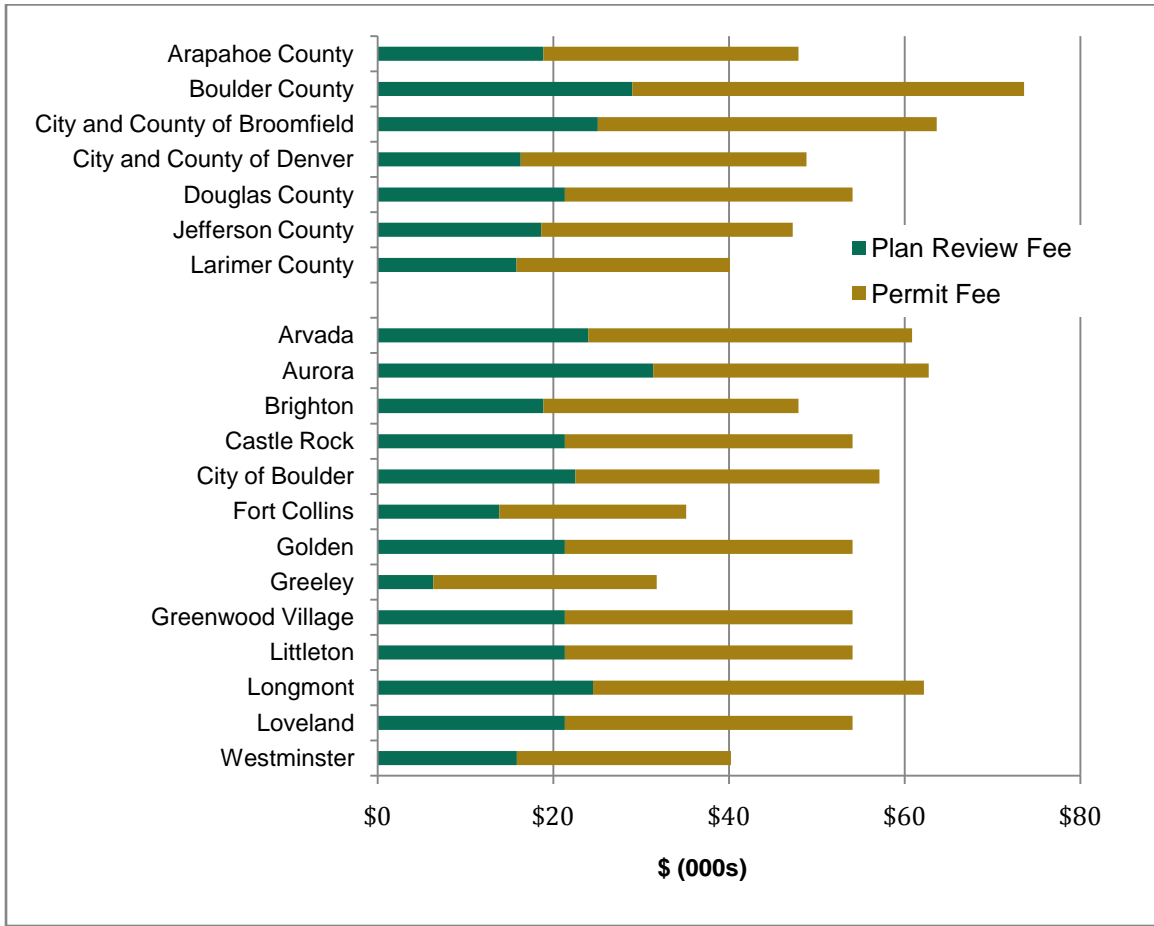
Local Government	Plan Review Fee	Building Permit Fee	Total	Rank
Arapahoe County	\$18,584.93	\$28,592.19	\$47,177.12	14
Arvada	\$23,596.08	\$36,301.67	\$59,897.75	5
Aurora	\$30,879.53	\$30,879.53	\$61,759.05	3
Boulder County	\$28,547.06	\$43,918.56	\$72,465.62	1
Brighton	\$18,584.93	\$28,592.19	\$47,177.12	15
Castle Rock	\$20,956.23	\$32,240.36	\$53,196.59	7

Local Government	Plan Review	Building Permit	Total	Rank
	Fee	Fee		
City and County of Broomfield	\$24,629.36	\$37,891.32	\$62,520.69	2
City and County of Denver	\$16,008.30	\$32,016.61	\$48,024.91	13
City of Boulder	\$22,145.42	\$34,069.88	\$56,215.30	6
Douglas County	\$20,956.23	\$32,240.36	\$53,196.59	7
Fort Collins	\$13,600.49	\$20,923.83	\$34,524.32	19
Golden	\$20,956.23	\$32,240.36	\$53,196.59	7
Greeley	\$6,254.98	\$25,019.91	\$31,274.89	20
Greenwood Village	\$20,956.23	\$32,240.36	\$53,196.59	7
Jefferson County	\$18,340.40	\$28,215.99	\$46,556.39	16
Larimer County	\$15,557.53	\$23,934.66	\$39,492.18	18
Littleton	\$20,956.23	\$32,240.36	\$53,196.59	7
Longmont	\$24,110.54	\$37,093.14	\$61,203.68	4
Loveland	\$20,956.23	\$32,240.36	\$53,196.59	7
Westminster	\$15,596.41	\$23,994.48	\$39,590.89	17
Average	\$20,108.67	\$31,244.31		
Standard Deviation	\$5,351.97	\$5,398.62		
Minimum	\$6,254.98	\$20,923.83		
Maximum	\$30,879.53	\$43,918.56		
Median	\$20,956.23	\$32,240.36		

Source: Everitt Real Estate Center, local governments

Exhibit 9's stacked bar chart shows the building permit and plan review fees for the sample industrial property. Not surprisingly, there is a strong correlation with the total office fees as only the building value changed in the calculations. Exhibit 10 presents the calculated data for the two fees, the total fee, and ranking for the 20 local governments.

Exhibit 9 – Industrial Plan Review and Building Permit Fees



Source: Everitt Real Estate Center, local governments

Exhibit 10 – Industrial Fees Table

Local Government	Plan Review Fee	Building Permit Fee	Total	Rank
Arapahoe County	\$18,877.42	\$29,042.19	\$47,919.61	14
Arvada	\$23,971.22	\$36,878.80	\$60,850.03	5
Aurora	\$31,365.23	\$31,365.23	\$62,730.47	3
Boulder County	\$28,994.63	\$44,607.12	\$73,601.75	1
Brighton	\$18,877.42	\$29,042.19	\$47,919.61	14
Castle Rock	\$21,295.16	\$32,761.78	\$54,056.94	7
City and County of Broomfield	\$25,070.43	\$38,569.89	\$63,640.31	2
City and County of Denver	\$16,269.02	\$32,538.03	\$48,807.05	13
City of Boulder	\$22,502.91	\$34,619.87	\$57,122.78	6
Douglas County	\$21,295.16	\$32,761.78	\$54,056.94	7
Fort Collins	\$13,832.63	\$21,280.97	\$35,113.60	19
Golden	\$21,295.16	\$32,761.78	\$54,056.94	7
Greeley	\$6,353.19	\$25,412.76	\$31,765.95	20
Greenwood Village	\$21,295.16	\$32,761.78	\$54,056.94	7
Jefferson County	\$18,618.96	\$28,644.56	\$47,263.52	16
Larimer County	\$15,802.67	\$24,311.79	\$40,114.46	18
Littleton	\$21,295.16	\$32,761.78	\$54,056.94	7
Longmont	\$24,500.54	\$37,693.13	\$62,193.67	4
Loveland	\$21,295.16	\$32,761.78	\$54,056.94	7
Westminster	\$15,842.48	\$24,373.04	\$40,215.52	17
Average	\$20,432.49	\$31,747.51		
Standard Deviation	\$5,438.25	\$5,488.77		
Minimum	\$6,353.19	\$21,280.97		
Maximum	\$31,365.23	\$44,607.12		
Median	\$21,295.16	\$32,761.78		

Source: Everitt Real Estate Center, local governments, February 2009

Miscellaneous Fees

Each local government has other miscellaneous fees associated with the development and construction of commercial real estate properties. Use taxes are charged by cities and counties, water tap fees, traffic impact fees, storm sewer fees, open space fees, plant investment fees; we discovered multiple other fees, some unique to a local

government, and others challenging to find. We offer a cautionary note concerning these miscellaneous fees. In numerous local government jurisdictions, there are highly specialized departments that are well equipped to assist with fees specific to that department, but are not aware of the other fees, how to calculate them, where to go to get help, or how to know if other miscellaneous fees exist.

The city and county use tax fees are based on each local government’s revenue codes and impacted on the material proportion of the total construction value, and then multiplied by an applicable sales tax rate. Some cities as Boulder and Castle Rock collect the county use and county open space tax fees as shown in Exhibit 11 (estimated fees in Exhibit 11 are based on the construction value for the office property)⁹. Such fees collected by one jurisdiction for the benefit of another government agency, still impact the overall fees a developer needs to understand and account for in a typical budget or discounted cash flow model.

Exhibit 11 – City and County Use Taxes (Office Property)

Local	County Use		
	City Use Tax	Tax	Open Space Tax
Arapahoe County		\$0.00	\$10,370.41
Arvada	\$143,526.53		\$0.00
Aurora	\$155,556.22		\$10,370.41
Boulder County		\$8,296.33	\$18,666.75
Brighton	\$155,556.22		\$0.00
Castle Rock	\$149,333.97	\$41,481.66	\$0.00
City and County of Broomfield	\$172,148.88	\$0.00	\$0.00
City and County of Denver	\$150,163.60	\$0.00	\$0.00
City of Boulder	\$141,452.45	\$8,296.33	\$18,666.75
Douglas County		\$41,481.66	\$0.00
Fort Collins	\$157,630.30		\$0.00
Golden	\$124,444.97		\$0.00
Greeley	\$143,526.53		\$0.00
Greenwood Village	\$149,228.97		\$12,435.75
Jefferson County		\$0.00	\$0.00
Larimer County		\$33,185.33	\$10,370.41

⁹ See the appendix for city and county use tax fees for the industrial property.

Local	County Use		
	City Use Tax	Tax	Open Space Tax
Littleton	\$130,667.22		\$20,740.83
Longmont	\$162,815.51		\$0.00
Loveland	\$157,630.30		\$0.00
Westminster	\$159,704.38		\$0.00

Source: Everitt Real Estate Center, local governments

Individual Observations

This section briefly describes the interaction with the local governments including email, phone, and personal visits. The field due diligence team gave each local government a subjective ‘grade’ based on their experience in collecting and analyzing the data, ease of use through web-based resources, responding to questions, and verification process. We recognize the subjectivity of the grades and the possibility of misinterpretation; nonetheless, there is an opportunity for each local government and the private sector to learn from our study.

We also recognize that most of the local government officials may be better equipped to handle enquiries from professionals such as architects, planners, and contractors rather than upper level undergraduate students. Several local governments, however, were exceptional to work with throughout the process, spending time with our team and quickly responding to questions. Other local governments unfortunately, did not exhibit such high standards and qualities.

Arapahoe County

Arapahoe County receives an average grade; attempts to email them and call them had very limited response. The website provides general information on the building permit process and has a list of the building permit fees. An online permit manager assists with tracking the status of existing permits. As with most counties, water and public improvement fees were not readily available on the website. These fees were generally omitted from county websites due to multiple water and public works districts in each county. Obtaining help at the Arapahoe County’s offices is a good option, as the staff is helpful in person.

Grade – average

Arvada

Arvada receives an average grade. Original attempts to contact the building staff via email and phone were unsuccessful. Visiting the office was more productive, and the staff was friendly and helpful. The city's website is one of the least informative and most difficult to navigate in the study. We recommend improvements to the search engine to assist the public-at-large in finding information more easily. The on-site staff members are friendly and helpful.

Grade - average

Aurora

Aurora ranks below average. Emails and calls received no response from our team members. A CSU team member experienced disorganization when visiting the government building and was sent to four different departments before receiving help from the building services department. The website contains all pertinent information, although we suggest implementation of an easier navigation tool and a one-shop collection of fees applicable to new construction. A very detailed fee schedule is available on the web site; look for the City of Aurora Development Handbook (2009).

Grade – below average

Brighton

Brighton was included late in the survey process. Thus, our interaction with Brighton was limited to emails and their website. A comprehensive list of building permit fees, water, and wastewater fees were available in the 2009 fee schedule, but city taxes were not easy to locate. Email attempts to verify our building fee calculations were unsuccessful.

Grade - average

Boulder County

The Boulder County office was quick to respond, but not very informative during our initial visit. Staff members were reluctant to give detailed estimates of fees, but were able to furnish overall estimates. No attempt to assist with water or utility fee estimates was made, consistent with other counties in the study. The county website has many useful studies and guides included, but online permit status was not available. Follow up emails with the staff were not very helpful, and the staff eventually stopped responding entirely.

Grade –average

Castle Rock

Castle Rock receives an excellent grade. They provided all the information needed through email and were quick in their responses, confirming all numbers and changed anything that was incorrect. In addition, their website is intuitive, and their fee schedule includes all public works and infrastructure fees in addition to building permit fees. Our visit to the office was met with friendly and helpful staff.

Grade - excellent

City and County of Broomfield

The City and County of Broomfield has an easy to navigate website, although deficient in adding an online status checking of permits. A visit to the office was helpful, and the staff was friendly and informative. The proximity of the various departments involved in the building process assisted in a streamlined visit with all information obtained quickly.

Grade – above average

City and County of Denver

Denver ranks below average. Although the building department was extremely responsive and thorough to emails and calls in the early stage of data collection, they were slower to confirm final numbers. The highly specialized departments involved with the building process led to time consuming visits to the various offices across the city with each department having little knowledge of the other departments' functions. The city website was the most difficult to use of the study, with a severe lack of information on anything other than permit fees. The website was also extremely hard to navigate, and a poor search engine produced unproductive answers for information that was readily available on other websites. Only after calling each department and obtaining detailed instructions on the correct links to follow was some of the information requested obtained from the website.

Grade –below average

City of Boulder

The Boulder City office was very professional and well organized. Project specialists are friendly, well informed, and helpful. The city website was very informative, but some of

the requested information was buried in non-intuitive places on the site. Water plant investment fees are calculated using a metric different from the majority of other municipalities. Subsequent emails to specialists were ignored.

Grade – above average

Douglas County

Douglas County receives an above average grade. Similar to Castle Rock, the county staff was very responsive to initial emails and phone calls, assisting with all necessary information on fees, and even revising our calculations as necessary. The website is informative and easy to use, but finding all fees associated with new construction, use taxes, and utility hookup fees proved challenging. The county has a searchable permit database, which saves a significant amount of time for developers seeking to check the status of their permit applications.

Grade – above average

Fort Collins

Fort Collins receives an excellent grade. The building and development review technician was tremendously helpful in detailing permit timing, and pointed us to supplemental information on the city's website. The city's website is very well designed, includes an online fee estimator, and one of the most professional website in our study. Overall the city's website was one of the most intuitively organized, with links to water and public works fee schedules on the permit fee page, which was very helpful. The city was slow to confirm our fee estimates, but one of the only municipalities to do so.

Grade – excellent

Greeley

The city of Greeley was very informative and helpful. The building inspector technician produced detailed information on fees associated with new construction, and was well informed. The website contains all relevant information needed and is easy to navigate. A consolidation of other fees associated with new construction is recommended to improve the user experience on the website.

Grade – above average

Greenwood Village

Greenwood Village ranks average. The website is easy to navigate and obtain permit fee schedules. The website could benefit from a better consolidation of public works fees on the building department website. The staff was generally unresponsive to emails, more responsive to phone calls, and friendly and informative in person.

Grade – average

Golden

Golden's grade is average. The staff was generally friendly and informative. The city's website lacked easy access to permit fee schedules, but has some good guides to the building process. The fee structure of Golden is very straightforward, leading to relatively simple calculations for permits, water, and public works fees.

Grade –average

Jefferson County

Jefferson County receives a below average grade. Although the planning offices are well organized and county staff gave us good timing numbers, they were vague with fee estimates and instead pointed us to the county website. Unfortunately, the county website fee structures are not consolidated on the building department website. Follow up emails did not receive responses.

Grade – below average

Larimer County

Larimer County receives an above average grade. Building information via their website is helpful and straightforward. Several staff members were very helpful with approval time estimates and initial fee estimates.

Grade – above average

Littleton

Littleton receives an above average rating. Our team member contacted them through email and they were quick in their responses. They also were quick to confirm most

fees, but did not confirm all fees. The website has links on the building department's website to public works and other fees, making it easy to estimate all fees for a new project.

Grade – above average

Longmont

We met with several city staff members who were helpful and furnished us with timing estimates, but follow up emails received little or no response. The website contains most of the applicable fees, but could benefit from a way to navigate to those fees for efficiently. Longmont reviewed and corrected final fee estimates.

Grade – average

Loveland

Loveland's website is somewhat confusing to navigate, but does include an online fee estimator. A visit to the building office provided all information not obtained on the website, and the staff was helpful and informative. Similar to recommendations for other local government, the online fee estimator needs to be linked to all public work fee tables to inform users how this fee is calculated without a need to go searching other city departments. The staff was one of the few that responded to our verification request.

Grade – above average

Westminster

City of Westminster staff members were very quick to respond to enquiries and ease of building permit fee calculations. Web site is easy to navigate with many of the other fees and taxes associated with new construction listed on the building department's website.

Grade – above average

Approval time estimates

The majority of the local governments did not specifically respond to our questions on estimated approval times, correctly stating that too many factors, outside their control, influenced the duration. We did obtain ranges of estimated times from some of the local governments which are illustrated in Exhibit 12. Local governments not listed did not respond either verbally or via email to our requests.

Exhibit 12 – Estimated Approval Times

Government	Allowed Permitted Use	Conditional Use	Site Plan Approval	Building Permit
Arapahoe County				3-4 weeks depending on completion of plans
Arvada			3-4 weeks	1-3 weeks
Aurora	None	None	Within 15 days	
Castle Rock			3-4 weeks	1-3 weeks
City of Boulder		2 months	2-6 months	6 weeks - 2 months if no deficiencies
Fort Collins	Immediate			4-6 weeks
Golden			4-6 weeks	
Greeley				4 weeks
Greenwood Village				3-5 Working days
Jefferson County				3 weeks unless plans are incomplete
Littleton	3-6 months	4-6 Months	same as allowed use	3-4 Weeks*
Westminster				4-10 weeks non-fast track option

Source: Everitt Real Estate Center, includes only local governments with approval time estimate responses

Conclusions

This study highlights the significant variation in office and industrial building fees across a sample of local governments on the Front Range of Colorado. Estimated approval times are generally consistent for several local governments, but other local governments refused to give an estimate based on too many factors outside the control of the agencies that impact overall approval times.

CSU students under the direction of the Everitt Real Estate Center attempted to follow methodologies, data collection, and analysis as previous studies conducted by BYU and OCU. Final building fee estimates were sent to the respective local governments for verification and correction. Many of the local governments did not respond citing various reasons resulting in a last-minute 'herculean' effort on the part of our team and others to either visit many of the local governments, or contact the correct and responsive person, prior to the release of this study¹⁰.

Differences between the high and low for total of plan, building, and use fee estimates for the sample office are \$4.80 and \$0.90 per square foot respectively...

What explains such a difference? Location attributes, rent gradients, public policies, ...?

Developers, architects, engineers, commercial brokers, and site location consultants are aware of differences in local government's fees, approval times, and public policies that affect the entire spectrum of commercial real estate property types beyond office and industrial property types. The economic slowdown in 2009 will likely result in declining new supply of all commercial property types, with limited tenant improvements and capital expenditures for existing properties.

The recession has negatively impacted cities and counties. Moody's Investors Services warned earlier this year that local government downgrades in 2009 "...will likely result in more rating downgrades...than any other during the last 40 years..."¹¹ Some cities

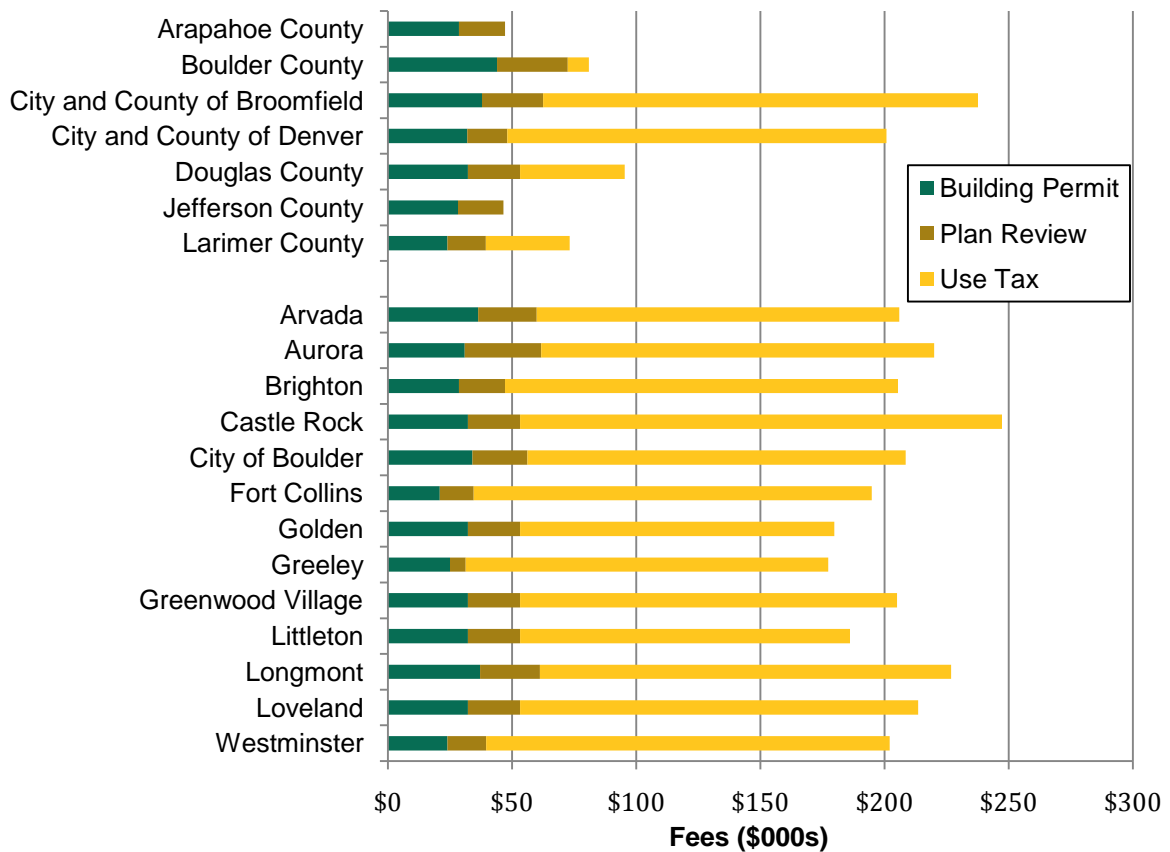
¹⁰ Once the study is preliminarily released to the public, we expect further revisions from several of the local governments.

¹¹ Lynne Funk, "Moody's: bad time for localities; downgrades to be historically high," *The Bond Buyer*, December 31, 2008

such as Benton, Arkansas are waiving fees to spur economic development¹², whereas other cities are looking into the possibility of increasing development fees¹³. The question is how will local governments on the Front Range adapt?

Exhibit 13 combines the plan review, building permit, and use fees for the 20 local governments. It is an attempt, excluding the other numerous fees and impacts, to visually compare the total fees for the sample office building for the 7 counties and 13 municipalities on a relative ‘apples to apples’ basis. We understand that other fees such as water, storm, sewer, plant investment fees, and other fees may result in a significant different picture for each local government. Exhibit 13 is, however, a starting point for further discussion.

Exhibit 13 – Plan, Building, and Use Fee Comparisons



Source: Everitt Real Estate Center, local governments

¹² Ginny Laroe “Benton looks at waiving fees to spur construction,” *Arkansas Democrat-Gazette* (Little Rock), March 9, 2009; Margaret Farley Steele, “In towns of many means, feeling the budgetary pain,” *The New York Times*, March 1, 2009

¹³ Christopher Twarowski, “Rezoning fees rise sharply; supervisors aim to recoup costs,” *The Washington Post*, January 25, 2009.

Implications – Public and private sectors

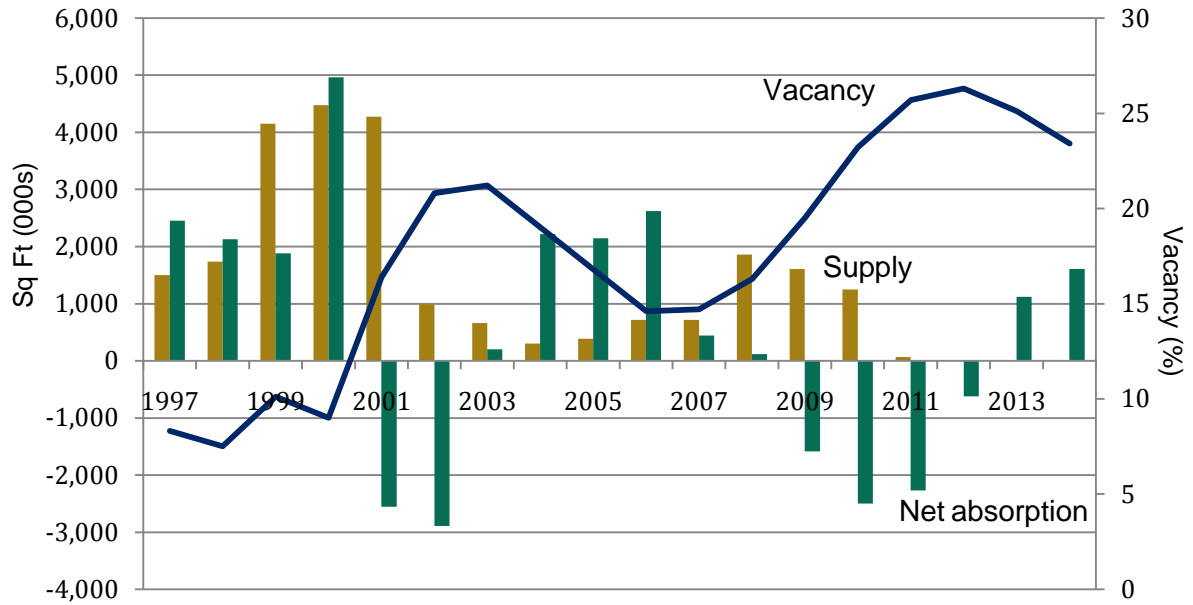
The housing decline has already directly impacted housing permit fees¹⁴ for local governments. Is it time for the other shoe, e.g., commercial real estate, to drop? Will the combination of new development downturn in the residential and commercial real estate markets negatively impact local government revenues similar to the early 1990s? Are 2009 revenue estimates accounting for slower office and industrial construction? It is not apparent that many of the Front Range local governments are adapting to lower building permit revenues based on a cursory review of several of the local government budgets for 2009.

The office and industrial markets for the Front Range have all the characteristics and handwriting on the wall indicating that Denver's metropolitan statistical area has already moved past the contraction phase in the real estate cycle. Denver transitioned into a recession phase in 2008 and the only question is when the recovery phase will start. According to Torto Wheaton Research¹⁵, the Denver office and industrial market, which includes most of the local governments in this survey, will experience significant further declines in new supply over the next five years. As lower economic demand for space continues, resulting in negative net absorption trends, office and industrial vacancy rates rationally increase through 2012 before vacancy rates begin to decline (see Exhibits 14 and 15).

¹⁴ Housing Slump Strains Budgets Of States, Cities, Amy Merrick. *Wall Street Journal*. (Eastern edition). New York, N.Y.: Sep 5, 2007. pg. A.1

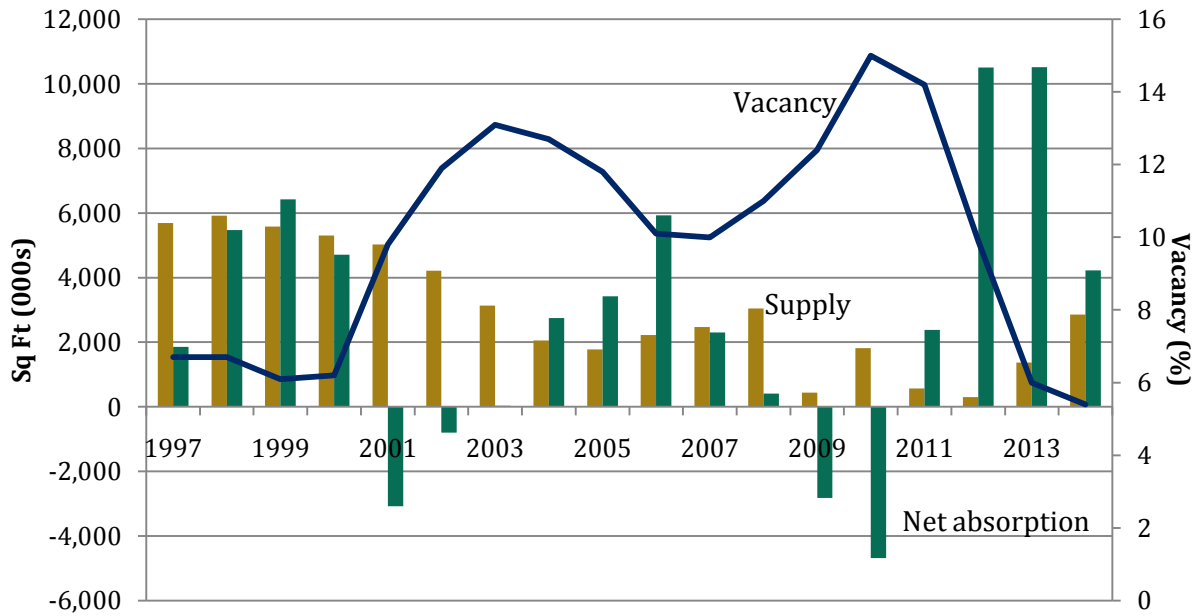
¹⁵ For more information on Torto Wheaton Research see <http://www.twr.com>

Exhibit 14 - Denver MSA Office Market



Source: Torto Wheaton Research, Winter 2009

Exhibit 15 - Denver MSA Industrial



Source: Torto Wheaton Research, Winter 2009

What do future office and industrial trends mean for local governments, not only those included in this study, but also for those not surveyed? Each local government on the Front Range will be competing for a smaller piece of a shrinking pie. Perhaps now is the time for self-examination and review of existing building permit and approval processes. If the majority of local governments told our team members to use their online systems, and if those online systems are counter-productive and inefficient, then what minor improvements are possible and required in order to raise the bar? How will a corporate real estate executive or a site locator in Chicago, London, or Buenos Aires rate your website?

Other comments or suggestions:

- Focus on making websites one-stop shopping, with integrated pull down permits, utilities, and other associated fee menus vs. going to numerous departments
- Allow the user to link to 'hidden' fee calculations eliminating any black boxes currently on several websites
- Is there a role for Denver Regional Council of Governments or economic development agencies to standardize the language of all the multiple utility fees and miscellaneous fees?
- Consider internally training of staff during the upcoming slowdown on the process of obtaining building permits and fees. Do you really need to keep passing callers or visitors from one department and building to another?
- For counties, we recommend improvements to inform the user of options for water, fire, and general public services; add a selection for the user to input an address and use a geographic information system (GIS) to identify utility service providers

What do future office and industrial trends mean for the private real estate sector, including local and non-local market participants? It may be time to take the developer's hat off for a while, and get inside a smaller set of tenants willing and able to continue to lease space, and just maybe, even expand or extend leases. Building department fees and estimated approval times are still relevant even if the shift to tenant finish or property-related capital expenditures occurs in the future.

Postscript

The Everitt Real Estate Center in the College of Business at Colorado State University appreciates the opportunity to survey the Front Range local governments and

present our analysis and findings. We plan to address this survey in a year or two when the national and regional economy returns to positive growth and possibly re-survey some of the original local governments, but more importantly expand to new local governments. Once again we caution the reader with the building fee estimates reported in this study and recommend due diligence activities to collect, estimate, and verify any and all building fee related expenses.

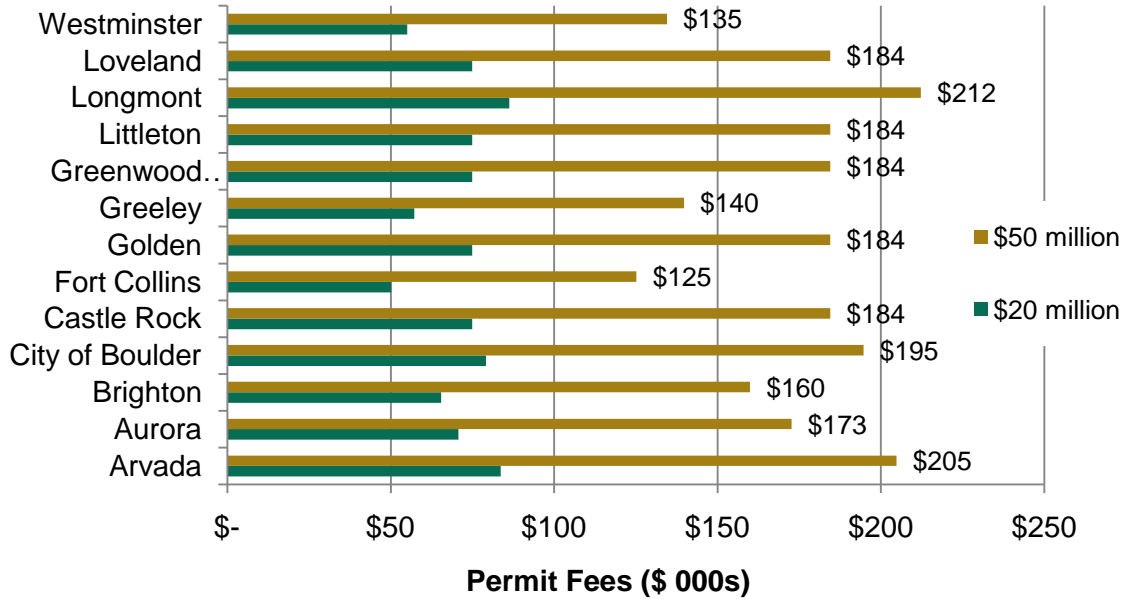
Appendix

Appendix 1 = City and County Use Taxes (Industrial Property)

Local	City Use Tax	County Use	
		Tax	Open Space Tax
Arapahoe County		\$0.00	\$10,370.41
Arvada	\$143,526.53		\$0.00
Aurora	\$155,556.22		\$10,370.41
Boulder County		\$8,296.33	\$18,666.75
Brighton	\$155,556.22		\$0.00
Castle Rock	\$149,333.97	\$41,481.66	\$0.00
City and County of Broomfield	\$172,148.88	\$0.00	\$0.00
City and County of Denver	\$150,163.60	\$0.00	\$0.00
City of Boulder	\$141,452.45	\$8,296.33	\$18,666.75
Douglas County		\$41,481.66	\$0.00
Fort Collins	\$157,630.30		\$0.00
Golden	\$124,444.97		\$0.00
Greeley	\$143,526.53		\$0.00
Greenwood Village	\$149,228.97		\$12,435.75
Jefferson County		\$0.00	\$0.00
Larimer County		\$33,185.33	\$10,370.41
Littleton	\$130,667.22		\$20,740.83
Longmont	\$162,815.51		\$0.00
Loveland	\$157,630.30		\$0.00
Westminster	\$159,704.38		\$0.00

Source: Everitt Real Estate Center, local governments

Appendix 2 – \$20 million and \$50 Million Building Permit Fee Estimates



Appendix 2 illustrates the building permit fee estimates for a larger office building and to test if differences of building permit fees significantly increase at higher construction values.

Appendix 3 – Miscellaneous Utilities Fees (Sample Office Property)

Local Government	Water Hookup	2" Water Tap	2" Water Meter (disk)	4" Sewer Tap	Sewer License	Irrigation water license	Storm Sewer	Plant Investment Fee
Arapahoe County	NA							
Arvada	\$46,400	\$90,280	\$1,190	\$33,600		\$12,219		
Aurora	\$161,279	\$1,347			\$181,488	\$9,775	\$12,706	
Boulder County								
Brighton			\$348		\$26,980		\$52,896	\$87,707
Castle Rock			\$1,890		\$31,864		\$8,291	\$170,520
City and County of Broomfield	\$42,564	\$200	\$2,692	\$50	\$22,293	\$55,987		
City and County of Denver				\$54,600	\$279		\$2,500	
City of Boulder	\$380	\$501	\$2,558	\$200	\$380	\$0	\$90,016	\$77,671
Douglas County								
Fort Collins	\$62,400						\$11,103	\$116,294
Golden	\$145,437		\$1,911		\$36,745			
Greeley		\$50,600			\$20,800		\$10,917	
Greenwood Village	None listed	No water district	Same as Denver					
Jefferson County								
Larimer County								
Littleton		\$40,000						
Longmont	\$91,090	\$694	\$99	\$40			\$10,746	
Loveland	\$174	\$134	\$40	\$500			\$15,428	
Westminster								

Source: Everitt Real Estate Center (unverified), March 2009

Appendix 4 – Miscellaneous Utility Fees (Sample Industrial Property)

Local Government	Water Hookup	2" Water Tap	2" Water Meter (disk)	4" Sewer Tap	Sewer License	Irrigation water license	Storm Sewer	Plant Investment Fee
Arapahoe County	NA							
Arvada	\$46,400	\$90,280	\$1,190	\$33,600			\$410	
Aurora	\$161,279	\$1,347			\$181,488		\$28,324	
Boulder County								
Brighton								
Castle Rock			\$1,890		\$31,864		\$16,184	\$170,520
City and County of Broomfield	\$41,541	\$200	\$2,692	\$50	\$21,757			
City and County of Denver				\$54,600	\$375		\$2,500	
City of Boulder	\$380	\$501	\$2,558	\$200	\$380		\$272,723	\$17,755
Douglas County								
Fort Collins	\$62,400						\$24,752	\$116,294
Golden	\$145,437		\$1,911		\$36,745			
Greeley		\$50,600			\$20,800		\$10,917	
Greenwood Village	None listed	No water district	Same as Denver					
Jefferson County								
Larimer County								
Littleton		\$40,000						
Longmont	\$91,090	\$99	\$694	\$40			\$32,558	
Loveland		\$134	\$40				\$32,212	
Westminster								

Source: Everitt Real Estate Center (unverified), March 2009

Appendix 5 – Sample Building Permit Fee Information Websites

Local Government	Relevant Building Permit Fee Information URLs
Arapahoe County	http://www.co.arapahoe.co.us/Departments/PW/documents/permitfees2004.pdf
Arvada	http://arvada.org/city-services/building-permit-fee-schedule/
Aurora	http://www.auroragov.org/AuroraGov/Departments/Development_Services/Building_Permits_and_Inspections/Commercial_Permits/index.htm
Brighton	http://www.brighton.co.gov/development
Boulder County	http://www.bouldercounty.org/lu/info_center/handouts/building/pdf/33_fees.pdf
Castle Rock	http://www.crgov.com/files/2009_ds_fee_schedule.pdf
Douglas County	http://www.douglas.co.us/community/documents/1997BuildingPermitFeesTable1-A.pdf
City of Boulder	http://ci.boulder.co.us/files/PDS/development_related_fees/building_permit_fee_table.pdf
Fort Collins	http://www.ci.fort-collins.co.us/nbs/fees.php
City and County of Denver	http://www.denvergov.com/PermitFees/tabid/379751/Default.aspx
Golden	http://ci.golden.co.us/Page.asp?NavID=398
Jefferson County	http://www.co.jefferson.co.us/building/building_T45_R54.htm
Larimer County	http://www.co.larimer.co.us/building/fee_schedule.pdf
Loveland	http://www.ci.loveland.co.us/buildingpermits/Estimator/Input.htm (on-line estimator)
Littleton	http://www.littletongov.org/building/feeschedule.asp
Westminster	http://www.ci.westminster.co.us/918.htm

Source: local governments