

PORT ORCHARD CITY PARKS PLAN



Appendix E: Impact Fee Calculations

E.1 Introduction

This study of impact fees for parks and recreational facilities for the City of Port Orchard presents the methodology, summarizes the data, and explains the calculation of the fees. The methodology is designed to comply with the requirements of Washington law. This introduction describes the basis for parks and recreational impact fees, including:

- Definition and Rationale of Impact Fees
- Statutory Basis For Impact Fees
- Methodology for Calculating Impact Fees
- Need for Additional Parks and Recreational Facilities
- Determining the Benefit of Parks and Recreational Facilities to Development
- Methodology and Relationship to Port Orchard City Parks Plan
- Level of Service and Calculations

E 1.1 Definition and Rationale of Impact Fees

Impact fees are charges paid by new development to reimburse local governments for the capital cost of public facilities that are needed to serve new development and the people who occupy the new development. New development is synonymous with "growth."

Local governments charge impact fees on either of two bases. First, as a matter of policy and legislative discretion, they may want new development to pay the full cost of its share of new public facilities because that portion of the facilities would not be needed except to serve the new development. In this case, the new development is required to pay for virtually all the cost of its share of new public facilities.

On the other hand, local governments may use other sources of revenue to pay for the new public facilities that are required to serve new development. If, RCW 82.02.050 (2) prohibits impact fees that charge 100% of the cost, but does not specify how much less than 100%, leaving that determination to local governments. However, such revenues are not sufficient to cover the entire costs of new facilities necessitated by new development; the new development may be required to pay an impact fee in an amount equal to the difference between the total cost and the other sources of revenue.

There are many kinds of "public facilities" that are needed by new development, including parks and recreational facilities, fire protection facilities, schools, roads, water and sewer plants, libraries, and other government facilities. This study covers parks and recreational facilities for the City of Port Orchard, Washington. Impact fees for parks and recreational facilities are charged to all residential development within the City of Port Orchard.

E1.2 Statutory Basis for Impact Fees

RCW 82.02.050 - 82.02.090 authorizes local governments in Washington to charge impact fees. The impact fees that are described in this study are not mitigation payments authorized by the State Environmental Policy Act (SEPA). There are several important differences between impact fees and SEPA mitigations. Two aspects of impact fees that are particularly noteworthy are: 1) the ability to charge for the cost of public facilities that are "system improvements" (i.e., that provide service to the community at large) as opposed to "project improvements" (which are "on-site" and provide service for a particular development), and 2) the ability to charge small-scale development their proportionate share, whereas SEPA exempts small developments. Four types of public facilities can be the subject of impact fees: 1) public streets and roads; 2) publicly owned parks, open space and recreational facilities; 3) school facilities; and 4) fire protection facilities (in jurisdictions that are not part of a fire district). RCW82.02.050 (2) and (4) and RCW82.02.090 (7)

Impact fees must be limited to system improvements that are reasonably related to, and which will benefit new development. RCW 82.02.050(3) (a) and (c). Local governments must establish reasonable service areas (one area, or more than one, as determined to be reasonable by the local government), and local governments must develop impact fee rate categories for various land uses. RCW 82.02.060(6) Impact fees cannot exceed the development's proportionate share of system improvements that are reasonably related to the new development. The impact fee amount shall be based on a formula (or other method of calculating the fee) that determines the proportionate share. RCW82.02.050(3)(b) and RCW82.02.060(1)

Impact fees can be charged for new public facilities (RCW 82.02.060(1)(a)) and for the unused capacity of existing public facilities (RCW 82.02.060(7)) subject to the

proportionate share limitation described above. Additionally, the local government must separate the impact fees from other monies, expend the money on CFP projects within 6 years, and prepare annual reports of collections and expenditures.
RCW82.02.070(1)-(3)

E 2 Methodology for Calculating Impact Fees

Prior to calculating impact fee rates, several issues must be addressed in order to determine the need for, and validity of such fees: responsibility for public facilities, the need for additional park and recreational facilities, the need for revenue for additional parks and recreational facilities, and the benefit of new parks and recreational facilities to new development.

In general, local governments that are authorized to charge impact fees are responsible for specific public facilities for which they may charge such fees. The City of Port Orchard is legally and financially responsible for the parks and recreational facilities it owns and operates within its jurisdiction. In no case may a local government charge impact fees for private facilities, but it may charge impact fees for some public facilities that it does not administer if such facilities are "owned or operated by government entities" (RCW 82.82.090(7)).

E 2.1 Need for Additional Park and Recreational Facilities

The need for additional parks and recreational facilities is determined by using standards for levels of service for park and recreational facilities to calculate the quantity of facilities that are required. For the purpose of quantifying the need for parks and recreational facilities, this study uses the City's value of investment in parks and recreational facilities per capita. As greater growth occurs, more investment is required, therefore more parks and recreational facilities are needed to maintain standards.

E 2.2 Determining the Benefit to Development

The Washington State law regarding Impact Fees imposes three provisions of the benefit provided to development by impact fees: 1) proportionate share, 2) reasonably related to need, and 3) reasonably related to expenditure (RCW 80.20.050(3)). First, the "proportionate share" requirement means that impact fees can be charged only for the portion of the cost of public facilities that is "reasonably related" to new development.

Second, fulfilling the requirement that impact fees be "reasonably related" to the development's need for public facilities, including personal use and use by others in the family (direct benefit), use by persons or organizations who provide goods or services to the fee-paying property (indirect benefit), and geographical proximity (presumed benefit). Impact fees for park and recreational facilities, however, are only charged to

residential development in the City because the majority of benefits are to the occupants and owners of dwelling units. As a matter of policy, the City of Port Orchard elects not to charge parks and recreational impact fees to non-residential properties because there is insufficient data to document the proportionate share of parks reasonably needed by non-residential development.

Lastly, the requirement that expenditures be "reasonably related" to the development that paid the impact fee includes that fee revenue must be earmarked for specific uses related to public facilities ensures that expenditures are on identifiable projects, the benefit of which can be demonstrated and that impact fee revenue must be expended within 6 years, thus requiring a timeliness to the benefit to the fee-payer.

E 2.3 Methodology and Relationship to the Port Orchard City Parks Plan

Impact fees for parks and recreational facilities in the City of Port Orchard are based on the value per capita of the City's existing investment in parks and recreational facilities for the population of the City. New development will be provided the same investment per capita, to be funded by a combination of general and capital improvement fund revenue and impact fees. The amount of the impact fee is determined by charging each new development for the average number of persons per dwelling unit multiplied times the amount of the investment per capita that is to be paid by growth.

E3. Level of Service Standard Calculations

The level of service, as defines as the capital investment per person, is calculated by multiplying the capacity of parks and recreational facilities times the average costs of those items. Within this calculation, there are two variables that benefit from further definition explanation: The value of parks and recreational inventory, and the Service population.

E 3.1 Value of Parks and Recreational Inventory

The value of the existing inventory of parks and recreational facilities is calculated by determining the value of each park as well as each recreational facility. The sum of all of the values equal the current value of the City's parks and recreational system

E 3.2 Service Population

The service population is the number of persons served by the inventory of parks and recreational facilities. Port Orchard's service population consists of the City's current 2011 population of 11,144 as provided by the Washington State of Financial Management. The forecast population for 2030 of is the projected population

estimated for Comprehensive Planning efforts and adopted by all Kitsap County jurisdictions, through the County Wide Planning Policies. This figure is provided to estimate future population growth within the existing City boundaries and is utilized in calculating the annual portion of that growth rate for the Impact Fee calculations.

E 3.3 Calculation of Park and Recreational Capital Investment per Person

The City of Port Orchard's capital value per person is the standard the City uses to ensure that each resident receives an equitable amount of parks and recreational facilities. The City provides this value by investment in parks and recreational facilities that are most appropriate for each site and which respond to changing needs and priorities as the City grows and the demographics and needs of the population changes.

Attachment E1 (at the end of this Appendix) lists the types of land and recreational facilities that make up the City of Port Orchard's existing park system. Each component is listed in the first column, along with the capital value of each type of park land or recreational facility in the final column. The capital value for all City owned parks & recreational facilities in the inventory comes to a total of \$7,228,929. This total value is divided by the service population of 11,144 for the City determines the current capital value per person of \$649. (Please reference Attachment E2: Figure E1)

E 4 PARKS AND RECREATIONAL FACILITY NEEDS

This section calculates the value of parks and recreational facilities that are needed to serve growth, reduced by the typical proportion of project values that are grant or otherwise funded. Impact fees are related to the needs of growth through calculating the total value of parks and recreational facilities that are needed for growth. The calculation is accomplished by multiplying the capital investment per person times the number of new persons that are forecast for the City's growth. (Please reference Attachment E2: Figure E2)

E 4.1 Calculation of Total Value Needed For Growth

The calculations for the total value of Parks and Recreation Facilities needed to accommodate the forecasted growth is a tabulation of the level of service standard for capital investment per person from Figure E1 times the total amount of population growth forecast for the six year Impact Fee planning period. The resulting calculation shows the total value of parks and recreational facilities that are needed to serve the growth that is forecast for Port Orchard (Please reference Attachment E2: Figure E2). The result of Figure E2 illustrates that Port Orchard needs parks and recreational facilities valued at \$1,928,434 in order to serve the growth of 2,973 additional people (forecast at an annual growth rate of 495 per year) who are expected to be added to the City's population during the six year Impact Fee planning period.

E 4.2 Total Investment to be Paid by Growth

The investment to be paid by growth is calculated by subtracting the amount of any revenues the City invests in infrastructure for growth from the total investment in parks and recreational facilities needed to serve growth. The previous calculation showed the total amount that is needed to invest in additional parks and recreation facilities in order to serve future growth. The proportionate share of that investment to be paid by growth is dependent upon the historic share of improvements provided by the City of Port Orchard through grants or other revenue streams. The proportionate share for development to pay for new facilities includes the City of Port Orchard historical use of local sources, such as real estate excise tax, grant funding, and other revenues to pay for part of the cost of parks and recreational facility capital costs. Revenues that are used for repair, maintenance or operating costs are not used to reduce impact fees because they are not used, earmarked or prorated for the system improvements that are the basis of the impact fees. The City's investment has averaged 50% of the cost of capital improvement projects for parks and recreational facilities (Please reference Attachment E2: Figure E3). The result of Figure E3 illustrates that Port Orchard expects to use \$964,217 in grants and other revenues to serve the total needs of additional parks and recreational facilities to maintain the City's standards for future growth, with the remaining \$964,217 to be paid by growth as a proportionate share.

E5 IMPACT FEE PER UNIT OF DEVELOPMENT

In this section the investment in additional parks and recreational facilities to be paid by growth is used to calculate the park and recreational facilities growth cost per person which is then used to calculate the impact fee per dwelling unit.

E 5.1 Growth Cost Per Person

The growth cost per person is calculated by dividing the investment in parks and recreational facilities that is to be paid by growth by the amount of population growth during the six year Impact Fee planning period (Please reference Attachment E2: Figure E4). The result of Figure E4 illustrates the calculation of the cost per person of parks and recreational facilities that needs to be paid by growth is \$324 per person. The amount to be paid by each new dwelling unit depends on the number of persons per dwelling unit.

E 5.2 Impact Fee per Dwelling Unit

The impact fee per dwelling unit is calculated by multiplying the growth cost per person by the number of persons per dwelling unit. The number of persons per dwelling unit is the factor used to convert the growth cost of parks and recreational facilities per

person into impact fees per dwelling unit. The number of persons per dwelling unit data is based on the adopted 2008 Port Orchard Comprehensive Plan, Chapter 3. Housing; which sets an population household size of 2.5 persons per single family unit and a calculation of 1.8 persons per Multi-family housing unit within the City of Port Orchard (Please reference Attachment E2: Figure E5 and E6 respectively).

The resulting calculations of Figure E5 shows the calculation of the parks and recreational facilities impact fee of \$811 per single family dwelling unit. The resulting calculations of Figure E6 show the calculation of the parks and recreational facilities impact fee of \$584 per multi-family dwelling unit. Impact Fee amounts, upon adoption by City Council, are to be implemented and collected subject to the provisions of Port Orchard Municipal Code Section 16.70.

E6. Summary

This study of impact fees for parks and recreational facilities for the City of Port Orchard summarizes the methodology, presents the data, and explains the calculation of the fees that result in the recommended amounts. Similar sized Cities within Kitsap County have chosen to utilize much higher impact fee amounts, for example the City of Poulsbo recently raised their Park Impact Fee from \$500 to \$1,195 per unit. The proposed Park Impact Fees for the City of Port Orchard of \$811 per single family dwelling unit and \$584 per multi-family dwelling unit, although consistent with the City of Port Orchard level of service, still are well below the Washington State average of \$ 2,849 per single family dwelling unit and \$2,147 per multi-family dwelling unit respectively. (Sourced from the National Impact Fee Survey 2009, prepared by Clancy Mullen, Duncan Associates, Austin, TX on December 20, 2009) The methodology utilized for arriving at the City of Port Orchard impact fee amounts has been a statewide standard incorporated for numerous Washington State cities and is designed to comply with the requirements of Washington law.

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