

## OSD CFP Draft Letter – For OPC Review 11/4/13

November 19, 2013

Olympia City Council  
PO Box 1967  
Olympia, WA 98507

Dear Mayor Buxbaum and City Councilmembers:

On October 8, 2013, the Olympia Planning Commission submitted to you our review and comments on the draft 2014 Capital Facilities Plan of the City of Olympia.

In that review, we wrote:

*“Under provisions of the Growth Management Act, the City collects school impact fees which are then transferred to the Olympia School District (OSD). Because of the role of the City in collecting school impact fees and the extremely important role of schools in achieving the goals of the Comprehensive Plan, the City routinely reviews the Capital Facilities Plan (CFP) of the Olympia School District.”*

At the time we submitted our review of the City’s CFP, the Olympia School District (District) had not submitted its CFP. The District had, however, presented a “Preliminary Capital Facilities Plan” at the August 5 meeting of the Planning Commission. The comments in our October 8th letter were based on that presentation.

On October 15, Jane Kirkemo forwarded to Roger Horn, Chair of the Planning Commission’s Finance Subcommittee, and me, Chair of the Commission, a copy of the Olympia School District Capital Facility Plan 2014-2019- October 2013. For reasons not explained in what is apparently the District’s final CFP, the plan lacks key information required for the calculation of impact fees. The text states:

*“Impact fees calculations below are not yet updated for 2013 assessed value, a new student generation rate study, or new facility cost estimates. (pp. 44-45)”*

The CFP does not indicate when this information might be available.

In her note forwarding the District’s CFP for review by the Planning Commission, Ms. Kirkemo noted that she has informed the District that it must conduct a public hearing on any “change” to the District’s impact fees. At that time, the City will have the opportunity to submit these detailed comments on the proposed impact fees and the methodology used to calculate these fees.

As important as the proposed school impact fees is the methodology used in the calculation of such fees. Previous CFPs submitted by the District described the methodology in clear terms. The current CFP has no explanation of the methodology that was used in the determination of

2014 school impact fees or that will be used when the currently missing information is available to the District.

The absence of information on key factors to be considered in the calculation of impact fees and the methodology used to calculate them raises the question of whether the City can continue to collect fees requested by the District in the previous CFP. Review by legal staff of the City is appropriate to determine whether impact fees established in a previous CFP can continue to be collected by the City and by what standards the methodology used in the calculation of impact fees is to be evaluated.

The Planning Commission is also concerned about the timing of the District's CFP approval. Each year the Planning Commission is asked to review this document after our Olympia CFP review process has been completed. Having received the approved document on October 15, following approval by the Olympia School Board on October 14, the Planning Commission has not had adequate time to conduct a thorough review with input from all Commissioners. We recommend that in the future the District review their process and make adjustments so the City has time to do a complete review, leaving enough time for OSD amendments if significant issues are identified by the City.

In the absence of information on key factors to be considered in the calculation of impact fees and on the methodology for such calculation, the following comment is limited to the text of the District's CFP and not to the actual impact fees or the methodology used to establish them. Additional concerns were identified in our earlier comments to the Council. A copy of these earlier comments is attached as an addendum.

1. The initial list of capital facilities required between 2014 and 2019, 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).

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 a total of these costs provided.

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).

However, the text further states that the District paid for part of the cost of these schools with "a portion of the impact fees." The text should explain the portion of the cost of the schools paid for with impact fees and how the District determined what portion of the cost was assigned to impact fees.

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 for funding with impact fees. If the new structure is not funded by impact fees, it appears that a major cost of growth will not be paid by the residential construction generating the need for this capacity but, instead, will be borne by the general public in the District.

The District should consider a 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.

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 use of cars. While the comment on the location of the iConnect 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.

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.

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 possible use of such on-line learning
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.
7. The CFP states "For the 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)" (p.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.
8. As was noted in the comments submitted to the Council on October 8 in response to the District's Preliminary Capital Facility Plan presented to the Commission on August 8, the significant fluctuation in school impact fees is a matter of concern to the Planning Commission:

*"The wide annual 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. ....For example, the single family home fee was \$2,735 in 2010, \$659 in 2011, \$2,969 in 2012, and \$5,179 in 2013.....These very large swings undercut public confidence in the impact fee*

*process and may seem unfair to homeowners and developers who pay the higher amounts.”*

The fees adopted in the CFP of the District for 2014 of \$7,526 for single family houses and \$2,872 for multi-family structures vary significantly from the comparable fees in 2013 of \$5,179 and \$0. Without a methodology and an explanation of the factors contributing to this variation, individuals required to pay the school impact fee will have compelling questions of both the City and the District.

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.

Sincerely,

**JERRY PARKER, CHAIR**  
Olympia Planning Commission

**ROGER HORN, CHAIR**  
OPC Finance Subcommittee