

City of Olympia



PARK IMPACT
FEE STUDY

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FCS GROUP

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SECTION I: PROJECT APPROACH

The City's general objective for this project is to update its park impact fee study and rate schedule. Park impact fees have been in place in the City of Olympia since 1992, and were most recently updated in 2007. The City's current impact fee schedule, as applied to residential development, is as follows.

Table I.1 – Current Impact Fees by Dwelling Unit Type

Dwelling Type	Impact Fee per Unit
Single-Family Residential (SFR)	\$ 5,068
Multi-Family Residential (MFR)	\$ 3,050
Downtown MFR	\$ 1,727
Single Room & Accessory Dwelling Unit	\$ 1,705

A. STUDY TASK PLAN

To meet the City's goal for the project, a study task plan was developed that consisted of the following major tasks.

1. Kickoff . Task 1 included collecting and reviewing data and meeting with City staff to identify and agree on key issues to be addressed, discuss policy objectives, and kickoff the study.
2. Establish Policy Framework. Task 2 included working with City staff to analyze key issues, discuss policy issues, and provide recommendations .
3. Develop and Complete Technical Analysis. Task 3 included setting up a spreadsheet model to calculate the impact fees. The approach incorporates the City's existing level of service, consistent with the City's current park impact fee methodology.
4. Presentation. Task 4 included preparing for and participating in Council and public meetings to present and discuss the project.
5. Documentation. Task 5 included preparing the final report for the City.

SECTION II: METHODOLOGY

An impact fee is a one-time fee paid at the time of development, intended to represent the share of system capacity that will serve growth. The Growth Management Act grants counties and cities the authority to assess parks impact fees on new development.

Parks impact fees are generally calculated using a standard or an improvements-based approach. The project list provided in the Parks, Arts, and Recreation Plan was developed to meet articulated community standards, or target outcome ratios. As a result, a separate improvements-based approach was not needed.

The standards-driven approach is based on the City's existing level of service. This uses the existing service level by major park type (expressed in acres per 1,000 population) to arrive at the need for additional park system improvements to serve each increment of projected population growth.

A. BACKGROUND

Washington law (RCW 82.02.090) defines an impact fee as:

“a payment of money imposed upon development as a condition of approval to pay for public facilities needed to serve new growth and development, and that is related to the new development that creates additional demand and need for public facilities, that is a proportionate share of the cost of the public facilities, and that is used for facilities that reasonably benefit the new development.”

Additionally, per RCW 82.02.050, “impact fees (a) can be imposed for system improvements that are reasonably related to the new development; (b) can not exceed a proportionate share of the costs of system improvements that are reasonably related to the new development, and (c) should be used for system improvements that will reasonably benefit the new development.”

The law also provides for “the imposition of an impact fee for system improvement costs previously incurred by a county, city, or town to the extent that new growth and development will be served by the previously constructed improvements provided such fee shall not be imposed to make up for any system improvement deficiencies.” If applicable, an existing capacity component of the fee would be made up of the cost of available, unused capacity in the existing system, with adjustments for grant-funded and contributed infrastructure.

RCW 82.02.070 further dictates that impact fee receipts should be earmarked specifically and retained in special interest-bearing accounts, and, absent a compelling reason, must be expended or encumbered for a permissible use within ten years of receipt. Thus, the impact fee study is based on the projected growth over a ten-year time frame.

Parks impact fee unit costs are generally calculated on a per capita basis. These impact fee unit costs are intended to capture the amount of parks-related capital spending required to serve one additional City resident.

Impact fees are applied on a “per dwelling unit” basis. The calculated “per capita” impact fee unit cost is converted into a “per dwelling unit” fee using an estimated average number of occupants per dwelling unit.

B. DETERMINING THE COST BASIS

In the City’s “standards-driven” approach, new development (growth) is responsible for the parks and facilities needed to meet the City’s existing level of service by major park type. Using the existing service level and growth projections, the additional demand for public parks and open space needed to accommodate projected residential growth is calculated. A critical piece of information needed to arrive at the total cost basis for parks impact fees is the estimated unit cost for each type of public park and facility. Once the unit cost estimates are generated, calculation of parks impact fees is a straightforward exercise.

RCW 82.02.060 requires that “an adjustment to the cost of the public facilities for past and future payments made or reasonably anticipated to be made by new development to pay for particular system improvements in the form of user fees, debt service payments, taxes, or other payments earmarked for or proratable to the particular system improvement” must be made to the total cost basis. Therefore, additional funding sources such as sales tax revenues, transfers from the general fund etc. must be prorated between the existing population and projected growth. To avoid “double charging,” the share of these projected funding sources attributable to new residential development must be deducted from the fee’s cost basis.

C. CALCULATING IMPACT FEES

The impact fee unit cost is calculated as the net cost basis divided by forecasted population growth within the planning period. The result, a per capita impact fee unit cost, is then converted to the impact fee per residential dwelling unit using the projected average number of occupants per dwelling unit.

SECTION III: FEE CALCULATION

A. FORECASTED GROWTH

Based on information provided in the Parks, Arts and Recreation Plan, the City's urban growth area (UGA) population was 60,720 in 2010. For the purposes of this analysis, 60,720 is considered to be the population at the beginning of the planning period. The UGA population is projected to reach 72,970 in 2020, an increase of 12,250. The Thurston Regional Planning Council reported the following average occupancy rates.

Table III.1 – Occupancy Rates by Dwelling Unit Type

Dwelling Type	Persons per Unit
Single-Family Residential (SFR)	2.50
Multi-Family Residential (MFR)	1.70
Downtown MFR	1.30
Single Room & Accessory Dwelling Unit	1.00

B. IMPACT FEE COST BASIS

In developing the impact fee cost basis, it is necessary to examine the existing service level and calculate the needs for projected growth, then apply the appropriate unit cost information and adjustments to arrive at the total recoverable cost basis. These steps are summarized below.

B.1 Existing Service Level

City of Olympia parks are designated as neighborhood parks, community parks, or open space. The following inventories and resulting service levels for the current population are shown below.

Table III.2 – Existing Levels of Service by Park Type

Park Type	Useable Acres	Service Level
Neighborhood	39.92	.66 acres / 1,000 population
Community	152.12	2.51 acres / 1,000 population
Open Space	652.55	10.75 acres / 1,000 population

B.2 Growth Needs

In order to meet the existing service level needs of forecasted population growth of 12,250, the following additions will be necessary by park type.

Table III.3 – Growth Needs by Park Type

Park Type	Existing Service Level	Needed Acres
Neighborhood	.66 acres / 1,000 population	8.05
Community	2.51 acres / 1,000 population	30.69
Open Space	10.75 acres / 1,000 population	131.65

The unit cost information used is consistent with the City’s planning assumptions. The following unit costs were used in determining the impact fee cost basis by park type.

Table III.4 – Unit Costs by Park Type

Park Type	Land	Development	Road Frontage	Total
Neighborhood	\$ 101,196	\$ 357,976	\$ 67,466	\$ 526,638
Community	\$ 234,784	\$ 262,944	\$ 27,357	\$ 525,085
Open Space	n/a	\$ 47,335	\$ 0	\$ 47,335

Resulting impact fee cost bases (needed acres X unit cost) by park type are shown below.

Table III.5 – Gross Impact Fee Cost Basis by Park Type

Park Type	Cost Basis
Neighborhood	\$ 4,241,379
Community	\$ 16,114,627
Open Space	\$ 6,231,613
Total	\$ 26,587,619

B.3 Adjustments

As stated previously, adjustments must be made to the impact fee cost basis “for past and future payments made or reasonably anticipated to be made by new development to pay for particular system improvements.” The City of Olympia relies on two other sources of funding for parks system improvements – State Environmental Policy Act (SEPA) mitigation fees and a two percent tax on private utilities.

The Park Plan’s Capital Investment Strategy forecasts SEPA mitigation fee revenues of \$623,035 during the study period. Since SEPA mitigation fees are paid by new development, this full amount was deducted from the impact fee cost basis.

A second source of funding is the private utility tax. All residents and businesses in the City of Olympia pay the utility tax. The share of utility tax revenue to be deducted from the fee basis should

represent only that which would be paid by residential growth and earmarked for parks system improvements. These are the developments that would be required to pay the impact fee. Of the \$23,454,567 in forecasted utility tax revenues from 2011 through 2020, \$433,740 is expected to be paid by residential growth and used for parks system improvements. This calculation is shown below.

Table III.6 – Adjustment for 2% Utility Tax Revenue

Description	2011 – 2020 Total
2% Utility Tax Revenue	\$ 23,454,567
Less: Earmarked for Operations	\$ (9,389,886)
Less: Revenue from Nonresidential	\$ (10,267,217)
Less: Revenue from Existing Customers	\$ (3,363,724)
Growth-Generated Residential Utility Tax Revenue	\$ 23,454,567

The resulting impact fee cost basis, net of these adjustments is \$25,530,844.

C. IMPACT FEE CALCULATION

The impact fee is then calculated using both forecasted growth and the impact fee cost basis. The impact fee cost basis of \$25,530,844 divided by forecasted growth of 12,250 people is equal to \$2,084 per person. Using applicable occupancy rates, they generate the following fees.

Table III.7 – Calculated Impact Fees by Dwelling Unit Type

Dwelling Type	Impact Fee per Unit
Single-Family Residential (SFR)	\$ 5,210
Multi-Family Residential (MFR)	\$ 3,543
Downtown MFR	\$ 2,709
Single Room & Accessory Dwelling Unit	\$ 2,084

The full calculation is summarized in the chart below.

Figure III.1 – Summary of Impact Fee Calculation

<i>Cost to provide parks for growth at applicable standard:</i>	Neighborhood Parks	+	Community Parks	+	Open Space
	\$ 4,241,379		\$ 16,114,627		\$ 6,231,613
			=		
<i>Gross impact fee cost basis:</i>			\$ 20,356,006		
			-		
<i>less growth share of 2% utility tax:</i>			\$ 433,740		
			-		
<i>less forecasted SEPA mitigation fees:</i>			\$ 623,035		
			=		
<i>Impact fee cost basis:</i>			\$ 19,299,231		
			÷		
<i>Population growth for the 10-year planning period:</i>			12,250		
			=		
<i>Rate per person:</i>			\$ 2,084		
			Persons per unit		Impact Fee
<i>Impact fees per dwelling unit by type:</i>	Single-Family Residence	2.50	\$ 5,210		
	Multi-Family Residential Unit	1.70	\$ 3,543		
	Downtown MFR Unit	1.30	\$ 2,709		
	Single Room & Accessory DUs	1.00	\$ 2,084		

D. PROPOSED IMPACT FEES

If the City Council continues the practice of imposing a 5% discount, this would result in the following impact fee schedule based on the type of dwelling unit.

Table III.8 – Proposed Impact Fees by Dwelling Unit Type

Dwelling Type	Current Fee	Calculated Fee	Proposed Fee (less 5%)
Single-Family Residential (SFR)	\$ 5,068	\$ 5,210	\$ 4,950
Multi-Family Residential (MFR)	\$ 3,050	\$ 3,543	\$ 3,366
Downtown MFR	\$ 1,727	\$ 2,709	\$ 2,574
Accessory Dwelling Unit	\$ 1,705	\$ 2,084	\$ 1,980

For reference purposes, the proposed fees are also shown below by dwelling unit type and by park type.

Table III.9 – Proposed Impact Fees by Dwelling Unit Type and Park Type

Dwelling Type	Neighborhood Parks	Community Parks	Open Space	Proposed Fee (less 5%)
Single-Family Residential (SFR)	\$ 790	\$ 3,000	\$ 1,160	\$ 4,950
Multi-Family Residential (MFR)	\$ 537	\$ 2,040	\$ 789	\$ 3,366
Downtown MFR	\$ 411	\$ 1,560	\$ 603	\$ 2,574
Accessory Dwelling Unit	\$ 316	\$ 1,200	\$ 464	\$ 1,980