



Water Resources and Agriculture Review Committee

Water for Growing Communities

August 21, 2024

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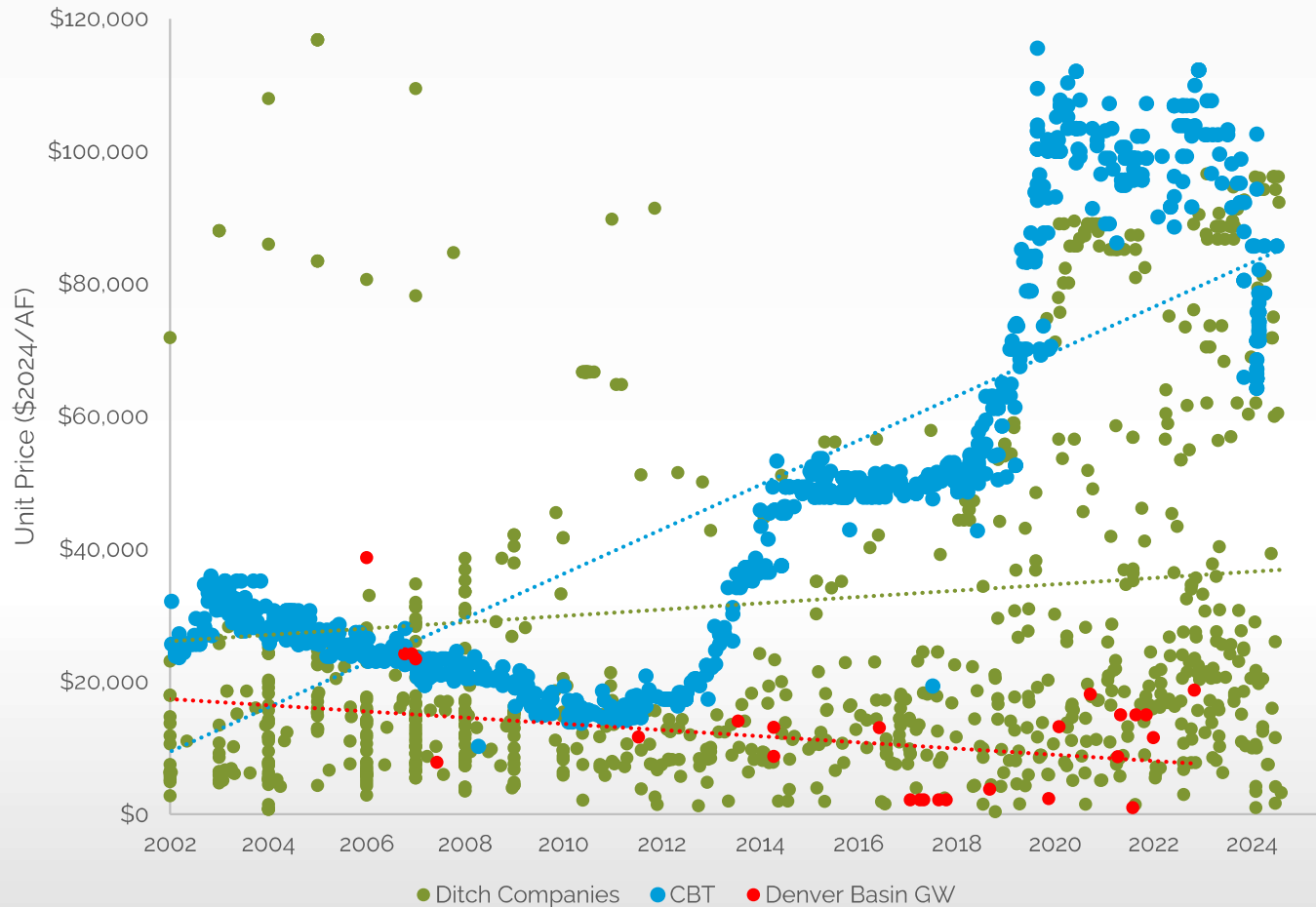
Topics to Cover

1. The Cost of Water in Colorado
2. How Communities Acquire Water
3. The What & Why of Tap Fees
4. Water Factors Influencing New Home Costs



Rising Demand for a Limited Supply

What Drives the Cost of Water?

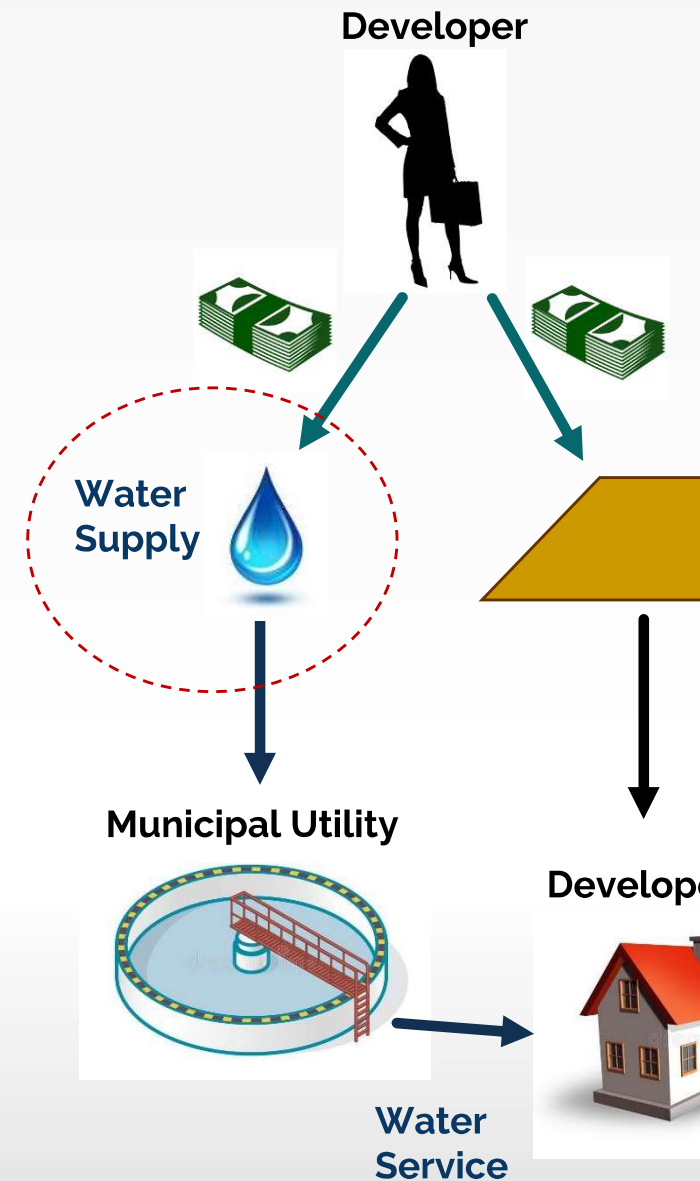


- **Factor of supply and demand** appreciates as the demand for water increases.
- **Value (and markets) are inherent** prices are not uniform. Different demand, reliability and transferability influence water markets across Colorado.
- **Highest and best use.** Value often reflects the most and most profitable use for which an asset is needed or likely to be needed in the future.
- **Municipal growth is a primary cost on the Front Range.** The increase in home building activity drives the need for water providers to acquire new water supplies.

Water Requirements to Build New Homes

Water Dedications

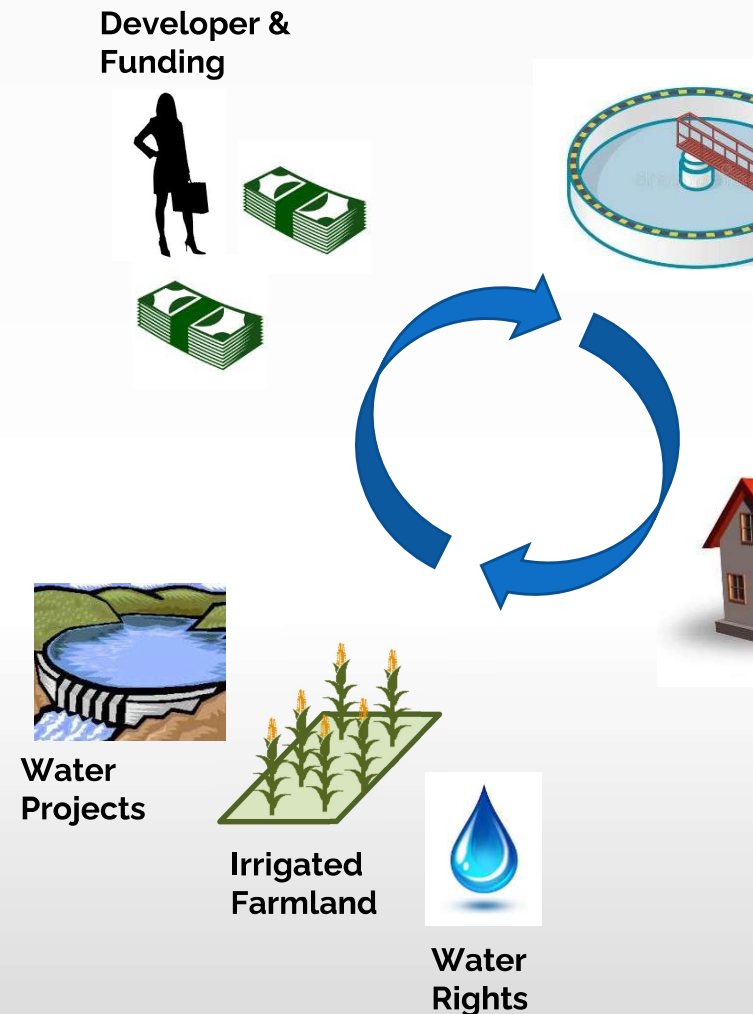
- **Water service is secured for all new homes.** A land development project needs to receive water service from a municipal water utility. Potable water service is typically a required element of municipal or county code to receive a certificate of occupancy.
- **New water supply is required for water service.** In order to provide a permanent commitment to serve a new water demand, municipal water providers require that additional water supplies be dedicated (or paid for) by the new demand. This is consistent with "growth pays its own way" philosophy of most water utilities.
- **New homes pay for water supply upfront.** Water supplies for new growth are satisfied before the homes are occupied. Water rights or cash equivalent are dedicated to municipal water provider in exchange for permanent water service - it's a one-time transaction that takes place at time home development.
- **Local water markets are tied to water dedications.** In most areas, local water transaction activities are driven by need to satisfy water dedication requirements. Market prices for water rights often reflect the value of new home sales and the costs of alternative options for securing municipal water service.
- Monthly water bills DO NOT reflect the market value of water rights, and the additional costs associated with serving new homes.



Water Requirements to Build New Homes

Common Water Dedication Options

1. **Purchase irrigated farmland** → dedicate water rights → sell dryland parcel
2. **Purchase irrigated farmland** → dedicate water rights → develop parcel into homes
3. **Purchase water rights** → dedicate water rights
4. **Pay Cash in Lieu (CIL) fee** → water utility acquires new supply (rights, projects)
5. **Pay CIL fee** → water utility reimbursed for value of existing supply



Water Costs → Developer Costs

Various Factors Influencing Tap Fees

Factors
Size of D
Type of
Landscap
Municip
Municip

1

Water Resource

- Local water prices
- Cash-in-lieu fees
- Water dedication volume
- Water dedication policies

2

Plant Investment Fees

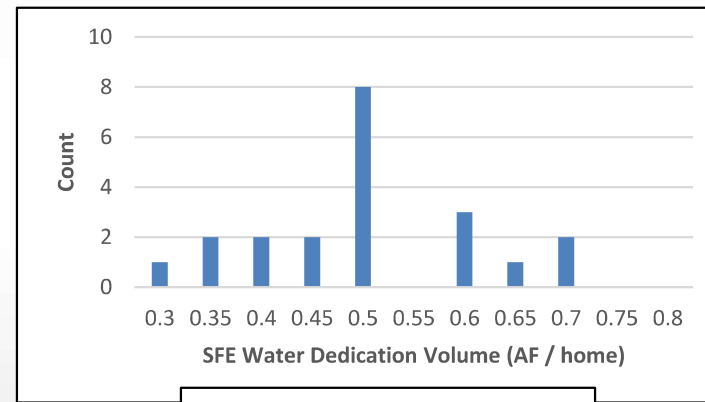
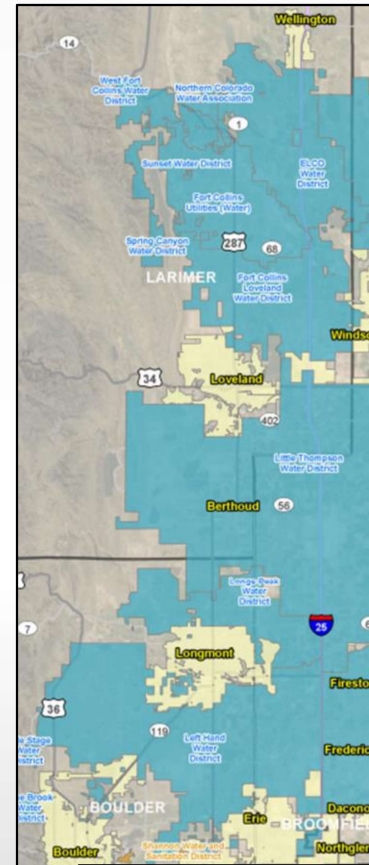
- Cost of connecting to existing infrastructure
- Varies between old and new communities

3

New Infrastructure Costs

- Cost of hooking up
- 1" line + water meter

Sample Map of Municipal



Sample of 21 Northern Colorado municipal water utilities. Water dedication requirements for Single-Family Home on 4,000 sq.ft. lot

Over 27 municipal water pro
Colorado, Over 80 municipa
across the Front Range, each
set of water dedication poli

Developer Costs → New Home Costs

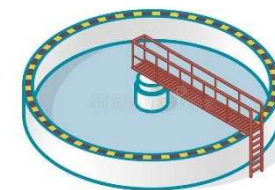
Effect of Tap Fees on Housing Costs

- **Ability to acquire water affects developer's ability to enter a market.**
- What a developer thinks they can sell a house for has a strong impact on what they can afford to pay for water. (Rather than the cost of water impacting home prices.)
- Some municipalities apply the same dedication policies to all developments, others have tiers based on lot size.
- Large developments can often negotiate price/dedication requirement
- **6-10% of the cost of a new home can be raw water cost**



**CBT Price:
\$100,000/ AF**

X



**Municipal Dedication
Requirement:
0.3-0.5 AF/SFE**

=

**6-10% the home price
a \$500,000 house**



Thank You

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Water