



**CITY OF KIRKLAND**  
**Department of Finance & Administration**  
123 Fifth Avenue, Kirkland, WA 98033 425.587.3100  
[www.ci.kirkland.wa.us](http://www.ci.kirkland.wa.us)

---

## MEMORANDUM

**To:** David Ramsay, City Manager

**From:** Tracey Dunlap, Director of Finance and Administration

**Date:** October 9, 2008

**Subject:** Update on Inflation Rates, Impact Fee Indexing, and Impacts on the 2009-2014 CIP

### Background

When the City Council adopted revised impact fees effective February 1, 2008, the Kirkland Municipal Code (27.04.120) was revised to provide that:

*(b) The fees on the schedule in Section 27.04.150 shall be indexed to provide for an automatic fee increase each January 1st beginning in the year 2009. A six-year moving average of the Washington State Department of Transportation Construction Cost Index will be used to determine the increase in fees for each year to reflect increased project costs. In the event that the fees on the schedule in Section 27.04.150 are increased during the preceding calendar year due to changes to the twenty-year transportation project list pursuant to subsection (a) of this section, the fees will not be indexed the following January. The finance and administration department shall compute the fee increase and the new schedule shall become effective immediately after the annual fee increase calculation.*

Similar language was incorporated for the Parks Impact Fees using the June-to-June Seattle-Tacoma-Bremerton Area Consumer Price Index (CPI-W). At the time the fees were adopted, the City Council requested that staff report back on the inflation rates that will be used for indexing before the updated fees are put in place for 2009. This memorandum and its attachments provide this information and summarize the effects that indexing the impact fees is expected to have on the Preliminary 2009-2014 CIP.

### Inflation Rates and Impact Fee Indexing

The June-to-June Seattle-Tacoma-Bremerton Area Consumer Price Index (CPI-W) in June 2008 is 6.19%, which would form the basis for indexing the Parks impact fees. Applying this factor as of January 1, 2009 would increase the current fee for Single-family dwelling (detached unit) from \$3,621 to \$3,845 per dwelling unit. The current fee for Multifamily dwellings (attached, stacked, and assisted living unit) would increase from \$2,368 to \$2,514 per dwelling unit.

The inflationary index for the Transportation impact fee is 11 percent as summarized in the attached memo from Public Works describing the transportation inflation index in detail. Applying this factor would increase the fee per trip from \$3,398 to \$3,787. Note that while a full update of the impact fee calculation was not undertaken this year, staff reviewed the impacts that the proposed changes to the capital facilities plan might have on the Transportation impact fee. That review supported the calculated impact fee from the 2007 study.

**Impacts on the CIP**

The preliminary 2009-2014 CIP presented to the City Council at the August 5 Study Session reflected an escalation to the impact fee revenues of almost \$1.1 million for transportation and \$225,000 for parks. In reviewing these assumptions, it has become clear that the slowdown in development activity has severely impacted the City's impact fee collections. The table below summarizes the budgeted impact fee collections, including 2007 under the old fees, the year to date results and projections for 2008 and 2009. Based on the reduced collections in 2008, and that staff is currently projecting development activity in 2009-2010 consistent with 2008 levels, we recommend reducing the budgeted impact fee revenues for 2009. Inflation indexes for 2010 fees will be looked at in the fall of 2009.

	Old Fee Structure and Budget		Current Fee Structure and Budget			Revised Budget
	2007 Budget	2007 Actuals	2008 Budget	2008 Year-to-Date	2008 Estimate	2009 Projection
<b>Transportation</b>						
Fee per Trip	\$877		\$3,398			\$3,787
CIP	600,000	613,566	1,692,400	570,645	650,000	750,000
<b>Total Transportation</b>	<b>600,000</b>	<b>613,566</b>	<b>1,692,400</b>	<b>570,645</b>	<b>650,000</b>	<b>750,000</b>
<b>Parks</b>						
SF Fee per Dwelling Unit	\$612		\$3,621			\$3,845
Debt Service*	0	0	319,310	179,144	205,000	315,000
CIP	75,000	108,400	300,000	0	0	0
<b>Total Parks</b>	<b>75,000</b>	<b>108,400</b>	<b>619,310</b>	<b>179,144</b>	<b>205,000</b>	<b>315,000</b>

\* Per the 2007 Impact Fee study, Park impact fees are committed to paying 100% of the McAuliffe Park debt service and 89.3% of the Teen Center debt principal.

The funding level changes will need to be incorporated into the preliminary 2009-2014 CIP with project budgets and/or timing changed to reflect the reduced funding levels. Changes to the 2009-2014 CIP will be brought back to Council at a regular meeting in November prior to adoption of the CIP.

The updated impact fees will be implemented administratively effective January 1, 2009. The 2009-2014 CIP will be brought back to the City Council for approval at the December 2 or 16 meeting.



## CITY OF KIRKLAND

### Department of Public Works

123 Fifth Avenue, Kirkland, WA 98033 425.587.3800

[www.ci.kirkland.wa.us](http://www.ci.kirkland.wa.us)

---

## MEMORANDUM

**To:** David Ramsay, City Manager

**From:** Daryl Grigsby, Public Works Director  
Ray Steiger, P.E., Capital Projects Manager

**Date:** October 10, 2008

**Subject:** Transportation Project Inflation and Impact Fee indexing

### RECOMMENDATION:

It is recommended that the City Council review the information provided regarding the status of City's transportation impact fee indexing.

### BACKGROUND AND DISCUSSION:

During the development of the 2008-2013 CIP and transportation impact fees in 2007, Staff proposed using inflation factors for transportation projects that were reflective of the Washington State Department of Transportation (WSDOT) Construction Cost Index (CCI). This approach was adopted by the City Council in their deliberations of the 2008-2013 CIP with the caveat that Staff would return during the preparation of each subsequent CIP or impact fee update process. This memo summarizes changes in the indexing rates and is presented as a component of the preliminary 2009-2014 CIP discussions.

Impact fees are charged to developers for a limited amount of specific transportation, specifically capacity enhancement projects (Attachment A). Impact fees are charged based on the number of anticipated vehicle trips added by a particular development action and have been used by the City as a source of revenue since 1999. Since the implementation of transportation impact fees, approximately \$3.3 million has been programmed to concurrency projects accounting for approximately 20% of all funding for that time period.

In preparing the preliminary 2009-2014 CIP staff used an updated CCI from the WSDOT. A slight decrease was noted in the preceding year's 6-year average CCI. In 2007, "inflation" for the transportation projects was 12% based on the time period from 2001-2006; in 2008, inflation is 11% (Attachment B). Using this 11% inflation rate, all of the concurrency projects were reestimated for the 2009-2014 CIP.

One project that is included in the City's concurrency network is NE 132<sup>nd</sup> Street between 100<sup>th</sup> Ave NE and 132<sup>nd</sup> Ave NE. Although predominantly located north of the actual City limits, within unincorporated King County, the expansion of NE 132<sup>nd</sup> Street is required in order for the City of Kirkland to maintain concurrency. King County remains concurrent under the existing configuration of NE 132<sup>nd</sup> Street and thus has no plans for expansion or increased capacity in the corridor. In 2007, the Council funded a technical analysis of the NE 132<sup>nd</sup> Street corridor to ascertain detailed configuration requirements and

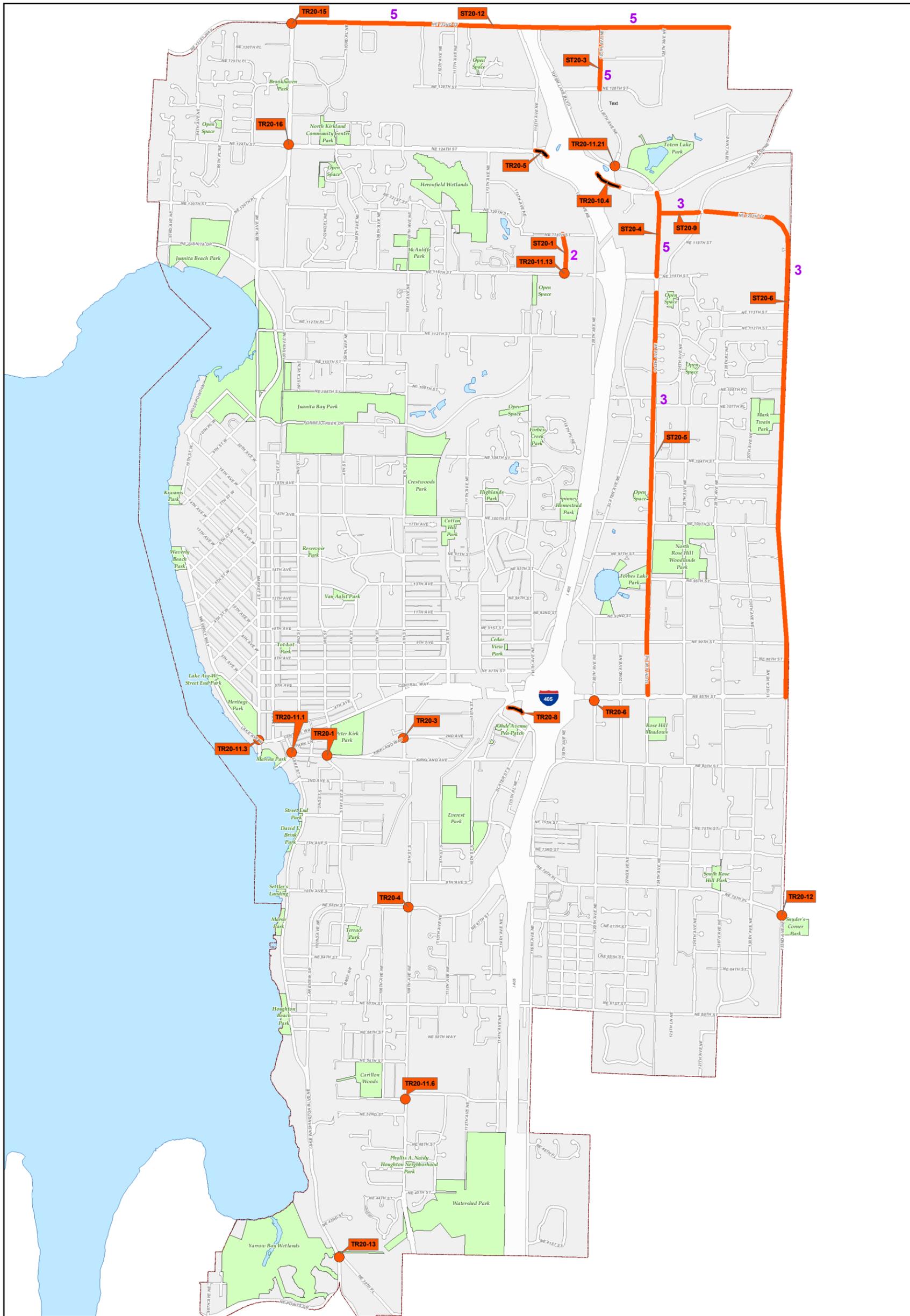
to develop a higher level of confidence cost estimate. In preparing the CIP and impact fee calculations in 2007, the NE 132<sup>nd</sup> Street corridor enhancements were estimated at over \$44 million and accounted for a significant element of the impact fees. The technical analysis was completed earlier this year, and the resulting configuration of NE 132<sup>nd</sup> Street has a significantly reduced footprint than originally anticipated. Whereas in 2007 it was anticipated that the corridor could likely be five lanes in order to support the anticipated volumes, the 2008 analysis has identified very specific key intersection improvements and substantially reduces the overall footprint and cost for the corridor. In preparation of the 2009-2014 CIP and in the review of impact fees for this memo, the revised concurrency element of the NE 132<sup>nd</sup> Street corridor is approximately \$11M.

Taken together, the revised downward cost estimate of NE 132<sup>nd</sup> Street and the continued high inflation rates have had an offsetting effect on each other when applied to the concurrency network. In the 2007 analysis of impact fees, the total remaining cost for the concurrency network spread among the remaining allowable trips established the 2008 impact fee at \$3,398 (current impact fee); the current recommended impact fee for 2009 is \$3,787 (Attachment C).

Staff has looked at the impact fee collection and as a result is proposing that modifications be made in the preliminary CIP. Whereas it was anticipated that approximately \$ 1.7 M would be collected in 2008, the actual collection is estimated to be closer to \$650,000. The long term impact of this trend of reduced impact fee collection will be less impact fee funds to undertake the projects originally scheduled in the preliminary 2009-2014. Staff is currently considering various options and will return with a recommendation prior to the final adoption of the CIP by City Council.

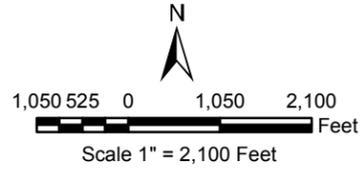
#### Attachments

- A. Concurrency network projects
- B. WSDOT Historical CCI
- C. Impact fee comparison



**Legend**

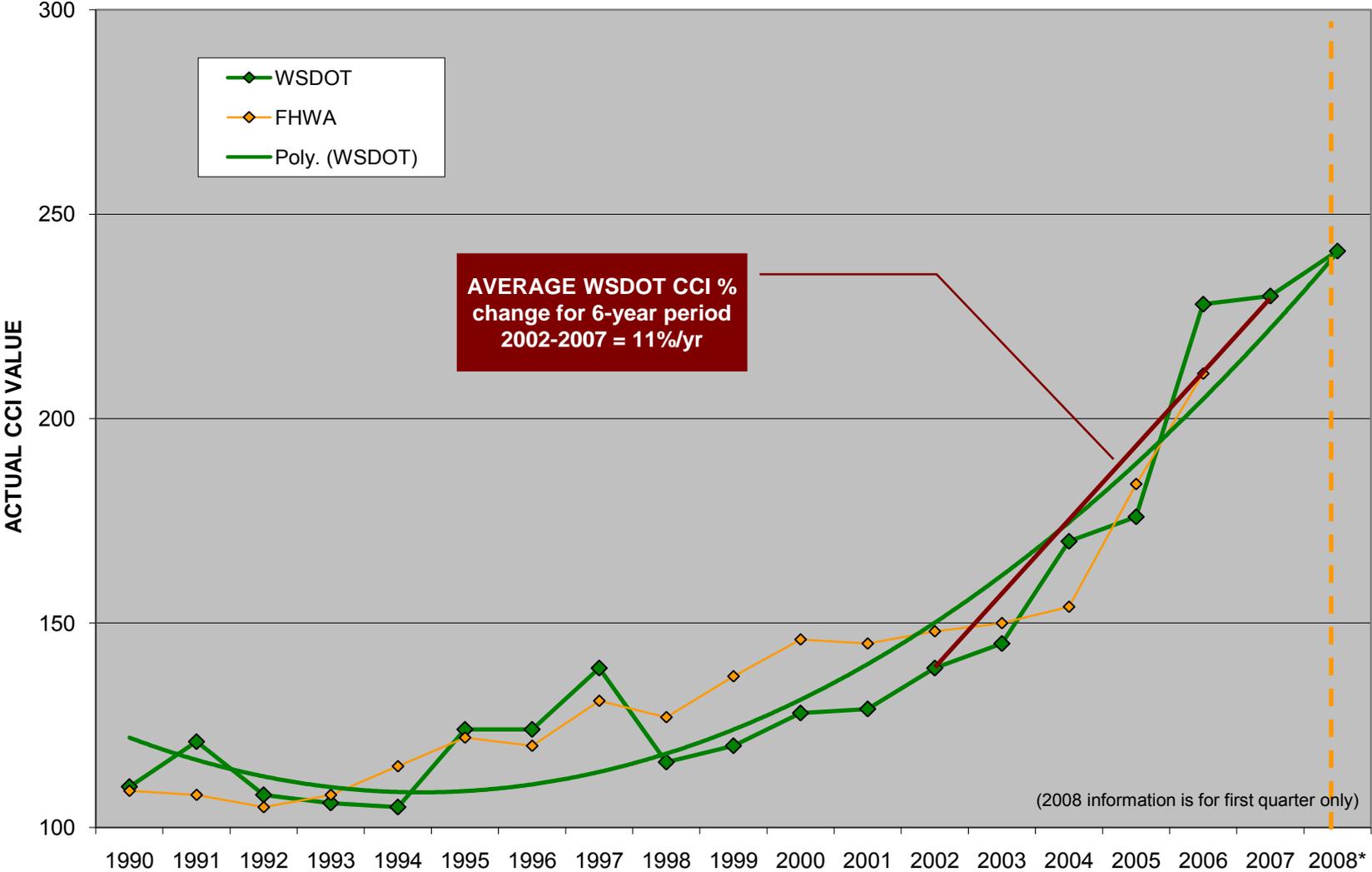
-  HOV Improvement
-  Roadway
-  Intersection
-  Number of Lanes



Produced by the City of Kirkland.  
 (c) 2007, the City of Kirkland, all rights reserved.  
 No warranties of any sort, including but not limited to accuracy, fitness or merchantability, accompany this product.

**2022 Impact Fee Project List**

### Historical comparison of Construction Cost Indices



Project Group #	Neighborhood	percent of new project traffic due to growth within the City	2007 concurrency cost	Allowable costs for impact fees (starting 2008)	2008 concurrency cost	Allowable costs for impact fees (starting 2009)
A	North Rose Hill- 124th and 132nd Ave NE	32.0%	\$ 7,700,000	\$ 2,464,000	\$ 10,043,500	\$ 3,213,920
B	Totem Lake	60.2%	\$ 6,800,000	\$ 4,093,600	\$ 12,663,000	\$ 7,623,126
C	NE 132nd Street Corridor <sup>(1) (2)</sup>	54.0%	\$ 28,400,000	\$ 15,336,000	\$ 11,127,000	\$ 6,008,580
D	NE 124th Street Corridor	46.4%	\$ 2,200,000	\$ 1,020,800	\$ 3,953,500	\$ 1,834,424
E	not used	64.2%	\$ -	\$ -	\$ -	\$ -
F	not used	60.0%	\$ -	\$ -	\$ -	\$ -
G	108th Ave NE	42.8%	\$ 800,000	\$ 342,400	\$ 846,000	\$ 362,088
H	Bridle Trails	27.9%	\$ 1,300,000	\$ 362,700	\$ 2,226,000	\$ 621,054
I	NE 85th Street Corridor	33.8%	\$ 1,100,000	\$ 371,800	\$ 2,614,000	\$ 883,532
	Total	49.7%	\$ 48,300,000	\$ 23,991,300	\$ 43,473,000	\$ 20,546,724
	Growth related committed funding			\$ 1,311,135		\$ -
	Costs Remaining for impact fees			\$ 22,680,165		\$ 20,546,724
	Trip Growth <sup>(3) (4)</sup>			6674		5425
	Cost/Trip End (impact fee per trip)			\$ 3,398		\$ 3,787


  
**increase is 11%**

- (1) 2007 costs for NE 132nd Street represent Kirkland at 25% Share
- (2) 2008 costs for NE 132nd Street represent Kirkland at 100% share
- (3) 6674 allowable trips remained in 2006; used in calculating the impact fees in 2007
- (4) approximately 1250 trips were permitted between 2006 and 2008