Getting Growth to Pay for Growth

- Context and use
- Definition and types
- How to calculate legal, defensible fees
- Examples
- Lessons Learned and Q&A

Growth is (still) coming...

- Through 2030, growth is expected across most of Washington (36 of 39 counties)
- Medium growth projection for ~1.2 million additional residents

Impact Fees in the U.S.

- Used to varying degrees, depending on each state’s laws; heavily used in California
- Allowed to varying degrees in many other states, but often with a maximum fee limit
- Some jurisdictions in other states have reduced or repealed fees in recent years, particularly in response to the housing crisis and political pressure

Do you have the public and government facilities to serve those new residents? How will your city pay for them?
Impact Fees in WA

- Commonly found in small and mid-size WA cities (not used in Seattle or Tacoma)
- Median total impact fee of ~$4,100 for a single family home (sample of 63 Washington cities)
- Highest impact fees typically found in affluent suburban communities

Impact Fee Definition

One time payment...
... by new development ...
... for capital costs of facilities ...
... needed by new development.

Impact Fees

Reasons governments charge impact fees:
- Policy: Growth pays a portion of costs so taxpayers don’t pay the whole cost
- Quality of life: Public facilities keep up with growth
- Revenue: For needed public facilities

Impact Fees

Alternatives to impact fees

1. Raise taxes
   = growth pays less, taxpayers pay more

2. Reduce level of service
   = less infrastructure, quality of life reduced

So?

Every planner knows that under the Growth Management Act cities and counties can charge impact fees for transportation, parks/open spaces, fire protection and schools.

Yes. But did you know that...

Cities and counties can also collect fees to address city halls, public works yards, and police facilities?
**Impact vs. Mitigation Fees**

**GMA (RCW 82.02.050-090)**
- Impacts on whole city or large areas
- Burden limited to proportionate share
- Look-up table of impact fee rates

**Traditional SEPA (RCW 43.21C.060)**
- Impacts on nearest facilities
- Full burden on applicant who exceeds threshold
- Case-by-case: study, analysis, negotiation

**Mitigation Fee SEPA (RCW 43.21C.060)**
- Environmental document sets standards and proposes standard mitigation fees
- Applicant can use the document, or conduct own study

**Mitigation Fees**
- Based on fair share needed to address growth but not existing deficiencies
- Fee is reasonably needed and proportional to the impacts of development
- Must take into account any "credits"; no double charging new development

**Process**
1. **Existing Conditions**: What facilities do you have now?
2. **Facility Program**: What will you need to serve new development?
3. **Cost**: What is the price to build the required facilities?
4. **Fee Calculation**: How will costs be allocated to new development?

**Before You Begin**
- Consider the scope of the effort to determine the mitigation fee
  - What timeframe of development will you use?
  - What tools will you use to collect the required information? Who will do what?
  - How detailed will you get?
  - How quickly does construction need to start?

**Light Detail $**
- Rough space calculations
- Functional relationships
- Planning-level costs

**Medium Detail $$**
- Space needs by department
- Phasing and action plan
- Conceptual construction costs
High Detail $$$

- Detailed facility and building requirements
- Floor plans
- Finish and equipment lists
- Probable construction costs

Existing Conditions

- How many staff and how much space do you currently have?
- What land assets are available?
- What are the existing issues, opportunities, and constraints?

Existing Conditions

Typical Issues – City Halls

Typical Issues – Police Dept.

Typical Issues – Public Works
**Typical Issues – Lessons Learned**

- Consolidate departments to create cohesion
- Carefully consider public interface and security
- Include multi-purpose room to accommodate council chambers/court and community room
- Be careful with art
- Think beyond the grand entry
- Pay attention to systems details

**Comparable Cities Analysis**

- Identify cities with similar location, population, income, etc.
- Select city or cities to serve as operational models that show how many staff are likely needed

**Facility Program**

- Project the personnel levels needed to serve the new development
- Take into account non-linear relationships between population and staffing (e.g., double the population doesn’t always double staff)

**Facility Program**

- Use the comparable cities analysis and industry guidelines to establish basic space standards (i.e., modules) for:
  - Staff work areas (e.g., offices, work stations, etc.)
  - Common spaces (e.g., conference, storage, etc.)
  - Machinery and equipment storage
  - Parking

**Facility Program**

- Use the expected staffing levels and operational needs to determine how much total space of each type is needed

**Comparable Cities Analysis**

- Use the expected staffing levels and operational needs to determine how much total space of each type is needed

**Facility Program**

- Use the expected staffing levels and operational needs to determine how much total space of each type is needed
Facility Program

<table>
<thead>
<tr>
<th>Admin. &amp; Policy Departments</th>
<th>Current</th>
<th>20 year</th>
<th>30 year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive &amp; Administration</td>
<td>1,662</td>
<td>1,983</td>
<td>2,256</td>
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<tr>
<td>Finance</td>
<td>832</td>
<td>1,432</td>
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<tr>
<td>Community Development</td>
<td>561</td>
<td>1,616</td>
<td>1,810</td>
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<tr>
<td>Parks &amp; Recreation</td>
<td>197</td>
<td>826</td>
<td>958</td>
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<tr>
<td>Municipal Court</td>
<td>717</td>
<td>1,527</td>
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<tr>
<td>Parks &amp; Recreation</td>
<td>7,049</td>
<td>10,746</td>
<td>12,261</td>
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<tr>
<td>Police Department</td>
<td>5,035</td>
<td>12,151</td>
<td>14,777</td>
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City Hall: Total (GSF) 54,726 81,825 107,792
City Hall: Fortified GSF (66%) 35,970 53,899 70,308
Parking Area (SF) 15,007 25,804 32,408
Landscape Areas/Buffers (35%) (SF) 10,340 17,317 22,234
City Hall Site Area Total (SF) 35,921 62,748 80,806

Program Development

• Determine how much land you will need, especially for public works yards

Cost Estimates

• Consult with a cost estimator to obtain per-square-foot costs
• Be sure to take into consideration land acquisition, LEED construction requirements, and other costs

Fee Calculation

• Convert the cost of the required government facilities to a fee that will be assessed on new development
• Ensure the method used adheres to any development agreement language between the jurisdiction and the developer

Program Development

• Evaluate whether existing land is available to accommodate the newly required government facilities
• May require identification of hypothetical sites and estimation of their value

Fee Calculation

• Add existing square footage in the jurisdiction to the proposed development
• Determine ratio of total cost to total development (new and existing)
### Fee Calculation

- Apply the per square foot cost to the new development. For example:

  Average new single family home = 2,095 SF

  \[2,095 \text{ SF} \times 2.77 = 5,803.15 \text{ mitigation per new single family home}\]

### General Govt Mitigation Fee - Issaquah

<table>
<thead>
<tr>
<th>Building Value</th>
<th>SF</th>
<th>Cost/SF</th>
<th>Cost/DU</th>
<th>Mitigation Fee</th>
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</thead>
<tbody>
<tr>
<td>$27,548,692</td>
<td>23,454</td>
<td>0.00230</td>
<td>5,803.15</td>
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### General Govt Mitigation Fee - Sequim

<table>
<thead>
<tr>
<th>Exist Govt Bldg SF</th>
<th>All Bldg SF</th>
<th>L.O.S. Ratio</th>
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<table>
<thead>
<tr>
<th>L.O.S. Ratio</th>
<th>Avg DU SF</th>
<th>SF/DU</th>
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<tbody>
<tr>
<td>0.00230</td>
<td>1,043</td>
<td>$15,63</td>
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City Hall Cost:

<table>
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<th>Cost/SF</th>
<th>Cost/DU</th>
<th>Mitigation Fee</th>
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<tbody>
<tr>
<td>$9,370,000</td>
<td>24,000</td>
<td>$15,63</td>
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SF/DU:

<table>
<thead>
<tr>
<th>Building Value</th>
<th>SF</th>
<th>Cost/SF</th>
<th>Cost/DU</th>
<th>Mitigation Fee</th>
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### Lessons Learned

- Methodology is critical
- Document your process and be prepared to defend it
- Work closely with decision-makers (staff, council, city attorney) throughout the process

### Q & A

- Do you see opportunities to implement mitigation fees in your jurisdictions?
- What major road blocks or opposition would you expect to confront?

### Thank you.

Questions?