

CITY COUNCIL AGENDA ITEM
CITY OF SHORELINE, WASHINGTON

AGENDA TITLE: Discussion of Park Impact Fee Draft Methodology Recommendations
DEPARTMENT: Parks, Recreation and Cultural Services (PRCS)
PRESENTED BY: Eric Friedli, PRCS Director Maureen Colaizzi, Parks Project Coordinator

PROBLEM/ISSUE STATEMENT:

The Growth Management Act, 36.70c RCW, requires cities to plan and provide parks and recreation facilities that are adequate to accommodate growth. RCW 82.02.050 authorizes the City of Shoreline to impose an impact fee on development activity as part of the financing for such facilities. By charging impact fees, cities can ensure park facilities are adequate to meet the demands of future growth.

The 185th and 145th Station Subarea Plans both contain policies addressing the development of a park impact fee and set forth a recommendation for implementing that policy. Recently, with the adoption of Ordinance 766 in December 2016, a policy directing the exploration of a city-wide park impact fee was added to the City's Parks, Recreation, and Open Space Element of the Comprehensive Plan.

In fall 2016, City staff hired Community Attributes Inc., a team of economic consultants, to assist the City with creating a Park Impact Fee proposal for City Council's consideration in meeting the intent of the Subarea Plan policies.

FINANCIAL IMPACT:

Budget implications associated with a Park Impact Fee will be presented in July 2017. There is \$30,000 budgeted for Community Attributes Inc. to perform this work.

RECOMMENDATION

No formal action is required; this is a discussion item intended on providing staff with input and direction on Exhibit A, draft methodology recommendations. Staff will return in July 2017 to seek final input and direction on a draft impact fee rate study.

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

INTRODUCTION

The Growth Management Act, 36.70c RCW, requires cities to plan and provide parks and recreation facilities that are adequate to accommodate new growth. RCW 82.02.050 authorizes the City of Shoreline to impose an impact fee on development activity as part of the financing for such facilities. By charging impact fees, cities can ensure park facilities are adequate to meet the demands of future growth.

The 185th and 145th Station Subarea Plans both contain policies addressing the development of a park impact fee:

Explore a park impact fee or dedication program for acquisition and maintenance of new park or open space or additional improvements to existing parks. *185th Street Station Subarea Plan at 5-35.*

Development a park impact fee and/or dedication program for acquisition and maintenance of new parks or open space. *145th Street Station Subarea Plan at 5-23.*

The Subarea Plans set for the following recommendation implementing this policy:

Explore a park impact fee or fee in-lieu of dedication program for acquisition and maintenance of new parks or open space and additional improvements to existing parks. Funds from this program would allow the City to purchase property and develop parks, recreation, and open space facilities over time to serve the growing neighborhood. *185th Street Station Subarea Plan at 7-28.*

Develop a park impact fee and/or dedication program for the acquisition and maintenance of new parks or open spaces. *145th Street Station Subarea Plan at 7-27.*

In addition, with the adoption of Ordinance 766 in December 2016, a policy directing the exploration of a city-wide park impact fee was added to the City's Parks, Recreation, and Open Space Element of the Comprehensive Plan:

PR 21. Explore the establishment of a city-wide park impact fee.

In fall 2016, City staff hired Community Attributes Inc., a team of economic consultants, to assist the City with creating a Park Impact Fee proposal for City Council's decision to meet the intent of the Subarea Plan policies.

BACKGROUND

What is a Park Impact Fee?

RCW 82.02.050 authorizes a city planning under the Growth Management Act to imposed impact fees for certain public facilities, including publically owned parks, open space, and recreation facilities.

A park impact fee is a one-time payment by new development to pay for capital costs of facilities needed to support the new development. Park impact fees are charged during the building permitting process and used to fund projects to improve levels of service of Shoreline's park system. The intent is to share the financial responsibility of providing for recreation facilities, such as new parks, open space and recreation facilities that support future growth with the development that grows our population and economy. The fee is proportionate to the size of the development, or change in use. More potential residents, customers, or visitors result in higher fees. Park impact fees can only be used for "system improvements" included in an adopted six-year Capital Improvement Plan (CIP), and that are improvements reasonably related to and benefit the new development. Impact fee rates must be adjusted to account for other revenues that the development pays.

Cities cannot rely solely on impact fees to construct improvements; other funding must be used in conjunction with impact fees.. Park impact fees can only be used for park and recreation projects that add new park and recreation facilities to the park system that are needed to meet the "increased" demand as a result of new growth. They cannot be used for repair, replacement or renovations that only maintain the current level of service for Shoreline's park system.

As was the case with Shoreline's Traffic Impact Fees (SMC 12.40), 79 cities and counties throughout Washington have established Park Impact Fees as a way to fund necessary park improvements. Some of our neighboring cities are among them including: Bothell, Edmonds and Mountlake Terrace.

The staff reports for previous presentations on the PROS Plan from March 21, 2016 and October 10, 2016 and January 23, 2017 Council discussion can be found at the following links:

<http://cosweb.ci.shoreline.wa.us/uploads/attachments/cck/council/staffreports/2016/staffreport032116-9a.pdf>.

<http://cosweb.ci.shoreline.wa.us/uploads/attachments/cck/council/staffreports/2016/staffreport101016-8b.pdf>

<http://cosweb.ci.shoreline.wa.us/uploads/attachments/cck/council/staffreports/2017/staffreport012317-9a.pdf>

DISCUSSION

Methodology Recommendations Development

In November and December 2016, CAI met with staff to develop draft recommendations for the methodology to create a park impact fee proposal for City Council's consideration.

Attachment A is a summary of those recommendations. These recommendations were presented to an internal staff team that included the PRCS Director, Administrative Services Director, City Manager, Assistant City Manager, and other interested staff.

Based on the outcome of tonight's discussion and input from the Planning Commission and the public, staff will refine the recommendations. Afterwards, CAI will do an analysis to create a park impact fee rate study for City Council's review on July 17, 2017, following and informational presentation to the PRCS/ Tree Board and Planning Commission at a joint meeting in May 2017. Final adoption of the park impact fee is anticipated on July 31, 2017.

STAKEHOLDERS

Public Outreach and Review

In addition to the policies and recommendations of the Light Rail Station Subarea Plans, the idea of implementing a park impact fees to plan for future growth has been a topic of discussion during the year-long public outreach and involvement process to update Shoreline's Plan for Parks, Recreation and Cultural Services (PROS Plan). Specifically, the idea was discussed as one revenue source to implement Strategic Action Initiative 10: Secure Sustainable Funding.

An extensive public process for the PROS Plan began in January 2016 with a random-sample citizen survey, the results of which were shared with the Council on March 21, 2016 and later on October 10, 2016 and most recently on January 23, 2017.

Staff presented the draft Impact fee recommendations to the PRCS/Tree Board in January and will present them to the Planning Commission in March. These presentations were information only as neither the PRCS/Tree Board or the Planning Commission has recommendation authority in regards to impact fees.

FINANCIAL IMPACT:

Budget implications associated with a Park Impact Fee will be presented in July 2017. There is \$30,000 budgeted for Community Attributes Inc. to perform this work.

RECOMMENDATION

No formal action is required; this is a discussion item intended on providing Staff with input and direction on Exhibit A, draft methodology recommendations. Staff will return in July 2017 to seek final input and direction on a draft impact fee rate study.

ATTACHMENTS:

Attachment A: Park Impact Fee Draft Methodology Recommendations



Memorandum

To: Eric Friedli and Maureen Colaizzi, City of Shoreline

From: Chris Mefford, Michaela Jellicoe and Mark Goodman, Community Attributes Inc.

Date: January 17, 2017

Re: DRAFT 2016-2017 Park Impact Fee Methodology Recommendations

The following recommendations regarding the methodology for the City of Shoreline's park impact fee were developed based on discussions during the kick-off meeting on November 9, 2016, and reflecting comments during a review meeting of the methodology recommendations on December 16, 2016. Participants in the meetings were:

- Debby Tarry, City Manager
- John Norris, Assistant City Manager
- Eric Friedli, Director of Parks, Recreation and Cultural Services
- Maureen Colaizzi, Parks Project Coordinator
- Sara Lane, Administrative Services Director
- Julie Ainsworth-Taylor, Assistant City Attorney
- Dan Eernisse, Economic Development Program Manager
- Rick Kirkwood, Budget Supervisor
- Miranda Redinger, Senior Planner
- Mary Reidy, Recreation Superintendent
- Kirk Peterson, Park Maintenance Superintendent
- Rachael Markle, Planning & Community Development Director
- Michaela Jellicoe, impact fee consultant (Community Attributes Inc.)
- Mark Goodman, impact fee consultant (Community Attributes Inc.)
- Randy Young, impact fee consultant (Henderson, Young & Company)

Review and discussion with the Parks, Recreation and Cultural Services Board and the City Council may lead to modifications in the recommended methodology.

Park Types, Ownership, and Geography

1. Types of parks and recreational facilities: current approach in PROS plan or alternative approach.

- Shoreline's adopted 2011 PROS plan outlines 7 categories of parks and open space land: regional parks, large urban parks, community parks,

neighborhood parks, natural areas, special use facilities, and street beautification sites.

- Defining categories for types of parks can limit flexibility in the spending and allocation of the collected impact fees. If the City is not meeting the preferred level of service, the funds cannot be used to meet existing deficiencies.

Recommendation: The park impact fee should define a single category for all parks, recreational facilities, and open space.

2. Inclusion of trails, paths, and sidewalks as components for park impact fee.

- State law allows trails and paths to be included in park impact fees, and sidewalks at park sites can also be included in park impact fees. Other sidewalks are usually considered part of transportation and are not included in park impact fees.

Recommendation: The park impact fee should include trails and paths that are part of the park, recreational, and open space assets of Shoreline. Any trails that are not on park property or serve to link park facilities or connect with regional trails and are primarily for transportation purposes should be addressed in the transportation impact fee.

3. Ownership of parks and recreational facilities: City only or all providers.

- Cities can create reciprocal agreements with other park providers, and collected impact fee funds can be used for capacity expansion at facilities owned by other park providers.
- Impact fees can be spent on parks owned by other providers', such as school districts, but other providers' parks must be publicly owned as required in RCW 82.02.090 (7).
- The City of Shoreline has formal agreements with local school districts, allowing public access to school facilities during certain hours of the day. In exchange the City of Shoreline Parks Department is responsible for the maintenance of these school district owned facilities.

Recommendation: The City's park impact fees should be calculated both ways: 1) the park impact fee should include all properties for which the City of Shoreline has entered into a written agreement with another provider, such as local school districts (i.e., the inventory and the level of service), and 2) the park impact fee should be used for City-owned parks, recreational facilities, and open space only and should exclude all properties owned by other public providers. The City will select the most appropriate alternative. If the park impact fee selection includes properties owned by other public providers, such as local school districts, the park impact fee should not assume the use of impact fee funds for these properties, but should allow the City of Shoreline to use park

impact fees to add capacity to school-district owned properties maintained by the City of Shoreline as deemed necessary by the City.

4. Service areas for park impact fees: Citywide approach or multiple service areas.

- Shoreline’s adopted 2011 PROS plan defines service areas for certain types of parks. This includes a 1.5 mile radius for community parks, and a half mile radius for neighborhood parks and natural areas.
- The City of Shoreline may establish multiple small service areas based upon the service areas defined in the adopted PROS plan.
- Shoreline’s parks, recreational facilities, and open space are open to everyone, regardless of where they live.
- Multiple service areas cause additional administrative complexity. Small service areas also run the risk of being unable to collect enough park impact fees to complete a capital project within the 10-year time limit to spend impact fees, resulting in the refund of impact fees.
- Most cities do not have multiple service areas for park impact fees.
- The required annual reports of impact fee revenue and expenditures will show how the City invests the park impact fees in an equitable manner over a period of years.

Recommendation: The park impact fee should be based on a single Citywide service area.

Development That Pays Park Impact Fees

5. Charging park impact fees to residential development only, or to both residential and nonresidential development.

- Employees, customers, and visitors at nonresidential development may use Shoreline’s parks and recreational facilities, and they may receive indirect benefits from the healthier environment and improved aesthetics even if they do not personally use Shoreline’s parks.
- Charging impact fees to nonresidential development ensures that all new development pays a proportionate share. Nonresidential development fees are typically quite small, and charging a small proportion to nonresidential development reduces the amount charged to residential development.
- Of 79 Washington cities with park impact fees, 11 charge nonresidential fees, including Edmonds, Redmond, Mountlake Terrace, and Bothell.

Recommendation: The draft park impact fee should calculate park impact fees using both approaches: 1) for residential development only, and 2) for residential

and nonresidential development in Shoreline. The City will select the most appropriate alternative.

6. Measure of impact by residential development: persons per dwelling unit or size of unit by square footage.

- Park impact fees are based on costs per person, the difference in occupancy of different types or size of residential dwelling units is relevant.
- Using average persons per dwelling unit broken out by single-family and multi-family complies with impact fee laws requiring that development be charged a proportionate share.
- The City of Shoreline’s transportation impact fee measures the impact by residential development using types of dwelling unit: single-family, apartment, and condominium.
- Consistency across impact fees regarding measures of impact by development is easier for developers and builders to understand, and easier for the City of Shoreline to administer.

Recommendation: The park impact fee should use the persons per dwelling unit by type, single-family and multi-family in order to be consistent with the transportation impact fee.

7. Exemptions from park impact fees.

- Washington state law allows for two exemptions: 1) low-income housing, and 2) “other broad public purposes” (which are not defined in the law). Up to 80% of the park impact fee for low-income housing may be exempted without the City reimbursing the park impact fee account from other non-impact fee sources. Any exemption for low-income housing greater than 80% must be reimbursed to the impact fee account by the city through other funding sources.
- The City of Shoreline’s transportation impact fee provides for a limited number of specific exemptions from the transportation impact fee.

Recommendation: The park impact fee should review the current exemptions included in the transportation impact fee and should include the same exemptions as the transportation impact fee.

Basis for Park Impact Fees: Levels of Service and Plans

8. Level of service metric: acres per 1,000 population and/or investment per capita.

- Current acres per 1,000 population is the current acreage of parks, divided by the current population (in thousands). Recreational facilities per 1,000 population is the current number of recreational facilities divided by the current population (in thousands). The recreational facilities ratios are

typically calculated separately for each type of facility (e.g., ballfields, tennis courts, etc.).

- Current investment per capita is the current value of all parks, recreational facilities, and open space divided by the current population.
- The City of Shoreline’s adopted 2011 PROS plan determines level of services based on NRPA geographic service area standards. The PROS plan defines a radius for each park classification and analyzes the current level of service provided based upon geographic coverage.
- Investment per capita includes all parks and recreational assets, not just the ones itemized in the PROS plan.
- Investment per capita provides flexibility to the City when deciding how to spend park impact fees.
- If the City of Shoreline adopts an investment per capita impact fee strategy, it may need to supplement or amend the PROS plan and Parks and Recreation element of the Comprehensive Plan to include investment per capita as a metric.

Recommendation: Initially, the park impact fee calculation will develop information about investment per capita, so that it can be compared to the existing metrics for geographic coverage.

9. Level of service benchmark for impact fee: aspirational levels of service or current actual level of service.

- Aspirational standards are useful for setting goals, but for impact fees the difference between the actual level of service and the desired standards constitute an existing deficiency that cannot be charged to impact fees, and the City must eliminate all deficiencies through its Capital Facilities Plan in order to charge impact fees that are based on the desired standards.
- Impact fees that are based on the current actual level of service require new development to match the current level of service so that growth does not impact current parks and recreational facilities. Using the current actual level of service means that the City considers its park system as a whole to be adequate for the current population. This position, coupled with the use of a single citywide service area means that localized reserve capacity or localized deficient capacity do not affect the level of service for the park impact fee. Using the current actual level of service avoids any deficiencies that the City must pay for from taxes and/or fees paid by existing residents.

Recommendation: Initially, the park impact fee calculations will determine the current actual levels of service so they can be compared to any aspirational standards in the PROS plan.

10. Capital Facilities Plans (CFP) and park impact fees.

- State law requires that park impact fees be used for system improvement projects in the City's CFP.
- The City of Shoreline as it works on updating its PROS plan and CFP are including projects in the CFP based on the PROS plan.
- The City complies with this requirement in practice, but the CFP does not include an analysis of needs that documents the relationship between the CFP projects and the park impact fee level of service.

Recommendation: The park impact fee update should provide recommended approaches and/or formats for adding to the CFP a needs analysis that connects the CFP projects and the park impact fee level of service. In addition, the park impact fee rate study can include an appendix that summarizes the park capital improvement projects, including identification of the projects that add capacity for new development and the funding planned for those projects.

11. Other funding sources for park capital improvement projects.

- The City of Shoreline's current and past CFP's have included grants, Real Estate Excise Tax, and other general fund sources.
- Other funding is required if the park impact fee is based on standards that are higher than the current actual level of service, thus creating an existing deficiency. In the event of existing deficiencies, the funding sources for the deficiencies cannot include park impact fees.
- As required by state law, any committed funding by other sources for parks and recreational facilities that provide capacity to serve new development must be estimated and the amount used to adjust (reduce) the cost that is included in park impact fees.

Recommendation: The park impact fee calculations will estimate the amount of other funding sources that will be available for existing deficiencies, if any, and for parks projects that provide capacity to serve new development.

Implementation Issues

12. Identification of an inflation factor index to keep impact fees current with increasing costs.

- The cost of park land and park improvements generally increase over extended periods of time, but park impact fees are not generally updated regularly.
- Many park impact fees include an annual inflation adjustment so that the impact fees keep up with the increased costs of land and improvements.
- Traditional consumer price index data does not adequately reflect changes in costs of land and improvements for parks and recreation facilities.

- The City of Shoreline’s transportation impact fee is adjusted annually based on the 3-year average change of the Washington Department of Transportation’s Construction Cost Indices (CCI). This index does not adequately reflect changes in the costs of land and improvements for parks and recreation facilities.

Recommendation: The park impact fee should include a composite annual inflation adjustment that uses the Engineering News Record Index of construction costs to adjust for improvements to parks, and annual increases in County government tax assessment values to adjust for the cost of park land.

13. Frequency of updating park impact fee.

- Park impact fee rates can remain in place for several years provided there is an annual inflation adjustment.
- The transportation impact fee for the City of Shoreline is to be “reviewed and adjusted by the Council as it deems necessary and appropriate in conjunction with the annual budget process so that the adjustments, if any, will be effective at the first of the calendar year subsequent to budget period under review.”

Recommendation: The park impact fee should recommend updating the fee calculations with the same provisions as the transportation impact fee. In addition, the park impact fee should be updated after the City updates its PROS plan (the city’s comprehensive plan for parks).

14. Relationship to any existing mitigation for parks and recreation.

- Shoreline does not have any existing mitigation for parks and recreation.

Recommendation: The park impact fee methodology will not need to include any transition from, or credits for, previous mitigations for parks and recreation.