

From Jennifer Priddy to the Olympia Planning Commission
 RE: Olympia School District 2014-19 Capital Facilities Plan
 November 4, 2013

Attachment 2

1. ***The CFP does not clearly identify those capital facilities which are intended to increase capacity and, therefore upon which impact fees are to be based (p. 20).***

The construction costs of the following facilities are related to growth/increased capacity and therefore included in the calculation of the impact fees:

- a. New 5th grade capacity in the new Intermediate School (Middle School), 112.5 seats for a cost of \$6,370,750.
- b. New K-5 capacity at the new ORLA, 82 seats for \$3,539,759.
- c. New K-5 capacity at Garfield, 63 seats at 2,457,776.
- d. New 9-12 capacity at ORLA, 70 seats at \$3,015,350.

For the projects listed above, the costs attributed to new seats are included in the calculation of impact fees for the elementary and high school level because these are the grade levels where growth will impact capacity needs. For ORLA and Garfield, the balance of costs (about \$43 million) are not included because these costs are not driven by growth (by virtue of the fact that we are remodeling or improving the facility).

When the capital facilities which the OSD attributes to new residential construction are identified (p. 40), the cost of these facilities, upon which impact fees are to be based, is not shown nor is the total of these costs provided.

Pages 32 to 37 of the CFP show the cost of the new facilities and the additional planned capacity. The cost of the additional capacity is included in the impact fee formula. Other project costs, which may be attributable to noncapacity related needs, for example, remodeling aging school facilities, are not included as a growth-related cost. Therefore, the CFP builds the impact fees off of the portion of the construction costs.

2. ***The need to clearly identify those capital facilities required by new residential construction and therefore, to be funded by impact fees, is further emphasized by the attempt in the CFP to clarify the use of funds raised by bonds. The text states that bonds are used for site acquisition and construction of new schools (p. 39). The construction of Hansen (ES) and Marshall (MS) are listed as examples (p. 40).***

No facility is 100% funded with impact fees for two reasons. First, State law requires that system improvements, such as new school capacity, be financed with a balance between impact fees and other sources of public funds. Second, the statute requires that the impact fee calculation provide an adjustment for the taxes new residences will pay toward the improvement. This assumed tax contribution is deducted in the calculation of the impact fees.

The references to Hansen Elementary School and Marshall Middle School on page 40 are used as examples of previous capacity projects funded in part by impact fees and bonds. Toward the bottom of page 40, the District identifies the capacity projects required to serve new growth and for which impact fees will help fund. The CFP at pages 32-37 provides further detail regarding these projects.

To further answer your question, however, OSD will research and catalog what facilities have benefited from an impact fee "contribution" during building or remodel.

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- 3. *The list of capital facilities to be built by the District includes replacement of portables (p.20). A specific project to replace portables at Olympia High School is identified (p. 28). The CFP should make clear at this point whether this proposed construction is proposed funding with impact fees.***

The District should consider policy and procedures to incorporate into the calculation of school impact fees the future cost of permanent structures required to replace portables that are required to accommodate increases in the student population resulting from growth.

At this time, the CFP does not include the portable replacement in the impact fee calculation because there is a risk that the portable replacement building will not be completed by 2019. Importantly, the CFP does include the ORLA costs attributable to high school capacity. The ORLA project addresses the capacity need at the high school level and identifies a per dwelling unit cost for new high school capacity, so including the OHS portable replacement at this time would not increase impact fees in 2014.

When the portables are on the horizon to be completed within the CFP timeframe, then a portion of the costs will be included. In the meantime, the district will evaluate the value of “permanency”, e.g. what is the cost of building the current seating capacity in a permanent building—excellent point.

- 4. *The CFP should consider capital facility investments that are inconsistent with the objectives in the City’s Comprehensive Plan and the City’s recommended Comprehensive Plan Update to reduce the use of cars. While the comment on the location of the i-Connect Academy does note the poor bus service at the current site and implies the need for a more central location (p.26), consideration of new school sites should include the accessibility of proposed sites to public transit.***

We agree; all new sites should consider the accessibility to transit. Importantly, the district chose to use its current property on Boulevard to site the new ORLA, in part because of the accessibility of the property.

The expenditure of over one half million dollars for maintenance of parking is identified in the CFP (p. 31). The text should clarify whether this amount includes accommodation of student parking and whether use of local transit could reduce or eliminate this capital expenditure.

The parking lot cost identified on page 31 relates to maintaining current parking lots. Most of this cost is at elementary schools that are being re-freshed and improved. Therefore, the costs are minimally impacted by student parking.

The larger policy question relates to investment into student parking lots. The district does not have any plans to expand parking lots at high schools in the near future. However, if such an investment were discussed in the future, the School Board would need to include the residences/constituents surrounding a high school in the discussion. These home owners would be significantly impacted if the district did not build parking for students and therefore the question requires much more debate and involvement.

- 5. *The CFP notes that on-line learning will affect the need for future facilities (p. 29). The future use of on-line learning needs to be addressed in greater detail. All currently planned facilities should be reviewed in relation to the possibility of on-line learning.***

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We agree that on-line learning is an important aspect to the district's Capital Facilities Plan. All of the planned facilities included in this CFP, and originally included in the Master Plan completed two years ago, were designed after carefully considering the on-line learning needs of students. On-line learning does not diminish the construction plans included in this CFP; nor does on-line learning reduce the costs included in this CFP.

Importantly, some of the costs of the ORLA project will support future expansion of on-line learning through-out the rest of the district.

We agree, the district Board of Directors and Superintendent will continue to re-visit this issue as the Board makes future decisions.

- 6. *The table showing projected revenue sources of \$221,338,104 fails to establish any relation to the funds required to meet the capital facility elements identified in the CFP (p. 38). Again, for the calculation of impact fees, it is necessary to estimate the cost of all capital facilities that are required to accommodate increases due to residential construction.***

Not all of the required \$221 million is driven by the need to accommodate residential growth. Each year, the district identifies the projects that will be undertaken within the CFP timeline, the amount of new capacity that is attributable to growth (based on the most current enrollment and projected enrollment), and the cost of that new capacity. We will create a table to display the costs included in the CFP that are capacity related. Please see question 1 for the information.

- 7. *The CFP states "For purposes of the impact fee calculation included in this Capital Facilities Plan, the district has chosen to use only the construction related costs of the above projects (rather than the total project costs)". (pg. 40) It seems appropriate that all capital costs related to the project (land acquisition, engineering, etc.) should be included as part of the impact fee calculation.***

At this time the Board has adopted the plan to include construction costs, but not "soft" costs (largely furniture costs). The district does not have any land acquisition costs built into this CFP or required for the capacity projects. In the future, the Board will consider including soft costs also.

- 8. *Concerns the significant fluctuation in school impact fees:***

The fluctuation is a concern for the School Board also. Fluctuation is due to several factors that are inputs in the impact fee calculation.

- **Student Generation Rates:** recently the student generation rate was at a historically low point; students were migrating out of OSD, not into OSD. This year, OSD has conducted a new Student Generation Rate study and the rates have increased dramatically. In order to even-out the old and new rate, and determine if the recent increase is an anomaly or a trend, the district is using a blended rate for 2014, precisely to keep the fluctuation in impact fees as low as possible.
- **Tax Proceeds Deduct:** The impact fee calculation includes a step to deduct the amount of future taxes that will be paid by the owners of newly-built residences. In 2013, when the district sold newly approved bonds, the

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bond drove up the amount of future taxes that will be collected on new residences and therefore the tax-rate deduct amount increases. (This was a contributing factor to the 2013 \$0 impact fee for multi-family residences.)

- **Discount Percentage:** At 15%, the district has the lowest discount rate in the Puget Sound. Other districts use the discount rate to keep the impact fees on an evenly increasing level. For example, OSD could increase its discount percentage in order to keep rates lower in 2014 and more consistent with 2013 levels. However, the Board of Directors has received vocal testimony to keep the discount percentage at 15%, and to not let it fluctuate. The discount percentage will continue to be of interest to the community and to the Board.

9. *The impact fees adopted by the District show a discount of 15% from the calculated fee (p. 44). There is no explanation for this discount and the amount of the discount. An explanation would increase the credibility of the impact fee setting process.*

The discount percentage is the historical tool used by districts to ensure that impact fee rates do not fluctuate greatly from year to year and also to account for variations that may occur in the formula. Some jurisdictions require a certain discount. In addition, we have identified several districts that use the discount to ensure a small increase in the impact fee each year. In other words, the impact fee is 50% in one year, 75% the next, and 45% the next in order to increase the impact fee by 2% each year.

In our community, great emphasis has been placed on having a minimal discount percentage.

The Board of Directors has set the 15% based on community testimony and request, and that percentage has been retained based on continued interest in a minimal discount percentage. The Board has considered taking the percentage to 0%, but on the advice of counsel has retained the 15% as the discount.

Attachment 3

1. *The wide variation in impact fees over the most recent years and the significant difference between the fees for single family residences and multi-family residences requires a detailed explanation. More importantly, a methodology employing a multi-year average of new home and apartment construction needs to be considered to reduce these swings and the seemingly random fee schedule.*

The fluctuation is a concern for the School Board also. Fluctuation is due to several factors that are inputs in the impact fee calculation.

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2. *The CFP for the OSD should describe expenditures by the OSD on the safe routes to school program and the coordination between such investments by the OSD and expenditures by the City for sidewalks and pathways.*

Recently, the district has made few expenditures for the Safe Routes to School Program. The district includes safe-routes principles in designing and remodeling or building schools. District staff invest time in encouraging students to walk and bike to school. But these expenditures are not easy to identify and roll-up.

3. *The OSD owns playfields and opens spaces that are used by residents of the City when not in use by students. The CFP for the OSD should discuss how maintenance of these facilities is paid by the OSD and whether the cost-sharing program between the OSD and the City for proper maintenance of these facilities should be expanded.*

The District appreciates the opportunity to highlight our field-sharing agreement and success and challenges. The agreement includes an annual review process by both entities, and we are beginning to prepare this report. In the future, we could include highlights of the report, or a short discussion in the CFP, but the timelines may not be well-aligned. The annual report is a good tool to use as a discussion document to refine the agreement.

4. *The siting of schools has major implications for the health and learning of students. [Additional discussion not re-typed here.] For these reasons, the City suggests the School District fund the development of specific siting criteria for school facilities.*

We are not familiar with “specific siting criteria”, so may need more clarification for this item. The district creates educational specifications before it undertakes any construction project. It is assumed that the specifications include safe-routes principles. The district has made it a practice to include analysis of public transit, and how to maximize public transit, in any project. One of the realities of school siting is that the district often does not have good choices; districts must purchase land when it is affordable because it must be purchased in large parcels. Districts purchase land far in advance of using it, and therefore, have little opportunity to identify the “best” choice.