



## Finance Committee

### Special Budget Topics - Development Permit Fees and Impact Fees

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#### **Title**

Special Budget Topics - Development Permit Fees and Impact Fees

#### **Recommended Action**

##### **Committee Recommendation:**

Receive briefing and direct staff to proceed with drafting an ordinance for City Council consideration that implements the proposed fees.

##### **City Manager Recommendation:**

Receive briefing and direct staff to proceed with drafting an ordinance for City Council consideration that implements the proposed fees.

#### **Report**

##### **Issue:**

Briefing and discussion of proposed 2022 development permit fees and impact fees.

##### **Staff Contact:**

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##### **Presenter(s):**

Leonard Bauer, Director, Community Planning and Development

Mark Russell, Deputy Director, Public Works

Tammy LeDoux, Finance & Policy Coordinator, Parks Arts & Recreation

#### **Background and Analysis:**

Washington state law [RCW 36.70B] provides direction for local government review of development project proposals. Cities and counties are authorized to charge fees for the cost of reviewing applications for new development, and inspections of new construction. State law also authorizes collection of impact fees to address the impacts of new development on transportation, parks, fire services, and schools [RCW 82.02.050]. The City of Olympia collects impact fees for transportation and parks impacts, and on behalf of the Olympia School District for school impacts.

#### **Development Permit Fees**

The City of Olympia collects fees to offset a portion of the cost of reviewing applications for new

development and inspecting new construction. Fee amounts are adopted by the City Council and codified in Olympia Municipal Code Title 4. They include Engineering Fees (OMC 4.04), Building Code Review and Permit Fees (OMC 4.36), and Land Use Application Review (OMC 4.40).

In 2004, the City Council conducted a Permit Cost Recovery Study and established a goal to recover 85% of the cost of delivering development review services from permit fees.

In 2015, the City conducted an updated Cost Recovery Study and the City Council adopted Resolution No. 6983 creating a Development Fee Revenue Fund.

This year the City has contracted with Financial Consulting Services, Inc. (FCS), to again update our Cost Recovery Study, and examine the operation of the Development Fee Revenue Fund. FCS has completed the cost recovery analysis and found that the City is not currently recovering 85% of the cost of delivering development review services. [Note: City staff will request a briefing on the complete FCS study to be scheduled for a future Finance Committee meeting.]

City staff also completed a comparison of Olympia development fees to those of neighboring cities.

Based on these analyses, City staff recommend the attached adjustments of development fees to more closely approximate the City's target recovery rate while remaining relatively aligned with development fees in neighboring cities.

### **Transportation Impact Fees**

The City's first Transportation Master Plan was adopted by Council in February 2021 and included changes to the City's Transportation Concurrency and Impact Fee Programs. These programs are now multi-modal, adding capacity to our street system by making bike, pedestrian, and transit improvements, in addition to improvements for vehicles. The current Transportation Impact Fee is \$2,551 per new "person" trip. Staff proposes a 5% increase in the impact fee to keep up with inflation and increased costs of construction materials and labor. The cost per new "person" trip is proposed to be \$2,679 in 2022. Staff will present an overview of the proposed Transportation Impact Fees.

### **Park Impact Fees**

This year's inflationary adjustment calculation for Park Impact Fees would result in an increase of 7.72% or \$431 for a single-family residence. However, for 2022, staff proposes to freeze Park Impact Fees at the 2018 level, which has been done for the last 3 years. Staff has contracted with FCS Group and they are in the process of updating the park impact fee calculation, based on the draft Parks, Arts & Recreation Plan which will be adopted in 2022. As recommended by the Parks and Recreation Advisory Committee, the consultant will also calculate what the fee would be if the City chose to implement non-residential Park Impact Fees.

### **Olympia School District Impact Fees**

The 2022-2027 Olympia School District Capital Facilities Plan (CFP) represents the District's plan for ensuring that school facilities are well organized, not crowded, and are bright, clean, and student centered. The CFP ultimately identifies the costs of facilities, and therefore the impact on facilities of new housing growth. This impact translates into an impact fee levied on new single-family and multi-family housing units. Impact fees contribute about 1.5% of the District's capital plan, or about \$900,000 in revenue.

Attached is a historical table of fees; 2022 fees are listed in the last row of the table.

- The single family rate is discounted 15% from the potential calculated rate, and the fee represents a \$581 increase from 2021.
- The multi-family rate is discounted 15%, and the fee represents a \$344 increase.
- The downtown rate (multi-family only) is discounted 30%, and the fee represents a \$284 increase.

**Neighborhood/Community Interests (if known):**

Development permit fees and impact fees are charged to new development when it is proposed for construction. As a result, they are of primary interest to applicants for new development projects. However, there is likely interest community-wide.

**Options:**

1. Receive briefing and direct staff to proceed with drafting an ordinance for City Council consideration that implements the proposed fees
2. Receive briefing on proposed fees and provide direction to staff regarding any additional information desired.
3. Receive briefing on proposed fees and direct staff not to proceed with drafting an ordinance to implement the proposed fees.

**Financial Impact:**

Proposed fees are listed in the attachments. If approved, these fees will begin to be charged to new development applications received as of January 1, 2022. Fee amounts are based on studies of the City's actual costs of processing development permits, and of providing public services to address the impact of new development.

**Attachments:**

Proposed Development Permit Fees  
Proposed Transportation Impact Fees  
Proposed Olympia School District Impact Fees