

The Economics of Land Use



Fiscal Analysis

Peer Community Comparison of Revenues, Budgets and Services and Assessment of Real Estate Transfer Tax Impacts

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Town of Avon, CO

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1. EXECUTIVE SUMMARY

Introduction

The Town of Avon's 2017 – 2019 Strategic Plan directed that consultant services be retained to analyze total revenues collected (all major sources) and revenue share from the Real Estate Transfer Tax (RETT) rate. As part of the Strategic Plan for fiscal years 2017-2018, a tier one priority is to utilize the RETT to bolster affordable, workforce housing. This report provides information and analysis on how Avon's revenue structure (taxes and fees) compares to surrounding communities, including an assessment of the impact of the RETT on the local real estate market; and, options for the \$160,000 local resident exemption. The revenue implications for modifying the RETT are also discussed. The Taxpayers Bill of Rights (TABOR) does not allow any new or increased RETT, any reduction or repeal of the RETT would be permanent. This information can be used by the Town to inform any considerations it may make in altering its revenue structure, taxes, and/or fees. This report is not suggesting or recommending any new taxes or tax rate increases; rather, it discusses tax options which have been implemented by Peer communities for informational purposes only.

To inform the Town Council and staff, this report contains detailed evaluations and comparisons of the revenue structure and budgeting practices of several peer communities in nearby Eagle and Summit Counties. The peer communities selected for analysis are Vail, Gypsum, Breckenridge, Frisco, Silverthorne, and Steamboat Springs. One of the criteria used for selecting these communities was the existence of a Real Estate Transfer Tax (RETT), a revenue source that is no longer allowed to be adopted as a new revenue source but has been grandfathered where it existed when the Taxpayer Bill of Rights (TABOR) was passed in 1992. Golden in Jefferson County was also included as a comparison to a suburban Front Range community but is not the focus of the analysis.

The report is organized into seven chapters, outlined below:

- 1. Executive Summary** – Summarizes the key findings and considerations on Avon's revenue structure compared to surrounding communities and an assessment of the impacts of the 2.0 percent RETT on the local real estate market. Included are other revenues collected by the comparative communities, which are today not collected by Avon that could be considered if changes in the RETT or other taxes or fees resulted in lower revenues for capital projects funding.
- 2. Town of Avon Budget and Services** – Provides a demographic snapshot of the Town, description of the services provided by the Town, and a summary of the General Fund and major revenue sources and expenditures.
- 3. Economic and Real Estate Conditions** – Presents trend data on major economic indicators such as residential construction (building permits), sales and lodging tax collections, and residential sales volume and average prices for the Eagle County peer communities.
- 4. Peer Community General Funds** – Contains budget data categorized into common categories for comparison across communities and compares General Fund expenditures per-capita and per housing unit as a gauge of the level of service provided by each community.

5. **Peer Community Tax Rates and Revenue Sources** – Summarizes tax rates, revenue sources, and the uses of specific revenue sources including sales tax, lodging tax, RETT, and other revenues.
6. **Capital Funding and Development Charges** – Documents and compares the capital funding sources and practices of the peer communities to Avon. Also compares development fee and tax levels to determine where Avon’s taxes and fees lie from a competitive perspective.
7. **Other Revenue Options** – Identifies three new revenue sources that other communities collect but that Avon does not: construction use tax, construction excise tax, and vehicle use tax. Revenue projections for each source are also provided. These revenues could be considered if supplemental revenues are desired or needed to offset other tax or fee changes or reductions.

Summary of Findings and Recommendations

1. *The Town of Avon provides nearly the full range of municipal services to its residents and guests at levels similar to surrounding communities.*

Avon is a full-service municipality with a staff of 89 full time equivalent employees. The Town’s major services include a police department, a public works department, plus City government and administrative functions including the Mayor and Town Council, Planning and Zoning Commission, Town Attorney, Town Clerk, and Municipal Court as shown in **Table 1**. The Town also operates its own free public transportation system, like Breckenridge and Vail. Vail and Steamboat have their own fire departments; special districts provide fire and EMS coverage in each of the other peer communities.

Table 1
Peer Communities and Services Provided

Town/City	Fire/EMS	Police	Parks & Rec	Rec. Facilities	Public Transit	Public Works
Eagle County						
Avon	☒	☑	☑	- Rec Center	☑	☑
Vail	☑	☑	☑	- Rec Center	☑	☑
Gypsum	☒	☑	☑	- Rec Center	☒	☑
Summit County						
Breckenridge	☒	☑	☑	- Rec Center - Nordic Center	☑	☑
Silverthorne	☒	☑	☑	- Rec Center - The Pavilion	☒	☑
Frisco	☒	☑	☑	- Adventure Park - Marina	☒	☑
Routt County						
Steamboat Springs	☑	☑	☑	- Sports Complex - Howelson Hill	☒	☑

Source: Economic & Planning Systems

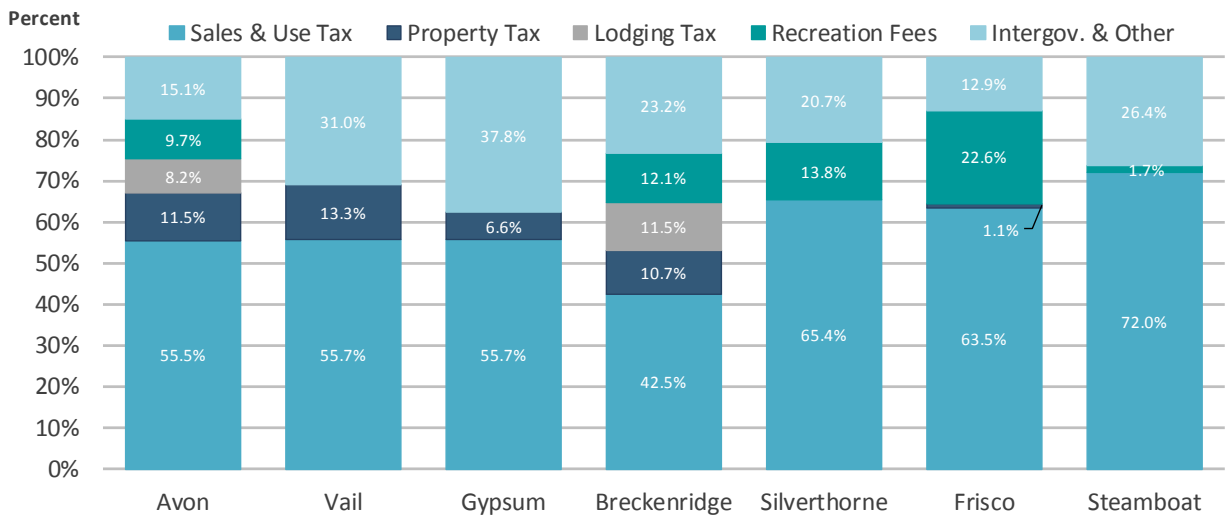
In percentage terms, expenditures for major services and departments are similar across the peer communities. In Avon, Vail, Breckenridge, and Silverthorne, Public Works comprises about 25 percent of the General Fund budget. General Government and Administration is approximately 20 percent of the General Fund budget in each community. In Avon, Vail, Breckenridge, and Silverthorne, Police expenditures range from about 15 to 20 percent of the General Fund.

Recreation and Culture expenditures in the General Fund vary widely by community according to community priorities, available revenue, and facilities operated. On a per housing unit basis, a proxy for the local + visitor population, Avon's level of service (spending per housing unit) is about 15 percent higher than Breckenridge, Silverthorne, and Steamboat but 23 percent lower than Vail's.

- The percentage of sales tax in the General Fund is a key indicator of revenue diversity which is important to being resilient to economic downturns. Sales tax is 55 percent of Avon's General Fund revenues, similar to Vail and Gypsum. Steamboat and Silverthorne do not have a property tax, and are therefore more at risk to cutting services if sales tax revenues decline.***

In Avon, approximately 55 percent of the General Fund revenue comes from sales tax, which is similar to Vail and Gypsum as shown in **Figure 1**. In Frisco and Silverthorne, sales tax is 60 to 65 percent of the General Fund, and 72 percent in Steamboat. Silverthorne and Steamboat eliminated their property taxes many years ago, making them especially vulnerable to economic cycles and the lack of growth in brick and mortar retailing. In Breckenridge, sales tax is 42 percent of General Fund revenues due to higher lodging and property taxes (and a larger assessed value). Breckenridge is able to generate \$2.6 million per year in property tax compared to \$1.75 million per year in Avon, with a lower mill levy than Avon, due to the fact that Breckenridge is a larger community with over twice the assessed value of Avon. In Avon, property tax comprises 10 to 12 percent of General Fund revenues, similar to Vail and Breckenridge.

Figure 1
Peer Community Revenue Diversity



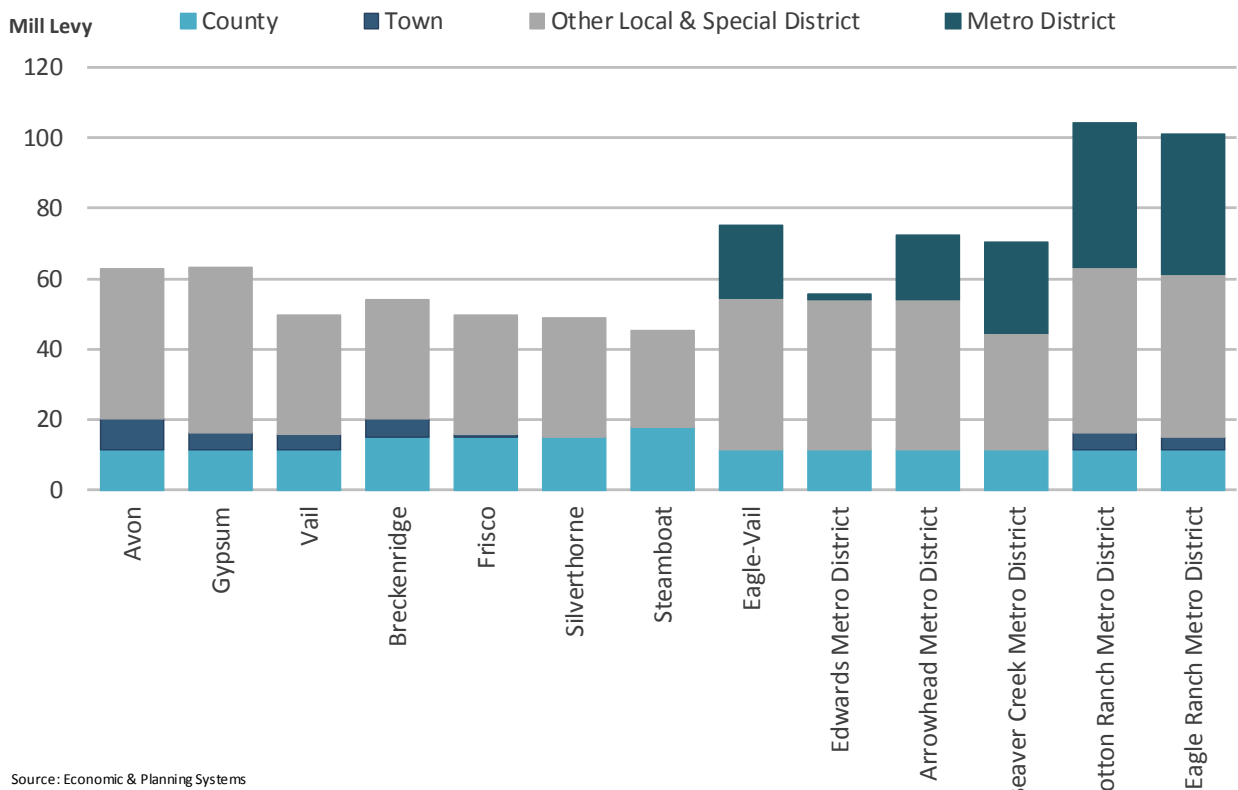
Source: Economic & Planning Systems

3. Avon’s total sales tax levels (all rates combined) are similar to the surrounding communities. The total of all property tax mill levies in Avon is higher than some peer communities, but lower than in the major metropolitan districts around the Town except the Edwards/Homestead metropolitan district.

The total combined sales tax in Avon (town, State, county, and county transit) is 8.4 percent. This is the same as in Vail, and 1.0 percent higher than Gypsum. Breckenridge has higher sales tax at 8.875 percent due to a higher County transit tax, and the Summit County Regional Housing Authority sales and use tax of 0.725 percent. However, Avon’s combined lodging tax rate is 12.4 percent, which is roughly 2.5 to 3.0 percent higher than the peer communities although room rates are somewhat lower than in Vail and within the Beaver Creek Resort Company boundaries.

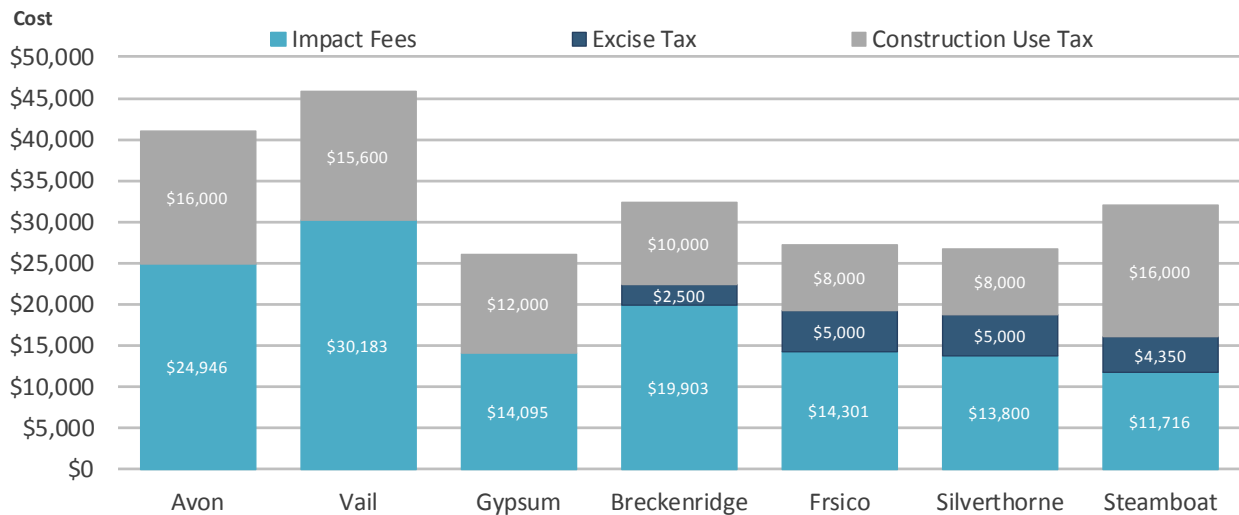
The total mill levy on most property in Avon is 63.008, compared to 63.201 in Gypsum and just under 50 mills in Vail, Frisco, and Silverthorne, and just over 50 mills in Breckenridge as shown in **Figure 2**. The roughly 10 mill difference equates to approximately \$540 per year in property tax on a \$750,000 home. This is due to a higher school district mill levy in Eagle County (25.209), and a higher Town general operating mill levy than the peer communities (8.956 mills). On the other hand, several of the major metropolitan districts in the Vail Valley have higher total mill levies ranging from 55.743 mills in the Edwards (Homestead) Metropolitan District to approximately 75 mills in Eagle-Vail and Arrowhead to over 100 mills in Cotton Ranch in Gypsum and Eagle Ranch in Eagle.

Figure 2
Vail Valley Mill Levies



In Avon, development fees and materials taxes (sales and use tax) on a three-bedroom home (2,500) square feet are estimated at \$41,000, \$46,000 in Vail, and \$26,000 in Gypsum. In Summit County, total fees range from \$27,000 to \$32,000. The biggest differences are in the cost of water tap fees which vary widely according to the cost of acquiring water rights and developing the treatment and conveyance systems required to deliver potable water to a tap.

Figure 3
Development Fees for New Residential Construction



Source: Economic & Planning Systems

4. Real Estate Transfer Tax (RETT) Revenues comprise a large portion of funds for capital projects in Avon and the Peer communities.

In Avon, the 2.0 percent RETT generates approximately \$2.4 million per year on average, with surges during the development of major real estate projects or bulk real estate transactions. Historically, Avon relied almost solely on the RETT for capital projects. Over the past five years however, the RETT comprised approximately 20 percent of Avon’s capital budget of approximately \$10.5 million each year compared to about \$2.4 to \$3.0 million per year previously. A number of large projects required debt financing and general fund transfers. In Vail, the 1.0 percent RETT makes up about 30 percent of the \$20.0 million capital budget. In Breckenridge, the 1.0 percent RETT is approximately 46 percent of the \$10.2 million capital budget. Frisco’s smaller capital budget of \$1.1 million uses 1.0 percent RETT revenues for nearly 30 percent of the funding.

Vail, Silverthorne, and Steamboat have additional dedicated capital funding sources including construction use taxes and excise taxes; Avon does not currently collect these revenues. Most peer communities supplement their capital budgets with a portion of the sales tax and transfers of operating revenues from their General Funds. The more a community can rely on dedicated funding sources for capital projects, the less it needs to transfer from general operations and maintenance funding which helps maintain the level of day-to-day Town/City services.

5. Interviews with local realtors indicate that the impact of Avon's 2.0 percent RETT on the real estate market is minor below approximately \$750,000 to \$1.0 million. Avon's location and available housing product types may have more of an impact on the market.

Avon's 2.0 percent RETT is higher than the peer communities which collect a 1.0 percent RETT. However, RETTs and transfer fees are common in the Vail Valley and in other Colorado mountain communities which may make Avon's RETT less of an anomaly. In addition, some large HOAs and metro districts collect real estate transfer assessments (transfer fees). The Beaver Creek Resort Company collects a 2.375 percent transfer fee, the highest in the Vail Valley. The Arrowhead Metro District collects a 1.5 percent transfer fee, and Eagle Ranch collects a 1.0 percent transfer fee. Edwards does not levy a transfer fee but has a \$1,260 (\$105/month) HOA fee.

The impacts of the RETT on the local market cannot be quantified, but are characterized as minor by area realtors interviewed. For local buyers (under approximately \$750,000 to \$1.0 million), Avon's RETT may be a consideration for buyers also looking in Edwards, Eagle, or Gypsum. The housing product choices and comparative pricing in these locations may have more of an impact as buyers can get more home for their money, and a home more suitable for a family, further down valley. In the second home market above \$1.0 million, the RETT is not judged to affect buyers' decisions. The decision on where and what to buy in the upper market segments is more influenced by quality for the price, location, views, and other unquantifiable buyer preferences. Some have commented that in Avon, the industrial/commercial gateway to Wildridge and steep access road may have more of a negative impact on values in that area of Avon than Avon's higher RETT.

6. With lower real estate values than Vail and Beaver Creek, there is still an argument that Avon's higher RETT is not justified. However, any modifications to the existing RETT structure need to be considered carefully to comply with the Taxpayers Bill of Rights (TABOR) and in the context of the Town's mix of operating revenues and capital funding sources.

TABOR, passed in 1992, prohibited further RETTs from being enacted in Colorado but allowed existing RETTs to continue. Under TABOR, the Town could lower or eliminate its RETT without voter approval. The locals' exemption could also be increased above \$160,000 as it would be effectively a tax decrease, but not lowered or eliminated as it would be a tax increase requiring voter approval.

Given that the Town funds approximately 20 percent of its annual capital budget with RETT revenue, if RETT revenues were reduced, the Town would need to find other sources to replace this or accept lower levels of service and investment in community amenities and infrastructure. A TABOR election would be needed to authorize any new taxes to replace reduced revenue from the RETT.

7. The RETT exemption for local resident first time buyers is not large enough to have a measurable impact on attainable home prices or the workforce housing supply.

The average home price in Avon was \$683,000 at the end of 2017 which requires an income of approximately \$150,000 to afford (over 250 percent of the Town's median household income). The RETT on the average priced home would be \$13,660 with the buyer and seller each paying half (\$6,830 each) as is the custom in the Eagle County market. The local's

exemption on the first \$160,000 of the sale price saves \$3,200 in RETT—roughly half of the RETT on the average priced home—but only lowers the net purchase price to \$679,800, requiring roughly the same household income. The housing affordability challenges in Avon are more related to the price and quality for the price of the existing housing stock than to the RETT. Edwards, Eagle and Eagle Ranch, and Gypsum have developed more housing attainable to locals in recent years, which is drawing more local workforce buyers further down valley. On the other hand, some realtors noted that local buyers do see Avon’s exemption as a “good gesture” even though the financial benefits are modest in the context of a home purchase.

8. Two other revenue sources are forwarded for consideration if new revenues are needed to balance out reductions in other revenues such as the RETT. These are a construction use tax and a construction excise tax, revenues that some peer communities collect but that Avon does not currently.

Construction use and construction excise taxes are commonly used for capital projects, as there is a nexus between the impacts of new development and a community’s infrastructure needs. The Town of Avon collects sales tax on building materials through a system of licensing contractors and suppliers, and on-site follow-up by Town staff to ensure that sale tax has been paid. This is an inefficient system and likely results in lost revenue. A more efficient system that would likely generate more revenue would be to collect a construction use tax, paid at time of building permit. A builder then presents the Town’s receipt when purchasing materials for use in Avon and is not double-charged sales or use tax with suppliers. In most communities, the use tax rate is the same as the sales tax rate, which is 4.0 percent in Avon.

Construction excise taxes are often charged as a percentage of construction valuation, calculated at the permit counter, or on a per square foot basis. Some communities in Colorado charge both an excise tax and a construction use tax. Excise tax is a good substitute for development impact fees, as it is a more flexible funding source that can be used for maintenance projects as well as projects that serve new development. Impact fees can only be used on projects that are growth-related. Steamboat Springs, for example, repealed its impact fees and replaced them with a voter-approved 1.2 percent excise tax, and has a construction use tax (4.0 percent) as shown in **Table 2**. Silverthorne does not have a use tax, but charges a \$2.00 per square foot excise tax for capital projects. Vail is the only peer community in Eagle or Summit County that charges a construction use tax although many other I-70 corridor communities have this tax including Gypsum, Eagle, Silt, and Rifle.

Table 2
Use Tax in Peer Communities

	Avon	Vail	Breckenridge	Frisco	Silverthorne	Steamboat
Construction Use Tax	No	Yes	No	No	No	Yes
Construction Use Tax Allocation	N/A	Capital	N/A	N/A	N/A	Capital
Vehicle Use Tax	No	No	No	No	No	Yes
Use Tax Rate	4.0%	4.0%	2.5%	2.0%	2.0%	4.0%

Source: Economic & Planning Systems

As shown below, a 4.0 percent use tax is estimated to generate between approximately \$151,000 to \$386,000 per year under current market conditions and depending on the pace of real estate development and construction. Since the construction use tax would replace the sales tax on building materials, the amount of 'net new' revenue would be less than what is shown below. An excise tax of 1.0 percent would generate between \$75,000 and approximately \$200,000 per year and would be new revenue if the sales tax on building materials were left in place. If both taxes were implemented, they could generate an estimated \$226,000 to \$580,000 per year as shown below.

Table 3
Capital Funding Revenue Options

4.0% Use Tax		1.0% Excise Tax		Total if Both Implemented	
Low	High	Low	High	Low	High
\$150,900	\$386,400	\$75,450	\$193,200	\$226,350	\$579,600

Source: Economic & Planning Systems analysis of Town of Avon CAFR

9. A vehicle use tax could also be considered as an additional revenue source depending on public support.

The advantage in passing construction use and excise taxes with voters is that new development (new residents and second homeowners, new commercial development) pays more of the burden than existing residents. A vehicle use tax would be paid more by existing residents and businesses and may be harder to gain public support for. However, with few other options available, the vehicle use tax was also forwarded for consideration. The only peer community with a vehicle use tax is Steamboat Springs; the Eagle and Summit County peer communities do not collect this tax. We have estimated that a vehicle use tax in Avon would generate between \$260,000 to \$368,000 per year.

10. A sales or property tax dedicated to capital projects could also be considered.

While typically more difficult to pass with voters, sales and property taxes dedicated to special projects, sometimes paid for through a bond issue, have been successfully passed in many Colorado communities. A sales tax that sunsets at a defined time period or at a total revenue trigger could be considered, noting that visitors would be paying a large portion of the total sales tax. A property tax dedicated to capital projects may be a more permanent solution, if the case can be made that second home and other non-local property owners (e.g., lodging/restaurant and national retailers) pay large a portion of the cost, then at least 35 percent of homes are estimated to be second homes.

2. TOWN OF AVON BUDGET AND SERVICES

Town Profile

Avon is a home rule municipality in Eagle County located along I-70 eight miles west of Vail, Colorado. The Town has a full time resident population of 6,570, as shown in **Table 4**. It is an important shopping, services, and visitor destination in the Vail Valley and Colorado in general. Avon is a major commercial hub for the region with major shopping locations including a Walmart Supercenter, Home Depot, City Market, several sporting goods stores, and other retail businesses, restaurants, and hotels.

Table 4
Avon Demographics

Indicator	Avon	
Population	6,570	
Housing Units	3,657	100.0%
Occupied Units	2,365	64.7%
Vacant Units	1,292	35.3%
Household Income		
Median	\$56,223	
Average	\$93,350	
Median Home Price	\$683,000	
Jobs	3,915	

Source: Colorado Department of Local Affairs; U.S. Census ACS, Land Title

While not a pure ski area portal like Vail or Breckenridge, Avon is the primary access point to Beaver Creek Ski Resort (owned by Vail Resorts) which attracts approximately 900,000 annual skier visits compared to 1.4 to 1.6 million at Vail and Breckenridge. Beaver Creek and its associated base village area and nearby developments such as Bachelor Gulch are in unincorporated Eagle County. Avon is connected to Beaver Creek by the Riverfront Gondola which travels to Beaver Creek Landing from Avon Station. The Town also has a free bus service to bring residents and visitors to Avon Station.

Town Services

Avon is a full-service municipality with a staff of 89 full-time equivalent employees. The Town's major services include a police department, a public works department, plus Town government and administrative functions including the Mayor and Town Council, Planning and Zoning Commission, Town Attorney, Town Clerk, and Municipal Court. The Town does not have its own fire department; fire protection is provided by the Eagle River Fire Protection District.

The Town also operates its own free public transportation system consisting of three in-town shuttles (Blue Line, Red Line, and Avon Loop Night Rider), a skier shuttle to Beaver Creek, and an evening restaurant shuttle connecting Avon with Beaver Creek Resort. The Town's transit system carries approximately 1.0 million passengers each year on the gondola and the fleet of 10 transit buses. The gondola is operated and funded jointly by the Town and Beaver Creek. The Town's transit system complements, but is separate from regional commuter service provided by the Eagle County Regional Transit Authority.

General Fund Budget

Like most communities, the Town's General Fund is the primary fund for operations, maintenance, and administration. The Town's major direct services are funded through the General Fund and include police, parks and recreation, cultural support, and general Town administration costs. The General Fund also subsidizes the cost of operating a free transit system, and pays for operation and maintenance of the Town's vehicle fleet.

Revenues

As shown in **Table 5**, the General Fund had revenues of approximately \$15.4 million in 2016 and expenditures of \$16.5 million, as shown in **Table 6**. The difference in revenues and expenditures was made up with a drawdown of reserves. Sales tax from the Town's 4.0 percent sales tax is the largest revenue source, comprising 50 percent of revenues or \$7.7 million. Property tax from the 5.285 mill levy generates only 11 percent of General Fund revenue at \$1.7 million. The next largest revenue source is the 4.0 percent lodging tax that generates 8.1 percent of General Fund revenues or \$1.25 million. The remaining 30 percent of General Fund revenues come from other minor taxes, fees, charges for services, recreation center user fees (8.0 percent), and intergovernmental revenue (largely State and Federal grants).

A large portion of the intergovernmental revenue, \$471,000, comes from the sharing of the 1.0 percent Eagle County sales tax. Avon receives 15 percent of this revenue back from Eagle County. Of the 1.0 percent Eagle County sales tax, a 0.5 percent rate is dedicated to the Eco Transit service and trail projects.

Table 5
Avon General Fund Revenue Summary 2016

Revenues	2016 Final Revised Budget	Percent
Sales Tax	7,725,601	50.2%
Property Tax	1,747,601	11.3%
Lodging Tax	1,249,036	8.1%
Utility tax	110,000	0.7%
Specific Ownership Tax	120,000	0.8%
Fines and Forfeits	92,445	0.6%
Franchise Fees	415,000	2.7%
Charges for Services	191,085	1.2%
Recreation Facility	1,237,939	8.0%
Licenses & Permits	206,100	1.3%
Intergovernmental	1,004,571	6.5%
Other	<u>1,300,135</u>	<u>8.4%</u>
Total	\$15,399,513	100.0%

Source: Town of Avon 2017 Adopted Budget, Economic & Planning Systems

Avon relies heavily on sales tax as its primary general revenue source. Sales tax can fluctuate in poor tourism seasons (e.g. low snow years) and economic downturns. As a safeguard, Avon maintains a 25 percent minimum reserve balance as well as the 3.0 percent TABOR Emergency Reserve required by State law. In 2016, these were \$3.6 million and \$545,000 respectively. There was also \$350,000 in undesignated/unreserved funds. In 2017, Special Events were established in the budget with \$390,000 allocated to it. Absent additional revenue or a debt issuance, Avon can fund capital projects or community amenities after all operational needs are funded and reserve requirements are met.

Expenditures

The General Fund operating expenditures were \$16.5 million in 2016, as shown in **Table 6**. The three largest department expenditures were Public Works, Police, and General Government (town administration). The Public Works department accounted for 24 percent of General Fund expenditures at nearly \$4.0 million. The next largest department expenditure was Police at \$3.2 million or 19.4 percent of the General Fund budget. General Government costs were \$3.2 million or 19 percent.

The General Fund also transfers money to other departments and funds for operations and capital projects. The largest operating transfers were to Transit, at \$1.1 million, and Fleet Maintenance at \$450,000. Transfers to Capital Projects will vary widely from year to year, but were 10 percent of expenditures in 2016 at \$1.67 million.

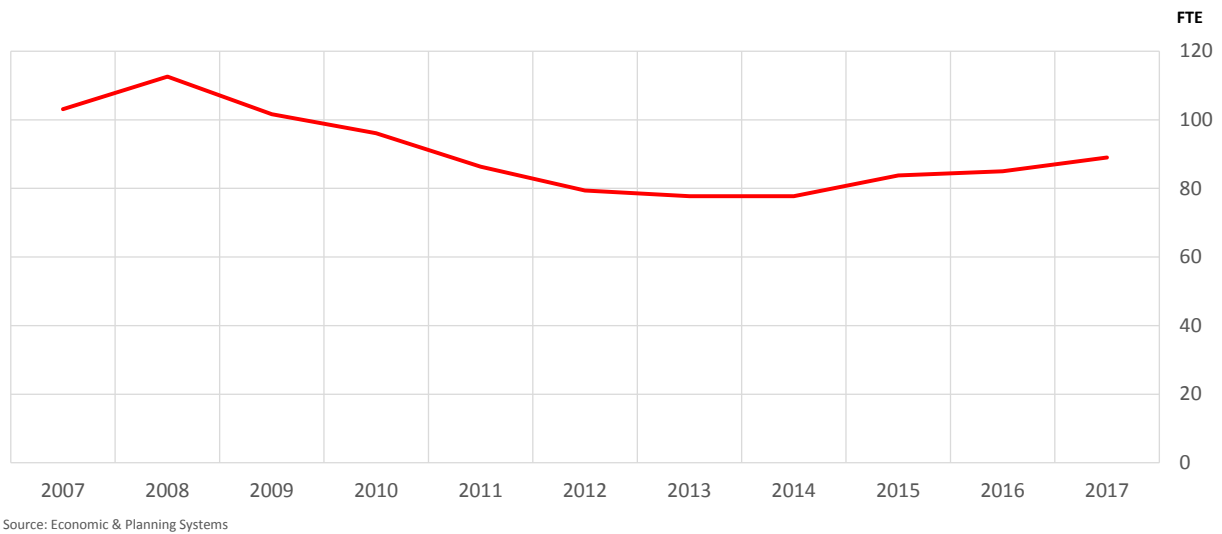
Table 6
Avon General Fund Expenditures Summary 2016

Expenditures	2016 Final Revised Budget	Percent
General Government	3,157,669	19.2%
Police	3,204,355	19.4%
Public Works & Facilities	3,995,687	24.2%
Community & Economic Dev	1,380,476	8.4%
Recreation & Culture	1,294,689	7.9%
Transfer to Town Center West Fund	95,874	0.6%
Transfer to Capital Projects Fund	1,670,000	10.1%
Transfer to Transit	1,134,994	6.9%
Transfer to Fleet Maintenance	450,000	2.7%
Other	<u>99,000</u>	<u>0.6%</u>
Total	\$16,482,744	100.0%

Source: Town of Avon 2017 Adopted Budget, Economic & Planning Systems

The Town's staffing level declined from 115 full-time equivalent positions (FTE) in 2007 to about 80 FTEs in 2012 and 2013 after the Great Recession. The Town staff has only grown to 89 as of the 2017/18 budget cycle, as shown below in **Figure 4**.

Figure 4
Avon Full-time Equivalent Employees, 2007-2017



Real Estate Transfer Tax

Many mountain and resort communities in Colorado have a Real Estate Transfer Tax (RETT) enacted under home rule authority prior to TABOR (1992). RETTs range generally from 1.0 to 2.0 percent of the transaction price. It is customary for the buyer and seller to split the cost of transfer fees in a sale. Communities often earmark RETT revenue for capital projects funding and affordable/workforce housing although some use it for general operations and maintenance. The Taxpayers Bill of Rights (TABOR) prohibited further RETTs from being enacted in Colorado but allowed existing RETTs to continue.

Several communities have negotiated for real estate transfer assessments (RETAs) to be applied to new development that requires discretionary approvals (e.g. zoning changes and annexations) and/or to mitigate the impacts and costs of new infrastructure and municipal services to new development. A RETA is fee on real estate transactions within a defined area that functions like RETT. It is a fee, not a tax, and is a voluntary agreement implemented by the developer/land owner implemented through a Declaration of Restrictive Covenant.

Avon's 2.0 percent RETT is the primary source of funding for capital improvement projects and is deposited into the Capital Projects Fund. The RETT is a volatile revenue source as it varies with the strength of the real estate market, new real estate development, and major property acquisitions. For example, the Town received \$640,000 in additional RETT in 2016 from the sale of vacation club ownership points within the Wyndham Vacation Ownership Club.

Avon budgets for a base or average level of revenue each year of about \$2.2 to \$2.4 million. When there are spikes in RETT from events like those described above, the Town keeps these excess monies separate to be earmarked for capital projects and/or community amenities. As part of the Strategic Plan for fiscal years 2017-2018, a tier one priority is to utilize the RETT to bolster affordable, workforce housing. This is a policy and budgeting tradeoff—as more RETT is used for workforce housing initiatives, less will be available for other capital projects absent revenue increases or other revenue sources.

Table 7
Real Estate Transfer Tax Trend in Avon

Year	RETT	Change
2007	\$2,540,943	
2008	3,093,021	17.8%
2009	1,761,980	-75.5%
2010	2,159,525	18.4%
2011	1,616,982	-33.6%
2012	1,707,648	5.3%
2013	1,574,502	-8.5%
2014	3,764,526	58.2%
2015	2,369,314	-58.9%
2016	3,497,602	32.3%
Annual Average	\$2,410,000	

Source: Town of Avon CAFR; Economic & Planning Systems

RETT Exemption

The Town exempts the first \$160,000 of a home's sale price from the RETT when the property is sold to a primary resident. This exemption has been in place for many years and was established to support workforce housing and first-time homebuyers in Avon. This exemption saves buyers who qualify for the exemption \$3,200 in RETT payments. On the other hand, the Town forgoes \$3,200 per transaction. The Town processes about 100 of these exemptions per year, equating to roughly \$320,000 in annual exemptions for primary resident property purchases.

Capital Projects

An important aspect of the continued success and sustainability of Avon is maintaining and enhancing its quality of life through new investments and programs, and keeping up with the maintenance on mature Town infrastructure (roads, utilities, public buildings, parks, etc.). This strategy benefits residents, businesses, and visitors, and is part of economic and community development in most mountain and resort communities in Colorado. Also, like other communities, there is a limited amount of funding for new projects in Avon. When the town paid of bonds in 2016, it retired the debt service mill levy of 2.809. Some of the recent capital expenditures and other potential projects that have been identified are outlined below.

- **Joint Public Safety Facility** – The Town and the Eagle River Fire Protection District are partnering to construct a joint Public Safety Facility (fire and police) at Lot 1B, Buck Creek PUD at 60 Buck Creek Road. The project was completed in September of 2017 at a cost of approximately \$6.5 million.
- **Workforce Housing** – The Town Council is interested in ways to fund more workforce housing in the Town.
- **Hahnewald Barn** – This is a barn built around 1910 by the Hahnewald family. It is currently owned by the Eagle River Sanitation District and located on its property. The barn is in severe disrepair and is unsafe for occupancy or use. There are proposals to relocate and reconstruct the barn as an events or educational facility with costs in the several million dollar range.
- **Recreation Center Expansion** – There have been proposals to expand the Avon Recreation Center to add indoor courts and gym facilities, with costs of at least \$7.0 million. A vote in 2014 to extend the debt service mill levy was defeated by a narrow margin.
- **New and Former Town Hall** – The Town is relocating its Town Hall to an existing office building it purchased for \$1.5 million. The Town is using \$3.0 million in financing proceeds and a transfer of \$1.4 million from the Urban Renewal Fund to complete renovations and interior finishes.

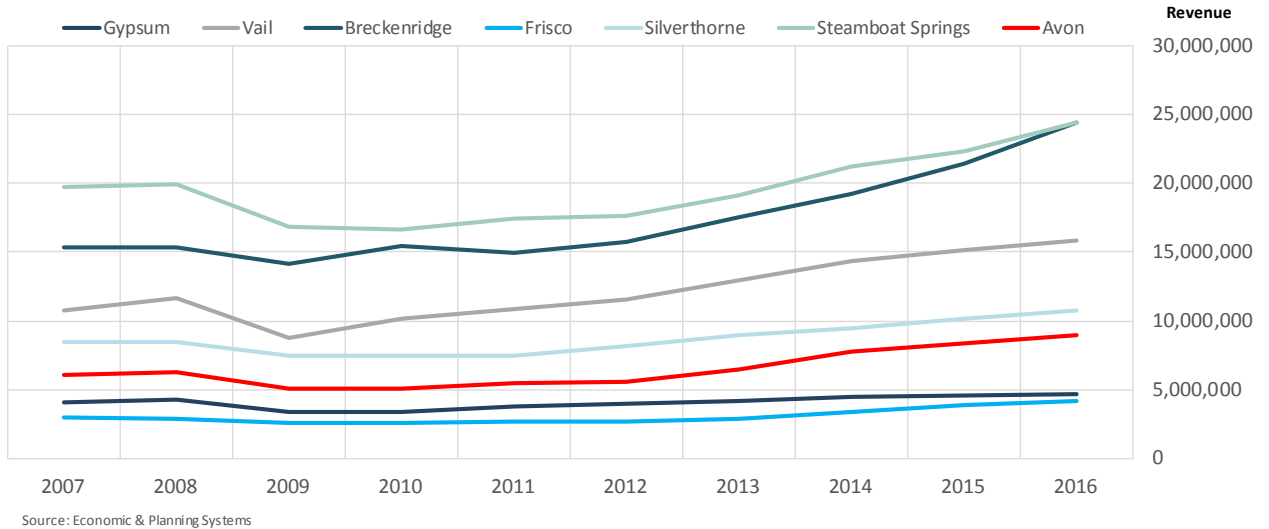
3. PEER COMMUNITY ECONOMIC TRENDS

This chapter provides background trend data on major economic indicators in the peer communities with a focus on Eagle County. As shown in this analysis, each major indicator is either stable or trending upward in Avon and the peer communities. Home sales data was provided by the Avon office of Land Title.

Tax Revenues

Each peer community has experienced sales tax growth from 2007 through 2016 as shown in **Figure 5**. Breckenridge had the strongest sales tax growth at 5.3 percent per year, followed by Avon and Vail both at 4.4 percent per year.

Figure 5
Sales Tax Revenue Trend, 2007-2016



Lodging tax has also been growing over the past 10 years. Avon had the strongest growth in lodging tax, at 12.3 percent per year as shown below in **Figure 6**. Avon's lodging tax is now at 283 percent of its level in 2007, as shown in **Figure 7**. Vail's lodging tax grew at 5.0 percent per year during this time period and Breckenridge's grew at 5.8 percent per year (corrected for their 2010 lodging tax increase).

Figure 6
Lodging Tax Revenue, 2007-2016

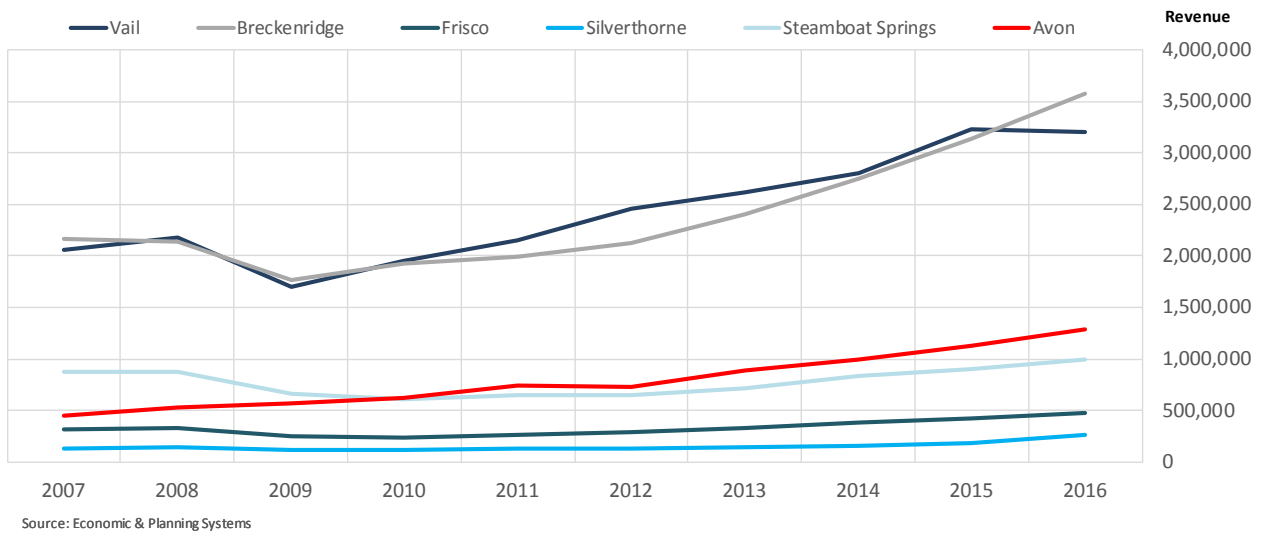
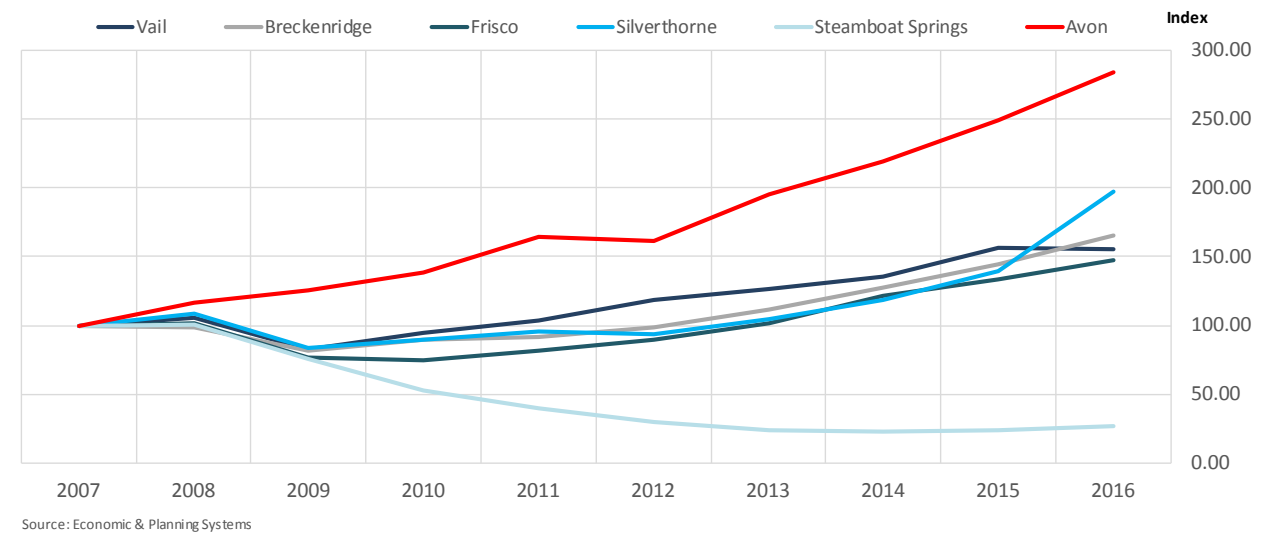


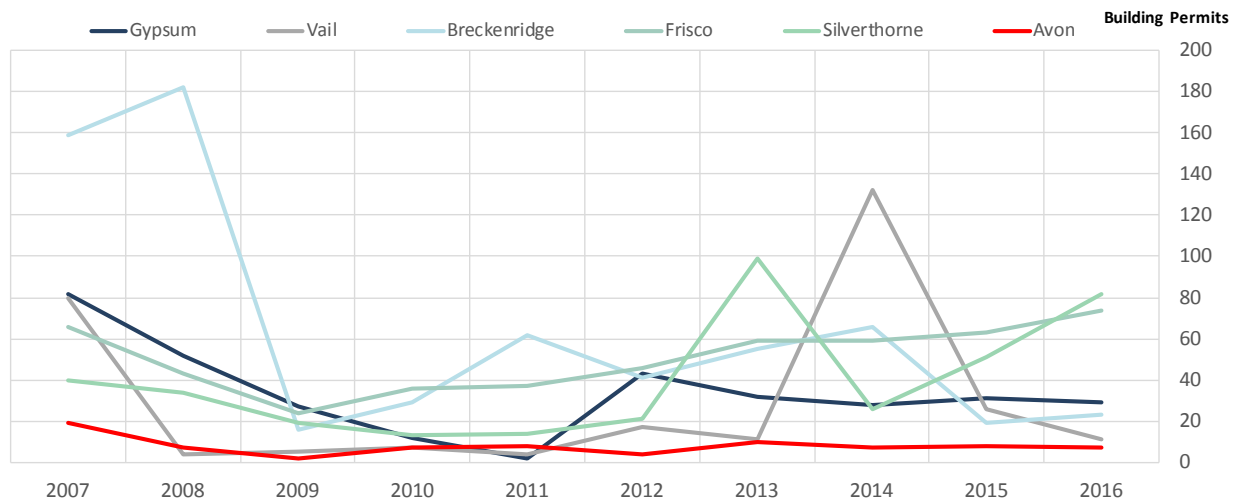
Figure 7
Lodging Tax Indexed to 2007



Real Estate and Construction

The most comparable peer communities are largely built out and have land constraints, which results in either low numbers of new residential building permits or volatile peaks that correspond with large infill and redevelopment projects. In Avon, there have been approximately 10 residential building permits per year as shown in **Figure 8**. Gypsum experienced a sharp decline in construction from 2007 through 2011 but has since recovered to about 30 units per year. Vail, Breckenridge, and Silverthorne have seen ups and downs corresponding with larger development projects coming online.

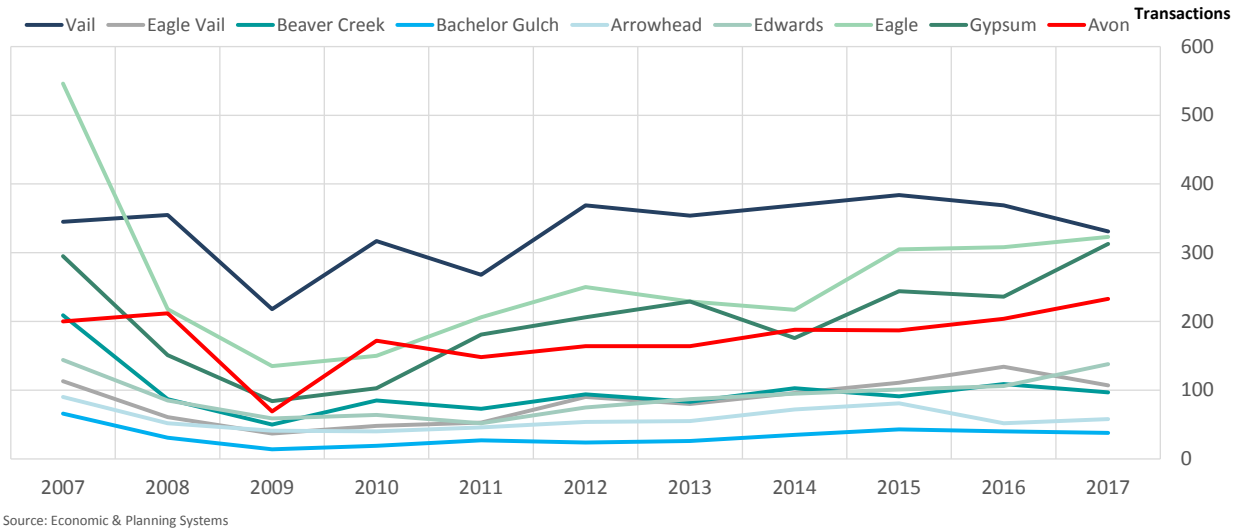
Figure 8
Residential Building Permits Issued, 2007-2016



Source: Economic & Planning Systems

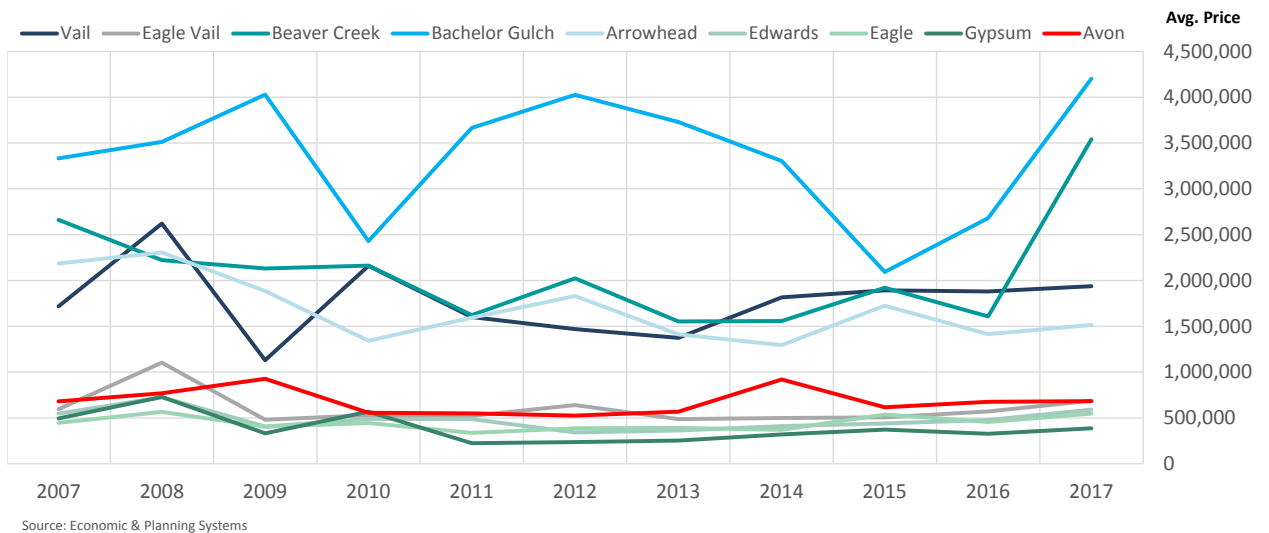
Sales volume is an indicator of how active a market is and how many buyers and sellers are in the market. Home sales volume has been trending up in Avon since 2011 as shown in **Figure 9**. The other communities have generally followed the same pattern except for Beaver Creek which has slowed since 2015.

Figure 9
Home Sales Volume, 2007-2017



The average sale price in Avon has been largely flat since 2007 with some peaks in 2009 and 2014. The current average price is \$683,000 compared to \$680,000 in 2007. Bachelor Gulch and Beaver Creek have experience major price increases over the past two years, likely skewed by a small number of very high-priced transactions. Appreciation in Vail was 1.2 percent per year over this time period, 1.5 percent in Eagle Vail, 0.8 percent in Edwards, and 2.0 percent in Eagle.

Figure 10
Average Home Sale Price, 2007-2017



Typical Home Listings

In this section, EPS conducted an MLS search for homes priced between approximately \$450,000 and \$750,000 in Avon, Edwards, and Eagle. The active listing data shows that a broader variety of housing is available in this price range further down valley from Avon.

Avon and Vicinity



\$459,000

Condo

2 bd – 2 ba – 1,149 sq. ft.

Built 1980

288 W. Beaver Creek Blvd Avon, CO



\$475,000

Condo

3 bd – 2 ba – 1,334 sq. ft.

Built 1981

39255 Hwy 6 #A304 Avon, CO



\$519,000

Condominium

1bd – 2ba – 882 sq. ft.

Built 1988

1206 Village Rd. #B102 Beaver Creek, CO



\$525,000

Condominium

Studio – 1 ba – 612 sq. ft.

Built 1996

51 Offerson Rd. #205 Beaver Creek, CO



\$685,000

Condo

2 bd – 3 ba – 1,125 sq. ft.

Built 1981

120 Offerson Rd # 7110 Beaver Creek, CO



\$715,000

Condo

2 bd – 2 ba – 1,068 sq. ft.

Built 1981

120 Offerson Rd #6220 Beaver Creek, CO

Edwards



\$470,000

Condo

3 bd -2 ba – 1,415 sq. ft.

Built 1998

1005 Crazy Horse Circle Edwards, CO



\$520,000

Townhouse

3 bd – 4 ba – 1,719 sq. ft.

Built 1994

1000 Homestead Drive Unit 30 Edwards, CO



\$695,000

Condo

2 bd – 2 ba- 1,084 sq. ft.

Built 1998

74 Cresta Rd #207 Edwards, CO



\$719,000

House

3 bd – 3 ba – 2,202 sq. ft.

Built 1997

160 Hackamore Road Edwards, CO

Eagle



\$499,000

Condo

2 bd – 2 ba – 1,077 sq. ft.

Built 2007

1185 Capitol St. #R-204 Eagle, CO



\$480,000

Condo

2bd – 2 ba – 1,430 sq. ft.

Built 2005

330 Broadway Street Apt F Eagle, CO



\$486,900

Condo

3 bd – 3 ba – 1,203 sq. ft.

Built 1980

384 Hilltop St Apt. 5 Eagle, CO



\$650,000

House

4 bd – 4 ba – 3,000 sq. ft.

Built 2006

280 Bluffs Dr Eagle, CO



\$715,000

House

5 bd – 5 ba – 3,799 sq. ft.

Built 2006

278 Longview Ave Eagle, CO

4. PEER COMMUNITY GENERAL FUNDS

This chapter reviews the revenue and budget structures of several peer communities and compares them to Avon. The purpose of this analysis is to evaluate Avon’s and the peers’ revenue diversity, and to identify revenue sources that other communities have that Avon may be able to enact. In addition, a comparison of the level of service that each municipality provides (spending per capita and per housing unit) is included at the end of the chapter.

Selected Communities

Seven mountain communities were chosen to evaluate: Vail, Gypsum, Breckenridge, Frisco, Silverthorne, Steamboat Springs, and Golden as shown in **Table 8**. A common element is that, with the exception of Steamboat Springs, each peer community has a Real Estate Transfer Tax (RETT). Most of the peer communities are along the I-70 Corridor and three of the seven are ski area portals: Vail, Breckenridge, and Steamboat. Avon is a partial ski area portal as it is closely connected to Beaver Creek but not the direct access point. Frisco and Silverthorne are similar to Avon in that they are closely connected to the resort economies but have more of the supportive commercial services for area communities—large retail centers, light industrial/shop space, maintenance and repair services, and professional offices. Most are similarly sized, with populations ranging from about 4,400 to 7,000. Frisco is the smallest with a population of 2,900. Golden, Colorado was also included as a contrasting community, located on the edge of the Denver Metro area but with a strong outdoor recreation culture.

Table 8
Comparison Community Key Indicators

Description	Eagle County			Summit County			Routt County	Jefferson County
	Avon	Vail	Gypsum	Breckenridge	Frisco	Silverthorne	Steamboat	Golden
Ski Area Portal	Partial	Yes	No	Yes	No	No	Yes	No
Population	6,570	5,486	6,983	5,035	2,931	4,402	12,698	20,460
Jobs	3,915	3,799	4,408	3,241	1,886	2,357	7,626	9,975
Housing Units ^[1]	3,657	7,422	2,360	7,267	3,222	2,208	10,207	8,103
Median Home Price	\$683,000	\$2,150,000	\$1,195,000	\$1,097,000	\$639,950	\$1,107,500	\$672,950	\$518,300
Median Household Income	\$56,223	\$73,125	\$79,286	\$70,972	\$73,678	\$47,825	\$53,996	\$59,028

^[1] Occupied and second homes

Source: Colorado DOLA, U.S. Census ACS, Zillow, Land Title, Economic & Planning Systems

General Fund Revenues

To compare the budgets of each community to Avon, revenues and expenditures from each budget were organized into common categories and summarized by these categories. The result is a more consistent comparison of revenues and expenditures. Some adjustments were also made to transfers and pass through revenues to show more accurately their source or function.

In each community, sales and use tax is the largest revenue source. Note that in Avon, this line item is only sales tax; Avon does not have a use tax. In most communities, sales and use tax is 50 to 60 percent of General Fund revenues, as shown in **Table 9**. In Steamboat, sales tax is 72 percent of revenues as the City does not have a general operating mill levy. Steamboat eliminated its property tax in the 1980s to shift the tax burden to visitors and away from businesses and residents. In Breckenridge, sales tax is 42.5 percent of the revenue due to higher revenues in recreation facility fees (user fees), property tax, and lodging tax.

Property tax and lodging tax are the next highest revenues, ranging from about 10 to 13 percent of revenues, although not all communities place lodging tax in their General Funds as discussed below. All other revenues (fees, charges for services, and intergovernmental grants) make up the remaining 25 to 40 percent (approximately) of revenues. In several peer communities, lodging tax is not a General Fund revenue but used for capital projects, parks, trails, amenities, and marketing functions.

Additional highlights from selected communities' budgets are summarized below, and additional information on the uses of specific revenue sources is provided later in this chapter.

- **Breckenridge** – Sales and use tax, lodging tax, real estate transfer tax, and franchise fee revenues are all deposited into the Excise Fund, which is for revenue collection. Excise Fund revenues are transferred into the General Fund, Capital Projects Fund, and other funds as needed. In 2016, about \$14 million was transferred into the General Fund from the Excise Fund.
- **Frisco** – Most General Fund revenue comes from sales and use tax and charges for services. Frisco has a medical marijuana excise tax and recreational marijuana tax. These generated \$60,000 and \$225,000 respectively for the General Fund.
- **Silverthorne** – Silverthorne, like Steamboat, does not levy a general property tax. Silverthorne therefore relies heavily on sales tax. About a quarter of the total sales tax revenues come from the Outlets at Silverthorne. Charges for services and others are the highest revenue sources after sales tax. The other category includes interest, miscellaneous, severance, and other financing sources. Charges for services include the Recreation Center, which generates the most revenue for the category. Silverthorne's lodging tax is dedicated to recreation and trail projects (85 percent) and marketing the Town (15 percent). Silverthorne also earmarks 60 percent of its sales tax for capital projects.
- **Vail** – Vail allocates about 60 percent of its sales tax to the General Fund and 40 percent to the Capital Fund.
- **Gypsum** – Gypsum is the only community to collect and allocate its RETT to the General Fund.

Table 9
Peer Community General Fund Revenues (2016 Estimated)

Revenue	Eagle County			Summit County			Routt County	Jefferson County
	Avon	Vail	Gypsum	Breckenridge	Silverthorne	Frisco	Steamboat	Golden
2016 Final Budget								
Sales & Use Tax	\$8,425,601	\$20,593,000	\$5,040,087	\$10,472,870	\$7,057,483	\$8,517,740	\$22,919,957	\$12,613,128
Property Tax	1,747,601	4,913,000	593,703	2,628,068	0	143,493	0	6,429,541
Lodging Tax	1,249,036	0	0	2,845,016	0	0	0	0
Utility tax	110,000	0	0	0	0	0	0	0
Specific Ownership Tax	120,000	0	28,205	131,301	0	7,509	0	470,758
RETT	0	0	703,291	0	78,000	0	0	0
Fines and Forfeits	92,445	250,942	35,236	465,797	125,000	0	181,400	773,613
Franchise Fees	415,000	1,181,159	243,941	670,618	284,545	320,432	1,155,000	1,934,029
Charges for Services	191,085	1,001,236	63,574	1,061,565	511,144	351,461	2,082,275	1,504,381
Recreation Fees	1,472,939	0	0	2,985,410	1,490,650	3,025,600	534,272	767,019
Licenses & Permits	206,100	1,594,254	666,542	708,688	269,533	342,930	61,810	670,890
Intergovernmental	1,004,571	1,882,916	374,725	1,223,877	304,787	203,353	4,250,841	682,472
Other	145,400	5,557,556	1,302,021	1,460,704	663,673	504,668	664,061	1,581,218
Total	\$15,179,778	\$36,974,063	\$9,051,325	\$24,653,914	\$10,784,815	\$13,417,186	\$31,849,616	\$27,427,049
Percent								
Sales & Use Tax	55.5%	55.7%	55.7%	42.5%	65.4%	63.5%	72.0%	46.0%
Property Tax	11.5%	13.3%	6.6%	10.7%	0.0%	1.1%	0.0%	23.4%
Lodging Tax	8.2%	0.0%	0.0%	11.5%	0.0%	0.0%	0.0%	0.0%
Utility tax	0.7%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Specific Ownership Tax	0.8%	0.0%	0.3%	0.5%	0.0%	0.1%	0.0%	1.7%
RETT	0.0%	0.0%	7.8%	0.0%	0.7%	0.0%	0.0%	0.0%
Fines and Forfeits	0.6%	0.7%	0.4%	1.9%	1.2%	0.0%	0.6%	2.8%
Franchise Fees	2.7%	3.2%	2.7%	2.7%	2.6%	2.4%	3.6%	7.1%
Charges for Services	1.3%	2.7%	0.7%	4.3%	4.7%	2.6%	6.5%	5.5%
Recreation Fees	9.7%	0.0%	0.0%	12.1%	13.8%	22.6%	1.7%	2.8%
Licenses & Permits	1.4%	4.3%	7.4%	2.9%	2.5%	2.6%	0.2%	2.4%
Intergovernmental	6.6%	5.1%	4.1%	5.0%	2.8%	1.5%	13.3%	2.5%
Other	<u>1.0%</u>	<u>15.0%</u>	<u>14.4%</u>	<u>5.9%</u>	<u>6.2%</u>	<u>3.8%</u>	<u>2.1%</u>	<u>5.8%</u>
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Assessed Value	\$226,761,360	\$136,046,480	\$1,174,363,440	\$565,153,160	\$199,207,520	\$189,697,090	\$645,973,640	\$535,804,114

Source: Economic & Planning Systems

General Fund Expenditures

The size of expenditures in percentage terms is fairly similar across the peer communities. In Avon, Vail, Breckenridge, and Silverthorne, Public Works comprises about 25 percent of the General Fund budget as shown in **Table 10**. These are largely operations and maintenance functions, not capital projects spending. In all but Gypsum, General Government is approximately 20 percent of the General Fund. It is higher in Gypsum because of the small size of the community and the fixed costs that are necessary to run town administration and government functions.

In the communities that have a ski area portal or are closest to one and/or are located along I-70, Police expenditures are highest. In Avon, Vail, Breckenridge, and Silverthorne, Police expenditures range from about 15 to 20 percent of the General Fund. There is a correlation between the number of visitors and I-70 impacts with the level of service needed for law enforcement and public safety. Vail and Steamboat are the only communities that operate their own fire department, which accounts for about 11 percent of their General Funds.

Recreation and Culture expenditures in the General Fund vary more widely either according to community priorities or available revenue. These are expenditures on things like event facilities, recreation centers, and parks/trails maintenance. In Vail, parks maintenance is under Public Works and therefore does not register as a large standalone expenditure. In Breckenridge, about 19 percent of the General Fund goes to Recreation including programs, operations, the Nordic Center, and ice rink operations. In Silverthorne, 28 percent of the General Fund goes to Recreation and Culture including a large recreation center, and The Pavilion. The Pavilion is a community facility for public and private events. It recovers 90 percent of operating expenses through private rentals and bar proceeds.

Transit and Transportation is another expenditure that varies widely. Vail, Avon, and Breckenridge each operate their own small transit systems. In some cases, these are General Fund transfers to a transit or transportation fund, but have been reclassified here to show the function of the spending. Avon spends 6.9 percent of its General Fund on Transit, compared to 17.5 percent in Vail and 12.3 percent in Breckenridge.

Transfers Out

Transfers out of the General Fund vary by how each community funds capital projects. Communities such as Vail, Silverthorne, Steamboat, and Breckenridge that have other revenue sources earmarked or dedicated for capital projects transfer out less revenue. Transfers will also vary considerably from year to year depending on capital spending and reserves; this is therefore only a snapshot. In 2016, Avon had the highest percentage transfer out for capital projects, at 10.7 percent (\$1.8 million). Avon's General Fund also subsidizes the transit system with about \$1.1 million per year. Frisco also had a large transfer out to capital projects at 32.8 percent (\$4.7 million) for revitalization and reconstruction of Main Street, improving recreational pathways, and environmental sustainability projects. Avon also funds the fleet services department through General Fund transfers, at about \$450,000 per year.

In operating transfers, Steamboat has the largest operating transfer out at \$5.9 million largely to subsidize the Howelson Hill ski area and other recreation venues.

Table 10
Expenditure Summary of Comparison Communities General Fund Budget 2016

Expenditures	Eagle County			Summit County			Routt County	Jefferson County
	Avon	Vail	Gypsum	Brecken- ridge	Silver- thorne	Frisco	Steamboat	Golden
2016 Final Budget								
General Government	\$3,157,669	\$6,497,121	\$2,566,215	\$3,272,393	\$2,219,798	\$3,057,593	\$8,048,311	\$5,161,151
Police/Pub. Safety	3,204,355	5,902,574	904,263	3,655,244	1,997,607	1,464,557	3,977,638	8,570,731
Fire/EMS	0	4,037,519	0	0	0	0	3,639,623	1,765,554
Transit/Transportation	1,134,994	6,436,330	0	3,049,818	0	0	3,449,362	0
Public Works & Facilities	3,995,687	8,595,388	1,615,398	6,531,044	2,623,638	1,680,766	3,536,251	3,854,244
Community & Economic Dev	1,380,476	4,327,430	1,447,053	1,679,684	874,851	1,203,986	862,436	1,467,147
Recreation & Culture	1,294,689	878,404	2,867,577	4,757,389	3,034,165	2,274,104	5,009,085	2,647,861
Transfer Out - Capital	1,765,874	50,000	0	0	0	4,716,665	0	0
Transfer Out - O&M	450,000	0	0	0	0	0	5,920,205	1,032,912
Other	<u>99,000</u>	<u>0</u>	<u>0</u>	<u>1,912,068</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,418,092</u>
Total	\$16,482,744	\$36,724,766	\$9,400,506	\$24,857,640	\$10,750,059	\$14,397,671	\$34,442,911	\$25,917,692
Percent								
General Government	19.2%	17.7%	27.3%	13.2%	20.6%	21.2%	23.4%	19.9%
Police	19.4%	16.1%	9.6%	14.7%	18.6%	10.2%	11.5%	33.1%
Fire/EMS	0.0%	11.0%	0.0%	0.0%	0.0%	0.0%	10.6%	6.8%
Transit/Transportation	6.9%	17.5%	0.0%	12.3%	0.0%	0.0%	10.0%	0.0%
Public Works & Facilities	24.2%	23.4%	17.2%	26.3%	24.4%	11.7%	10.3%	14.9%
Community & Economic Dev	8.4%	11.8%	15.4%	6.8%	8.1%	8.4%	2.5%	5.7%
Recreation & Culture	7.9%	2.4%	30.5%	19.1%	28.2%	15.8%	14.5%	10.2%
Transfer Out - Capital	10.7%	0.1%	0.0%	0.0%	0.0%	32.8%	0.0%	0.0%
Transfer Out - O&M	2.7%	0.0%	0.0%	0.0%	0.0%	0.0%	17.2%	4.0%
Other	<u>0.6%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>7.7%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>5.5%</u>
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Economic & Planning Systems

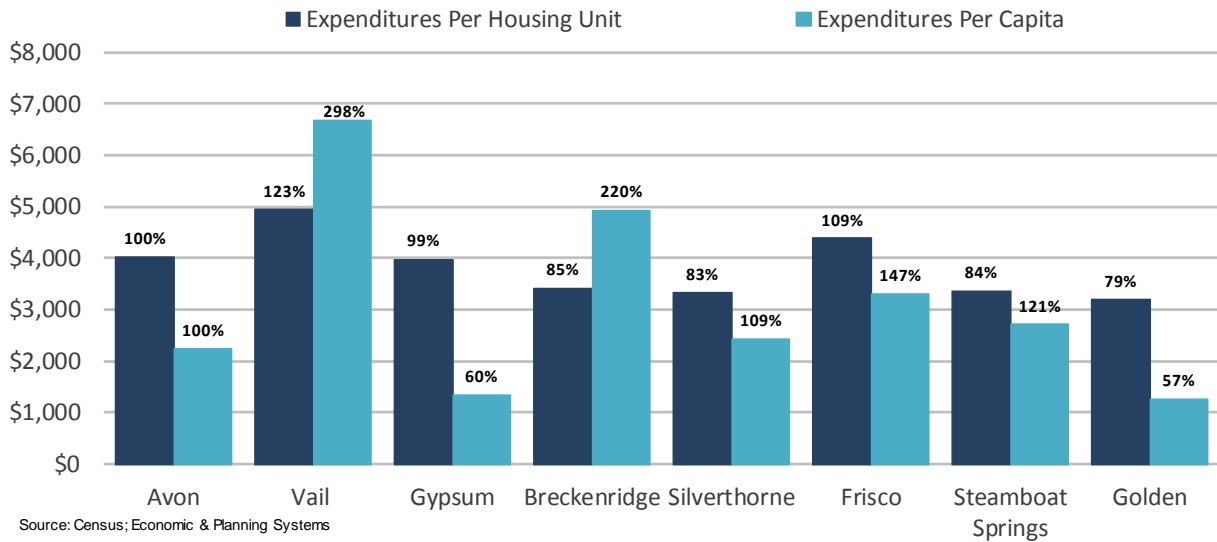
Level of Service Comparison

A proxy for the level of service a community provides is the spending per capita. In mountain resort areas however, spending per housing unit may be a better indicator. The housing stock in each of these communities contains many second homes and condominium and condohotel units that comprise most of the overnight bed base. Therefore, spending per housing unit better represents spending on municipal services for residents and guests.

Per housing unit, Avon has one of the highest levels of service. Vail spends 23 percent more than Avon, as shown in **Figure 11**, but is a much more visitor-oriented community. Per housing unit, Avon spends approximately 15 percent more than Breckenridge, Silverthorne, and Steamboat on General Fund operations and maintenance indicating that the level of service is generally consistent with its peers.

The higher per capita spending in the other communities is a reflection of the larger size of their bed base in proportion to their population compared to Avon's. Vail's General Fund spending, for example, is almost three times Avon's per capita because it has a larger bed base. Breckenridge spends more than twice what Avon spends per capita.

Figure 11
General Fund Expenditures Per Capita and Per Housing Unit indexed to Avon



5. PEER COMMUNITY TAX RATES AND REVENUE SOURCES

In this chapter, the tax rates and fee levels from each community are compared to Avon's. These tax and fee rates are what creates the overall revenue mix and balance for each community, and affect how they are able to fund and invest in capital projects. A separate section on the RETT revenues and rates in each community is included, along with a summary of realtor interviews on the impact of the RETT on the local market from buyers' and sellers' perspectives.

Property Tax Rates

The total 2016 mill levy for property centrally located in Avon (county and local taxing districts) is 63.008 dollars per \$1,000 of assessed value. This is 0.200 mills lower than Gypsum including Gypsum the WEC Metro Rec District and the Cedar Hill Cemetery districts in that area. . The total mill levy on most property in Avon is 63.008, compared to just under 50 mills in Vail, Frisco, and Silverthorne, and just over 50 mills in Breckenridge as shown in **Table 11**. The major difference is that the Eagle County school district mill levy is about 5.000 mills higher than in Summit County, and the Town's operating mill levy of 8.956 is about 3.000 mills higher than some of the others. Golden, which is less comparable, has a much higher mill levy total at over 80 mills largely due to the 42.878 Jefferson County School District mill levy.

Metropolitan Districts

There is a substantial amount of residential development in unincorporated Eagle County organized under homeowners associations (HOAs) and Title 32 Metropolitan Districts (metro districts). Metropolitan districts are an infrastructure financing mechanism in which a property and/or sales tax is levied on property within the district to fund public improvements, usually water and sewer, and roads. Metro districts are typically formed by the developer and governed by the developer for a period of time until new board elections allow a broader representation of district residents to be elected.

The total mill levies in several large development areas in Eagle County are shown below in **Table 12** and compared to Avon. Edwards (Homestead Metro District) has the lowest total mill levy at 55.743 in 2016, 7.265 mills lower than Avon, as its debt has been paid off and only the 1.691 operating mill levy remains on top of the other taxing districts. Other metro districts have mill levies for debt and operating ranging from about 14.000 to over 40.000 mills. Cotton Ranch in Gypsum and Eagle Ranch in Eagle have total mill levies over 100.000 mills. Many of these districts also have additional HOA fees, such as the \$1,260 per year fee per home in Edwards.

Table 11
Peer Community 2016 Mill Levies

Tax Authority	Eagle County			Summit County			Routt County	Jefferson County
	Avon	Gypsum	Vail	Breckenridge	Frisco	Silverthorne	Steamboat	Golden
Assessed Value (\$Millions)	\$226.8	\$136.0	\$1,174.4	\$565.2	\$199.2	\$189.7	\$646.0	\$535.8
County								
General Fund	5.285	5.285	5.285	4.817	4.817	4.817	12.124	15.545
Road & Bridge	1.359	1.359	1.359	0.814	0.814	0.814	0.785	1.348
Social Services	0.240	0.240	0.240	0.229	0.229	0.229	0.528	1.326
Health	2.755	2.755	2.755	0.000	0.000	0.000	0.000	0.000
Other	<u>1.615</u>	<u>1.615</u>	<u>1.615</u>	<u>9.226</u>	<u>9.226</u>	<u>9.226</u>	<u>4.130</u>	<u>6.490</u>
Subtotal:	11.254	11.254	11.254	15.086	15.086	15.086	17.567	24.709
Local Taxing Districts								
Town/City	8.956	5.094	4.705	5.070	0.798	0.000	0.000	12.340
School District	25.209	25.209	25.209	20.525	20.525	20.525	18.030	42.878
College District	3.997	3.997	3.997	3.997	3.997	3.997	3.997	0.000
Fire District	9.740	10.504	0.000	9.008	9.003	9.003	0.000	0.000
Water/San	0.849	0.000	0.849	0.000	0.000	0.000	0.000	0.000
Other	<u>3.003</u>	<u>7.143</u>	<u>3.734</u>	<u>0.309</u>	<u>0.309</u>	<u>0.309</u>	<u>5.884</u>	<u>0.557</u>
Subtotal:	51.754	51.947	38.494	38.909	34.632	33.834	27.911	55.775
Total Mill Levy:	63.008	63.201	49.748	53.995	49.718	48.920	45.478	80.484

Source: Economic & Planning Systems

Table 12
Major HOA and Special District Mill Levies

	Avon	Eagle-Vail Metro District	Berry Creek Metro District (Singletree)	Edwards Metro District (Homestead)	Arrowhead Metro District	Beaver Creek Metro District	Cotton Ranch Metro District	Eagle Ranch Metro District
Metro District Tax Mill Levy	0.000	20.755	14.095	1.691	18.500	25.916	41.230	40.000
Town Mill Levy	8.956	0.000	0.000	0.000	0.000	0.000	5.094	3.853
Tax Mill Rates -								
Eagle County	8.499	8.499	8.499	8.499	8.499	8.499	8.499	8.499
Colorado Mountain College	3.997	3.997	3.997	3.997	3.997	3.997	3.997	3.997
Eagle County School District RE-50J	25.209	25.209	25.209	25.209	25.209	25.209	25.209	25.209
Eagle River Fire Protection District	9.740	9.740	9.740	9.740	9.740	0.000	0.000	0.000
Eagle Valley Library District	2.750	2.750	2.750	2.750	2.750	2.750	2.750	2.750
Eagle River Water and Sanitation District	0.849	0.849	0.849	0.849	0.849	0.849	0.000	0.000
E.R.W. & S. Water Subdistrict	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Colorado River Water Conservancy District	0.253	0.253	0.253	0.253	0.253	0.253	0.253	0.253
Eagle County Health Services District	2.755	2.755	2.755	2.755	2.755	2.755	2.755	2.755
Vail Park & Rec	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Minturn Cemetery	0.000	0.450	0.000	0.000	0.000	0.000	0.000	0.000
Eagle Cemetery	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.266
Cedar Hill Cemetery	0.000	0.000	0.000	0.000	0.000	0.000	0.490	0.000
Eagle Sanitation	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Greater Eagle Fire	0.000	0.000	0.000	0.000	0.000	0.000	0.000	10.000
Gypsum Fire	0.000	0.000	0.000	0.000	0.000	0.000	10.504	0.000
W.E.C. Metro Rec	0.000	0.000	0.000	0.000	0.000	0.000	3.650	3.650
Total Mill Levy	63.008	75.257	68.147	55.743	72.552	70.228	104.431	101.232

Source: Eagle County, Economic & Planning Systems

Peer Community RETT

As noted in the Introduction, the peer communities were chosen on the criterion that they have a real estate transfer tax. Each peer community has a 1.0 percent RETT on all property sales or transfers with monetary compensation. Avon has a higher RETT at 2.0 percent. When TABOR, passed in 1992, it prohibited new or increased RETTs from being enacted in Colorado but allowed existing RETTs to continue. Under TABOR, the Town could raise or eliminate the locals' exemption because it would be effectively a tax decrease, but the Town cannot lower or eliminate the local's exemption because that would be a RETT increase which is prohibited by TABOR. A list of other Colorado municipalities with existing RETTs and corresponding rates are shown below.

Table 13
RETT Rates in Colorado Communities

Community	RETT Rate
Breckenridge	1.0%
Frisco	1.0%
Gypsum	1.0%
Minturn	1.0%
Snowmass Village	1.0%
Vail	1.0%
Winter Park	1.0%
Aspen ^[1]	1.5%
Avon	2.0%
Crested Butte	3.0%
Telluride	3.0%
Ophir	4.0%

^[1] Combined RETT rates of 0.5% and 1.0%

Source: Economic & Planning Systems

RETT revenue is most commonly utilized to fund capital improvement projects. Avon, Breckenridge, and Frisco use the RETT as their key funding source for capital improvements. Vail dedicates its RETT to recreation, parks and open space, and sustainable environmental practices. Gypsum uses its RETT in the General Fund. Silverthorne is the only mountain peer community that does not have a RETT, although it pursues real estate transfer assessments (RETAs or "transfer fees") on some new developments. Many large HOAs in the area have RETAs including Eagle Ranch (1.0 percent), Arrowhead (1.5 percent), and the Beaver Creek Resort Company (2.375 percent).

Vail has almost \$6.0 million in RETT revenue on average. Breckenridge’s RETT has been about \$4.3 million on average as shown in **Table 14**. These two towns also have the highest property values of the peer communities.

Table 14
Real Estate Transfer Tax of Comparison Communities

Year	Eagle County		Summit County		
	Avon	Vail	Breckenridge	Frisco	Silverthorne (RETA)
2007	\$2,540,943	\$6,536,118	\$5,675,235	\$1,488,980	
2008	3,093,021	9,091,917	3,733,785	753,312	
2009	1,761,980	2,513,481	2,861,119	501,254	
2010	2,159,525	6,950,702	3,662,755	565,093	
2011	1,616,982	4,403,706	3,411,973	792,486	
2012	1,707,648	5,452,937	3,691,087	805,152	
2013	1,574,502	4,725,589	4,462,232	920,533	
2014	3,764,526	6,849,449	4,604,914	1,044,365	189,767
2015	2,369,314	6,965,617	5,468,732	1,487,185	256,514
2016	<u>3,497,602</u>	<u>6,500,000</u>	<u>\$5,240,098</u>	<u>\$1,389,027</u>	<u>202,556</u>
Average	\$2,408,604	\$5,998,952	\$4,281,193	\$974,739	\$216,279
Rate	2.0%	1.0%	1.0%	1.0%	1.0%

Source: Economic & Planning Systems

RETT Exemptions

Many communities offer exemptions to the real estate transfer tax. There are a variety of standard legal exemptions most communities accept—for example, a gift or charity, sale to a government entity, or due to death. Avon allows a more generous value cap exemption where the first \$160,000 of the property value is excluded from the RETT if the property is sold to a full time Eagle County resident. This was intended to assist and encourage first time home buyers by making purchasing a house more affordable.

Breckenridge and Vail offer a different type of exemption to promote affordable housing. The RETT can be fully exempt if low or moderate-income persons are purchasing or leasing a low or moderate priced housing unit. To ensure the residential unit continues to be affordable in the future, a form of income restriction is required to be placed on the unit. In Frisco, there is a local exemption for employees or residents in the Town who earn 120 percent of the median income or lower in Summit County.

Impact on Real Estate Market

The impact of Avon’s RETT on the local market cannot be quantified as there are many other factors that influence real estate markets including location, price, quality for the price, home types available, and schools. Our assessment of the impact on the market in this section is based on the economic and market data presented in Chapter 3, and interviews with realtors working in the Vail Valley.

RETTs and Transfer Fees are common. RETTs and transfer fees are common in the Vail Valley and in other Colorado mountain communities which may make Avon's higher 2.0 percent RETT less of an anomaly. When a fee or tax is common in competing locations, it helps to level the playing field.

Traditional buyer criteria typically outweigh taxes and fees. Buying a home or second home is a personal and emotional decision, not always based purely on economics or cost. Realtors report that buyers first identify what they can afford or want to pay, the type of home and community they are looking for, and then narrow down locations based on those criteria. "Shopping" communities against each other based on RETT or transfer fee rates was reported to be uncommon.

The RETT may have minor impacts below \$750,000 to \$1.0 million. Some realtors reported that the lack of a RETT and lower perceived taxes in Edwards may draw some local buyers to Edwards. Eagle Ranch which has a 1.0 percent RETA was also noted to be competitive for local buyers. However, both of these areas offer a broader array of home types and quality at prices more attainable to local buyers than is available in any significant quantity in Avon. For second home buyers and buyers in the market above \$1.0 million, the impact of the RETT was reported to be negligible. Buyers who can afford upper end homes are more focused on the location, quality, design, experience, and other non-tangible factors. The steep access to Wildridge and the commercial/industrial gateway were suggested as factors which may hold values down in this area of Avon.

RETTs and transfer fees are split between buyer and seller. The tradition and practice in the Vail Valley market is that they buyer and seller split the transfer fee or tax. Realtors reported that it was highly unusual for one party to pay the full amount.

Avon's \$160,000 exemption is not measurably promoting workforce housing. While seen as a "good gesture" by local buyers, the financial benefits of the exemption are minor compared to total housing costs. The average home price in Avon was \$683,000 at the end of 2017 which requires an income of approximately \$150,000 to afford (approximately 25 percent of Avon's median income). The RETT on the average priced home would be \$13,660 with the buyer and seller each paying half (\$6,830 each) as is the custom in the Eagle County market. The local's exemption on the first \$160,000 of the sale price saves \$3,200 in RETT – roughly half of the RETT on the average priced home – but only lowers the net purchase price to \$679,800 requiring roughly the same household income.

Sales and Lodging Tax Rates

This section compares sales and lodging tax rates in the peer communities to Avon. Sales and lodging tax can generate the most revenue, and are often considered for ballot initiatives to raise these rates for specific capital project or programming purposes.

Sales Tax

Avon charges a 4.0 percent sales tax (General Fund) on retail purchases including food for home consumption (groceries) as shown in **Table 15**. When combined with the State, county, and county transit taxes the total sales tax rate is 8.4 percent. The total sales tax paid in Avon is the same as in Vail, and 1.0 percent higher than Gypsum. Only Breckenridge has higher sales tax at 8.875 due to a higher transit tax and the Summit County Regional Housing Authority sales and use tax of 0.725 percent.

The town/city General Fund sales tax rates vary from 2.0 to 4.5 percent. The highest at 4.5 percent is Steamboat Springs, while Frisco and Silverthorne have the lowest at 2.0 percent. In Steamboat, 4.0 percent is the general sales tax and 0.5 percent is dedicated to local schools. Summit County has the highest county sales tax rate at 3.475 percent. This includes a 0.725 percent affordable housing tax, of which 0.6 percent is a sales tax only and 0.125 percent is a sales and use tax. This affordable housing tax rate is excluded from groceries or food for home consumption. While these individual layers of sales tax are important to understand, it is the total tax burden that is considered when communities consider a sales tax increase.

Table 15
Sales and Lodging Tax Rates

Tax Type	Eagle County			Summit County			Routt County	Jefferson County
	Avon	Vail	Gypsum	Breckenridge	Silverthorne	Frisco	Steamboat	Golden
Sales Tax								
Town/City Sales Tax	4.000%	4.000%	3.000%	2.500%	2.000%	2.000%	4.500%	3.000%
State Sales Tax	2.900%	2.900%	2.900%	2.900%	2.900%	2.900%	2.900%	4.000%
County Sales Tax	1.000%	1.000%	1.000%	2.000%	2.000%	2.000%	1.000%	0.500%
County Transit Tax	0.500%	0.500%	0.500%	0.750%	0.750%	0.750%	0.000%	0.000%
Regional Housing Auth.	<u>0.000%</u>	<u>0.000%</u>	<u>0.000%</u>	<u>0.725%</u>	<u>0.725%</u>	<u>0.725%</u>	<u>0.000%</u>	<u>0.000%</u>
Total	8.400%	8.400%	7.400%	8.875%	8.375%	8.375%	8.400%	7.500%
Lodging Tax								
Lodging Tax	4.000%	1.400%	0.000%	3.400%	2.350%	2.000%	1.000%	0.000%
Local Mktg. District	<u>0.000%</u>	<u>0.000%</u>	<u>0.000%</u>	<u>0.000%</u>	<u>0.000%</u>	<u>0.000%</u>	<u>2.000%</u>	<u>0.000%</u>
Total Combined Rate	12.400%	9.800%	7.400%	12.275%	10.725%	10.375%	11.400%	7.500%
Ski Lift Tax	---	4.000%	---	4.500%	---	---	---	---

Source: Economic & Planning Systems

Taxable Sales

The definition of taxable goods (tax base) affects the amount of sales tax in each community. Each of the peer communities tax groceries or food for home consumption as shown in **Table 16**. The communities in Summit County exclude the 5A Affordable Housing tax of 0.725 percent on groceries. The rest of the city/town and county sales tax rates do apply to groceries however. Therefore, the sales tax rate on groceries in Breckenridge is 8.15 percent and 7.65 percent in Frisco and Silverthorne.

Breckenridge and Vail each negotiated with Vail Resorts to establish a special tax on lift tickets. The revenue will be used for transportation and parking infrastructure. The Town of Breckenridge has agreed to construct a new parking structure with the revenue.

Table 16
Taxable Sales in Comparison Communities

Item Type	Avon	Vail	Gypsum	Brecken- ridge	Frisco	Silver- thorne	Steam- boat	Golden
Groceries	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Retail Sales	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Lift Tickets	No	Yes	N/A	Yes	N/A	N/A	No	N/A

Source: Economic & Planning Systems

Sales Tax Competitiveness

In Edwards, the metro district collects a 1.0 percent sales tax bringing the total to 5.4 percent. Some businesses in Edwards, particularly high-end apparel/outdoor gear may have a competitive advantage among residents who comparison shop, but less among visitors. In the grocery segment, Avon is reported to have the best quality supermarket in the Vail Valley which draws shoppers from up and down the valley regardless of the sales tax rate.

Lodging Tax

Most peer communities charge a lodging tax on short term accommodations ranging from 1.0 percent in Steamboat to 4.0 percent in Avon as also shown in **Table 15**. The lodging tax is on top of the sales tax, making the total lodging tax 12.4 percent in Avon. This is the highest of the peer communities, although room rates are generally lower in Avon than Vail or Breckenridge which results in less of an impact to visitors. Neither Gypsum nor Golden have an additional lodging tax and only apply their sales tax rate.

Steamboat has two separate lodging taxes depending on location. If located within the Local Marketing District (LMD) there is an accommodation tax rate of 2.0 percent applied in addition to the normal sales tax rate for a total of 11.4 percent. The Local Marketing District is located around the base of Steamboat Springs Ski Resort and along the corridor of Lincoln Avenue (Highway 40) through downtown Steamboat. It is a special district, and the tax is collected by the State and then paid to the City. The LMD tax is used to guarantee airline seats into the Yampa Valley Regional airport in Hayden. In other locations, only the 1.0 percent lodging tax applies to create a combined rate of 9.4 percent.

Lodging Tax Use

There are differences in the way each community allocates its lodging tax depending on how much revenue it generates and the communities' priorities, described below and in **Table 17**.

- **Avon** – Avon deposits its lodging tax directly into the General Fund as a general operations and maintenance revenue source.
- **Breckenridge** – Breckenridge collects its lodging tax in the Excise Fund to be transferred to the General Fund, Capital Fund, and other funds as needed. Additionally, 1.4 percent of the 3.4 percent lodging tax is dedicated to the Marketing Fund.
- **Frisco** – Frisco earmarks its lodging tax for the Lodging Tax Fund which pays for the Town's Information Center, plus operations and maintenance of the Town's recreation amenities, and special events and marketing.
- **Silverthorne** – Silverthorne's Lodging Tax Special Revenue Fund allocates 85 percent of the lodging tax to parks, trails, and open space capital acquisitions and construction projects. The remaining 15 percent is used for Town marketing.
- **Steamboat Springs** – The 1.0 percent lodging tax is distributed into the Accommodation Tax Fund for regional trail projects in partnership with the U.S. Forest Service, marketing, and improvements to the Haymaker Golf Course. The 2.0 percent LMD tax is used mainly for airline guarantees.
- **Vail** – Vail's lodging tax is distributed into the Vail Marketing Fund for marketing and promotional services to attract guests.

Table 17
Lodging Tax Use

Lodging Tax Allocation	Avon	Vail	Brecken- ridge	Frisco	Silver- thorne	Steamboat
General Fund	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Recreation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Marketing	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Capital Projects	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Lodging Tax	4.0%	1.4%	3.4%	2.4%	2.0%	1.0%
Total Lodging Tax Rate	12.4%	9.8%	7.4%	12.3%	10.7%	11.4%

Source: Economic & Planning Systems

Lift Tax

Vail and Breckenridge have established a ski lift tax of 4.0 percent and 4.5 percent respectively. In Vail, this revenue is deposited into its General Fund. The Town of Vail received about \$4.7 million in revenue from its ski lift tax. In Breckenridge, the tax is utilized for transportation services and infrastructure. The tax was approved by voters of Breckenridge in November of 2015 and took effect in July of 2016. Breckenridge estimates about \$3.5 million in annual revenue from the lift tax, and Vail Resorts agreed to a revenue guarantee in this amount.

Use Tax

Use tax is a form of sales tax. Sales tax is collected at the point of sale, and use tax is collected where the good is used or delivered. Vehicle use tax is paid to the town or city where a vehicle is registered regardless of where it was purchased. Use tax is also paid on goods that are delivered from a store in another location (e.g. furniture, building materials). Construction use tax is another form of use tax. Construction use tax is typically collected at the time of building permit issuance. The builder then presents the city/town's use tax receipt when purchasing materials and is exempted from sales tax. Some communities use construction use tax to supplement capital funding revenues and in most cases the use tax rate is the same as the sales tax rate. Avon does not have a construction use tax (paid at the building permit counter), which is a potential new revenue source for the Town. Rather, Avon collects sales tax on building materials through licensing contractors and suppliers (discussed further in Chapter 7).

A construction use tax is collected at building permit in Steamboat Springs and Vail. The use tax rate is the same as the city/town sales tax in Vail. In Steamboat Springs, the use tax is 4.0 percent, which is only the general sales tax and does not include the 0.5 percent dedicated to schools. Avon, Breckenridge, Frisco, and Silverthorne do not have a use tax. These towns instead levy their sales tax rate on delivered construction materials.

Table 18
Peer Community Use Tax Rates and Allocation Purpose

	Avon	Vail	Breckenridge	Frisco	Silverthorne	Steamboat
Construction Use Tax	No	Yes	No	No	No	Yes
Vehicle Use Tax	No	No	No	No	No	Yes
Allocation	N/A	Capital	N/A	N/A	N/A	Capital
Rate	4.0%	4.0%	2.5%	2.0%	2.0%	4.0%

Source: Economic & Planning Systems

Marijuana Tax

Amendment 64 changed the Colorado Constitution to allow retail sales and taxation of marijuana. The State marijuana tax is distributed similar to cigarette tax and is given out on a monthly basis. Of the 15 percent State marijuana sales tax, 10 percent is distributed to local governments. Local governments share this amount based upon the percentage of retail marijuana sales tax revenues collected within the boundaries of the city, town, or county. If a community does not have retail marijuana sales, it does not receive any of this State revenue. There is no retail marijuana in Avon or Vail, although there are retail dispensaries in Eagle-Vail in unincorporated Eagle County.

Breckenridge has an additional 5.0 percent marijuana tax that is placed into its Marijuana Fund along with revenues from the State's marijuana tax. None of the other peer communities implemented an additional local marijuana tax and only apply the general town/city sales tax. In 2016, Breckenridge received \$533,828 in revenue from marijuana. Breckenridge transfers about \$200,000 per year from the Marijuana Fund to the Child Care Fund for childcare tuition assistance. The Town also purchased a building to be used as a Montessori preschool.

Table 19
Marijuana Tax Rates

Marijuana Tax	Avon	Breckenridge	Frisco	Golden	Gypsum	Silverthorne	Steamboat	Vail
State	N/A	15.00%	15.00%	15.00%	N/A	15.00%	15.00%	N/A
County Sales Tax	N/A	2.00%	2.00%	0.00%	N/A	2.00%	1.00%	N/A
County Transit Tax	N/A	0.75%	0.75%	0.50%	N/A	0.75%	0.00%	N/A
Town Sales Tax	N/A	2.50%	2.00%	3.00%	N/A	2.00%	4.50%	N/A
Town Marijuana Tax	N/A	<u>5.00%</u>	<u>0.00%</u>	<u>0.00%</u>	N/A	<u>0.00%</u>	<u>0.00%</u>	N/A
Total	No Retail	25.25%	19.75%	18.50%	No Retail	19.75%	20.50%	No Retail

Source: Economic & Planning Systems

6. CAPITAL FUNDING AND DEVELOPMENT CHARGES

This chapter reviews the capital projects funding structures and sources of revenue for the peer communities. It also compiles fees and taxes on new construction and development to compare the development fees in Avon to the peer communities. These two topics are combined because development generates one-time revenues that are better suited to capital projects and projects that serve growth, whereas more stable ongoing revenues such as property tax and sales tax to an extent are better paired with ongoing operations.

Capital Funding

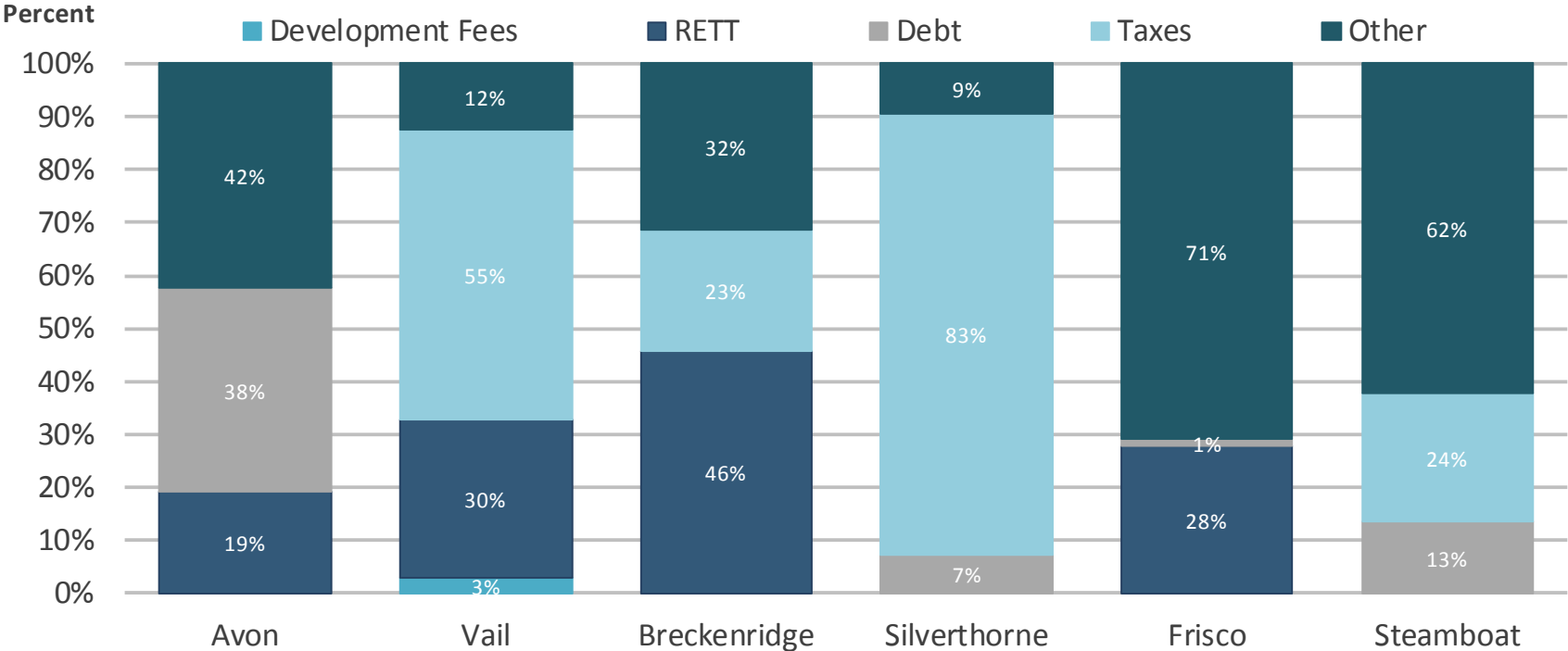
The RETT is a key funding source for capital projects in four of the six peer communities. To compare the capital funding approaches of the peer communities, the five-year average of capital funding revenues was compiled for each community. This longer time period was used to smooth out the effects of large single-year revenue impacts such as debt issuance, large grants, or a large amount of development fees from a single project. Note that in this section, the comparisons are limited to the most comparable communities; Gypsum and Golden are not included.

As shown in **Figure 12** and **Table 20**, Avon, RETT comprised almost 20 percent of Avon's capital budget or \$2.0 million per year on average over the past five years. The remaining 80 percent was comprised of \$4.0 million in debt, \$2.5 million in grants, and \$1.9 million in transfers from the General Fund (18 percent). Historically, Avon relied almost solely on the RETT for capital projects. Over the past five years however, the RETT comprised approximately 20 percent of Avon's capital budget of approximately \$10.5 million each year compared to about \$2.4 to \$3.0 million per year previously. During the past five years, the Town had three bond issues in 2014, 2015, and 2016 totaling \$20.2 million. The major projects in the 2016 CIP included a \$6.0 million joint public safety facility, new bus shelters, a \$2.4 million trail project with CDOT grants, and \$1.0 million for a bicycle climbing lane on Metcalf Road (to Wildridge).

In Vail, the five-year average RETT was nearly 30 percent of the CIP budget or \$5.9 million. Vail had \$1.9 million in affordable housing impact fees in 2018, equating to \$580,000 for the five-year average. There were another \$2.4 million in developer exactions (project reimbursements) to supplement this. Vail however, uses a much larger proportion of sales tax in its CIP than other communities. Each year, Vail allocates 40 percent of its sales tax to capital projects.

Breckenridge also uses the RETT as one of its primary capital funding tools. The RETT average was 46 percent of its capital budget or \$4.7 million per year. Frisco has the smallest overall budget of the peer communities; it averaged only \$1.06 million in RETT in its capital budget, but as a percentage the RETT was 28 percent of the total. Frisco supplemented the RETT with an average of \$1.6 million in transfers from other funds.

Figure 12
Capital Project Funding Sources, 2012-2016 Average



Source: Economic & Planning Systems

Table 20
Capital Projects Funding Sources, 2012-2016 Average

Revenue Source	Eagle County		Summit County			Routt County
	Avon	Vail [1]	Brecken- ridge	Silver- thorne [2]	Frisco	Steamboat
Taxes						
General Taxes	0	0	2,315,263	0	0	0
Sales Tax	0	9,316,843	0	2,673,443	0	0
Use Tax	0	1,628,151	0	0	0	755,470
Lodging Tax	0	0	0	142,407	0	0
Excise Tax	0	0	0	555,000	0	492,308
Utility tax	0	0	0	0	0	203,072
Specific Ownership Tax	0	0	0	0	0	0
Property Tax	0	0	0	0	0	0
Subtotal	\$0	\$10,944,994	\$2,315,263	\$3,370,850	\$0	\$1,450,850
RETT	\$2,010,293	\$5,927,801	\$4,685,393	\$0	\$1,058,467	\$0
Percent	19%	30%	46%	0%	28%	0%
Development Fees	\$0	\$580,497	\$0	\$0	\$0	\$0
Debt	\$4,046,241	\$0	\$0	\$300,000	\$48,885	\$800,000
Other Sources						
Intergovernmental & Grants	2,449,952	544,186	2,773,123	176,845	28,000	2,410,937
General Fund Transfers	1,947,349	0	103,400	0	0	0
Other Fund Transfers	0	0	173,000	0	1,606,784	975,072
Investments/Interest	12,631	285,658	5,772	10,948	0	0
Other	48,682	1,661,477	164,933	193,739	1,075,932	327,465
Subtotal	\$4,458,614	\$2,491,321	\$3,220,228	\$381,532	\$2,710,717	\$3,713,474
Total	\$10,515,148	\$19,944,612	\$10,220,884	\$4,052,382	\$3,818,069	\$5,964,324

[1] Vail received \$1.9 million in affordable housing mitigation fees in 2015 which are shown here to illustrate their large financial impact.

[2] Combined Sales Tax Capital and Lodging Tax Special Revenue Funds

Source: Economic & Planning Systems

Construction Use Tax

Construction use tax is a revenue source that is an effective supplement to capital funding yet only two of the peer mountain communities have implemented this revenue source. Construction use tax is collected at building permit issuance and is calculated from the materials portion of the building valuation using the town or city's valuation schedule. The use tax rate is often the same as the sales tax rate. This differs from the building materials sales tax collection systems used by Breckenridge and Avon.

Breckenridge and Avon (and all communities) tax building materials, but at point of sale. This results in significant losses in revenue when building materials are shipped in from other locations, or when building material suppliers are not registered with the Town under a sales tax license. Collecting a use tax at the permit counter is a much more efficient way of collecting this revenue. Vail and Steamboat collect construction use tax at building permit and deposit the money into their capital funds as shown above in **Figure 12** and **Table 20** and below in **Table 21**.

Table 21
Peer Community Use Tax Rates and Allocation

	Avon	Vail	Breckenridge	Frisco	Silverthorne	Steamboat
Construction Use Tax	No	Yes	No	No	No	Yes
Vehicle Use Tax	No	No	No	No	No	Yes
Use Tax Rate	4.0% [1]	4.0%	2.5%	2.0%	2.0%	4.0%

[1] 4.0 percent sales tax on building materials
 Source: Economic & Planning Systems

Development Excise Tax

An excise tax is a tax paid by the producer of a good or service rather than the end user. Some communities charge both an excise tax and a construction use tax. An excise tax is sometimes used as a substitute for development impact fees. Impact fees are charges on new development used to defray the cost of new capital facilities needed to serve growth. Impact fees can only be used on growth related projects, and the fee can only be assessed on the proportion of the project(s) that is directly attributed to growth (nexus). A limitation of impact fees—compared to an excise tax—is that the fee must be spent on the project type for which it is charged. For example, a transportation fee must be spent on a transportation project. An excise tax gives a community more flexibility to spend money where there are the greatest priorities during that budget cycle. Impact fees however—as fees not taxes—are not subject to voter approval.

Steamboat Springs repealed its impact fees and replaced them with a voter-approved excise tax. Steamboat charges a 1.2 percent excise tax on the building's construction valuation at time of permit and uses the money for capital projects. Steamboat also has a construction use tax (4.0 percent) paid at building permit. Silverthorne does not have a use tax, but charges a \$2.00 per square foot excise tax for capital projects. Depending on the rate, it can be effective at generating revenue and could be considered by Avon.

Summit Combined Housing Authority

In Summit County, the communities have the option to implement and join the 5A Affordable Housing Program. Breckenridge, Frisco, and Silverthorne participate in a program in which the revenues generated are shared among participating local governments. In Frisco and Breckenridge, the excise tax ranges from \$0.50 to \$2.00 per square foot depending on the size of the home and \$2.00 per square foot for commercial development. Homes under 999 square feet are exempt. The funds are used primarily for affordable/workforce housing construction.

Development Fee and Tax Comparison

In this section, the total development fees and taxes from each community are applied to a home of 2,500 square feet with three bedrooms and two bathrooms, and a 10,000 square foot retail building. The retail building is assumed to have a one-inch water meter.

In most areas, water fees (connection and system development fees) are the largest portion of the total fees and taxes. In Avon, the total water fee is \$13,900 which is 34 percent of the estimated fees, as shown in **Table 22**. In Vail, Gypsum, Breckenridge, Silverthorne, and Steamboat Springs water fees are 20 to 30 percent of the total. Water and sewer fees combined are approximately 57 percent of the total in Avon. Breckenridge has the highest combined rate at about 61 percent of the total. In the other areas, water and sewer fees are about 50 percent of the total, except for Steamboat Springs with 37 percent of the total. There is often less flexibility in adjusting water and sewer fees because of the high cost of the infrastructure and water resources, and the lack of other funding to offset fees.

Table 22
Residential Development Fee and Tax Comparison

2,500 Sq. Ft. Home	Eagle County			Summit County			Routt
	Avon ^[1]	Vail ^[2]	Gypsum	Brecken- ridge ^[1]	Frisco ^[1]	Silver- thorne ^[1]	Steamboat
Impact Fees							
Water	\$13,900	\$9,900	\$6,000	\$8,319	\$4,301	\$7,600	\$7,145
Sewer	9,375	11,800	7,000	11,584	10,000	6,200	4,571
Transportation	0	8,233	0	0	0	0	0
Recreation	0	250	0	0	0	0	0
Town Fire	0	0	0	0	0	0	0
District Fire	<u>1,671</u>	<u>0</u>	<u>1,095</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Subtotal	\$24,946	\$30,183	\$14,095	\$19,903	\$14,301	\$13,800	\$11,716
Excise Tax							
Method	N/A	N/A	N/A	\$1.00 per SF	\$2.00 per SF	\$2.00 per SF	1.2% of
Amount	\$0	\$0	\$0	\$2,500	\$5,000	\$5,000	\$4,350
Construction Use or Sales Tax							
Rate	4.0%	4.0%	3.0%	2.5%	2.0%	2.0%	4.0%
Amount	\$16,000	\$15,600	\$12,000	\$10,000	\$8,000	\$8,000	\$16,000
Total Fees & Taxes	\$40,946	\$45,783	\$26,095	\$32,403	\$27,301	\$26,800	\$32,066

Source: Economic & Planning Systems

^[1] No use tax, instead applies sales tax rate to construction materials

^[2] Exempts first \$10,000 of valuation when calculating construction use tax

There are few other impact fees charged except in Vail: \$8,233 for transportation and \$250 for recreation. The Eagle River Fire Protection District in Avon and the Gypsum Fire Protection District charge impact fees as well.

Avon falls on the upper end of the peer communities with total estimated development fees of almost \$41,000 and is higher than communities in Summit County. Vail is higher than Avon at approximately \$46,000. The Summit County communities range from approximately \$27,000 to \$32,400. Compared to water fees, the excise tax in Summit County and in Steamboat makes up a relatively small portion of the total tax and fee burden and could be considered as a new revenue source in Avon.

For commercial development, Avon is in the middle of the total with estimated fees and taxes at \$95,880 for a 10,000 square-foot retail building. Vail's fees on commercial development total \$211,785 including an \$118,000 transportation impact fee. Breckenridge's fees are almost \$129,000 due to nearly \$90,000 in water and sewer tap fees. Gypsum does not have a construction use or sales tax on commercial development.

Table 23
Commercial Development Fee and Tax Comparison

10,000 Sq. Ft. Building	Eagle County			Summit County			Routt County
	Avon ^[1]	Vail ^[2]	Gypsum	Brecken- ridge ^[1]	Frisco ^[1]	Silver- thorne ^[1]	Steamboat
Impact Fees							
Water	\$36,086	\$25,686	\$24,050	\$30,812	\$30,107	\$26,600	\$9,187
Sewer	22,279	26,299	12,950	57,920	42,500	21,700	5,978
Transportation	0	118,200	0	0	0	0	0
Recreation	0	10,000	0	0	0	0	0
Town Fire	0	0	0	0	0	0	0
District Fire	5,515	0	5,475	0	0	0	0
Subtotal	\$63,880	\$180,185	\$42,475	\$88,732	\$72,607	\$48,300	\$15,165
Excise Tax							
Method	N/A	N/A	N/A	\$2.00 per SF	\$2.00 per SF	\$2.00 per SF	Valuation
Amount	\$0	\$0	\$0	\$20,000	\$20,000	\$20,000	\$9,000
Construction Use or Sales Tax							
Rate	4.0%	4.0%	N/A	2.5%	2.0%	2.0%	4.0%
Amount	\$32,000	\$31,600	N/A	\$20,000	\$16,000	\$16,000	\$32,000
Total Fees & Taxes	\$95,880	\$211,785	\$42,475	\$128,732	\$108,607	\$84,300	\$56,165

Source: Economic & Planning Systems

^[1] No use tax, instead applies sales tax rate to construction materials

^[2] Exempts first \$10,000 of valuation when calculating construction use tax

7. OTHER REVENUE OPTIONS

If the Town were to modify its revenue structure, whether it be the RETT or other taxes or fees, there may be a desire or need to offset any revenue reductions with new revenue sources. This chapter identifies other revenue sources for the Town to consider as needed. The impacts of the Gallagher Amendment are also noted. The revenues forwarded by EPS for consideration are:

- Construction use tax,
- Construction excise tax, and
- Vehicle use tax.

Of the local peer communities, only Vail charges a construction use tax, and neither Summit nor Eagle Counties have a vehicle use tax. However, there are few options available that will generate meaningful amounts of revenue.

Construction Use Tax and Excise Tax

Revenue estimates are presented here for a construction use tax and a construction excise tax. Both taxes would need voter approval, but the Town may be able to position the ballot in a way that highlights the need for growth to pay its way. These taxes are largely paid by new development and much less so by existing residents and businesses.

Use tax is typically calculated on construction valuation; the last 10 years of valuation in new construction projects is shown below in **Table 24**. Valuation is the estimated cost of a project's materials; it excludes labor and land costs and is based on standards from the International Building Code (IBC). The full 10-year average from 2007 through 2016 contains some large construction projects which may skew the average revenue figures. In 2007, the Westin Riverfront was constructed. In 2013, the Wyndham Resort at Avon was built, followed by Buck Creek Medical Plaza in 2015/16. The full 10-year average is \$19.3 million in valuation each year. If 2007 and 2013 are excluded from the average, the total is \$15.1 million per year. In the revenue estimates that follow, we base our estimates on these two averages and an additional lower scenario.

Table 24
Construction Valuation Trends

Year	Total Permits	Commercial Construction		Residential Construction		Total Valuation
		Sq. Ft.	Valuation	Units	Valuation	
2007	166	19,242	\$25,248,538	93	\$10,970,648	\$36,219,186
2008	145	11,416	2,525,749	15	11,165,780	13,691,529
2009	91	-	725,000	3	8,683,371	9,408,371
2010	112	16,517	3,215,036	7	9,806,550	13,021,586
2011	125	2,210	922,600	9	8,412,190	9,334,790
2012	126	54,250	11,400,000	8	2,448,500	13,848,500
2013	159	217,293	27,121,876	12	9,027,760	36,149,636
2014	156	-	1,500,000	10	13,735,900	15,235,900
2015	153	114,614	14,336,000	10	6,970,000	21,306,000
2016	15	56,641	16,369,635	7	8,551,360	24,920,995
Annual Average Increase 2007-2016		62,000	\$10,340,000	0	\$8,980,000	\$19,320,000
Excluding 2007 & 2013		43,000	\$6,370,000	0	\$8,720,000	\$15,090,000

Source: Economic & Planning Systems analysis of Town of Avon CAFR

Using a use tax rate equal to the Town's sales tax rate, annual use tax estimates are shown in **Table 25**. Using the 10-year average for construction valuation (Scenario A), use tax would be \$386,400 per year if development continues at a similar pace. At a more moderate pace, 23 percent slower than the 10-year average (Scenario B), use tax would be just over \$300,000 per year. In a slower real estate cycle, 50 percent of Scenario B, use tax would be approximately \$150,000 per year.

Table 25
Annual Construction Use Tax Estimates

Scenario	Ann. Valuation Increase		4.0% Use Tax on 50% of Valuation		
	Commercial	Residential	Commercial	Residential	Total
A: 2007-2016 Average per Year	\$10,340,000	\$8,980,000	\$206,800	\$179,600	\$386,400
B: Excluding 2007 & 2013	\$6,370,000	\$8,720,000	\$127,400	\$174,400	\$301,800
C: 50% of Scenario B	\$3,185,000	\$4,360,000	\$63,700	\$87,200	\$150,900

Source: Economic & Planning Systems analysis of Town of Avon CAFR

Excise tax can be charged several ways. The most common way is as a percentage of valuation or on a square footage basis. As shown in **Table 26**, an excise tax of 1.0 percent applied to 100 percent of valuation would generate between \$75,000 and approximately \$200,000 per year using the same assumptions on annual construction valuation as above. A 2.0 percent excise tax on 100 percent of valuation would generate the same amount of money as the 4.0 percent excise tax on 50 percent of valuation.

Table 26
Annual Excise Tax Estimates

Scenario	Ann. Valuation Increase		1.0% Excise Tax			2.0% Excise Tax		
	Commercial	Residential	Commercial	Residential	Total	Commercial	Residential	Total
A: 2007-2016 Average per Year	\$10,340,000	\$8,980,000	\$103,400	\$89,800	\$193,200	\$206,800	\$179,600	\$386,400
B: Excluding 2007 & 2013	\$6,370,000	\$8,720,000	\$63,700	\$87,200	\$150,900	\$127,400	\$174,400	\$301,800
C: 50% of Scenario B	\$3,185,000	\$4,360,000	\$31,850	\$43,600	\$75,450	\$63,700	\$87,200	\$150,900

Source: Economic & Planning Systems analysis of Town of Avon CAFR

Use tax and excise tax could also be combined. If both taxes were implemented, they could generate an estimated \$226,000 to \$580,000 per year as shown in **Table 27**. Use tax would be entirely new revenue however, as it would replace the sales tax on building materials.

Table 27
Combined Use Tax and Excise Tax Estimates

4.0% Use Tax		1.0% Excise Tax		Total if Both Implemented	
Low	High	Low	High	Low	High
\$150,900	\$386,400	\$75,450	\$193,200	\$226,350	\$579,600

Source: Economic & Planning Systems analysis of Town of Avon CAFR

Vehicle Use Tax

The only peer community with a vehicle use tax is Steamboat Springs. No local data in Eagle County was available on which to base an estimate for Avon. Looking at the past 10 years of vehicle use tax in Steamboat Springs shows a range of approximately \$1,000 to \$1,400 in vehicle sales (taxable sales) per capita per year as shown in **Table 28**. Applying those factors to Avon's population results in an estimate of \$263,000 to \$368,000 per year.

Table 28
Estimated Annual Vehicle Use Tax

Estimate	Per Capita Vehicle Sales Volume [1]	Avon Population	Vehicle Sales	Annual 4.0% Use Tax
Low	\$1,000	6,570	\$6,570,000	\$262,800
High	\$1,400	6,570	\$9,198,000	\$367,920

[1] Estimated from Steamboat Springs Vehicle Use Tax per capita.

Gallagher Amendment Impacts

The Gallagher Amendment, passed in 1982, was designed to maintain a constant ratio between the property tax revenue that comes from residential property (approximately 45 percent) and from commercial property (approximately 55 percent). The effect of the Gallagher Amendment over time was to reduce the assessment rate for residential property, as residential property assessed value (AV) has increased faster than commercial property value AV. Commercial property is now assessed at 29 percent of market value while residential property is assessed at 7.2 percent of market value. The same amount of statutory actual value (market value) in commercial development therefore generates four times the revenue as an equivalent amount of residential market value. Residential development has higher service demands but generates less revenue than commercial development; there are exceptions when residential market values are very high.

The residential ratio is down approximately 10 percent from 7.96 percent as of 2017. This means that unless a community had more than 10 percent growth in assessed value, it would lose property tax revenue. Based on the current strength of the housing market, the residential assessment ratio could decline further, which will continue to affect local government budgets.