

MEMORANDUM

To: Bob Harrison, City Manager
Rosylen Oglesby, Assistant City Manager
Scott Schafer, Public Works Director
Joan Davenport, Community Development Director

From: Joseph Calhoun, Planning Manager

Date: September 7, 2023

Subject: Impact Fees

Below is a summary of Impact Fees, which is available in greater detail at MRSC - <https://mrsc.org/explore-topics/planning/land-use-administration/impact-fees>

What Are Impact Fees?

Impact fees are one-time charges assessed by a local government against a new development project to help pay for new or expanded public capital facilities that will directly address the increased demand for services created by that development.

What Can Impact Fees Be Used For?

RCW 82.02.050-.110 and WAC 365-196-850 authorize counties, cities, and towns planning under the Growth Management Act (GMA) to impose impact fees for:

- Public streets and roads,
- Publicly owned parks, open space, and recreation facilities,
- School facilities, and
- Fire protection facilities.

These impact fees may only be imposed for “system improvements” which are defined as public capital facilities in a local government’s capital facilities plan that provides service to the community at large (not private facilities), are reasonably related to the new development, and will benefit the new development (WAC 365-196-850).

Impact fee revenues cannot be used to help pay for a specific capital project if that project is not listed or referenced within a comprehensive plan’s capital facilities element, per RCW 82.02.050(5).

Impact fees also cannot exceed a proportionate share of the cost of the system improvements: Municipalities must have additional funding sources and may not rely solely on impact fees to fund the system improvements (RCW 82.02.050).

What Can Impact Fees Not Be Used For?

Impact fees may not be used to correct existing deficiencies. For instance, a school district may use the impact fees from a development to pay for construction of new classrooms at specific schools to accommodate the increased enrollment anticipated from that specific development.

But the district *may not* use the impact fees to build new classrooms to reduce overcrowding caused by existing residents.

Per RCW 82.02.060(9), an impact fee ordinance may:

(P)rovide 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.

For example, if a public works maintenance facility was designed and constructed to address both existing deficiencies (e.g., 60%) and future growth needs (e.g., 40%), impact fees could be used to pay for up to 40% of the debt service on the bond issued for that facility.

Next Steps

The process to establish impact fees will require a significant amount of research and analysis based on what fee(s) are collected. For example: if the decision is made to implement Impact Fees for Transportation and Parks Improvements, then a comprehensive rate analysis/fee schedule will need to be performed to establish the proportionate fees that will be charged for a variety of different development projects. See Attached – Ellensburg Transportation Fee Schedule.

Drafting of an Ordinance will follow, which shall outline the purpose, definitions, applicability, fee schedule(s), and various process requirements. The Ordinance should also include sections for: Impact Fee Exemptions, Waivers, or Reductions; Impact Fee Deferrals; Deadlines for expenditure of fees; and Appeals. See Attached – Ellensburg (Transportation) and West Richland (Transportation and Parks)

Implementation of the Ordinance will include review of all new development projects in relation to the applicable fees. If Transportation and Parks Impact Fees are adopted, then all new development projects would be assessed per the fee schedule with those fees being collected at the permit stage.

The staffing requirement to initiate Transportation and Parks impact fees should include, at a minimum, representatives from: Public Works (Engineering and Parks), Planning, and Finance. It may also be beneficial to hire a consultant to help develop the Fee Schedule.