



**CITY OF KIRKLAND**  
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**[www.kirklandwa.gov](http://www.kirklandwa.gov)**

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## **MEMORANDUM**

**To:** Kurt Triplett, City Manager  
**From:** Tracey Dunlap, Deputy City Manager  
**Date:** September 3, 2020  
**Subject:** IMPACT FEE RATE UPDATE PRELIMINARY DISCUSSION

### **RECOMMENDATION:**

City Council receives a briefing from FCS Group, the City's impact fee consultant, on the preliminary results of the Park and Transportation impact fee updates. The initial calculation of a potential Fire Impact Fee will be brought forward separately for consideration. Staff is seeking to identify additional information needed and direction on policy issues; no action is requested on September 15. Council may also wish to postpone impact fee discussions until 2021 as described later in the memo.

### **BACKGROUND DISCUSSION:**

In 2015 as part of the Kirkland 2035 efforts, staff completed a major update to the Park and Transportation impact fees charged to new development, which incorporated the updated Comprehensive plan and related master plans. That study resulted in significant changes in the approach used in setting those fees:

- The methodology for Park impact fees was changed to assess new development a fee based on the replacement value of the existing overall park system, divided by population to determine the park value per person (investment per capita). These fees are collected from residential development only. While the Council at the time considered adding an impact fee for commercial (i.e. non-residential) development, that decision was deferred to a future update.
- Because of the multimodal nature of the Transportation Master Plan (TMP), a wider variety of transportation improvements were included in the calculation of Transportation impact fees and the fees were based on "person trips" rather than vehicle trips.

For reference, the detailed rate studies from 2015 are available at the link below:

[https://www.kirklandwa.gov/Assets/City+Council/Council+Packets/091515/10c\\_UnfinishedBusiness.pdf](https://www.kirklandwa.gov/Assets/City+Council/Council+Packets/091515/10c_UnfinishedBusiness.pdf)

At Council's direction, a new rate study was commissioned in 2020 and staff selected FCS Group through a competitive procurement to perform the evaluation with the following broad scope:

- Use the existing parks impact fee methodology to develop a parks impact fee study and provide an option to assess fees on non-residential uses;
- Use the existing transportation impact fee methodology to develop a transportation impact fee study; and
- Develop an impact fee methodology to develop a fire impact fee study and assess the feasibility of implementing the resulting fire impact fee.

The consultants will present an overview of impact fees and the draft results for Parks and Transportation at the September 15, 2020 Council meeting. The slides supporting that presentation are included as Attachment 1. The draft results for the potential Fire impact fee calculation will be brought forward at a future meeting.

The study is a collaborative effort between the consultant and City team, which includes representatives from Finance, Fire, Parks, Planning, and Public Works. The initial conclusions are that the Park Impact Fees can be raised substantially, and that updated Transportation Impact Fees may actually decrease for most categories. There is no requirement to update the fees in 2021 or 2022 and the current impact fee structure may be retained if the Council prefers. Staff and the consultant team will be available to answer questions and are seeking policy guidance from the Council on the following issues to inform the next steps:

- Should the Park Impact Fee be updated and increased and, if so, to what level?  
*Staff Recommendation:* Any increase should be phased in over time, with an initial increase of no more than 10%.
- Should a non-residential Park Impact Fee be implemented?  
*Staff Recommendation:* Staff is neutral as this is a policy decision. This does not increase revenues but shifts revenue collection among categories. If the Council chooses to implement, staff recommend adding the non-residential component proportionate to phased-in fee increase on the selected implementation date.
- Should the Transportation Impact Fees be changed based on the study results?  
*Staff Recommendation:* Defer consideration of changes until the Transportation Master Plan and projects are also updated to reflect the new King County growth projections.

#### *Updated Impact Fee Timing*

The initial Council decision to evaluate impact fees occurred prior to the COVID-19 pandemic and economic impacts. Since then, the Council has provided direction to not increase taxes, fees or utility rates in 2021 to help Kirkland residents and businesses recover. New taxes, fees and rates are not being considered until 2022. The Council may wish to consider impact fees in the same context. If the Council does not want to increase impact fees in 2021, staff would recommend postponing the policy and financial discussions around each of the impact fees until the first six months of 2021, with implementation occurring in January of 2022.

Based on Council feedback on September 15, staff will determine next steps including what public process is needed.



# Kirkland Comprehensive Impact Fee Update

John Ghilarducci, Managing Principal  
Doug Gabbard, Technical Task Manager  
Luke Slaughterbeck, Senior Analyst

September 15, 2020





# Agenda

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**What is an Impact Fee?**

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**Statutory Basis**

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**Calculation Framework**

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**Results      Parks - Update**

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**Transportation - Update**

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## What is an Impact Fee?

### An Impact Fee:

- Is a payment of money **imposed upon development** as a condition of development approval
- Pays for public facilities needed to serve new growth and development, and that are **reasonably related to the new development** that creates additional demand and need for public facilities
- Is a **proportionate share** of the cost of the public facilities, and that is used for facilities that reasonably benefit the new development
- Does not include a reasonable permit or application fee
- Only applies to incremental development



## Statutory Basis

### Authorized by the Growth Management Act

- RCW 82.02

### RCW 82.02.050(2)

- “The financing for system improvements to serve new development must provide for a **balance between impact fees and other sources of public funds** and cannot rely solely on impact fees”



## Statutory Basis

### RCW 82.02.050(3)

- System improvements must be **reasonably related** to the new development
- Impact fees cannot exceed a **proportionate share** of system improvement costs
- System improvements must **reasonably benefit** the new development



## Statutory Basis

### RCW 82.02.060(3)

- Credit for the value of system improvements that developers are required to make

### RCW 82.02.070

- “Earmarked . . . and retained in special interest-bearing accounts”
- “Expended only in conformance with the capital facilities plan element of the comprehensive plan”
- Ten-year limit on spending



## Affordability Considerations / Exemptions

### **RCW 82.02.060(3)**

- A local government “may provide an exemption from impact fees for low-income housing.”
- Partial exemption of not more than eighty percent of impact fees, no “backfilling” required
- City already does this (KMC 27.04.050 (7)).

**ADUs are exempt (KMC 27.04.050 (3)).**

**Community-based human services agencies...such as providing employment assistance, food, shelter, clothing, etc. are exempt.**

- Reimbursed from non-impact fee sources

## Calculation Framework

$$\text{Impact Fee} = \frac{\text{allocable capital cost}}{\text{applicable customer base}}$$


Numerator should represent total capital cost of serving the customer base growth in the denominator.

Denominator should represent total customer base growth that will be served by the projects in the numerator.



## Specific Methodologies Differ

### Parks

- Historical investment approach
- Evaluated against growth-related portion of 6-year capital plan
- Applied to dwelling unit type by occupancy and non-residential by employment

### Transportation

- Planned projects allocated to growth using BKR (Bellevue-Kirkland-Redmond) Model
- Trip growth forecast using BKR model and Institute of Transportation Engineers (ITE) Trip Generation Manual
- Applied to multiple land uses by trip generation

\* Multi-family includes all housing types except detached single-family units



# Parks Calculation

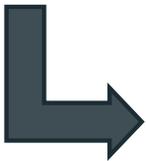
## Parks Capital Value per Person / RE

	Previous Study	Current Study
Value of Parks Inventory	\$ 338,118,273	\$ 631,394,537
Population / Residential Equivalents	82,590	96,121
<b>Capital Value Per Person / RE</b>	<b>\$ 4,094</b>	<b>\$ 6,569</b>



## Value of Parks Needed for Growth

	Previous Study	Current Study
Capital Value per Person / RE	\$ 4,094	\$ 6,569
Growth of Population / REs	4,320	1,289
<b>Investment Needed for Growth</b>	<b>\$ 17,685,809</b>	<b>\$ 8,466,310</b>



## Adjustment for Consistency with CIP

	Previous Study	Current Study
Cost of CIP Projects that Add Capacity	\$ 6,857,400	\$ 16,935,710
Investment Needed for Growth	17,685,809	8,466,310
<b>Adjustment Percentage</b>	<b>39%</b>	<b>100%</b>





# Parks Calculation

## Growth Cost per Person / RE

	Previous Study		Current Study	
Capital Value per Person / RE	\$	4,094	\$	6,569
Adjustment Percentage		39%		100%
<b>Growth Cost per Person / RE</b>	<b>\$</b>	<b>1,587</b>	<b>\$</b>	<b>6,569</b>



	Previous Study		Current Study (w/o nonresidential)		Current Study (w/ nonresidential)	
Single-Family	\$	3,968	\$	17,496	\$	16,501
Multi-family		3,016		11,845		11,172
Residential Suite		N/A		6,268		5,912
Per Employee		N/A		-		720

 **Parks Key Points**

**Increase in property values leads to higher impact fee cost basis**

**Parks plan size allows large number of impact fee eligible projects**

**Fees represent maximum allowable charge**

- Council can adopt “up to” calculated fees



## Parks Regional Comparison

Parks Impact Fee Comparison	Single Family Residence	Multi-Family
<b>Kirkland (calculated maximum)</b>	\$ 16,501	\$ 11,172
Issaquah	9,107	5,591
Sammamish	6,739	4,362
Redmond	4,738	3,289
Kirkland (existing)	4,391	3,338
Shoreline	4,090	2,683
Renton	3,946	2,801
Vancouver	2,379	1,739
Bellevue	N/A	N/A



# Transportation Calculation

Project Category	Project Cost	Allocable to Growth	Allocable to Kirkland
Roadway	\$ 110,612,180	\$ 82,466,756	\$ 47,276,737
Non-Motorized	112,858,817	30,471,881	30,471,881
Transit	12,050,300	3,253,581	3,253,581
Transit/Roadway	13,880,100	13,386,100	8,310,055
<b>Total</b>	<b>\$ 249,401,397</b>	<b>\$ 129,578,317</b>	<b>\$ 89,312,254</b>

less: Existing TIF fund balance \$ (1,660,800)

**Net Allocable Growth Cost** **\$ 87,651,454**

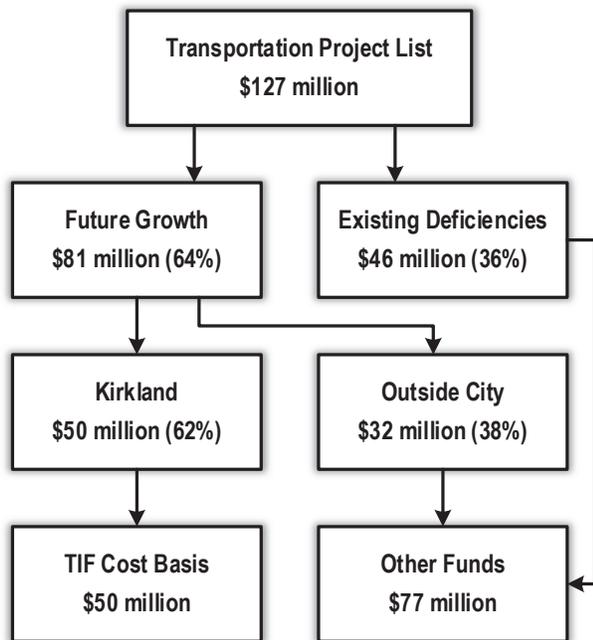
<b>New PM Peak-Hour Person Trip Ends</b>	<b>24,173</b>
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<b>Cost per New Person Trip End</b>	<b>\$ 3,626</b>
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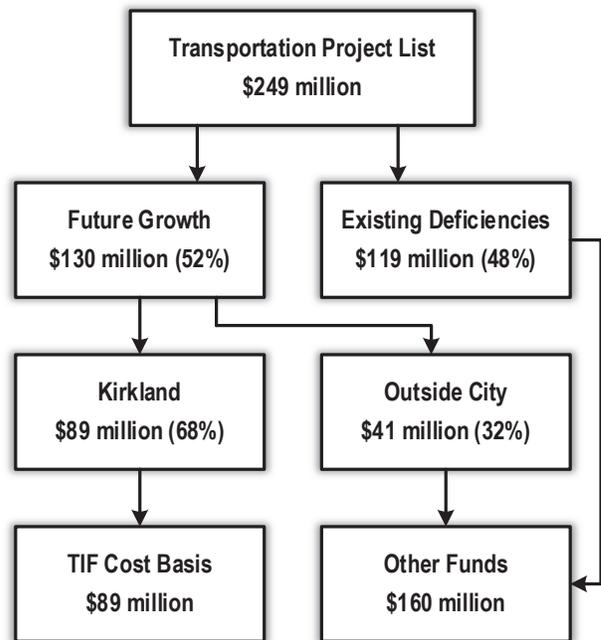
# Comparison to Previous

## 2015 Study



\$50,127,787 Cost Basis  
 ÷ 15,000 Person Trip Growth  
 \$3,341.85 TIF / P-HPTE

## 2020 Study



\$89,312,254 Cost Basis  
 87,651,454 Adjusted for F.B.  
 ÷ 24,173 Person Trip Growth  
 \$3,626.08 TIF / P-HPTE



## What Changed?

- Washington Office of Financial Management released new population projections in 2017
- King County 5-year growth exceeded expectations by more than 100,000
- Jurisdictions are required to use OFM projections in planning

### Trip Forecast Comparison

Previous Study		Current Study	
Person Trip Ends	15,000	Person Trip Ends	24,173

### Population Forecast Comparison

Previous Study		Current Study	
KC Pop. Proj. (2035)	2,350,576	KC Pop. Proj. (2035)	2,589,545
Est. Kirkland Share	102,080	Est. Kirkland Share	107,332
Growth from 2020	11,420	Growth from 2020	16,672



## Sample Fees for Specific Land Uses

Land Use	Unit	Current	Calculated	Difference
Single-family Residential	D.U.	\$5,830	\$5,446	(\$384)
Multi-family Housing	D.U.	\$3,324	\$2,802	(\$522)
Hotel	Room	\$3,997	\$8,202	\$4,205
General Office Building	S.F.	\$9.27	\$6.76	(\$2.51)
Fast Food Restaurant (w/drive through)	S.F.	\$45.74	\$96.71	\$50.97
Shopping Center	S.F.	\$5.75	\$17.62	\$11.87

## **Transportation Key Points**

**Increased Cost Basis over Previous Study, but...**

**Growth in Trip Ends of 65%**

- This results in slightly higher cost per person trip
- Consistent with how fee is applied
- Includes update for residential suites

## Transportation Regional Comparison

City	Cost per Single-Family Residence
Sammamish	\$ 15,203
Issaquah	10,230
Renton	7,820
Redmond	7,357
Bellevue	6,854
Shoreline	6,567
Kirkland (existing)	5,830
<b>Kirkland (calculated)</b>	<b>5,446</b>

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