

## **CITY COUNCIL AGENDA ITEM**

### **CITY OF SHORELINE, WASHINGTON**

**AGENDA TITLE:** Discussion of Transportation Impact Fee Amendment for Certain Businesses

**DEPARTMENT:** Economic Development

**PRESENTED BY:** Dan Eernisse

**ACTION:**        ☐ Ordinance        ☐ Resolution        ☐ Motion  
                 ☒ Discussion        ☐ Public Hearing

#### **PROBLEM/ISSUE STATEMENT:**

On July 21, 2014, the City Council adopted Ordinance No. 690, establishing a transportation impact fee (TIF) program for the City of Shoreline. This program became effective January 1, 2015. Five minor amendments to the program were discussed on July 13, 2015. Four amendments moved forward and were adopted as Ordinances Nos. 716, 718, 719, and 720 on August 3, 2015. One proposed amendment, Ordinance No. 717, which added a deferral of TIF for small businesses, was tabled for further discussion.

During the July 13, 2015 Council discussion there was not a majority of Councilmembers who supported either an exemption or a deferral for small businesses. There was also not a clear consensus of the definition of a small business. As such the Council requested staff to further explore options that could provide some TIF relief for small businesses in order to support the community's Vision Statement (Vision 2029) which states that the city has several vibrant neighborhood "main streets" that feature a diverse array of shops, restaurants and services and supports the City's economic development goals. Ultimately, the Council wanted further discussion on the policy direction to balance Council's stated desire to fund identified system-wide transportation growth projects while not harming or deterring small business activity. During the July 13, 2015 discussion, staff was directed to propose definitions of eligible businesses that went beyond the size of the building occupied by the business. In addition, staff was directed to examine alternatives that would avoid harming or deterring these businesses.

The discussion in this staff report is therefore organized by answering the following questions:

- 1) Should TIF relief be granted to certain businesses?
- 2) If so, how should business be defined as eligible?
- 3) Should TIF relief be provided through a deferral program?
- 4) Should TIF relief be provided through an exemption program?

**RESOURCE/FINANCIAL IMPACT:**

The financial impact of this proposed amendment will be in direct relationship to the volume of exemptions or deferrals sought. Deferred transportation impact fees will be delayed rather than reduced, but staff expects that deferred fees will have a higher percentage of default. Exempted fees need to be replaced with public funds. Staff will administer any new programs and therefore the amount of staff resource necessary to administer such a program will depend on the program's complexity.

**RECOMMENDATION**

No formal action is required at this time, as this report is for discussion purposes only. Staff will return to the Council for discussion and adoption of a proposed amendment, which would be adopted through Council ordinance, at a future date based on policy direction from Council provided during tonight's discussion.

Approved By:           City Manager **DT**   City Attorney **MK**

## **BACKGROUND**

On July 21, 2014, the City Council adopted Ordinance Nos. 689 and 690 (Attachment A), modifying the City's transportation concurrency methodology (Ord. No. 689) and establishing a transportation impact fee program (Ord. No. 690). This program became effective January 1, 2015. With the adoption of Ordinance No. 690, Shoreline Municipal Code (SMC) Chapter 12.40 Transportation Impact Fees (TIF) was established, and Section 3.01.015 Impact Fee Rate Table was added to Title 3 of the SMC.

The TIF program was implemented to collect fees from new development (residential and non-residential) for their proportionate share of the cost of six transportation system growth projects that will be necessary in the future to maintain the City's adopted transportation level of service (LOS). The six growth projects are:

- 1) Addition of a center two-way left-turn lane and traffic calming measures on Meridian Avenue N from N 145<sup>th</sup> Street to N 205<sup>th</sup> Street
- 2) Intersection improvements at N 185<sup>th</sup> Street and Meridian Avenue N
- 3) Addition of a center two-way left-turn lane on N 175<sup>th</sup> Street from Stone Avenue N to Meridian Avenue N
- 4) Intersection improvements at N 175<sup>th</sup> Street and Meridian Avenue N
- 5) Extension of left-turn pockets on N/NE 175<sup>th</sup> Street between Meridian Avenue N and the I-5 on/off-ramps
- 6) Addition of a center two-way left-turn lane on NE 185<sup>th</sup> Street from 1<sup>st</sup> Avenue NE to 7<sup>th</sup> Avenue NE

Subsequent to the adoption of Ordinance Nos. 689 and 690, on August 3, 2015 some amendments were addressed through adoption of Ordinances Nos. 716, 718, 719, and 720. However, an amendment originally put forward at the request of former Deputy Mayor Eggen and Councilmember Salomon, proposed Ordinance No. 717 – Small Business Deferral Program, was tabled for future discussion and will be discussed this evening.

During the initial adoption of the TIF program in 2014, Council requested an amendment that would allow a payment deferral of the impact fee for small businesses. This amendment defined small business based on the number of full-time employees and would defer fifty percent (50%) of the fee for 24 months from building occupancy or transfer of ownership, whichever occurred first. This amendment also required that the property owner place a lien on the property to secure the unpaid portion of the fees. This amendment was not moved for adoption. Ultimately this amendment was not moved forward by any councilmember.

Staff reviewed other jurisdictions impact fee programs for a similar deferral program but was unable to locate such a program within Washington State. Most jurisdictions' impact fee programs were permitting a waiver/exemption to draw large, not small, business to the community. For example, the City of Vancouver allows for a reduction in impact fees to promote economic development based on the number of employees and median salary. For business with a minimum of 200 employees, a twenty-five percent (25%) reduction is available; if a minimum of 600 employees, a fifty percent (50%) reduction is available (VMC Table 20.915.080).

Programs that appeared to encompass small business were limited. The City of Auburn does defer impact fees up to 18 months in areas of the city for certain commercial office, retail, and manufacturing uses upon execution of a payment agreement (AMC 19.04.040(J)). Pierce County permits a deferral for non-residential uses but only until final building inspection (PMC 4A.10.080). The City of Bonney Lake has a fund to assist certain types of business in locating within specified areas of the city by off-setting the TIF, but expressly prohibited many types of small business from eligibility (BLMC 19.04.150).

For the July 13, 2015 discussion, staff modified the previous proposal to respond to concerns about administering the program based on the number of employees. Proposed Ordinance No. 717 defined small business as any business under 2,000 square feet (sf) and reduced the deferral period to 18 months in order to match the 18 month deferral for single-family residences. However, during the discussion, it was pointed out that proposed Ordinance No. 717 had the following shortcomings:

- Certain businesses under 2,000sf are well-financed, corporate efforts that likely shouldn't be eligible for deferrals.
- An 18-month deferral of TIF was clearly helpful to single-family residential builders (as now reflected in Ordinance No. 718), as the builders likely receive an infusion of funds from the sale of the home approximately 18 months after permit issuance. However, small businesses may still be cash-strapped during that same period. Some councilmembers expressed discomfort with the prospect of collecting deferred payments at the point when a small business was fragile or, worse yet, even after the business closed.
- In addition, staff pointed out that the recent enactment of State Engrossed Senate Bill (ESB) 5923 in April of 2015 raises concerns about the statutory authority to permit a small business deferral program when RCW 82.02 only speaks to exemptions, credits, and adjustments – not deferrals.

Council requested staff to further explore options that could provide some TIF relief for small businesses in order to support the community's Vision Statement (Vision 2029) which states that the city has several vibrant neighborhood "main streets" that feature a diverse array of shops, restaurants and services and supports the City's economic development goals. Ultimately the Council wanted further discussion on the policy direction to balance Council's stated desire to fund identified system-wide transportation growth projects while not harming or deterring small business activity. Staff was directed to propose definitions of eligible businesses that went beyond size of building occupied. In addition, staff was directed to examine alternatives that would avoid harming or deterring eligible businesses.

The discussion in this staff report therefore is organized by answering the following questions:

- 1) Should TIF relief be granted to certain businesses?
- 2) If yes, how should business be defined as eligible?
- 3) Should TIF relief be provided through a deferral program?
- 4) Should TIF relief be provided through an exemption program?

## **DISCUSSION**

### **1. Should TIF relief be granted to certain businesses?**

This policy question is at the foundation of tonight's discussion. The question may lead to a quick negative answer and a short discussion tonight, or it may lead to an answer that requires a longer discussion and more decisions in future meetings.

The purpose of the TIF program is for new development to pay for its proportional share of future transportation growth projects that will be necessary for the City's transportation system to continue to meet the City's adopted transportation level of service as development occurs (concurrency). In other words – growth is paying for growth in this context. Additionally, Council's Goal 1: *Strengthen Shoreline's economic base to maintain the public services that the community expects*, partially relates to transportation improvements, as surely a subset of "the public services that the community expects" includes transportation improvements to address growth issues - those very things that TIF was designed to fund.

Although this is the case, State law (RCW 82.02) does provide that the City can provide for an exemption when it has a "broad public purpose." The Council may determine that an exemption for certain businesses is necessary to meet the "broad public purpose" of encouraging development that is in alignment with the Community's Vision 2029 statement.

Staff has been presented with two arguments that Council should consider. If either prove compelling, further discussion and consideration of a TIF relief program for business would be reasonable. If neither is compelling, then no further discussion is needed.

#### **Argument 1: TIF acts as a disincentive to desirable businesses**

The first argument prompted proposed Ordinance No. 717. The basis of the argument is that many new businesses are simultaneously desired by Shoreline residents yet are charged TIF rates that they are likely to be negatively affected. The following list provides the TIF currently assessed for five typical consumer-focused businesses. Staff has chosen to use 1,500sf for each business. A "typical" strip mall bay that would accommodate a Subway franchise store is 20' by 60' (1,200sf), a prototype Starbucks is slightly larger (1,800sf), while a small restaurant likely needs at least 2,000sf to accommodate the kitchen, "back-of-house", restrooms, and seating area.

<b>New Use</b>	<b>TIF</b>
General Retail	\$12,210
General Office	\$16,140
Medical Office	\$29,325
Restaurant (Sit Down)	\$34,455
Coffee/Donut Shop	\$100,575

For developed properties that experience a change of land use, if no impact fee was paid for by the immediately preceding use, the impact fee for the new use will be reduced by an amount equal to the current impact fee for the immediately preceding use. In other words, new businesses in already developed properties receive a TIF credit for the prior land use or for the amount paid by the developer upon building permit issuance. In most cases this results in a lower TIF assessment. New construction on undeveloped property must pay TIF based on the developer's designation of the future use of the space, and developers often choose "general retail", both for its umbrella nature and for its relatively low TIF rate. However, once an actual tenant is identified, the tenant is assessed when it applies for its own building permit an amount equal to the difference between its actual TIF rate and the credit associated with the space. Assuming a credit for "general retail," shown below are the effects on the resulting fee charged after credit is applied for each of the 1,500sf businesses:

<b>New Use</b>	<b>TIF</b>	<b>Credit</b>	<b>Fee Charged</b>
General Retail	\$12,210	\$12,210	<i>No Charge</i>
General Office	\$16,140	\$12,210	\$3,930
Medical Office	\$29,325	\$12,210	\$17,115
Restaurant (Sit Down)	\$34,455	\$12,210	\$22,245
Coffee/Donut Shop	\$100,575	\$12,210	\$88,365

The most extreme example above, a coffee/donut shop moving into a space with a general retail credit, adds \$58.91 per square foot in start-up costs, even after the credit is applied. Staff characterizes its conversations with those in the Shoreline business community who are aware of the TIF program as passionate opposition to the size of the charges on restaurants and coffee shops, especially when an existing space is being occupied. These members of the business community argue that the TIF rates are so high that entrepreneurs will open fewer of the businesses that Shoreline needs and wants, and that those that are opened will be less financially viable due to the increase in start-up costs. These business owners advocate for an exemption or discount for desirable businesses.

### **Argument 2: TIF shouldn't be charged at business start-up**

The second argument, while similar to the first, is a broader, philosophical argument that draws on the business community's almost universal appreciation of how difficult it is to start a successful business. The second argument takes issue with how "growth should pay for growth" is defined in the TIF Rate Study done for the City of Shoreline by Henderson, Young & Company dated April 24, 2014 (Attachment B). In the study, rates are based on the funding needed to fund future growth transportation projects from three areas: new residential construction, new commercial construction, and new business start-ups when they open from business.

The TIF program is based on the "growth should pay for growth" principle, but according to the proponents of the second argument, targeting new businesses to pay TIF at this stage in their lifecycle is not making "business growth" pay for the impacts of growing businesses. Instead, it is targeting business investors who are taking a risk to launch a business, and it is creating a disincentive that undermines that City's support of economic development.

So how can “growth pay for growth” in the business community? Some have argued that a new mechanism would have existing, on-going businesses shoulder the load rather than business start-ups. Business operation growth happens at a slow rate over many years, so the City should apply the principle of “growth pays for growth” to growing (i.e. existing) businesses, not business start-ups that are likely operating at a loss. The proponents of the second argument actually prefer a new Business and Occupation Tax or revenue-generating Business License fee that applies to all businesses as long as it is used to replace the TIF on business startups. The solution to Argument 1, an exemption for certain businesses, is viewed by these proponents as insufficient; they believe that what is needed is a complete exemption for all new business start-ups with – if necessary – a replacement revenue source funded by existing businesses. It should be pointed out that State statutes allow proceeds from a Business and Occupation Tax or a Revenue Generating Business License to be used to fund general government services. This is much different from a TIF that can only be used to pay for developments proportional share of required transportation growth projects needed to meet concurrency.

## **2. How should businesses be defined as eligible for TIF relief?**

Staff compiled the following list of business characteristics that could be used to define eligibility, with advantages and disadvantages of each. Council may determine that one is sufficient, or it may opt for a combination of characteristics.

- 1) **Size of occupied space.** A typical bay in a strip retail center is approximately 1,200sf (60' x 20'); restaurants often use at least two bays to accommodate all of their space needs. The biggest advantage of using occupied space to determine eligibility is that the TIF is charged based on size of occupied space, so this is the most objective measure available. The disadvantage is that very well-funded businesses may be small (Starbucks is typically 1,800sf), while very desirable businesses (a local brewery with a tasting room, for instance) may be relatively large, but have little capital upon opening.
- 2) **Number of employees.** The number of employees is clearly a useful measurement of business strength and desirability; however, the disadvantage is that when the TIF charges are assessed, the business may not have any employees. In addition, staff would have a difficult time determining if the number of employees reported was accurate.
- 3) **Revenues.** Again, while revenues are clearly a useful measurement of business strength and desirability, the disadvantage is that when the TIF charges are assessed, the business typically doesn't have annual revenues, as it is just starting up.
- 4) **Investment in tenant improvements.** Tenant improvements permits are based on the value of construction investment, so this is an objective measurement that staff could easily administer. The disadvantage is that it is assumed that investing a low figure in tenant improvements would qualify a business for TIF relief, but setting a figure would be arbitrary, and it would create an incentive to under-improve a space or under-report improvements, thereby reducing both building permit fees and TIF.

- 5) **Whether existing space or new construction is occupied.** Considering whether a business is occupying existing space or new construction may be a useful characteristic. First, it is clearly objective and easily administered. Second, in conversations with the business community, staff found more support for TIF being charged to those occupying new construction; the impacts are clearly new, the tenants tend to be well-funded, and the TIF is typically borne in part by the landlord/developer. Staff found more empathy expressed for the “underdog” tenant who was occupying space that another business – or a string of businesses – had vacated. The disadvantage with this approach is that both large, well-funded tenants and “mom-and-pop start-ups” occupy existing space (see Attachment C).
- 6) **A single location.** From the past discussion, it appeared that Council shared a belief that TIF relief should not be offered to businesses that were part of a corporate chain or franchise (i.e. Starbucks, Subway). The advantage of this limitation is that it separates out those that are likely well-funded (i.e. Starbucks). The disadvantage is that franchises are often the first venture of a local business person, and they may provide unique, desirable services or products. Therefore, this characteristic could be further defined as a single location of the applicant.
- 7) **Vision 2029 qualities.** In preparing for this discussion, staff also considered a subjective approach that relies on qualities identified in Vision 2029. Staff is proposing the following definition of a “Vision 2029 Business”:

*A Vision 2029 Business is one-of-a-kind, adding character and a sense of place to Shoreline’s neighborhoods. Along with jobs, it provides at least one of the following Vision 2029 goals:*

- i. Unique products and services*
- ii. Entertainment and dining options*
- iii. Neighborhood gathering places*

The advantage of this approach is that it defines eligibility based on a business’s desirability using characteristics from a document already adopted by Council as defining broad public consensus. In addition, it offers whatever TIF relief Council may adopt to all desirable businesses, regardless of size or strength, but it particularly helps those that may be most affected due to the TIF impact table: coffee shops and restaurants. The disadvantage is that even after adding specific objective qualifiers, this approach is clearly more subjective and would require staff coordination between Economic Development and the Public Works Department. The mechanism might be that all businesses are charged TIF, but that businesses apply for TIF relief based on whether or not they qualify as a Vision 2029 Business.

Staff asks that Council provide policy direction between the possible approaches to defining eligible businesses:

- 1) **Objective Definition.**  
Example: *Eligible businesses occupy no more than 3,000sf of existing space and represent the applicant’s first business location.*



2) **Subjective Definition.**

Example: *Eligible businesses must be “Vision 2029 Businesses” that are described as one-of-a-kind, adding character and a sense of place to Shoreline neighborhoods and providing at least one of the following: unique products and services; entertainment options; dining options, or neighborhood gathering places.*

3) **Hybrid Definition.**

Example: *Eligible businesses must be “Vision 2029 Businesses” that are described as one-of-a-kind, adding character and a sense of place to Shoreline neighborhoods and providing at least one of the following: unique products and services; entertainment options; dining options, or neighborhood gathering places. In addition, eligible businesses can only occupy existing spaces in Shoreline and must be under 3,000sf in size.*

As directed by Council, staff will finalize the definition, add objective clarifications, and propose administrative procedures if Council is interested in moving TIF relief forward.

**3. Should TIF relief be provided through a deferral program?**

As stated earlier, a deferral program would have two negative attributes:

- 1) While an 18-month deferral of TIF was clearly helpful to single-family residential builders (as adopted in Ordinance No. 718), as the builders likely receive an infusion of funds from the sale of the home approximately 18 months after permit issuance. However, small businesses may still be cash-strapped during that same period. Some councilmembers expressed discomfort with the prospect of collecting deferred payments at the point when a small business was fragile or, worse yet, even after the business closed.
- 2) In addition, staff pointed out that the recent enactment of State Engrossed Senate Bill (ESB) 5923 in April of 2015 raises concerns about the statutory authority to permit a small business deferral program when RCW 82.02 only speaks to exemptions, credits, and adjustments – no deferrals.

In on-going conversations with Shoreline business owners, a third negative attribute of the deferral program was pointed out to staff. During a new business start-up, banks will likely consider any deferred amount of TIF as a liability, thereby reducing the amount of borrowing capacity of the business. In other words, the bank would rightfully consider that the business has a bill hanging over its head and only offer credit assuming the bill will be paid. The only savings for the start-up business, then, is the negligible amount of interest earned over the course of the deferral period.

Another concern identified by staff with a deferral program is the potential difficulty in collecting the TIF if the business remains in a challenging financial position at the time the TIF becomes due or even more challenging if the business has ceased operations. The City would still have an obligation to try to collect on the delayed TIF payment or would require that the obligation be dismissed. Given that it is likely that a TIF assessment would be greater than \$5,000, the City Council would be required to grant approval to write-off in uncollected TIF obligation in excess of \$5,000 (SMC 3.65.035). This could be viewed by some as arbitrary as other debts are not necessarily written off

when a business has financial challenges or ceases to operate, for example businesses that are assessed a gambling tax.

Recognizing the deferral program shortcomings/challenges identified by the business community and staff, if Council desires to implement a deferral program, then staff would suggest an 18 or 24 month deferral option.

#### **4. Should TIF relief be granted through an exemption program?**

During the discussion of proposed Ordinance No. 717, more than one Councilmember encouraged staff to discuss what is involved with providing TIF relief through an exemption. RCW 82.02 060(2) provides that the City may establish exemptions for development activities that provide a broad public purpose, and Ordinance No. 719 provides such an exemption for Community-Based Human Service Agencies.

But does a business start-up qualify as a broad public purpose? Should Council provide direction to move forward with an exemption for eligible businesses, it will need to declare that it does provide a broad public purpose. Staff would recommend that the broad public purpose be tied to the community's vision statement (Vision 2029).

An exemption program could provide 100% of the TIF charge, a preset percentage of the TIF charge (i.e. 50%), or a variable amount based on available funds. Whatever funds are granted by the exemption must be replaced by the City at the time of construction of the transportation improvements. The funding for any exemptions can come from grants, general government revenues or revenues that can be used specifically for transportation projects, such as the second quarter of real estate excise tax (REET). Obviously there is a constant tension between the amount of resources made available through these other revenue streams and the many projects and services that can be funded from them. If the City had not implemented TIF then future transportation growth projects would need to be funded from one of these revenue streams or the development would have to be denied if impacts could not be mitigated to meet the City's transportation level of service.

#### **General Government Revenues**

The City does not have the ability to fund exemptions through the general fund without reducing funding elsewhere. While State law does not allow TIF to be assessed on existing businesses, two methods of generating funds from businesses that could be allocated for future transportation growth improvements or could help offset any TIF exemptions provided to eligible businesses include a revenue-generating business license fee or a business and occupation tax (B&O). Although this is the case, it should be noted that these revenue sources are not currently collected by the City and they are revenue sources that can be used to fund general government services. The City's adopted 10 Year Financial Sustainability Plan (10YFSP) includes the review and consideration of a B&O tax to help fund general government services.

- 1) **Revenue-generating Business License Fee.** The City currently charges a revenue-neutral Business Registration Fee to all businesses located in or doing business in Shoreline; nearly 5,000 businesses are currently licensed in Shoreline under this program. The current fee is a flat \$40 annually for all

qualifying businesses. An additional revenue-generating fee could be added that was then directed to pay for TIF exemptions provided to eligible businesses. Revenue-generating business license fees are generally not flat charges; rather, they typically are graduated based on business size (i.e., number of employees, square footage, etc.). Therefore, a large business would pay more than would a home-based business; under the current program each pays the same amount.

- 2) **Business and Occupation Tax (B&O).** Shoreline currently is one of the few cities in the area that does not charge a B&O tax. Council included funding in its 2016 budget to hire a consultant to evaluate the possibility of a B&O tax, including assistance with stakeholder outreach. As part of the 10YFSP, Council directed staff to study the potential for implementing a B&O tax. It is legal for revenues generated using a new B&O tax to be used for transportation improvements. Therefore, funds generated by a new B&O tax could be designated to offset TIF exemptions for eligible businesses. However, if Council ultimately decides to move forward with a B&O tax and designate part of the funds for TIF exemptions, then the impact to the 10YFSP and the projected gap between revenues and expenditures will be minimized.

### **Sunset Clause**

Finally, should Council direct staff to return with an exemption or deferral program to provide TIF relief for certain businesses, staff suggests that Council consider placing a time-limit on the program so that staff can track the number of eligible businesses and the amount of exemptions provided. For example, an exemption program could include a sunset clause at the end of 2018, at which time in order for the exemption to continue, it would either need to be extended or replaced. Another option would be to cap the total amount of exemptions that could be permitted such as \$500,000, in order to limit the City's liability to backfill the exemptions granted.

### **RESOURCE/FINANCIAL IMPACT**

The impact on resources and finances will be in direct relationship to the volume of exemptions or deferrals sought. Deferred fees will be delayed rather than reduced, but Staff expects that deferred fees will have a higher percentage of default. Exempted fees need to be replaced with public funds. Staff will administer any new programs and therefore the amount of staff resource necessary to administer such a program will depend on the program's complexity.

### **RECOMMENDATION**

No formal action is required at this time, as this report is for discussion purposes only. Staff will return to the Council for discussion and adoption of a proposed amendment, which would be adopted through Council ordinance, at a future date based on policy direction from Council provided during tonight's discussion.

### **ATTACHMENTS**

Attachment A – Ordinance No. 690

Attachment B – Transportation Impact Fee Rate Study, 2014

Attachment C – 2015 New Businesses that Occupied Existing Space

**CITY OF SHORELINE, WASHINGTON**

**ORDINANCE NO. 690**

**AN ORDINANCE OF THE CITY OF SHORELINE, WASHINGTON, ADDING A NEW CHAPTER TO TITLE 12, STREETS, SIDEWALKS AND PUBLIC PLACES, CHAPTER 12.40 "IMPACT FEES" TO THE SHORELINE MUNICIPAL CODE AUTHORIZING THE COLLECTION OF IMPACT FEES FOR TRANSPORTATION FROM NEW DEVELOPMENT; AND AMENDING CHAPTER 3.01 FEE SCHEDULES.**

WHEREAS, the Shoreline City Council finds that new growth and development in the City of Shoreline will create additional demand and need for transportation facilities; and

WHEREAS, in the Revised Code of Washington (RCW) 82.02.050(1), the Legislature has stated its intent is to allow the cities to require that new growth and development within their boundaries pay a proportionate share of the cost of system improvements to serve such new development activity through the assessment of impact fees for transportation facilities; and

WHEREAS, in RCW 82.02.050(2), the Legislature has authorized cities to impose impact fees subject to the requirements of RCW 82.02.050(3) and (4); and

WHEREAS, RCW 82.02.090(3) defines "impact fee" as a payment of money imposed upon development as a condition of development approval to pay for public facilities needed to serve new growth and development, and that is reasonably related to the new development that creates additional demand and need for public facilities, that is a proportionate share of the cost of the public facilities, and that is used for facilities that reasonably benefit the new development; and

WHEREAS, RCW 82.020.050(1)(b) and RCW 82.020.060 provide that the City may enact a local ordinance providing for impact fees and the limitations and/or extent that the local ordinance can provide for the impact fees; and

WHEREAS, RCW 82.020.070(2) provides that impact fees shall be expended only in conformance with the Capital Facilities Plan Element of the Comprehensive Plan; and

WHEREAS, the City Council finds that building permits issued by the City are the specific development approval of development activity in the City that can create additional demand and need for transportation facilities; and

WHEREAS, the City Council finds that development activities authorized by building permits for, but not limited to new residential, commercial, retail, office, and industrial development in the City will create additional demand and need for system improvements to transportation facilities in the City, and the City Council finds that such new growth and development should pay a proportionate share of the cost of system improvements needed to

serve the new growth and development; and

WHEREAS, the City Council finds that it is in the public interest, and consistent with the intent and purposes of the Growth Management Act (GMA), 36.70 RCW, and consistent with RCW 82.02.060(1), for the City to adopt impact fees which are uniform to the greatest extent practicable; and

WHEREAS, the City has conducted extensive research documenting the procedures for measuring the impact of new growth and development on transportation facilities, and has prepared the "Rate Study for Impact Fees for Transportation," City of Shoreline, dated April 24, 2014 ("Rate Study") which utilizes methodologies for calculating the maximum allowable impact fees that are consistent with the requirements of RCW 82.02.060(1); and

WHEREAS, in developing the impact fees for transportation facilities, the City has provided adjustments for past and future taxes paid or to be paid by new growth and development, which are allocated or proratable to the same new transportation facilities that will serve the new growth and development; and

WHEREAS, the purpose and intent of this chapter is to authorize the collection of impact fees for transportation facilities and to provide for certain other matters in connection therewith; and

WHEREAS, on July 21, 2014, the City Council considered the proposed amendments at its regularly scheduled public meeting; and

**NOW THEREFORE, THE CITY COUNCIL OF THE CITY OF SHORELINE, WASHINGTON, DO ORDAIN AS FOLLOWS:**

**Section 1. Amendment to Title 12 Streets, Sidewalks and Public Places.**

A new chapter, Chapter 12.40, *Impact Fees for Transportation*, is added to Title 12 as set forth in Exhibit A to this Ordinance.

**Section 2. Amendment to Chapter 3.01 Fee Schedules.**

A new section, Section 3.01.015 Transportation Impact Fees, is added to Chapter 3.01 as set forth in Exhibit B to this Ordinance.

**Section 3. Severability.**

If any portion of this chapter is found to be invalid or unenforceable for any reason, such finding shall not affect the validity or enforceability of any other chapter or any other section of this chapter.

**Section 4. Effective Date and Publication.**

A summary of this ordinance consisting of its title shall be published in the official newspaper of the City. The ordinance shall take effect and be in full force on January 1, 2015.


**ADOPTED BY THE CITY COUNCIL ON JULY 21, 2014.**

  
Mayor Shari Winstead

**ATTEST:**

  
Jessica Simulcik Smith  
City Clerk

**APPROVED AS TO FORM:**

  
Ian Sievers  
City Attorney

Publication Date: July 31, 2014  
Effective Date: January 1, 2015

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**TRANSPORTATION IMPACT FEES  
ORD. 690 EXHIBIT A**

**Title 12, Streets, Sidewalks and Public Places is amended to add:**

**12.40.010 Authority and Incorporation by Reference.**

A. Pursuant to RCW 82.02.050 – 100, the City adopts impact fees for transportation.

B. The rate study “Rate Study for Impact Fees for Transportation,” City of Shoreline, dated April 24, 2014 (“Rate Study”) documents the extensive research concerning the procedures for measuring the impact of new developments on public transportation facilities. The rate study, City Clerk’s Recording Number 7688, is fully incorporated by reference.

C. The Council adopts this chapter to assess impact fees for transportation. The provisions of this chapter shall be liberally construed in order to carry out the purposes of the Council in providing for the assessment of impact fees.

**12.40.020 Definitions.**

For purposes of this chapter, if not defined below, the definitions of words and phrases set forth in SMC 1.05.050, SMC 20.20, and RCW 82.02.090 shall apply to this chapter or they shall be given their usual and customary meaning.

“Applicant” is any person, collection of persons, corporation, partnership, an incorporated association, or any other similar entity, or department or bureau of any governmental entity or municipal corporation obtaining a building permit. Applicant includes an applicant for an impact fee credit.

“Building permit” means written permission issued by the City empowering the holder thereof to construct, erect, alter, enlarge, convert, reconstruct, remodel, rehabilitate, repair, or change the use of all or portions of a structure having a roof supported by columns or walls and intended for the shelter, housing, or enclosure of any individual, animal, process, equipment, goods, or materials of any kind.

“Capital facilities plan” means the capital facilities element of the City’s Comprehensive Plan adopted pursuant to RCW 36.70A and such plan as amended.

“Director” means the Director or designee of the Department of Public Works.

“Encumbered” means to reserve, set aside, or otherwise earmark impact fees in order to pay for commitments, contractual obligations, or other liabilities incurred for system improvements.

“Impact fee” means a payment of money imposed upon development as a condition of development approval to pay for transportation facilities needed to serve new growth and



development, and that is reasonably related to the new development that creates additional demand and need for transportation facilities, that is a proportionate share of the cost of the transportation facilities, and that is used for facilities that reasonably benefit the new development. An impact fee does not include a reasonable permit fee or application fee. An impact fee does not include the administrative fee for collecting and handling impact fees or the fee for reviewing independent fee calculations.

“Impact fee account” means the separate accounting structure within the City’s established accounts which shall identify separately earmarked funds and which shall be established for the impact fees that are collected. The account shall be established pursuant to subsection 12.40.110, and shall comply with the requirements of RCW 82.02.070.

“Independent fee calculation” means the impact fee calculation, studies and data submitted by an applicant to support the assessment of a transportation impact fee other than by the use of the rates published in Chapter 3.01.015(A), or the calculations prepared by the director where none of the fee categories or fee amounts in Chapter 3.01.015 accurately describe or capture the impacts on transportation facilities of the development authorized by the building permit.

“Owner” means the owner of record of real property, although when real property is being purchased under a real estate contract, the purchaser shall be considered the owner of the real property if the contract is recorded.

“Project improvements” means site improvements and facilities that are planned and designed to provide service for a particular development project and that are necessary for the use and convenience of the occupants or users of the project, and are not system improvements. No improvement or facility included in a capital facilities plan adopted by the Council shall be considered a project improvement.

“Transportation facilities”, for purposes of this chapter, means the public streets and roads owned or operated by the City of Shoreline or other governmental entities.

“Rate study” means the “Rate Study for Impact Fees for Transportation,” City of Shoreline, dated April 24, 2014.

“Street or road” means a public right-of-way and all related appurtenances, such as curb, gutter, sidewalk, bicycle lanes and other components of complete streets, and required off-site mitigation, which enables motor vehicles, transit vehicles, bicycles, and pedestrians to travel between destinations.

“System improvements”, means transportation facilities that are included in the City’s capital facilities plan and are designed to provide service to service areas within the community at large, in contrast to project improvements.

#### **12.40.030 Establishment of service area.**

A. The City hereby establishes, as the service area for impact fees, the City of Shoreline, including all property located within the corporate City limits.

B. The scope of the service area is hereby found to be reasonable and established on the basis of sound planning and engineering principles, and consistent with RCW 82.02.060, as described in the rate study.

**12.40.040 Impact fees methodology and applicability.**

The transportation impact fees in Chapter 3.01.015 are generated from the formulae for calculating transportation impact fees set forth in the rate study. Except as otherwise provided for independent fee calculations in subsection 12.40.060, exemptions in subsection 12.40.070, and credits in subsection 12.40.080, all building permits issued by the City will be charged impact fees applicable to the type of development listed in the fee schedule adopted pursuant to Chapter 3.01.015.

**12.40.050 Collection of impact fees.**

A. The City shall collect impact fees for transportation, based on the rates in Chapter 3.01.015, from any applicant seeking a building permit from the City unless specifically exempted in subsection 12.40.070.

B. When an impact fee applies to a building permit for a change of use, the impact fee shall be the applicable impact fee for the land use category of the new use, less any impact fee paid for the immediately preceding use.

1. For purposes of this provision, a change of use should be reviewed based on the land use category provided in the rate study that best captures the broader use or development activity of the property under development or being changed. Changes of use and minor changes in tenancies that are consistent with the general character of the building or building aggregations (i.e., “industrial park,” or “specialty retail”), or the previous use shall not be considered a change of use that is subject to an impact fee.

2. If no impact fee was paid for the immediately preceding use, the impact fee for the new use shall be reduced by an amount equal to the current impact fee rate for the immediately preceding use.

3. Buildings vacant for less than 12 months shall be assessed with a reduction based on the most recent legally established use as shown on a locally owned business license.

4. Buildings vacant for 12 months or more shall pay the full impact fee for the new use.

C. For mixed use developments, impact fees shall be imposed for the proportionate share of each land use, based on the applicable measurement in the impact fee rates in Chapter

3.01.015.

D. Impact fees shall be determined at the time the complete application for a building permit is submitted using the impact fees then in effect. Impact fees shall be due and payable before the building permit is issued by the City.

E. Applicants allowed credits prior to the submittal of the complete building permit application shall submit, along with the complete application, a copy of the letter prepared by the Director setting forth the dollar amount of the credit allowed.

**12.40.060 Independent fee calculations.**

A. If, in the judgment of the Director, none of the fee categories set forth in Chapter 3.01.015 accurately describes or captures the impacts of a new development on transportation facilities, the director may conduct independent fee calculations and the Director may impose alternative fees on a specific development based on those calculations. The alternative fees and the calculations shall be set forth in writing and shall be mailed to the applicant.

B. A applicant may opt not to have the impact fees determined according to the fee structure in Chapter 3.01.015, in which case the applicant shall prepare and submit to the Director an independent fee calculation for the development for which a building permit is being sought. The documentation submitted shall show the basis upon which the independent fee calculation was made. An independent fee calculation shall use the same methodology used to establish impact fees adopted pursuant to Chapter 3.01.015, shall be limited to adjustments in trip generation rates and lengths for transportation impact fees.

C. There is a rebuttable presumption that the calculations set forth in the rate study are valid. The Director shall consider the documentation submitted by the applicant, but is not required to accept such documentation or analysis which the Director reasonably deems to be inapplicable, inaccurate, incomplete, or unreliable. The Director may require the applicant to submit additional or different documentation for consideration. The Director is authorized to adjust the impact fees on a case-by-case basis based on the independent fee calculation, the specific characteristics of the development, and/or principles of fairness. The fees or alternative fees and the calculations therefore shall be set forth in writing and shall be mailed to the applicant.

**12.40.070 Exemptions.**

Except as provided for below, the following shall be exempted from the payment of all transportation impact fees:

A. Alteration or replacement of an existing residential structure that does not create an additional dwelling unit or change the type of dwelling unit.

B. Alteration or replacement of an existing nonresidential structure that does not expand the usable space or change the existing land use as defined in the land use categories as set forth

in the impact fee analysis land use tables.

C. Miscellaneous improvements which do not generate increased need for transportation facilities, including, but not limited to, fences, walls, residential swimming pools, and signs;

D. Demolition or moving of a structure.

E. Properties that have undergone prior State Environmental Policy Act (SEPA), RCW 43.21C, review and received a final decision that includes mitigation requirements on the condition that the SEPA mitigation obligation has or will be fulfilled by the time the impact fees, if applicable, would be due.

F. Any development that creates insignificant and/or temporary additional impacts on any transportation facility, including, but not limited to:

- i. Home occupations that do not generate any additional demand for transportation facilities;
- ii. Special events permits;
- iii. Temporary structures not exceeding a total of 30 days;

G. Low-income housing provided by a non-profit entity. "Low-income housing" means housing with a monthly housing expense, that is no greater than thirty percent of sixty percent of the median family income adjusted for family size, for the county where the project is located, as reported by the United States department of housing and urban development. As provided in RCW 82.02.060, a non-profit entity, as defined in RCW 84.36.560(7)(f), as amended, shall be entitled to an exemption of impact fees under the following conditions:

- i. The developer/applicant shall execute and record a covenant that prohibits using the property for any purpose other than for low-income housing except as provided within this subsection;
- ii. The covenant shall, at a minimum, address price restrictions and household income limits for the low-income housing;
- iii. The covenant shall run with the land and apply to subsequent owners and assigns;
- iv. The covenant must state that if the property is converted to a use other than for low-income housing, the property owner must pay the applicable impact fees in effect at the time of conversion;
- v. Any claim for an exemption for low-income housing must be made no later than the time of application for a building permit;

vi. Any claim for an exemption for low-income housing not made shall be deemed waived;

vii. The developer/applicant or any subsequent property owner shall file a notarized declaration with the city manager as provided in SMC 3.27.080(A), as amended, within 30 days after the first anniversary of the date of issuance of the building permit and each year thereafter.

Covenants shall be recorded with the applicable county auditor or recording officer.

**12.40.080 Credits for dedications, construction of improvements, and past tax payments.**

A. An applicant may request that a credit or credits for impact fees be awarded to him/her for the total value of system improvements, including dedications of land and improvements, and/or construction provided by the applicant. The application for credits shall be presented by the applicant on forms to be provided by the director and shall include the content designated in such forms. Credits will be given only if the land, improvements, and/or the facility constructed are:

1. Included within the capital facilities plan;
2. Determined by the City to be at suitable sites and constructed at acceptable quality;
3. Serve to offset impacts of the development authorized by the applicant's building permit; and
4. Part of one (1) or more of the projects listed in Table 1 of the rate study as the basis for calculating the transportation impact fee, however frontage improvements for those projects are not eligible for credits unless the Director determines that the frontage improvements will not be replaced or significantly changed when the project is constructed.

B. For credits for dedications of real property, the procedures of SMC 2.60.090 shall be followed if applicable. If the procedures of SMC 2.60.090 are not applicable, the following procedures shall be followed:

1. For each request for a credit or credits, the Director shall select an appraiser or, in the alternative, the applicant may select an independent appraiser acceptable to the Director.
2. Unless approved otherwise by the Director, the appraiser must be a Member of the American Institute of Appraisers and be licensed in good standing pursuant under RCW 18.40 et.seq. in the category for the property to be appraised, and

shall not have a fiduciary or personal interest in the property being appraised.

3. The applicant shall pay the actual costs for the appraisal and an independent review, if required.

4. After considering the appraisal the Director shall provide the applicant with a written determination setting forth the dollar amount of any credit, the reason for the credit, a description of the real property dedicated, and the legal description or other adequate description of the project or development to which the credit may be applied. The applicant must sign and date a duplicate copy of such determination accepting the terms of the letter or certificate, and return such signed document to the Director before the impact fee credit will be awarded. The failure of the applicant to sign, date, and return such document within sixty (60) calendar days of the date of the determination shall nullify the credit. If credit is denied, the applicant shall be notified in a letter that includes the reasons for denial.

5. No credit shall be given for project improvements.

C. An applicant may request a credit for past tax for past payments made for the particular system improvements listed in the rate study as the basis for the impact fee. For each request for a credit for past payments the applicant shall submit receipts and a calculation of past payments earmarked for or proratable to the particular system improvement for which credit is requested. The Director shall determine the amount of credits, if any, for past payments for system improvements.

D. Any claim for credit must be received by the City prior to issuance of the building permit. The failure to timely file such a claim shall constitute an absolute bar to later request any such credit.

**12.40.090 Adjustments for future tax payments and other revenue sources.**

Pursuant to and consistent with the requirements of RCW 82.02.060, the rate study has provided adjustments for future taxes to be paid by the development authorized by the building permit which are earmarked or proratable to the same new transportation facilities which will serve the new development. The impact fees in Chapter 3.01.015 have been reasonably adjusted for taxes and other revenue sources which are anticipated to be available to fund transportation improvements.

**12.40.100 Establishment of impact fee accounts.**

A. The City shall establish a separate impact fee account for the transportation impact fees collected pursuant to this chapter. Funds appropriated or otherwise withdrawn from the impact fees received must be used in accordance with the provisions of this Chapter and applicable state law. Interest earned on the fees shall be retained in the accounts and expended for the purposes for which the impact fees were collected.



B. On an annual basis, the Director or designee shall provide a report to the Council on the impact fee accounts showing the source and amount of all moneys collected, earned, or received, and the transportation improvements that were financed in whole or in part by impact fees.

C. Impact fees shall be expended or encumbered within ten (10) years of receipt, unless the Council identifies in written findings extraordinary and compelling reasons for the City to hold the fees beyond the ten (10) year period, pursuant to RCW 82.02.070(3).

**12.40.110 Refunds and offsets.**

A. If the City fails to expend or encumber the impact fees within ten (10) years of the date the fees were paid, unless extraordinary or compelling reasons are established pursuant to subsection 12.40.110, the current owner of the property on which impact fees have been paid may receive a refund of such fees. In determining whether impact fees have been expended or encumbered, impact fees shall be considered expended or encumbered on a first in, first out basis.

B. The City shall notify potential claimants of the refund by first-class mail deposited with the United States Postal Service at the last known address of such claimants. A potential claimant must be the current owner of record of the real property against which the impact fees were assessed.

C. Owners seeking a refund of impact fees must submit a written request for a refund of the fees to the Director within one (1) year of the date the right to claim the refund arises or the date that notice is given, whichever is later.

D. Any impact fees for which no application for a refund has been made within this one-year period shall be retained by the City and expended on the system improvements for which they were collected.

E. Refunds of impact fees under this subsection shall include any interest earned on the impact fees by the City.

F. When the City seeks to terminate any or all components of the impact fee program, all unexpended or unencumbered funds from any terminated component or components, including interest earned, shall be refunded pursuant to this chapter. Upon the finding that any or all fee requirements are to be terminated, the City shall place notice of such termination and the availability of refunds in a newspaper of general circulation at least two (2) times and shall notify all potential claimants by first-class mail at the last known address of the claimants. All funds available for refund shall be retained for a period of one (1) year. At the end of one (1) year, any remaining funds shall be retained by the City, but must be expended for the transportation facilities for which the impact fees were collected. This notice requirement shall not apply if there are no unexpended or unencumbered balances within the account or accounts being terminated.

G. The City shall also refund to the current owner of property for which impact fees have been paid all impact fees paid, including interest earned on the impact fees, if the development for which the impact fees were imposed did not occur; provided, however, that, if the City has expended or encumbered the impact fees in good faith prior to the application for a refund, the Director may decline to provide the refund. If within a period of three (3) years, the same or subsequent owner of the property proceeds with the same or substantially similar building permit, the owner can petition the Director for an offset in the amount of the fee originally paid and not refunded. The petitioner must provide receipts of impact fees previously paid for a building permit of the same or substantially similar nature on the same real property or some portion thereof. The Director's determinations shall be in writing and shall be subject to the appeals procedures set forth in subsection 12.40.100.

**12.40.120 Use of impact fees.**

A. Pursuant to this chapter, impact fees:

1. Shall be used for system improvements that will reasonably benefit the new development authorized by the building permit;
2. Shall not be imposed to make up for deficiencies in transportation facilities; and
3. Shall not be used for maintenance or operation.

B. Impact fees may be spent for system improvements including, but not limited to, planning, land acquisition, right-of-way acquisition, site improvements, necessary off-site improvements, construction, engineering, architectural, permitting, financing, and administrative expenses, applicable impact fees or mitigation costs, and any other expenses which can be capitalized.

C. Impact fees may also be used to recoup system improvement costs previously incurred by the City to the extent that new growth and development will be served by the previously constructed improvements or incurred costs.

D. In the event that bonds or similar debt instruments are or have been issued for the advanced provision of system improvements for which impact fees may be expended, such impact fees may be used to pay debt service on such bonds or similar debt instruments to the extent that the facilities or improvements provided are consistent with the requirements of this chapter.

**12.40.130 Review and adjustment of rates.**

A. The fees and rates set forth in the rate study may be reviewed and adjusted by the Council as it deems necessary and appropriate in conjunction with the annual budget process so that adjustments, if any, will be effective at the first of the calendar year subsequent to budget period under review.

B. Annually, and prior to the first day of January, the Director shall adjust the fees by the



same percentage change as in the most recent annual change of the Washington Department of Transportation's Construction Cost Indices (CCI).

**12.40.140 Appeals.**

Determinations and decisions by the Director that are appealed by an applicant shall follow the procedures of SMC 20.30 Subchapter 4.

**12.40.150 Existing authority unimpaired.**

Nothing in this chapter shall preclude the City from requiring the applicant or the proponent of a development authorized by a building permit to mitigate adverse environmental impacts of a specific development pursuant to the SEPA, Chapter 43.21C RCW, based on the environmental documents accompanying the building permit process, and/or Chapter 58.17 RCW, governing plats and subdivisions. Compliance with this chapter or payment of fees under this chapter shall not constitute evidence of a determination of transportation concurrency. Such mitigation shall not duplicate the impact fees charged under this chapter.

**TRANSPORTATION IMPACT FEES  
ORD. 690 EXHIBIT B**

**Chapter 3.01 is amended to add:**

**3.01.015 Transportation Impact Fees.**

**A. Rate Table.**

ITE Code	Land Use Category/Description	Impact Fee Per Unit @ \$6,124.77 per Trip	
90	Park-and-ride lot w/ bus svc	2,848.02	per parking space
110	Light industrial	7.78	per square foot
140	Manufacturing	5.86	per square foot
151	Mini-warehouse	2.09	per square foot
210	Single family house (includes townhouse and duplex)	5,567.41	per dwelling unit
220	Apartment (includes accessory dwelling unit)	3,607.49	per dwelling unit
230	Condominium	3,662.61	per dwelling unit
240	Mobile home park	2,601.80	per dwelling unit
251	Senior housing	1,190.65	per dwelling unit
255	Continuing care retirement	1,776.18	per dwelling unit
310	Hotel	3,722.02	per room
320	Motel	2,965.00	per room
444	Movie theater	11.67	per square foot
492	Health/fitness club	15.37	per square foot
530	School (public or private)	4.52	per square foot
540	Junior/community college	11.82	per square foot
560	Church	3.04	per square foot
565	Day care center	29.19	per square foot
590	Library	14.75	per square foot
610	Hospital	7.15	per square foot
710	General office	10.76	per square foot
720	Medical office	19.55	per square foot
731	State motor vehicles dept	94.21	per square foot
732	United States post office	22.48	per square foot
820	General retail and personal services (includes shopping center)	8.14	per square foot
841	Car sales	14.97	per square foot
850	Supermarket	22.23	per square foot

ITE Code	Land Use Category/Description	Impact Fee Per Unit @ \$6,124.77 per Trip	
851	Convenience market-24 hr	41.31	per square foot
854	Discount supermarket	22.67	per square foot
880	Pharmacy/drugstore	13.09	per square foot
912	Bank	31.85	per square foot
932	Restaurant: sit-down	22.97	per square foot
934	Fast food	52.85	per square foot
937	Coffee/donut shop	67.05	per square foot
941	Quick lube shop	23,840.66	per service bay
944	Gas station	21,679.38	per pump
948	Automated car wash	46.34	per square foot

**B. Administrative Fees.**

1. For each impact fee imposed, there shall be charged a non-refundable administrative fee equal to the charge for one hour as set forth in the City's fee schedule, SMC 3.01.010. The administrative fee shall be paid at the time the building permit is issued.
2. Request to the Director for an estimate or preliminary determination of impact fees shall be charged a non-refundable administrative processing fee as provided in SMC 3.01.010(G)(10) Interpretation of Development Code. The fee shall be paid at the time the request is submitted to the City.
3. Any applicant submitting an independent fee calculation as provided in SMC 12.40.060 shall pay a non-refundable administrative fee to cover the cost of reviewing the independent fee calculation. The fee shall be based on the hourly rate set forth in the City's fee schedule, SMC 3.01.010, times the actual hours incurred by the City to perform the review. The fee shall be paid prior to issuance of the Director's determination.
4. Administrative fees shall not be credited against the impact fees.

**RATE STUDY**  
FOR  
**IMPACT FEES**  
FOR  
**TRANSPORTATION**

CITY OF SHORELINE, WASHINGTON

April 24, 2014

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## EXECUTIVE SUMMARY

The purpose of this study is to establish the rates for impact fees for transportation<sup>1</sup> facilities in the City of Shoreline, Washington.

### Rates

The rates for transportation impact fees for new residential development are:

Type Dwelling Unit	Impact Fee per Unit
Single Family	\$ 5,567.41
Apartment	3,607.49
Condominium	3,662.61

The rates for transportation impact fees for non-residential land uses are listed in Table 5.

### Impact Fees vs. Other Applicant Contributions

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 or use the new development. Throughout this study, the term "applicant" is used as a shorthand expression to describe anyone who is obligated to pay impact fees, including builders, owners or developers.

The impact fees that are described in this study do not include any other forms of applicant contributions or exactions, such as mitigation or voluntary payments authorized by SEPA (the State Environmental Policy Act, RCW 43.21C), system development charges for water and sewer authorized for utilities (RCW 35.92 for municipalities, 56.16 for sewer districts, and 57.08 for water districts), local improvement districts or other special assessment districts, linkage fees, or land donations or fees in lieu of land.

### Adjustments for Other Sources of Revenue for Transportation Capital Improvements

The impact fees in this study recognize the existence of other sources of revenue that are available to pay for the capital cost of transportation facilities. These other revenues are accounted for by adjusting (i.e., reducing) the amount of

<sup>1</sup> Throughout this study the term "transportation" refers to "public streets and roads" defined in RCW 82.02.090, including related appurtenances such as curb, gutter, sidewalk, bicycle lanes and other components of complete streets.

the impact fee rates to adjust for the portion of transportation capital project costs that are paid by the other revenues.

### **Credits for Other Contributions by Applicant**

An applicant who contributes land, improvements or other assets that are part of one of the impact fee projects may receive a "credit" which reduces the amount of impact fee that is due. This credit is in addition to the adjustment for other revenues described in the preceding paragraph. The City has the sole right to determine what contributions are acceptable. The improvement by the applicant must be part of one or more of the projects listed in Table 1 of this study. Frontage improvements for those projects are not eligible for a credit unless the Director determines that the frontage improvement will not be replaced or significantly altered when the project is constructed.

### **Who Pays Impact Fees**

Impact fees are paid by all types of new development that are not exempted by City Code. Impact fee rates for new development are based on, and vary according to the type of land use.

### **Service Areas for Impact Fees**

Impact fees in some jurisdictions are collected and expended within service areas that are smaller than the jurisdiction that is collecting the fees. Impact fee programs are not required to use multiple service areas unless such "zones" are necessary to establish the relationship between the fee and the development. Public streets and roads impact fees are collected and expended in a single service area throughout the current boundaries of the City of Shoreline because of the compact size of the City and the accessibility of its transportation system to all property within the City.

### **Timing of Payment of Impact Fees**

Impact fees are usually collected at the time the local government issues a building permit. In the City of Shoreline the amount of the impact fees are calculated at the time the complete building application is submitted. The impact fees are paid at the time the building permit is issued unless authorized by City Code.

### **Uses of Impact Fee Revenue**

Impact fee revenue can be used for the capital cost of public facilities. Impact fees cannot be used for operating or maintenance expenses. The cost of public facilities that can be paid for by impact fees include engineering design studies, environmental review, land surveys, right of way acquisition, engineering, permitting, financing, administrative expenses, construction, applicable mitigation costs, and capital equipment (i.e., signals) pertaining to

transportation capital improvements. A separate administrative fee charged with the impact fee provides money to pay for the cost of administering the impact fee program.

The public facilities that can be paid for by impact fees are "system improvements" (which are typically outside the development), and "designed to provide service to service areas within the community at large" as provided in RCW 82.02.050(9)), as opposed to "project improvements" (which are typically provided by the applicant on-site within the development or adjacent to the development), and "designed to provide service for a development project, and that are necessary for the use and convenience of the occupants or users of the project" as provided in RCW 82.02.050(6).

### **Expenditure Requirements for Impact Fees**

Impact fees must be spent on capital projects contained in an adopted capital facilities plan, or they can be used to reimburse the government for the unused capacity of existing facilities. Impact fee payments that are not expended or obligated within 10 years must be refunded unless the City Council makes a written finding that an extraordinary and compelling reason exists to hold the fees for longer than 10 years. In order to verify these two requirements, impact fee revenues must be deposited into separate accounts of the government, and annual reports must describe revenue and expenditures.

### **Applicant Options**

Washington law provides people who are liable for impact fees several alternatives to paying the impact fees calculated in this study. The applicant can submit data and/or analysis to demonstrate that the impacts of the proposed development are less than the impacts calculated in this rate study. The applicant can appeal to the Hearing Examiner the impact fee calculation by the City of Shoreline. If the local government fails to expend the impact fee payments within 10 years of receipt of such payments, the applicant can obtain a refund of the impact fees (unless the City Council has made a written finding and extension of the deadline pursuant to RCW 82.02.060(3)(a)). The applicant can also obtain a refund if the development does not proceed, no impacts are created, and the City has not expended the impact fees.

### **ORGANIZATION OF THE STUDY**

This impact fee rate study contains four chapters, and an appendix:

- Chapter 1 summarizes the statutory basis for developing impact fees, discusses issues that must be addressed, and presents the methodology and formulas for determining the amount of the impact fee.



- Chapter 2 lists the capital improvement project costs of system improvements to transportation facilities, and subtracts non-impact fee revenues to determine the unfunded cost of eligible transportation projects.
- Chapter 3 documents the growth in trips attributable to new development, and calculates the cost per growth trip.
- Chapter 4 documents the trip generation rate for each type of land use, and calculates the transportation impact fee for each of the land use types.
- Appendix A documents the need for additional transportation facilities, including identification of existing deficiencies in transportation system capacity for current development, capacity of existing transportation system available for new development, and additional transportation system capacity needed for new development, as specified in RCW 82.02.050(4).

**DATA USED IN THIS STUDY**

This impact fee rate study is based on the most recent data provided by the City of Shoreline.

# 1. STATUTORY BASIS AND METHODOLOGY

Local governments charge impact fees for several reasons: 1) to obtain revenue to pay for some of the cost of new public facilities; 2) to implement a public policy that new development should pay a portion of the cost of facilities that it requires, and that existing development should not pay all of the cost of such facilities; and 3) to assure that adequate public facilities will be constructed to serve new development.

This study of impact fees for transportation for Shoreline, Washington describes the methodology that is used to develop the fees, presents the formulas, variables and data that are the basis for the fees, and documents the calculation of the fees. The methodology is designed to comply with the requirements of Washington State Law.

This study uses data and levels of service standards from the Transportation Element and the Capital Facilities Plan Element of the City's Comprehensive Plan.

## **STATUTORY BASIS FOR IMPACT FEES**

The Growth Management Act of 1990 authorizes local governments in Washington to charge impact fees. RCW 82.02.050 - 82.02.100 contain the provisions of the Growth Management Act that authorize and describe the requirements for 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.

The following synopsis of the most significant requirements of the law includes citations to the Revised Code of Washington as an aid to readers who wish to review the exact language of the statutes.

### **Types of Public Facilities**

Four types of public facilities can be the subject of impact fees: 1) public streets and roads; 2) publicly owned parks, open space and recreation facilities; 3) school facilities; and 4) fire protection facilities. *RCW 82.02.050(2) and (4), and RCW 82.02.090(7)*

## **Types of Improvements**

Impact fees can be spent on "system improvements" (which are typically outside the development), as opposed to "project improvements" (which are typically provided by the applicant on-site within the development). *RCW 82.02.050(3)(a) and RCW 82.02.090(6) and (9)*

## **Benefit to Development**

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)*

## **Proportionate Share**

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. *RCW 82.02.050(3)(b) and RCW 82.02.060(1)*

## **Reductions of Impact Fee Amounts**

Impact fees rates must be adjusted to account for other revenues that the development pays (if such payments are earmarked for or proratable to particular system improvements). *RCW 82.02.050(1)(c) and (2) and RCW 82.02.060(1)(b)* Impact fees may be credited for the value of dedicated land, improvements or construction provided by the applicant (if such facilities are in the adopted CFP and are required as a condition of development approval). *RCW 82.02.060(3)* The City has the sole right to determine what contributions are acceptable.

## **Exemptions from Impact Fees**

Local governments have the discretion to provide exemptions from impact fees for low-income housing and other "broad public purpose" development, but all such exemptions must be paid from public funds (other than impact fee accounts). *RCW 82.02.060(2)*

## **Applicant Options**

Applicants who are liable for impact fees can submit data and or/analysis to demonstrate that the impacts of the proposed development are less than the impacts calculated in this rate study. *RCW 82.02.060(5)*. Applicants can pay

impact fees under protest and appeal impact fee calculations. *RCW 82.02.060(4) and RCW 82.02.070(4) and (5)*. The applicant can obtain a refund of the impact fees if the local government fails to expend or obligate the impact fee payments within 10 years, or terminates the impact fee requirement, or the applicant does not proceed with the development (and creates no impacts). *RCW 82.02.080*

### **Capital Facilities Plans**

Impact fees must be expended on public facilities in a capital facilities plan (CFP) element (or used to reimburse the government for the unused capacity of existing facilities). The CFP must conform to the Growth Management Act of 1990, and must identify existing deficiencies in facility capacity for current development, capacity of existing facilities available for new development, and additional facility capacity needed for new development. *RCW 82.02.050(4), RCW 82.02.060(7), and RCW 82.02.070(2)*

### **New Versus Existing Facilities**

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.

### **Accounting Requirements**

The local government must separate the impact fees from other monies, place them in an interest bearing account, expend or obligate the money on CFP projects within 10 years, and prepare annual reports of collections and expenditures. *RCW 82.02.070(1)-(3)*

## **ISSUES RELATING TO 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 new revenue for additional transportation facilities, and the benefit of transportation facilities to new development.

### **Responsibility for Public Facilities**

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 Shoreline is legally and financially responsible for the transportation facilities it owns and operates within its jurisdiction. In no case may a local government charge impact fees for private streets or roads, but it may charge impact fees for some streets or roads that it does not administer if such facilities are "owned or operated by government entities" (*RCW 82.02.090 (7)*). Thus, a city or county may charge impact fees for transportation, and enter into an

agreement with the State of Washington for the transfer, expenditure, and reporting of transportation impact fees for state roads. A city may not charge or use impact fees on State roads without an agreement with the State, and a City CFP that includes state road projects.

### **Need for Additional Transportation Capacity**

The need for additional transportation system capacity is determined by using standards for levels of service for transportation facilities and other metrics, such as increase in traffic volume. The analysis of needed transportation facilities must comply with the statutory requirements of identifying existing deficiency, reserve capacity and new capacity requirements for facilities. An analysis of the need for additional transportation facilities is presented in Appendix A.

### **Need for New Revenue for Additional Transportation Capacity**

The need for new revenue for transportation facilities is demonstrated by comparing the cost of new facilities through 2030 to the existing sources of revenue for the same time horizon. The City's Transportation Element and CFP for transportation facilities does not have enough revenues from other sources to pay needed costs without impact fees.

### **Determining the Benefit to Development**

The law imposes three tests 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)*).

#### **1. Proportionate Share.**

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. In other words, impact fees cannot be charged to pay for the cost of reducing or eliminating deficiencies in existing facilities.

Second, there are several important implications of the proportionate share requirement that are not specifically addressed in the law, but which follow directly from the law:

- Costs of facilities that will be used by new development and existing users must be apportioned between the two groups in determining the amount of the fee. This can be accomplished in either of two ways: (1) by allocating the total cost between new and existing users, or (2) calculating the cost per trip and applying the cost only to new development when calculating impact fees.

- Impact fees that recover the costs of existing unused capacity should be based on the government's actual cost, rather than the replacement cost of the facility. Carrying costs may be added to reflect the government's actual or imputed interest expense.

The third aspect of the proportionate share requirement is its relationship to the requirement to provide adjustments and credits to impact fees, where appropriate. These requirements ensure that the amount of the impact fee does not exceed the proportionate share.

- The "adjustments" requirement reduces the impact fee to account for past and future payments of other revenues (if such payments are earmarked for, or proratable to, the system improvements that are needed to serve new growth).
- The "credit" requirement reduces impact fees by the value of dedicated land, improvements or construction provided by the applicant (if such facilities are in the adopted CFP and are required as a condition of development approval). The law does not prohibit a local government from establishing reasonable constraints on determining credits. For example, the location of dedicated right of way and the quality and design of a donated transportation facilities improvement can be required to be acceptable to the local government.

Without such adjustments and credits, the fee-paying development might pay more than its proportionate share.

## **2. Reasonably Related to Need.**

There are several ways to fulfill 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 or business enterprise (direct benefit), use by persons or organizations who provide goods or services to the fee-paying property (indirect benefit), and geographical proximity (presumed benefit). These measures of relatedness are implemented by the following techniques:

- Impact fees for transportation facilities are charged to properties that need (i.e., benefit from) new transportation facilities. The City of Shoreline provides its transportation facilities network to all kinds of property throughout the City regardless of the type of use of the property.
- The relative needs of different types of growth are considered in establishing fee amounts (i.e., different trip generation rates for different types of land use).

- Applicants can pay a smaller fee if they demonstrate that their development will have less impact than is presumed in the impact fee schedule calculation for their property classification. Such reduced needs must be permanent and enforceable (i.e., via land use restrictions).

Shoreline's transportation facilities serve the entire City, therefore the impact fees for these transportation capital improvements are based on a single service area that encompasses the City.

### **3. Reasonably Related to Expenditures.**

Two provisions of the law tend to reinforce the requirement that expenditures be "reasonably related" to the development that paid the impact fee. First, the requirement 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. Second, impact fee revenue must be expended or obligated within 10 years, unless the City Council makes a written finding that an extraordinary and compelling reason exists to hold the fees for longer than 10 years. This deadline ensures a benefit to the applicant by prohibiting the City from holding the money indefinitely.

## **METHODOLOGY AND RELATIONSHIP TO CAPITAL FACILITIES PLAN**

Impact fees for transportation facilities begin with the list of projects in the City's Transportation Element and Capital Facilities Plan (CFP). The projects in the Transportation Element and CFP are analyzed to identify capacity costs attributable to new development. The costs are adjusted to reflect other sources of revenue paid by the new development (and any payments that reduce the cost of the facility that is to be paid by impact fees). The costs are calculated per growth trip. The costs per growth trip are applied to the unique trip generation rates for each type of land use. The amount of the fee is determined by charging each fee-paying development for cost of the number of growth trips that it generates.

### **Calculation of Impact Fee Amounts**

Five formulas are used to determine the amount of impact fees for transportation facilities that are required as a result of new development:

$$1. \quad \begin{array}{ccccc} \text{Road}^2 & & \text{Cost of} & \text{Cost of Capacity} & \text{Capacity Cost} \\ \text{Project} & & \text{Existing} & \text{for Growth} & \text{for Future} \\ \text{Costs} & - & \text{Deficiencies} & \text{After 2030} & \text{Growth} \end{array}$$

<sup>2</sup> In the formulas and tables in this study, the terms "road" or "roads" is used as a shorthand expression for "transportation" (i.e., "public streets and roads" authorized by RCW 82.02.090(7)).

$$\begin{array}{lclclcl}
 2. & \text{Capacity Cost} & & \text{Other Funds} & & \text{2008}^3\text{-2030} \\
 & \text{for Future} & - & \text{Committed} & = & \text{Growth's Share} \\
 & \text{Growth} & & \text{To Projects} & & \text{of Projects} \\
 \\
 3. & \text{Future} & & \text{Current} & & \text{Growth} \\
 & \text{Trips on} & - & \text{Trips on} & = & \text{Trips on} \\
 & \text{Road Network} & & \text{Road Network} & & \text{Road Network} \\
 \\
 4. & \text{2008-2030} & & \text{Growth} & & \text{"Not Rely} & & \text{Eligible Cost} \\
 & \text{Growth's} & \div & \text{Trips on} & - & \text{Solely"} & = & \text{per} \\
 & \text{Share} & & \text{Road Network} & & \text{Adjustment} & & \text{Growth Trip} \\
 \\
 5. & \text{Eligible Cost} & & \text{Trip} & & \text{Impact} \\
 & \text{per} & \times & \text{Generation} & = & \text{Fee for} \\
 & \text{Growth Trip} & & \text{Rate per Land Use} & & \text{Land Use Type}
 \end{array}$$

<sup>3</sup> 2008 is the baseline year of Shoreline's most recent traffic model. Development that has occurred between 2009 and the present, and increases in trips on Shoreline's street network since 2008 are considered "growth" for the purpose of calculating impact fee costs per trip. However, impact fees will be charged only to growth that occurs after the effective date of Shoreline's ordinance adopting impact fees, and growth between 2009 and that effective date will not be charged impact fees.



## 2. ROAD SYSTEM IMPROVEMENT COSTS ELIGIBLE FOR IMPACT FEES

This chapter includes a description of the first two formulas, each variable that is used in the formula, an explanation of the use of data in the formula, and the calculation of 2008-2030 growths' share of the capital cost of system improvements to transportation facilities that are eligible for impact fees.

The transportation projects listed in this chapter are eligible for impact fees because the needs analysis of the Transportation Element and CFP projects presented in Appendix A meets the requirements of RCW 82.02.

### **FORMULA 1: CAPACITY COST FOR FUTURE GROWTH**

The cost of the capacity of eligible transportation projects for future growth is calculated by subtracting the cost of existing deficiencies and the cost of capacity not used by 2030 from the total transportation project costs as shown in the City's Transportation Element and Capital Facilities Plan (CFP) for transportation facilities.

$$\begin{array}{rclclcl}
 1. & \text{Road} & & \text{Cost of} & & \text{Cost of Capacity} & & \text{Capacity Cost} \\
 & \text{Project} & & \text{Existing} & & \text{for Growth} & & \text{for Future} \\
 & \text{Costs} & - & \text{Deficiencies} & - & \text{After 2030} & = & \text{Growth}
 \end{array}$$

There are three variables that require explanation: (A) the costs of transportation projects, (B) the cost of existing deficiencies, and (C) the cost of capacity for growth after 2030.

#### ***Variable (A) Costs of Transportation Projects***

The Transportation Element and Capital Facilities Plan identify capital projects needed to maintain the City's current transportation system, and to meet the additional demands from growth. The projects in the Transportation Element and CFP were analyzed to determine which projects are needed to serve growth. Appendix A presents the results of that analysis.

The costs of transportation projects used in this study include the full cost of the project, including engineering, right of way, and construction costs.

The cost of transportation projects does not include any costs for interest or other financing. If the City decides in the future to borrow money for transportation facilities, the carrying costs for financing can be added to the costs in this study, and the impact fee can be recalculated to include such costs.

***Variable (B): Costs of Existing Deficiencies***

Impact fees can be charged for growth's proportionate share of transportation projects, but impact fees cannot be charged for the portion of projects that eliminate deficiencies that existed before growth occurred. The portion of a project that eliminates an existing deficiency is not eligible for impact fees, therefore the cost of eliminating the existing deficiency is subtracted from the total cost of the project.

For transportation segments, the cost of existing deficiency is determined by dividing the current deficient traffic volume by the capacity created by the new project. The resulting percent is the portion of the project that is needed for the existing deficiency. That percent is multiplied times the total transportation project cost to determine the portion of the cost that is needed to eliminate the existing deficiency.

For intersections, the cost of existing deficiency is determined by dividing the number of seconds of delay in excess of the standard by the number of seconds allowed by the standard. The resulting percent is the portion of the project that is needed for the existing deficiency. That percent is multiplied times the total intersection project cost to determine the portion of the cost that is needed to eliminate the existing deficiency.

***Variable (C) Costs of Capacity for Growth after 2030***

The impact fees in this study are calculated for growth that will occur between 2008 and 2030, but some of the transportation projects in the Transportation Element and Capital Facilities Plan create more capacity than will be used up by growth through 2030. The amount of capacity that is not used by 2030 is available for long-term growth that occurs after 2030, but its cost should not be included in impact fees for short-term growth.

The cost of growth after 2030 is calculated by determining the unused ("reserve") capacity. Reserve capacity is the difference between the total capacity of the improved transportation facilities and the amount of traffic volume in the year 2030 (as forecast by the traffic model). The cost (value) of reserve capacity is determined by dividing the reserve capacity by the total capacity created by the new project. The resulting percent is the portion of the project that is unused reserve capacity in 2030. That percent is multiplied times the total project cost to determine the portion of the cost that is for capacity for growth that will occur after 2030. However, project #6, N 175<sup>th</sup> St. from Stone to Meridian is being constructed in order to relieve congestion on Meridian. As a result, the analysis of reserve capacity on N 175<sup>th</sup> is not applicable to the impact fee calculations.

**CALCULATION OF CAPACITY COSTS FOR FUTURE GROWTH**

The calculation of the cost of the capacity of eligible transportation projects for future growth is presented in Table 1. Columns 1 and 2 list the eligible projects and total costs from the Transportation Element and CFP. The total costs are reduced by existing deficiency costs and costs of capacity for growth after 2030 in Columns 3 and 4. These ineligible costs are subtracted from the total costs, and the balance in Column 5 is the cost of capacity for future growth.

TABLE 1 GROWTH SHARE OF FUTURE PROJECT COST					
(1)	(2)	(3)	(4)	(5)	
#	Project	Project Cost	Cost of Existing Deficiency	Cost of Post-2030 Reserve Capacity	2008 - 2030 Growth Share
1.	N 185 <sup>th</sup> St/Meridian Ave N: 500 ft NB/SB	\$ 5,479,125	\$199,241	\$ 0	\$ 5,279,884
2.	N 175th St/Meridian Ave N: 500 ft	5,260,356	180,502	0	5,079,854
3.	Meridian Ave N: N 145th St to N 205th St	10,108,030	0	0	10,108,030
4.	NE 185th St: 1st Ave NE to 7th Ave NE	308,068	0	211,797	96,271
5.	N 175th St: Meridian Ave N to I-5	4,269,679	0	0	4,269,679
6.	N 175th St: Stone to Meridian	13,253,502	0	0	13,253,502
	Totals	38,678,760	379,743	211,797	38,087,220

**FORMULA 2: 2008-2030 GROWTH'S SHARE**

The 2008-2030 growth share of transportation project cost is calculated by subtracting the value of other funds that are committed to the project and which will pay for part of growth's share of the cost (from Table 1).

$$\begin{array}{rclcl}
 2. & \text{Capacity Cost} & & \text{Other Funds} & \\
 & \text{for Future} & - & \text{Committed} & = \\
 & \text{Growth} & & \text{To Projects} & \text{2008-2030} \\
 & & & & \text{Growth's Share} \\
 & & & & \text{of Projects}
 \end{array}$$

There is one new variable that requires explanation: (D) other funds committed to projects.

***Variable (D): Other Funds Committed to Projects***

Impact fee rate calculations must recognize and reflect all known sources of revenue from new development that are earmarked or proratable to a particular impact fee project. These sources of revenue can include locally generated revenues (e.g., taxes, fees or charges, interest, etc.), state and/or

federal grants, bonds, or other revenue sources, which are committed to transportation capital improvement projects. The City's Transportation Element and CFP list specific sources of revenue for each project. The City of Shoreline's impact fee calculations include all non-impact fee revenue, whether paid by new development, or paid by existing residents and businesses.

The sources of revenue listed in the City's Transportation Element and CFP are available to pay for the City's "share" of projects, as well as growth's "share." The City's share includes the costs of variables B and C listed above: costs of existing deficiencies, and cost of capacity for growth after 2030. The revenues in the City's plan were analyzed to determine the portion that was available for the City's share and the portion that was for growth's share. The City has no revenue that applies to growth's share of project costs.

Revenues that are used for repair, maintenance or operating costs are not included because impact fees are not used for such expenses. Revenues for payments of *past* taxes paid on vacant land prior to development are not included because new capital projects do not have prior costs, therefore prior taxes did not contribute to such projects.

If an applicant believes that past tax payments were made by his/her property and such taxes meet the criteria of RCW 82.02.060(1)(b), an applicant can submit documentation and request a special review.

### **CALCULATION OF 2008-2030 GROWTH'S SHARE**

The 2008-2030 growth share of transportation project cost is presented in Table 2. Column 1 lists the eligible projects from the Transportation Element and CFP. Column 2 lists the capacity cost for future growth (from Table 1, column 5). The capacity costs in Column 1 are reduced by the other revenue that pays for growth's share (Column 3). The result is shown in Column 4: 2008-2030 growth's share of the transportation improvement projects.

TABLE 2 NET GROWTH SHARE ELIGIBLE FOR IMPACT FEES				
(1)		(2)	(3)	(4)
#	Project	2008 - 2030 Growth Share	Other Funds Committed to Projects	Net Growth Share (Eligible for Impact Fees)
1.	N 185 <sup>th</sup> St/Meridian Ave N: 500 ft NB/SB	\$ 5,279,884	\$ 0	\$ 5,279,884
2.	N 175th St/Meridian Ave N: 500 ft	5,079,854	0	5,079,854
3.	Meridian Ave N: N 145th St to N 205th St	10,108,030	0	10,108,030
4.	NE 185th St: 1st Ave NE to 7th Ave NE	96,271	0	96,271
5.	N 175th St: Meridian Ave N to I-5	4,269,679	0	4,269,679
6.	N 175th St: Stone to Meridian	13,253,502	0	13,253,502
Totals		38,087,220	0	38,087,220

### 3. 2008-2030 GROWTH COST PER GROWTH TRIP

In this chapter the 2008-2030 growth's share of the cost of eligible transportation projects from Chapter 2 is converted to a cost per growth trip. As in the previous chapter, this chapter includes a description of each formula and each variable that is used in the formulas, an explanation of the use of data in the formula, and the calculation of the unfunded cost per growth trip, using formulas 3 and 4.

#### **FORMULA 3: GROWTH TRIPS**

The growth of trips on Shoreline's transportation system is calculated by subtracting the number of trips currently on the transportation system from the number of trips that are forecast to be on the transportation system in the year 2030:

$$\begin{array}{rcccl}
 3. & \text{Future} & & \text{Current} & \\
 & \text{Trips on} & - & \text{Trips on} & = \\
 & \text{Road Network} & & \text{Road Network} & \text{Growth} \\
 & & & & \text{Trips on} \\
 & & & & \text{Road Network}
 \end{array}$$

There is one new variable used in formula 3 that requires explanation: (E) trips.

#### ***Variable (E) Trips (Current and Future)***

A traffic demand model is used to analyze traffic on transportation facilities. Shoreline's model was run by the City's transportation planning consultant, DKS Associates, and the results used to calculate current and future trips on Shoreline's transportation facilities. The data from the model is presented here as p.m. peak hour trips.

#### **CALCULATION OF GROWTH TRIPS**

Table 3 shows the future and current trips and calculates the growth trips.

TABLE 3 GROWTH TRIPS (P.M. PEAK HOUR) IN SHORELINE			
(1)	(2)	(3)	(4)
Origin - Destination	2008 Trips	2030 Trips	Growth Trips (Increase in Trips)
internal to internal	2,444	3,352	908
internal to external	7,009	8,846	1,837
external to internal	8,168	9,766	1,598
external to external	8,011	9,700	1,689
Total Trips	25,632	31,664	6,032

FORMULA 4: COST PER GROWTH TRIP

The 2008-2030 growth share of cost of transportation projects per growth trip is calculated by dividing the 2008-2030 growth share of cost of transportation projects by the number of growth trips:

4.      2008-2030                      Growth                      "Not Rely                      Eligible Cost  
            Growth's                      Trips on                      Solely"                      per  
            Share                      Road Network                      Adjustment                      Growth Trip

$$\frac{\text{2008-2030 Growth's Share}}{\text{Growth Trips on Road Network}} - \text{"Not Rely Solely" Adjustment} = \text{Eligible Cost per Growth Trip}$$

There is one new variable used in formula 3 that requires explanation: (F) "not rely solely on impact fees."

Variable (F) "Not Rely Solely on Impact Fees"

RCW 82.02.050(7) provides that "...the financing for system improvements to serve new development ... cannot rely solely on impact fees." The statute provides no further guidance, and "not rely solely" could be anything between 0.1% and 99.9%, thus additional analysis is presented below.

As noted previously, the total cost of all eligible projects is \$38.1 million, and 0.99% of that is for existing deficiencies. In addition, the future reserve capacity equals 0.55% of total costs. The City is required to pay for existing deficiencies and reserve capacity costs. The City may or may not eventually recoup the costs of future reserve capacity from development that occurs after the 2030 planning horizon for the transportation improvements. Arguably the 0.99% and the 0.55% that will be paid by the City provide sufficient compliance with the requirement to "not rely solely on impact fees." However, in the event that the intent of the statute is more narrowly construed to mean that the City should "not rely solely on impact fees" for the \$38,087,220 cost that is eligible for impact fees, an additional 3% reduction (\$1,142,617) is made to the impact fee calculation. This is accomplished at the end of Table 4, by reducing the cost per trip by 3%, and the resulting net cost per trip will be used as the basis for the remaining calculations of the transportation impact fee for Shoreline.

CALCULATION OF COST PER GROWTH TRIP

Table 4 shows the calculation of the cost per growth trip by dividing the 2008-2030 growth share of cost of transportation projects that are eligible for impact fees (from Table 2) by the number of growth trips (from Table 3) to produce the total cost per growth trip. The last step in Table 4 is to subtract an amount equal to 3% of the total cost per trip in order to determine the eligible cost per trip.

TABLE 4 COST PER GROWTH TRIP	
(1) Description	(2) Amount
Growth Share of Project Costs	\$ 38,087,220
P.M. Peak Hour Growth Trips	6,032
Cost per P.M. Peak Hour Growth Trip	\$ 6,314.19
RCW 82.02.050 (2) "cannot rely solely on impact fees"	-3.00%
Net Cost per P.M. Peak Hour Growth Trip	\$ 6,124.77

## 4. IMPACT FEE RATES FOR SPECIFIC LAND USES

In this chapter the eligible cost per growth trip (from chapter 3) is converted to an impact fee rate per unit of development for a variety of land use categories. As in the previous chapter, this chapter includes a description of the formula and each variable that is used in the formula, an explanation of the use of data in the formula, and the calculation of the impact fee, using formula 5.

### **FORMULA 5: IMPACT FEE RATES FOR SPECIFIC LAND USES**

The impact fee for each category of land use is determined by multiplying the cost per growth trip times the number of trips generated per unit of development of each category of land use:

$$\begin{array}{ccccc} 5. & \text{Eligible Cost} & & \text{Trip} & & \text{Impact} \\ & \text{per} & & \text{Generation} & & \text{Fee for} \\ & \text{Growth Trip} & \times & \text{Rate per Land Use} & = & \text{Land Use Type} \end{array}$$

The formula uses different trip generation rates for different types of land uses (i.e., single family houses, office buildings, etc.). There is one new variable used in formula 4 that requires explanation: (G) trip generation rates.

#### ***Variable (G) Trip Generation Rates***

This rate study uses the data reported in Trip Generation, compiled and published by the Institute of Transportation Engineers (ITE). The report is currently in its 8th edition. The report is a detailed statistical compilation of hundreds of surveys of trip origins and destinations conducted throughout the United States. The data is reported on several variables (i.e., type of land use, units of development, number of employees, hour of day, etc.). The data used in this impact fee rate study is for trips generated during the p.m. peak hour, since that is the same basis as the trip data for the City's level of service. Impact fee rates are calculated in this study for many frequently used types of land use (i.e., dwellings, offices, retail, restaurants, etc.). Impact fees can be calculated for other land uses not listed in this rate study by referring to the data in the ITE report.

Trip generation data is reported initially as the total number of trips leaving and arriving at each type of land use (i.e., trip ends). There are two adjustments made to each trip generation rate before it is used to calculate the impact fee.

The first adjustment is to reduce the number of trips charged to land uses that are incidental attractors and generators of trips. For example, if a person leaves work to return home at the end of the workday, the place of employment is the origin, and the home is the destination. But if the person stops enroute to run an errand at a store, the ITE data counts the stop at the store as a new destination (and a new origin when the person leaves the store). In reality, the work-to-



home trip was going to occur regardless of the incidental stop, therefore the trip rate of the store should not be charged as an additional impact on the transportation system. The adjustment is based on the number of "pass-by" trips that stop at the store instead of "passing by." In Table 5, these trips are eliminated by counting only the trips that are truly "new" trips (i.e., a person made a special trip to the store). The adjustment is shown in the rate table as "Percent New Trips."

The second adjustment is the "Trip Length Factor." Not all trips are the same length. Longer trips need more transportation facilities, so they are considered to have a greater impact than shorter trips. The ITE report's trip generation data is adjusted by a factor that compares the average trip length of each type of development to the average trip length of all trips. Some land uses have factors greater than 1.0 (i.e., hospitals are factored at 1.28 because their trips are 28% longer than average) while other land uses have factors less than 1.0 (i.e., 24-hour convenience markets trips are factored at 0.44 because their trips are only 44% the length of an average trip).

### **CALCULATION OF IMPACT FEE RATES FOR SPECIFIC LAND USES**

Table 5 shows the calculation of impact fee rates for twenty-eight frequently used categories of land use that are listed in column 1. The ITE trip rate in column 2 is multiplied times the percent new trips in column 3, and the result is multiplied times the trip length factor in column 4. Column 5 reports the net new trips that are the result of these calculations. The impact fee rates in column 6 are calculated by multiplying the net new trips from column 5 times the eligible cost per growth trip (from Table 4, and repeated in the column heading of column 6). If the trip generation rate in column 5 is reported per 1,000 square feet, the calculation of rates for column 6 includes a step of dividing by 1,000 in order to calculate the impact fee rate per square foot.

An applicant for a building permit will be assessed an impact fee that is determined as follows:

1. Select the appropriate land use category from Table 5, and find the impact fee rate per unit in column 6.
2. Determine the number of "units" of development, such as dwelling units, or square feet of buildings the applicant proposes to build. (Specific "units" used for impact fees are listed in the right portion of column 6 of Table 5).
3. Multiply the rate per unit by the number of units to be built. The result is the impact fee.

TABLE 5 IMPACT FEE RATES							
(1) ITE Code	(2) Land Use Category/ Description	(3) Trip Rate <sup>1</sup>	(4) % New Trips <sup>2</sup>	(5) Trip Length Factor <sup>3</sup>	(6) Net New Trips Per Unit of Measure	(7) Impact Fee Per Unit @ \$6,124.77 per Trip	
90	Park-and-ride lot w/ bus svc	0.62	75%	1.00	0.47 parking spce	2,848.02	per parking spce
110	Light industrial	0.97	100%	1.31	1.27 1,000 sq ft	7.78	per square foot
140	Manufacturing	0.73	100%	1.31	0.96 1,000 sq ft	5.86	per square foot
151	Mini-warehouse	0.26	100%	1.31	0.34 1,000 sq ft	2.09	per square foot
210	Single family house (includes townhouse and duplex)	1.01	100%	0.90	0.91 dwelling	5,567.41	per dwelling unit
220	Apartment (includes accessory dwelling unit)	0.62	100%	0.95	0.59 dwelling	3,607.49	per dwelling unit
230	Condominium	0.52	100%	1.15	0.60 dwelling	3,662.61	per dwelling unit
240	Mobile home park	0.59	100%	0.72	0.42 dwelling	2,601.80	per dwelling unit
251	Senior housing	0.27	100%	0.72	0.19 dwelling	1,190.65	per dwelling unit
255	Continuing care retirement	0.29	100%	1.00	0.29 dwelling	1,776.18	per dwelling unit
310	Hotel	0.59	100%	1.03	0.61 room	3,722.02	per room
320	Motel	0.47	100%	1.03	0.48 room	2,965.00	per room
444	Movie theater	3.80	85%	0.59	1.91 1,000 sq ft	11.67	per square foot
492	Health/fitness club	3.53	90%	0.79	2.51 1,000 sq ft	15.37	per square foot
530	School (public or private)	0.97	80%	0.95	0.74 1,000 sq ft	4.52	per square foot
540	Junior/community college	2.54	80%	0.95	1.93 1,000 sq ft	11.82	per square foot
560	Church	0.55	95%	0.95	0.50 1,000 sq ft	3.04	per square foot
565	Day care center	12.46	75%	0.51	4.77 1,000 sq ft	29.19	per square foot
590	Library	7.30	75%	0.44	2.41 1,000 sq ft	14.75	per square foot
610	Hospital	1.14	80%	1.28	1.17 1,000 sq ft	7.15	per square foot
710	General office	1.49	90%	1.31	1.76 1,000 sq ft	10.76	per square foot
720	Medical-dental office	3.46	75%	1.23	3.19 1,000 sq ft	19.55	per square foot
731	State motor vehicles dept	17.09	90%	1.00	15.38 1,000 sq ft	94.21	per square foot
732	United States post office	11.12	75%	0.44	3.67 1,000 sq ft	22.48	per square foot
820	General retail and personal services (includes shopping center)	3.73	66%	0.54	1.33 1,000 sq ft	8.14	per square foot
841	Car sales	2.59	80%	1.18	2.44 1,000 sq ft	14.97	per square foot
850	Supermarket	10.50	64%	0.54	3.63 1,000 sq ft	22.23	per square foot
851	Convenience market-24 hr	52.41	39%	0.33	6.75 1,000 sq ft	41.31	per square foot
854	Discount supermarket	8.90	77%	0.54	3.70 1,000 sq ft	22.67	per square foot
880	Pharmacy/Drugstore	8.42	47%	0.54	2.14 1,000 sq ft	13.09	per square foot
912	Bank	25.82	53%	0.38	5.20 1,000 sq ft	31.85	per square foot
932	Restaurant: sit-down	11.15	57%	0.59	3.75 1,000 sq ft	22.97	per square foot
934	Fast food	33.84	50%	0.51	8.63 1,000 sq ft	52.85	per square foot
937	Coffee/donutshop	42.93	50%	0.51	10.95 1,000 sq ft	67.05	per square foot
941	Quick lube shop	5.19	75%	1.00	3.89 service bay	23,840.66	per service bay
944	Gas station	13.87	58%	0.44	3.54 pump	21,679.38	per pump
948	Automated car wash	11.64	65%	1.00	7.57 1,000 sq ft	46.34	per square foot

<sup>1</sup> ITE Trip Generation (8th Edition): 4-6 PM Peak Hour Trip Ends<sup>2</sup> Excludes pass-by trips: see "Trip Generation Handbook: An ITE Proposed Recommended Practice" (1988) and other sources.<sup>3</sup> Ratio to average trip length

## **APPENDIX A: ANALYSIS OF NEEDS FOR ROAD IMPROVEMENTS**

### **Need for Transportation to Serve Growth in Shoreline**

RCW 82.02 requires impact fees to be based on the City's Capital Facilities Plan which must identify existing deficiencies in transportation system capacity for current development, capacity of existing transportation system available for new development, and additional transportation system capacity needed for new development. Shoreline's Capital Facilities Plan for transportation projects is found in the Transportation Element of the City's Comprehensive Plan.

Existing deficiencies and reserves were summarized in Table 2 of this study. The purpose of this appendix is to summarize needs for additional capacity for new development based on data provided in the Transportation Element of the City's Comprehensive Plan.. Specifically, Figure A-4 denotes roadway projects to accommodate growth. Tables 8.2 and 8.3 speak to 2008 and 2030 increased in time delay (for LOS) in % and Appendix E, Figures E-2, E-3, E-4, and E-5 all speak to growth with 2008 and 2030 vehicle counts and % growth calculations being presented.

The need for additional transportation facilities is determined by using several criteria, including increases in traffic volume, increases in transportation system capacity and determination that the capacity increases are needed for growth. Table A-1 lists the transportation projects from Shoreline's Transportation Element and CFP that are eligible for impact fees because of the results of one or more criteria.

TABLE A-1 ANALYSIS OF NEED FOR ROAD PROJECTS TO SERVE GROWTH					
(1)	(2)	(3)	(4)	(5)	
#	Project	Description	Volume Increase 2008 - 2030	Capacity Increase 2008 - 2030	Capacity Increase Needed to Serve Growth
1.	N 185 <sup>th</sup> St/Meridian Ave N: 500 ft NB/SB	Add/Drop Lanes	50%	380 vph	X
2.	N 175th St/Meridian Ave N: 500 ft	NB Add lane, Restripe WB Approach	44%	380 vph	X
3.	Meridian Ave N: N 145th St to N 205th St	Add two way left turn lane	39%	140 vph	X
4.	NE 185th St: 1st Ave NE to 7th Ave NE	Add two way left turn lane	38%	160 vph	X
5.	N 175th St: Meridian Ave N to I-5	Roadway widening and sidewalks	22%	160 vph	X
6.	N 175th St: Stone to Meridian	Roadway widening, sidewalks and vertical realignment	40%	160 vph	X

## 2015 New Businesses Occupying Existing Spaces

	Area of space	TIF based on area x rate of proposed land use	Credit based on area x rate for prior land use	TIF charged (plus admin fee)
Swedish Medical	8,350sf	\$ 163,242.50	\$ 67,969.00	\$ 95,273.50
Edward Jones	750sf	8,070.00	6,105.00	1,965.00
Echo Lake Pediatric Dentist	2,528sf	49,422.40	20,577.92	28,844.48
Orange Fitness	2,500sf	38,425.00	20,350.00	18,075.00
Domino's	1,482sf	34,041.54	12,063.48	21,978.06
Sunny Bento	1,140sf	9,279.60	26,185.80	(16,906.20) *
Ridgecrest Public House	1,148sf	30,353.12	36,563.80	(6,210.68) *

*\* No refund is given businesses with a negative net fee*