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Developers may see hike in Denver Water's tap fee

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Denver Water may increase the price developers pay to hook up to the utility's water delivery system, raising the fee as much as 10 percent by next year.

The increase would be the third annual hike in system-development charges - called "tap fees" - which have jumped by about 30 percent in the last two years.

Currently, the utility's base charge for a single-family home hookup for treated water is \$1,650 inside city limits and \$2,300 outside Denver. Additional charges are factored into the fee based on yard size.

"This is one of those things where you really have no choice but to bite the bullet," said Al Block, a consultant to Douglas County developers. "The alternative is not having enough of a sufficient water supply."

The utility's board briefly discussed the issue Wednesday but probably will not take any action until this fall.

The board is waiting for Denver Water's staff to complete a review of the current system-development charges before deciding whether to propose a fee hike.

David LaFrance, the utility's finance director, wouldn't speculate whether his department would recommend raising tap fees until the review is completed, probably in October.

A preliminary look at future growth demands on the utility's service area could warrant a 5 percent to 10 percent increase, he said.

"If I were securing financing, I would probably estimate at the higher range," LaFrance said at the board's meeting.

The current tap fees include a 20 percent increase levied in 2003 and a 9 percent increase that was approved last year.

This year, tap fees are expected to generate about \$22 million in revenue for Denver Water or about 10 percent of the utility's total receipts. The money is spent on infrastructure improvements that help expand capacity.

Jeani Frickey, director of the industry-group Coloradans for Water Conservation and Development, said many developers don't mind paying the tap fees as long as they know how the money is being spent.

"If it's done right, it's not a big deal," Frickey said. "It's when the tap fees are spent on projects that have nothing to do with expanding storage that there's a problem."

When the utility was considering increasing charges in 2003, several Front Range builders complained that the sudden hike might force them to raise the cost of homes beyond agreed-upon prices.

As a compromise, the utility agreed to give developers advance notice if it was considering raising tap fees again.

LaFrance said that Wednesday's discussion is merely a part of honoring that agreement.

"I think this is a real step for Denver Water and the homebuilders," he said. "We are working well together and trying to help them by giving them early warning."

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