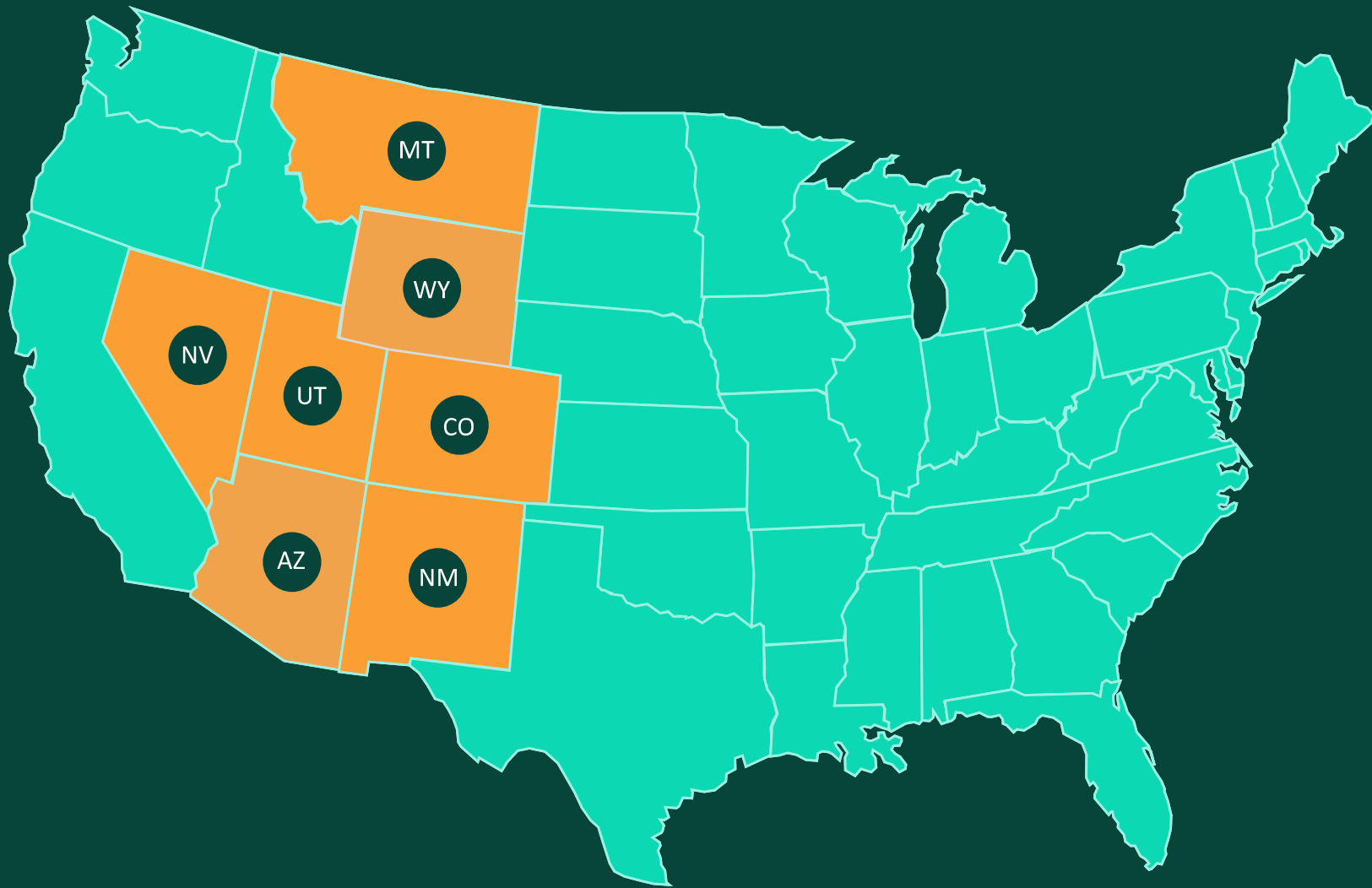




Designing Conservation Oriented Tap Fees

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Water Resources & Agriculture Review Committee
August 21, 2024**



Western Advo

- Federal
Collabor
- State Le
- State Ag
& Comm
- Local Go
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WRA works across seven states in the **Interior West** to
protect our climate, land, air, and water.

Overview

- I. Background on setting tap fees
- II. Tap fees effect on housing
- III. Two case studies
- IV. State policy considerations
- v. Questions



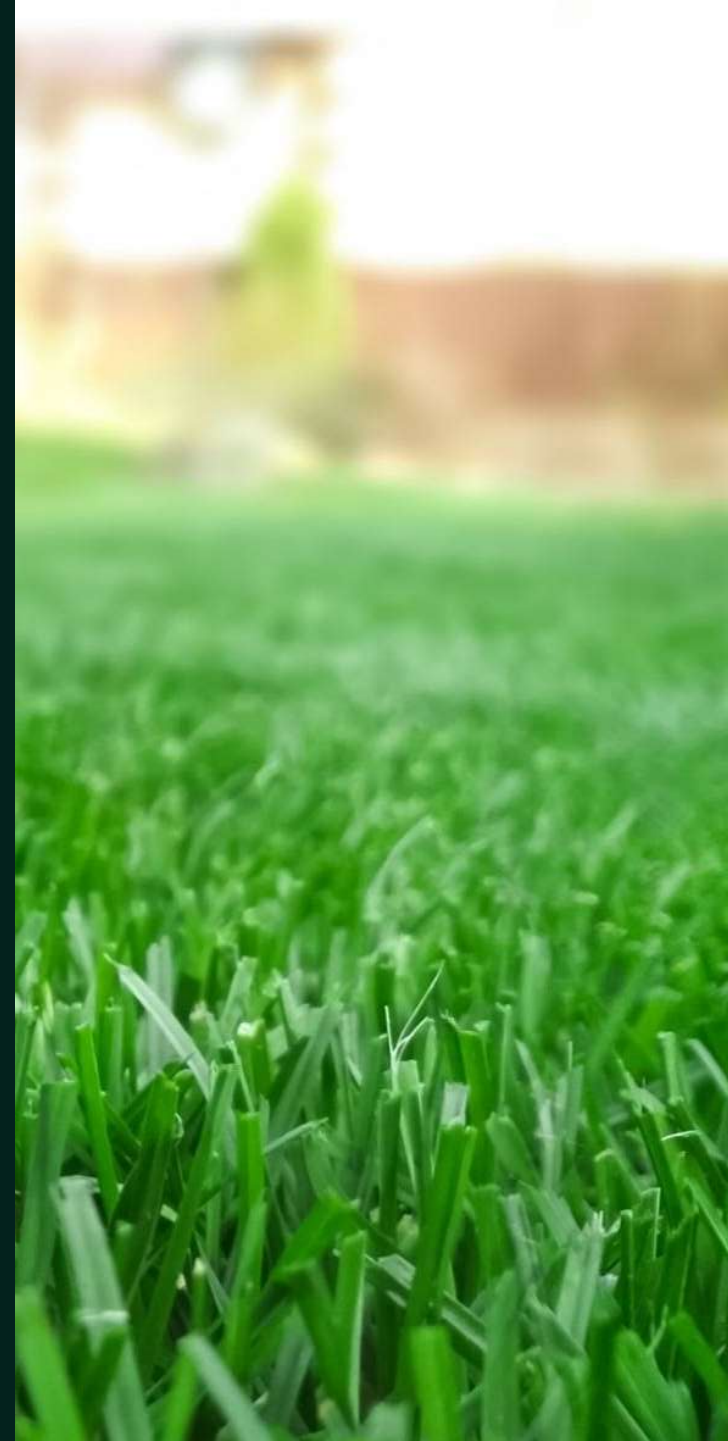
Integrating Water & Land Use Planning

- Plans, regulations, codes, fees and incentives that significantly reduce water demand of new and redevelopment
- More efficient and cost-effective than retrofits
- Empowers communities to improve water efficiency within their own context
- Aligns water supply and demand, even with population growth and climate change



Landscape Transformation

1. Turf Replacement Incentives
2. Water Wise Landscaping Codes
3. Landscape & Irrigation Professional Training and Certification
4. **Conservation oriented water rates and tap fees**



Download 2018 report



**A GUIDE TO DESIGNING
CONSERVATION-ORIENTED
WATER SYSTEM DEVELOPMENT CHARGES**



WRA's Tap Fee Gu

- Began tap fee research and 2014
- CWCB funded initiative to u with new and revised case trends
- *Coming December 2024*





Setting Tap Fees

*(a.k.a. system development charges, wa
fees, connection charges)*

- One-time charges assessed on new de
to help pay for infrastructure and wat
capacity needed to support them
- Typically, a two-part charge covers:
 - **Water Resources:** a fee, cash-in-lieu
dedication requirement to cover wat
and raw water infrastructure
 - **Treated Infrastructure:** a fee to cover
storage, treatment, pumping, transm



Conservation-Oriented Tariffs

Traditionally, based on meter size or equivalent residential units (ERUs) and applied to all customer classes (1 fee for all single-family meters)

Conservation-oriented fees are **scaled** based on **projected water use**:

- **Indoor metrics:** house size, # of bedrooms/bathrooms, # of fixture units
- **Outdoor metrics:** lot size, irrigable area, tree type and area, other landscape efficiency



Why establish COTFs

- **Increases fairness** within and across customer classes
- Lower fees **financially incentivize developers** to integrate water efficient systems into development plans, and landscapes to improve their profit margin
- **Reduces water demand** of new development

Tap Fees Affect Housing in Colorado

Benji Smith, PhD Candidate, Wharton School at University of Pennsylvania

- Reviewed tap fees for 60 Front Range utilities from 2000 – 2022
- Avg. cost of providing water to new single-family homes increased from **\$8,200 in 2000 to \$24,600 in 2022 (3x rate of inflation)**
- Share of single-family homes built under a water utility with a COTF expected water usage increased from **23% in 2000 to 59% in 2019**
- COTFs result in:
 - **25 – 50%** reduction in irrigated area
 - **15-23%** reduction in lot size
 - **35-60%** increase in probability that a developed lot is infill

Aurora's Z-Zone Program

- No fee charged for outdoor irrigation tap connection if landscape requires no water post-establishment (3 years)
- 50 eligible plants, mostly native grasses
- Surcharge paid for exceeding water allocation
- Since 2014, 123 developments have included z-zone areas (totaling 123 of those landscapes and 511 total acres)



Landscape Type	Cost Per Sq. Ft. of Landscaped Area	Cost for 10,000 Sq. Ft. of Landscaped Area
Non-Water Conserving	\$5.27	\$52,700
Water Conserving	\$2.82	\$28,200
Z-zone	\$0.00	\$0



Aurora's Regular Approach

- Previously offered a single-family front yard xeriscaping credit
- In 2022, City adopted a regular approach to new landscapes functional turf limits ordinance reduced outdoor demands by
- Have reduced outdoor single-family connection fees by 30% as a result

Little Thompson Water Districts' Conservation

- Located in Northern CO, serves 8,000 more residential customers
- Adopted an **“urban” tap option** in 2016 to – and encourage - more densification
- Found that customers were **frequently exceeding their allotments**
- Updated COTF in 2024 with new residential categories to get a closer approximation of anticipated use and implemented a **new surcharge per 1,000 gallons** for use that exceeds allotment



Housing Type	Acre-Foot Allotment	Plant Investment Fee	Cash-in-Lieu of Water Rights	Installation & Water Resources Fee	
Micro-Home, Indoor Use Only (<1,000 sq ft home)	0.18 AF	\$10,200	\$26,100	\$5,000	
SF-Home, Indoor Use Only (>1,000 sq ft home)	0.25 AF	\$12,550	\$36,250	\$5,000	
Conservation Tap (<9,000 sq ft lot)	0.35 AF	\$15,250	\$50,750	\$5,000	
Conservation Plus Tap (>9,000 & <13,000 sq ft lot)	0.55 AF	\$16,250	\$79,750	\$5,000	
Standard Tap (13,000 – 17,000 sq ft lot)	0.70 AF	\$19,200	\$101,500	\$5,000	
Estate Tap (>17,000 sq ft lot)	1.10 AF	\$27,200	\$159,500	\$5,000	





LTWD's Program Out

- Increased housing density, new schedule, **88% of new** were urban/conservation
- Revising and refining the s critical
- COTFs are possible for sma providers

Trends in COTF's

- Shift towards **regulatory approach** for water wise landscaping
- More **enforcement** (water allocations, surcharges, water budget-based rates)
- Tap fees for **ADUs**
- Tap fees based on specific **commercial industries**



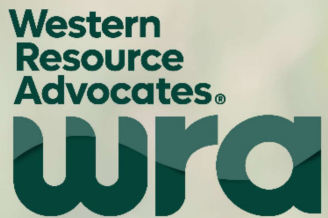


State Policy Consideration

- **HB24-1463 Restrictions on Tap Fees:** Require districts provide tap fee schedule to a municipality upon request along with any professional analysis and written justification of costs & methodologies
- Tap fees will be **different across jurisdictions** due to different water types, water and infrastructure costs, regulatory requirements
- Designing a COTF requires more **time, expert advice, and stakeholder engagement** to establish and administer
- Valuable water efficiency tool that should be promoted through **state grants and encouraged in WEP**

A close-up photograph of several Gaillardia flowers in a field. The flowers have bright yellow centers and petals that transition to a deep red color towards the tips. Two bees are visible on the flowers, one on a flower in the foreground and another on a flower slightly behind it. The background is a soft-focus field of similar flowers.

Thank You & Questi



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