



City of Puyallup

Parks Impact Fee Study

August 23, 2005

Prepared by



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August 24, 2005

Mr. Scott McCarty
Finance Director
City of Puyallup
218 West Pioneer
Puyallup, WA 98371

Subject: **Parks Impact Fee Study**

Dear Mr. McCarty:

Financial Consulting Solutions Group, Inc. (FCS Group) is pleased to submit this Parks Impact Fee Study report for the City of Puyallup. The attached report provides the study objectives, methodology, and resulting calculations. Based on the direction given by the City Council and information provided by City staff, *the calculated legal maximum parks impact fee per dwelling unit is \$3,675*. Appendix A of the report includes the detailed spreadsheets supporting the study results. Two issue papers discussing “impact fee calculation methodologies” and “differentiation of impact fees between customer-classes” are also included in Appendix B.

We greatly appreciate the efforts and support of City staff throughout the study process. They were invaluable in developing and refining the analysis and results.

It has been a pleasure working with you on this effort and we hope to be of service to the City of Puyallup in the future. Please feel free to contact either of us if you have any questions about this information.

Sincerely,

John Ghilarducci
Principal-in-Charge

Nihat Dogan
Project Consultant

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I. PROJECT APPROACH

The City's general objective for the study was to establish a legally defensible parks impact fee, supported by the recently completed Parks, Recreation, and Open Space Plan Update (2002). To meet this objective, a study task plan was developed that consisted of the following major tasks

Task 1: Collect and Review Data

Provide a data needs list to the City. Meet with the City to review initial data, discuss policy objectives, and kickoff the study.

Task 2: Establish Legal / Policy Framework

Meet with City staff to identify key legal and policy issues to address as part of the study, perhaps to include the following:

- Legal constraints of impact fee law;
- Determining the growth share of planned improvements;
- Determine the best charge basis to use in terms of equity and ease of administration.

Write issue papers analyzing each issue (up to four issues), presenting alternative solutions, and recommending a course of action. Incorporate information from other, comparable Washington cities. Meet with City staff / stakeholders up to two times to discuss each issue and arrive at a cohesive recommendation for proceeding. Compile recommendations into a policy framework for the fee analysis, based on City objectives.

Task 3: Develop and Complete Technical Analyses

Set up a spreadsheet model, based on the recommended charge structure(s) from Task 2. Meet with City staff to refine calculation inputs, such as customer data, and project costs and allocations. Calculate the impact fee(s), as allowed and applicable, from information on the cost of planned facilities. Apply the methodology recommended in Task 2.

Task 4: Presentations

Prepare for and attend up to two meetings of the City Council/public.

Task 5: Documentation

Prepare a draft report for review by the City. Complete and provide a final report integrating City review comments. Prepare a draft ordinance reflecting the recommended fee and fee structure.

II. IMPACT FEES AND CALCULATION METHODOLOGY

The Growth Management Act grants counties and cities the authority to assess parks impact fees on new development. There are generally two methods of determining impact fees: the “standards-driven” approach and the “improvements-driven” approach. The standards-driven method uses the adopted standards (for parks usually expressed as acres, miles, number of playfields, etc. per 1,000 population) to arrive at the need for additional park space and facilities (as a unit cost) to serve each increment of growth.

The improvements-driven method starts with a list of planned projects and requires the identification of specific growth-related portions of those planned projects. The sum total of growth-related project costs, with adjustments, becomes the impact fee basis under the improvements-driven approach.

FCS Group prepared a preliminary analysis of parks impact fees for the City using readily available data under both methodologies. FCS Group also prepared an issue paper briefly discussing the key characteristics, and pros and cons of each methodology. To supplement that information, the Firm also surveyed the methodologies used by neighboring jurisdictions that charge parks impact fees. This issue paper is presented in Appendix B. After review of the preliminary analyses, the issue paper and the survey results, City Council decided to proceed using the standards-driven approach, also consistent with the City’s existing methodology.

A) Determining the Customer Base

According to Washington law (RCW 82.02.050), “impact fees (a) can be imposed for system improvements that are reasonably related to the new development; (b) can not exceed a proportionate share of the costs of system improvements that are reasonably related to the new development, and (c) should be used for system improvements that will reasonably benefit the new development”.

RCW 82.02.070 further dictates that impact fee receipts should be earmarked specifically and retained in special interest-bearing accounts, and should be expended or encumbered for a permissible use within 6 (six) years of receipt. Therefore, projected growth over a 6-year time frame constitutes the basis for the impact fee calculation.

Under the standards-based approach, parks impact fees are initially calculated on a per capita basis. These impact fee unit costs theoretically represent the amount of capital spending required to serve one additional City resident.

Impact fees are *collected* on a “per dwelling unit” basis. The calculated “per capita” impact fee may be converted into a “per dwelling unit” fee using an assumed average number of occupants per dwelling unit. This information is readily available for City residences of all types. The City of Puyallup’s current fee schedule has three fee classes: single-family residential, multi-family residential, and mobile/manufactured home. The City considered arguments for and against continuing these distinctions. A uniform fee for all residential dwelling units would reflect the assumption that there is no significant difference between a single-family and a multi-family

dwelling unit in terms of its additional need for parks and open space, despite differences in the average numbers of occupants per dwelling. City Council ultimately determined not to distinguish between single-family and multi-family dwelling units, and treat mobile homes as single-family residences. The issue paper examining this question is included in Appendix B.

B) Determining the Cost Basis

In the “standards-driven” approach, new development (growth) is presumably expected to pay for the parks and facilities needed to meet the City’s adopted level of service standards. Using the adopted standards and growth projections, it is relatively easy to calculate the additional demand for public parks and open space needed to accommodate the projected new residential growth. A critical piece of information needed to arrive at the total cost basis for parks impact fees is the estimated unit cost for each type of public park and facility. Once the unit cost estimates are generated, calculation of parks impact fees is a straightforward exercise.

It is important to note that standards-driven impact fees carry the implication that the City’s existing parks meet its standards for the existing population. If that is not the case, then the City must include projects in its Plan that will correct its existing deficiency, or ensure that its impact fees do not hold new development to a higher standard than it is in itself meeting. City staff reviewed the City’s capital facilities plan to address this issue.

RCW 82.02.060 requires that “an adjustment to the cost of the public facilities for past and future payments made or reasonably anticipated to be made by new development to pay for particular system improvements in the form of user fees, debt service payments, taxes, or other payments earmarked for or proratable to the particular system improvement” must be made to the total cost basis. Therefore, additional funding sources such as sales tax revenues, transfers from the general fund, cash balances from previous impact fee collections, grants, etc. must be prorated between the existing population and projected growth. To avoid “double charging” growth’s proportionate share of these projected funding sources must be deducted from the fee cost basis.

C) Calculating Impact Fees

The impact fee is calculated as the net cost basis divided by forecasted population growth. The result, the per capita impact fee, is then converted to the impact fee per residential dwelling unit using the assumed average number of occupants per dwelling unit.

III. PARKS IMPACT FEES FOR THE CITY OF PUYALLUP

A. Projected Growth and Density per Dwelling Unit

According to the U.S. Census, Puyallup's population was 33,011 in 2000¹. The City's most recent Buildable Land Report population allocation indicates that the City's population is expected to be 50,100 in 2022. Assuming a constant growth rate over the 2000-2022 timeframe, the City's annual population growth rate is estimated to be around 1.9%. At this growth rate, estimated population is 35,690 and 39,962 in 2004 and 2010, respectively. These population projections and annual growth rate estimates are similar to earlier estimates that were used in the Parks Plan Update as the basis for the demand and need assessment. These population estimates indicate a 4,272-person population growth in the next 6 years (i.e. 2006 – 2011). This growth equates to an approximately 11.97% increase in the estimated 2004 City population.

The most recent estimates of the Washington State Office of Financial Management (OFM) show the average number of occupants per dwelling unit as follows:

Exhibit 1: Assumed Per Unit Occupancies

	Per Unit Occupancy
Single Family Residential	2.864 persons
Multi Family Residential (per unit)	1.907 persons

Using the OFM's estimates and the City's existing inventory of number of single family and multi family residential units, we estimated the weighted average number of persons per unit to be 2.559 persons for uniform impact fee calculation.

B. Impact Fee Cost Basis

1. Level of Service Standards for Parks, Recreation and Open Space

The City's Parks, Recreation and Open Space Plan Update (2002) included a demand and needs analysis based on the proposed level of service standards established in the same plan. Upon further review of these standards, City staff determined that the standards used in the 2002 Parks Plan were not reflective of the City's demographics, needs, and future parks development plans. The adopted and revised (recommended) standards are as follows (Exhibit 2):

¹ City of Puyallup's Parks, Recreation and Open Space Plan Update dated April 2002

Exhibit 2: Adopted and Recommended Level of Service Standards

Activity / Facility	Adopted Level of Service	Recommended Level of Service
A. Parks		
Neighborhood Park	1 acre per 1,000 population	1 acre per 1,500 population
Community Park	5 acre per 1,000 population	
B. Trails		
Multi-use Trail	0.15 mile per 1,000 population	
C. Facilities		
Baseball Field	1 field per 6,000 population	1 field per 12,000 population
Youth Ballfield	1 field per 2,000 population	1 field per 5,000 population
Softball Field	1 field per 3,000 population	1 field per 7,000 population
Soccer Field	1 field per 5,000 population	
Tennis Court	1 court per 2,000 population	1 court per 5,000 population
Football Field	1 field per 20,000 population	
Indoor Pool	1 pool per 20,000 population	
Gymnasium	1 gymnasium per 5,000 pop.	
Children's Play Structures	1 play structure per 2,000 pop.	

FCS Group calculated parks impact fees using the recommended standards. Football field and indoor pool standards were excluded from the impact fee cost basis, since the City is not planning to build more of these facilities in the near future. City staff determined that the exclusion of these two types of facilities would more accurately reflect the needs of the citizens.

2. Unit Costs for Parks and Facilities, and Total Cost Basis for the Parks Impact Fees

To arrive at the total cost of parks and open space facilities needed to accommodate projected growth, an estimate of the average cost of each facility type is needed. City staff provided the unit cost estimates presented in Exhibit 3 below.

Using the number of parks facilities needed to meet the revised standards for growth over the next six years and the unit cost estimates, the total cost of the growth was calculated.

Exhibit 3: Unit and Total Costs for Required Parks and Facilities

Activity / Facility	Estimated Unit Costs [*]	Requirement	Total Cost
A. Parks			
Neighborhood Park	\$195,150	2.85 acres	\$555,744
Community Park	\$241,150	21.36 acres	\$5,150,564
B. Trails			
Multi-use Trail	\$525,680	0.64 mile	\$336,830
C. Facilities			
Baseball Field	\$705,850	0.36 field	\$251,263
Youth Ballfield	\$504,950	0.85 field	\$431,396
Softball Field	\$504,950	0.61 field	\$308,140
Soccer Field	\$394,875	0.85 field	\$337,355
Tennis Court	\$34,500	0.85 court	\$29,475
Gymnasium	\$920,000	0.85 gymnasium	\$785,987
Children's Play Structures	\$40,000	2.14 play structures	\$85,433
TOTAL			\$8,272,186

[*] Estimated unit costs include land acquisition, design, construction and development of parks and facilities.

3. *Grants and Other Revenue Adjustments to the Cost Basis*

The City has two dedicated outside funding sources for parks capital projects; transfers from the City's General Fund (from construction sales tax collections) and 1/10th of 1% of voter approved countywide sales tax. A total of \$1,500,000 (\$250,000 per year) for General Fund transfers (construction sales tax) and \$1,665,616 for the countywide sales tax were budgeted over the 2006 - 2011 period. As explained earlier, growth's proportionate share of these revenues must be credited towards the impact fee cost basis. Growth's share (11.97%) of these two revenue sources is \$378,886. Additionally, the City expects to receive \$3,917,292 in grant money for its 6-year capital facilities plan. City staff estimated that the growth related portion of expected grants would be \$1,758,987. [It should be noted that expected grants were not confirmed at the time of this study.]

C. Impact Fee Calculation

Once the growth projections are established and the total cost basis net of adjustments is determined, the calculation of impact fees is a straightforward exercise. Based on the revised parks, recreation and open space standards, projected population growth, and estimated unit costs; the total cost basis was calculated to be \$8,272,186. After adjusting for other funding sources and anticipated grant monies, the net cost basis was \$6,134,312.

The net cost basis was divided by the projected population growth (4,272) to arrive at per capita parks impact fee (\$1,436).

As mentioned earlier, parks impact fees are applied per residential unit. Using estimated average number of occupants per dwelling unit, the calculated per capita impact fee was converted to a per residential unit basis. The calculated parks impact fee for the City of Puyallup is as follows:

Exhibit 4: Calculated Parks Impact Fee

	Weighted Average Per Unit Occupancy	Calculated Impact Fee
Uniform Fee for All Residential Units	2.559 persons	\$3,675

These results represent defensible maximum parks impact fees based on the recommended level of service standards, assumptions and policy considerations explained above.

IV. COMPARISON WITH NEIGHBORING JURISDICTIONS

FCS Group also surveyed neighboring jurisdictions to prepare a comparative analysis of parks impact fees applied to new development.

Exhibit 6: Comparison of Parks Impact Fees

Jurisdiction	Single Family Residential	Multi Family Residential (per unit)
City of Puyallup (calculated legal maximum)	\$3,675	Same as SFR
City of Edgewood	\$2,939	Same as SFR
City of Fife	\$1,700	\$1,300
City of Bonney Lake	\$1,500	Same as SFR
City of Puyallup (current)	\$491	\$323
City of Sumner	\$418	Same as SFR
Pierce County	\$300	\$150

TECHNICAL APPENDICES

Appendix A: Analysis Spreadsheets

*Appendix B: Issue Paper 1: Impact Fee Calculation
Methodologies*

*Issue Paper 2: Differentiation of Impact
Fees Between Customer Classes*

APPENDIX A
Analysis Spreadsheets

CITY OF PUYALLUP

Parks Impact Fee Study

Growth Projections

Based on Buildable Lands Report

2000 Population	33,011
2004 Estimated Population	35,690
2022 Projected Population	50,100
Number of Years	18
Average Annual Growth Rate	1.9%
No of Years in 2005 - 2011 Period	6
2005 Projected Population	36,357
2011 Projected Population	40,629
Added Population	4,272
Total Growth Rate Over 6 Years	11.97%

EQUIVALENCY FACTORS

Customer Classes	Per Unit Occupancies	Single-family Equivalents
Single-family Residential	2.864 persons / unit	1.0000 SFE
Multi-family Residential	1.907 persons / unit	0.6659 SFE
Mobile Homes	2.500 persons / unit	0.8729 SFE

Basis for Uniform Charge	No of Units	Occupancy	Estimated Population	Weighted Avg. Occupancy
Number of Single-family Units	8,036	2.864	23,015	
Number of Multi-family Units	3,757	1.907	7,165	
Total	11,793		30,180	2.559

CITY OF PUYALLUP
Parks Impact Fee Study
Standard-Driven Impact Fee - Adopted/Proposed Level of Service

Activity / Facility	Adopted/Proposed LOS	Existing Inventory	Requirement for 2004 pop. of 35,690	Existing LOS	Existing Total		Requirement for projected growth of 4,272	
					Deficiency	Surplus	Adopted LOS	Existing LOS
					A. Parks			
Neighborhood Park [1]	1.00 ac. per 1,500 pop.	22.20 ac.	23.79 ac.	0.93 ac. per 1,500 pop.	1.59 ac.	- ac.	2.85 ac.	2.66 ac.
Community Park	5.00 ac. per 1,000 pop.	219.30 ac.	178.45 ac.	6.14 ac. per 1,000 pop.	- ac.	40.85 ac.	21.36 ac.	26.25 ac.
B. Trails								
Multi-Use Trail	0.15 mi. per 1,000 pop.	5.02 mi.	5.35 mi.	0.14 mi. per 1,000 pop.	0.33 mi.	- mi.	0.64 mi.	0.60 mi.
C. Facilities								
Baseball Field [1]	1.00 per 12,000 pop.	1.00	2.97	0.34 per 12,000 pop.	1.97	-	0.36	0.12
Youth Ballfield [1]	1.00 per 5,000 pop.	24.00	7.14	3.36 per 5,000 pop.	-	16.86	0.85	2.87
Softball Field [1]	1.00 per 7,000 pop.	4.00	5.10	0.78 per 7,000 pop.	1.10	-	0.61	0.48
Soccer Field	1.00 per 5,000 pop.	15.00	7.14	2.10 per 5,000 pop.	-	7.86	0.85	1.80
Tennis Court [1]	1.00 per 5,000 pop.	10.00	7.14	1.40 per 5,000 pop.	-	2.86	0.85	1.20
Football Field [2]	- per 20,000 pop.	5.00	-	2.80 per 20,000 pop.	-	5.00	-	0.60
Indoor Pool [2]	- per 20,000 pop.	1.00	-	0.56 per 20,000 pop.	-	1.00	-	0.12
Gymnasium	1.00 per 5,000 pop.	14.00	7.14	1.96 per 5,000 pop.	-	6.86	0.85	1.68
Children's Play Structures	1.00 per 2,000 pop.	19.00	17.85	1.06 per 2,000 pop.	-	1.16	2.14	2.27

NOTES:

[1] Proposed LOS is less than Adopted LOS per Parks Master Plan. Modification required to Parks Master Plan.

[2] Adopted standard per Parks Plan. Deleted from impact fee calculation.

CITY OF PUYALLUP
Parks Impact Fee Study
Standard-Driven Impact Fee - Adopted/Proposed Level of Service

Activity / Facility	Level of Service Used	Requirement for Growth	Unit Cost	Cost of Growth	Existing Deficiency	Cost of Deficiency	Total Cost
A. Parks							
Neighborhood Park [1]	Proposed LOS	2.85 ac.	\$ 195,150 per acre	\$ 555,744	1.59 ac.	\$ 310,939	\$ 866,683
Community Park	Adopted LOS	21.36 ac.	\$ 241,150 per acre	\$ 5,150,564	- ac.	\$ -	\$ 5,150,564
B. Trails							
Multi-Use Trail	Adopted LOS	0.64 mi.	\$ 525,680 per mi.	\$ 336,830	0.33 mi.	\$ 175,314	\$ 512,144
C. Facilities							
Baseball Field [1]	Proposed LOS	0.36	\$ 705,850 per field	\$ 251,263	1.97	\$ 1,393,466	\$ 1,644,729
Youth Ballfield [1]	Proposed LOS	0.85	\$ 504,950 per field	\$ 431,396	-	\$ -	\$ 431,396
Softball Field [1]	Proposed LOS	0.61	\$ 504,950 per field	\$ 308,140	1.10	\$ 554,724	\$ 862,863
Soccer Field	Adopted LOS	0.85	\$ 394,875 per field	\$ 337,355	-	\$ -	\$ 337,355
Tennis Court [1]	Proposed LOS	0.85	\$ 34,500 per court	\$ 29,475	-	\$ -	\$ 29,475
Football Field [2]	Adopted LOS	-	\$ 258,750 per field	\$ -	-	\$ -	\$ -
Indoor Pool [2]	Adopted LOS	-	\$ 1,293,750 per pool	\$ -	-	\$ -	\$ -
Gymnasium	Adopted LOS	0.85	\$ 920,000 per gymnasium	\$ 785,987	-	\$ -	\$ 785,987
Children's Play Structures	Adopted LOS	2.14	\$ 40,000 per play structure	\$ 85,433	-	\$ -	\$ 85,433
Total Percentage Shares				\$ 8,272,186 77.26%		\$ 2,434,442 22.74%	\$ 10,706,628 100.00%

NOTES:

[1] Proposed LOS is less than Adopted LOS per Parks Master Plan. Modification required to Parks Master Plan.
 [2] Adopted standard per Parks Plan. Deleted from impact fee calculation.

CITY OF PUYALLUP

Parks Impact Fee Study

Standard-Driven Impact Fee - Adopted/Proposed Level of Service

COST BASIS

Cost of Growth to Meet Proposed LOS	\$ 8,272,186
Adjustments	
1. Dedicated Revenues	
less: Transfer from General Fund (Construction Sales Tax), 2006	(\$250,000)
less: Transfer from General Fund (Construction Sales Tax), 2007	(\$250,000)
less: Transfer from General Fund (Construction Sales Tax), 2008	(\$250,000)
less: Transfer from General Fund (Construction Sales Tax), 2009	(\$250,000)
less: Transfer from General Fund (Construction Sales Tax), 2010	(\$250,000)
less: Transfer from General Fund (Construction Sales Tax), 2011	(\$250,000)
<i>subtotal</i>	(\$1,500,000)
less: 1/10th of 1% Sales Tax, 2006	(\$257,500)
less: 1/10th of 1% Sales Tax, 2007	(\$265,225)
less: 1/10th of 1% Sales Tax, 2008	(\$273,182)
less: 1/10th of 1% Sales Tax, 2009	(\$281,377)
less: 1/10th of 1% Sales Tax, 2010	(\$289,819)
less: 1/10th of 1% Sales Tax, 2011	(\$298,513)
<i>subtotal</i>	(\$1,665,616)
Total Adjustments	(\$3,165,616)
Share of Total Growth in 2005 - 2011 Period	11.97%
Adjustments for Dedicated Revenues	(\$378,886)
2. Grants	
<i>Proportionate Share of Growth</i>	(\$1,758,987)
Adjustments for Grants	(\$1,758,987)
3. Cash Balance	
<i>less: Cash Balance</i>	\$0
Adjustments for Cash Balance	\$0
Net Cost Basis	\$ 6,134,312

CUSTOMER BASIS

Projected population growth	4,272
Number of people per single-family equivalent	2.864
Number of single-family equivalents	1,492

PARKS IMPACT FEE

Per Capita Impact Fee	\$ 1,436
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<u>Impact Fees by Customer Class</u>	<u>Equivalency Factors</u>	<u>Impact Fees</u>
Single-family Residential	1.0000	\$ 4,113
Multi-family Residential	0.6659	\$ 2,739

<u>Uniform Impact Fee for All Classes</u>	
Avg. No. of Occupants per Unit	2.559
Impact Fee per Unit	\$ 3,675

APPENDIX B

Issue Paper 1: Impact Fee Calculation Methodologies
**Issue Paper 2: Differentiation of Impact Fees Between
Customer Classes**

ISSUE PAPER 1

Impact Fee Calculation Methodologies

Issue

There are generally two methods of determining impact fees: the “standards-driven” approach and the “improvements-driven” approach. The standards-driven method uses the adopted standard (for parks, usually expressed as acres, miles, number of playfields, etc. per 1,000 population) to arrive at the need for additional park space and facilities [as a unit cost] to serve each increment of growth.

The improvements-driven method requires the identification of specific growth-related portions of planned projects. The sum total of growth-related project costs, with adjustments, becomes the impact fee basis.

Which one of these impact fee calculation methodologies would be more appropriate for determining the City of Puyallup’s Parks Impact Fees?

Alternatives

The City could choose to use either a standards-driven or improvements-driven approach to calculate its parks impact fees.

Analysis

According to Washington law, “impact fees (a) can be imposed for system improvements that are reasonably related to the new development; (b) can not exceed a proportionate share of the costs of system improvements that are reasonably related to the new development, and (c) should be used for system improvements that will reasonably benefit the new development”. (RCW 82.02.050).

RCW 82.02.070 further dictates that impact fee receipts should be earmarked specifically and retained in special interest-bearing accounts, and should be expended or encumbered for a permissible use within six years of receipt. In other words, regardless of the calculation methodology, impact fee revenues need to be linked to the development-related capital improvements plan.

Since the improvements-driven approach is directly based on the capital improvement plan, it would be easier for the City to link the revenues collected to growth related project costs to be paid. On the other hand, the standards-driven approach is based on adopted and/or existing standards. It has no direct linkage to the project costs planned for near future (6 years) except for the fact that fee revenue can be expended on these projects. Therefore, it might be more difficult to link impact fee revenues with growth related projects, and administer the use of the impact fee fund.

Another issue that might raise a concern about the defensibility of standards-driven impact fees is that they carry the implication that the City’s existing parks meet its standard for the existing population. If that is not the case, then a city must include projects in its Plan that will correct its existing deficiency, or ensure that its impact fees do not hold new development to a higher standard than it is in itself meeting.

One alternative to avoid this situation is to calculate impact fees based on the City's existing (current) level of service. This might result in a lower fee and revenue collection than the City is planning to spend on growth related projects. Such facilities would ultimately be paid by the City's existing customer base.

Despite these concerns, the standards-driven approach is generally easier to calculate and more commonly used. Using the adopted standards and growth projections, it is relatively easy to calculate the additional demand for public parks and open space to accommodate the projected new residential growth. A critical piece of information needed to arrive at the total cost basis for parks impact fees is the estimated unit cost for each type of public parks and facilities. Once the unit cost estimates are generated, calculation of parks impact fees is a straightforward exercise.

On the other hand, the improvements-driven approach necessitates identification of specific growth-related portions of planned capital projects. At times, this might be a challenging task, because some projects might be renewing/replacing an existing facility or some of its components, while at the same time adding additional capacity. It might be difficult for the City to quantify these two functions (i.e. capacity additions to serve growth, and renewal and replacement for existing users) for each planned project.

As part of our engagement with the City to develop parks impact fees, we surveyed eight (8) neighboring jurisdictions. The jurisdictions surveyed included the cities of Bonney Lake, Fife, Edgewood, Sumner, Auburn, Tacoma, and Federal Way as well as Pierce County. Only four (4) of these jurisdictions have parks impact fees, the others do not charge parks impact fees. Of those four jurisdictions that do charge parks impact fees, two (2) (City of Edgewood, Pierce County) use the standards-driven approach. We were not able to identify the calculation methodology for the parks impact fees of the cities of Bonney Lake and Fife. It should be noted that Puyallup's existing parks impact fees are based on the standards-driven approach.

It is our understanding that the City needs to have an adopted parks standard (i.e. level of service) to establish its parks impact fees using the standards-driven approach. The City's "Parks, Recreation and Open Space Plan Update" dated April 2002 identifies the existing and recommended level of service standards for various types of parks and facilities. We believe that since this planning document would be adequate for setting up the City's parks impact fees. The City may wish to obtain a legal opinion on this matter.

Recommendation

FCS Group will calculate the impact fees using both approaches assuming that all the necessary data is available.

We believe that the City should evaluate the outcome of the analyses, their defensibility, and ease of administration of the impact fee fund (in terms of linking the use of impact fee revenue to the growth related

project costs), and make a policy choice about the approach to be implemented.



ISSUE PAPER 2

Differentiation of Impact Fees Between Customer Classes

Issue

Should the City of Puyallup's (City) Parks Impact Fee Schedule differentiate between residential customer classes?

Alternatives

The City can charge a uniform Parks Impact Fee to all new residential development (e.g., single-family units, multi-family units, etc.) regardless of the type of development or, alternatively, the City can apply a different fee for different types of residential development. In other words, single-family residential dwellings can be charged a higher fee than multi-family residential dwellings, based on the average number of residents per dwelling unit.

Analysis

Regardless of the calculation methodology chosen, parks impact fees are initially calculated on a per capita basis. In other words, impact fees theoretically represent the amount of capital spending required to serve an additional person who would live within the City boundaries.

However, impact fees are collected on a "per dwelling unit" basis. Therefore, the calculated "per capita" impact fee must be converted into a "per dwelling unit" fee using an assumed average number of occupants per dwelling unit. Depending on the policy choice, the City might choose to use a single conversion factor or a different average number of occupants per single-family residential unit and per multi-family residential unit. The former would reflect the assumption that there is no significant difference between a single-family residential unit and multi-family residential unit in terms of additional need for public parks and open space. This assumption would result in a uniform parks impact fee for all new residential development. The second approach, in which different densities are used to calculate different fees for different types of dwelling units (e.g., single-family vs. multi-family) generates different impact fees for single-family residential units than multi-family residential units on the premise that the additional demand for parks placed on each new single-family residential unit is different than that of multi-family residential unit.

The main argument for a differentiated impact fee is that the number of occupants in a single-family dwelling unit is typically larger than the number of occupants in a multi-family dwelling unit. Presumably, each additional single-family dwelling unit places a higher demand on public parks and open spaces. However, multi-family residential buildings often provide its occupants with facilities for recreation activities such as swimming pools, exercise and fitness rooms, open space, etc. These on-the-premise facilities also result in a smaller need for a public park for its occupants.

On the other hand, proponents of a uniform fee schedule claim that a single-family residential building typically provides a larger yard space for its occupants and this reduces the need and use of public parks and that multi-family dwelling units have comparatively fewer on-site recreation opportunities. Thus, the fact that the average number of occupants is higher does not necessarily mean that demand for public parks is higher. Therefore, all new development should be subject to the same impact fee.

In reality, both arguments are valid to some extent, but it is difficult to quantify and determine the actual demand for public parks by occupants of various types of residential developments. Therefore, the final outcome could only be decided by a policy choice rather than the analysis.

Our survey of impact fees charged by the neighboring communities reflects this reality. We surveyed eight (8) jurisdictions and found out that only four (4) of them (cities of Bonney Lake, Fife, and Edgewood as well as Pierce County) have parks impact fees. The others (cities of Sumner, Tacoma, Federal Way, and Auburn) do not charge parks impact fees on new development. Of these four (4) jurisdictions that charge a parks impact fee, two (2) (cities of Bonney Lake and Edgewood) apply a uniform parks impact fee to all new development. Pierce County has two separate fee classes and differentiates between single-family residential unit and multi-family residential unit. The City of Fife's parks impact fee schedule contains five (5) separate fee classes. These classes are single-family detached housing, two residential unit attached housing (duplex), three-four residential unit structure, five or more residential unit structure, and manufactured homes.

The City of Puyallup's current fee schedule has three fee classes; single-family residential, multi-family residential, and mobile/manufactured home.

Recommendation

We believe that the effect of yards on single-family residences and/or recreation facilities provided by multi-family residential buildings on the demand for public parks are somewhat subjective and almost impossible to quantify. In contrast, population census results and other studies provide us with the average number of occupants in each type of residential unit. The most recent estimates indicate that the average number of occupants in a single-family residence, multi-family dwelling unit, and mobile home are 2.864, 1.907, and 2.500, respectively. Based on this information, we recommend that the City consider three distinct classes: single-family residential, multi-family residential, and mobile homes. If the City determines to use only two distinctions, then we would recommend treating mobile homes as single-family residences.