Transportation Impact Fees
Technical Document

Attachment to City of Poulsbo
Transportation Impact Fee Ordinance

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I. Introduction.

The Transportation Impact Fee Technical Document has been prepared to establish the rates for transportation impact fees for transportation facilities in the City of Poulsbo, Washington. The Technical Document describes the methodology and formula for calculating the transportation impact fee, as well as explanation of the variables used in the formula.

The Technical Document was prepared to support a 2019 update to the City of Poulsbo's Transportation Impact Fee ordinance as codified in PMC 3.86.

A. Impact Fees v. Other Developer Contributions.

Under the Washington State Growth Management Act (GMA), cities and counties are required to make appropriate provisions for transportation needs and impacts during the review of development proposals. The GMA grants local governments the authority to impose transportation impact fees (TIF) for the purpose of supporting the funding of roadway improvements to ensure that adequate facilities are available to serve new growth and development.

Transportation impact fees are assessed by local governments against new development projects to recover a portion of the costs incurred by government in providing the public facilities required to serve the new development. Transportation Impact Fees are a tool to help mitigate development impacts for system-wide traffic impacts and enforces the "growth pays for growth" principle.

The following summarizes the key points for transportation impact fees:

- Funds must be spent on capacity projects that are designed to serve new growth and not fix existing deficiencies.
- Addresses "system" wide impacts
- Must be generally proportional to impacts of development
- Provides funding for six-year Capital Improvement Program
- Funds assessed for several improvement needs can be "pooled" to address City's priority projects

The transportation impact fees are used to help mitigate a development's potential transportation impacts on the City's transportation system and facilities. TIFs are used in conjunction with three other development review regulations: development requirements/frontage improvements, State Environmental Policy Act (SEPA) and Transportation Concurrency.

These three requirements do not go away with adoption of a transportation impact fee. The following summarizes the basic roles of the other development regulations.

1. **Development Regulations/Frontage Improvements.**

When new development is approved, the City requires frontage improvements to insure that the City's street standards are met, and ultimately, that the new development is served by adequate roads. Developers are required to construct the site's frontage and on-site roadways based on the City's adopted Road Standards. Frontage Improvements can apply to both vehicular and non-motorized facilities. These requirements are set forth in the City's Comprehensive Plan policies TR-1.1 and TR-9.1.

Key elements related to addressing impacts to the transportation system through on-site and frontage improvements include:

- Address on-site transportation and safety impacts
- Insures that new development is served by adequate roads
- Developer responsible for frontage along public and private roads

2. **State Environmental Policy Act.**

Washington's State Environmental Policy Act (SEPA), adopted in 1971 (RCW 43.21C), directs State and local decision-makers to consider the environmental consequences of their actions. SEPA is typically used to review impacts within the immediate and nearby vicinity, such as vehicular access points, frontage right-of- way improvements and nearby intersections or roadways. The intention of SEPA, as applied for transportation, is to mitigate a development's significant adverse impact on the transportation system in terms of capacity and/or operations.

The following summarizes key items of SEPA in the review of development projects:

- Uses "significant adverse impact" standard (not just level of service)
- Broad scope can be used to address capacity, safety, operations, non-motorized impacts and transit
- Reviewed on a development by development basis
- Can be used to mitigate both on and off-site impacts
- Mitigation can be in the form of constructing improvements or payment of proportionate share of improvement costs
- Pooling of funds is generally not allowed

3. **Transportation Concurrency.**

The Washington State Growth Management Act (GMA) (RCW 36.70A.070) requires that infrastructure improvements or strategies to accommodate development be available when the impacts of development occur. For transportation facilities, concurrency is defined in the GMA and the Washington Administrative Code (WAC) to mean that any needed transportation improvements or programs be in place at the time of development or that a

financial commitment exists to complete the improvements or strategies within six years.

Local governments have a significant amount of flexibility regarding how to set level of service standards and how to apply transportation concurrency within their plans, regulations, and permit systems. Transportation concurrency is addressed in the City's Comprehensive Plan policies under Goals TR-2 and TR-3.

If a "development causes the level of service on a locally owned transportation facility to decline below the standards adopted in its transportation element", jurisdictions are required to prohibit development approval unless transportation improvements or strategies to accommodate the impacts of development are made **concurrent** with the development. Transportation is the only area of concurrency that specifies denial of development.

Concurrency is a tool to insure that transportation facilities are constructed as growth occurs. The following identifies key requirements for concurrency programs.

- Compliance with GMA
- Local governments have flexibility in applying concurrency
- Measured with level of service standards as defined by the City's Comprehensive Plan
- Addresses system-wide impacts
- Developments are not to be approved if development causes the level of service to decline below identified standards

B. **Developer Options.**

A developer who is responsible for impact fees has several options regarding payment of impact fees as set forth in the Transportation Impact Fee Ordinance (Poulsbo Municipal Code 3.86):

1) Payment of fee as set forth in the Transportation Impact Fee Ordinance (Section 3.86.090).
2) Submit data and/or analysis to demonstrate that the impacts of the proposed development are less than the impact fees calculated by the City. (Section 3.86.130).
3) Appeal the impact fee calculation by the City of Poulsbo. (Section 3.86.160).
4) Obtain a refund if the development does not proceed and no impacts are created (Section 3.86.180).
5) Obtain a refund if the City of Poulsbo fails to expend the impact fees within the prescribed timeframe (Section 3.86.130).

II. Background and Authority for Impact Fees.

Traffic mitigation in the City of Poulsbo was collected under the State Environmental Policy Act (SEPA) as a SEPA mitigation for many past years. The City moved to collecting Transportation

Impact Fees under the Growth Management Act (GMA) as authorized by RCW 82.02 in 2011. The 2011 fees were calculated based upon the City's 2025 Capital Facilities Plan found in the 2009 Comprehensive Plan.

The 2019 Transportation Impact Fee Update is based upon the 2016 Comprehensive Plan Update Capital Facilities Plan, and a 2016 update to the Transportation Plan, with adjustments for estimated public funding.

III. 2016 Transportation Plan Update – Basis for Impact Fees Update.

A. Level of Service.

Transportation Level of Service (LOS) standards are a requirement of the Washington Growth Management Act. As required by the GMA, the City of Poulsbo has established LOS standards for its transportation facilities. Both the 2016 Transportation Plan Update and the adopted Comprehensive Plan discuss Level of Service (*reference: 2016 Transportation Plan Update p. 2-1 and City of Poulsbo 2016 Comprehensive Plan Transportation Element p. 73-76.)* As discussed in both of these references, in general, the City of Poulsbo has established an LOS of E as the minimum standard for transportation facilities in the City.

B. Transportation Facility Needs.

The GMA requires that an evaluation of existing transportation conditions in light of the adopted level of service standard be completed. This evaluation is to identify any existing conditions resulting from past growth, before planning of improvements needed for future growth. This analysis was completed in the 2016 Transportation Plan Update and summarized in the 2016 Comprehensive Plan's Capital Facilities Plan (*reference: 2016 Transportation Plan Update p. 3-1 through 3-8 and City of Poulsbo 2016 Comprehensive Plan p. 240*).

The next evaluation completed in the 2016 Transportation Plan Update was to evaluate the City's transportation network with the projected 2036 travel demand due to City's population allocation and employment/commercial growth, while maintaining the LOS standard. This analysis resulted in a list of needed capital improvements to be implemented as growth occurs, to ensure maintenance of the identified LOS E standard. This evaluation provided the basis for the "2036 Transportation Facilities Improvement" section in the 2016 Comprehensive Plan's Capital Facilities Plan (*reference: 2016 Transportation Plan Update p. 6-1 through 6-13 and City of Poulsbo 2016 Comprehensive Plan p. 241-246*)

C. Forecast Funding Needs.

In the 2016 Transportation Plan Update, the funding needs for the improvements needed to meet the forecast growth are calculated. The plan identified $54 million for existing roadway segment improvements, intersection improvements, and TDM, Transit and Trail projects that are to be funded with a combination of public and private contributions.

Of the $54 million, it was forecast that the City anticipates able to contribute $34.5 million through a variety of funding sources including taxes, grants, other agency assistance, (*reference: 2016 Capital Facilities Plan Table CFP-9 p. 248)*, thereby leaving a total of $19.5 million to be funded by development through impact fees and frontage improvements. (*Note: the 2016 Capital Facilities Plan Table CFP-9 also identifies General Obligation Bonds as a funding source; this potential funding source is intended only if state/federal grant funding source is not available as assumed. This revenue was not included in this TIF calculation as the grant assumptions are reasonably assured.*)

D. Forecast Transportation Growth.

The City's future traffic growth has been forecast on a 20-year timeline, starting 2015 and is based on the City's 2036 population allocation of 14,808 and the net total undeveloped acreage that is zoned for non-residential development.

The 2016 Transportation Plan Update identified predicted growth from 2015 to 2036 in Poulsbo in terms of average daily trips as a gross growth of 67,280 daily vehicle trips (*City of Poulsbo 2016 Transportation Plan Update, Table 8 p. 4-1)*. Of that amount, 18,240 trips are derived from residential growth and 49,040 are derived from commercial growth; however, some of the commercial trip generation must be discounted for impact fee purposes because it represents a double-counting of trips already considered at the residential end of the trip, or it represents a "pass-by" trip that adds no impacts to the road system away from the site itself. The net new trip generation representing trips originating at commercial sites in Poulsbo and destined for locations outside Poulsbo is estimated at 75 percent of the raw total, or 36,780 daily trips. Thus, the net basis for allocating costs via impact fees is the sum of 18,240 residential-based trips and 36,780 net new commercial-based trips, or 55,020 net new daily trips. (*reference: City of Poulsbo 2016 Transportation Plan Update, p. 7-3*).

IV. Update of Impact Fee Calculation

A. Transportation Capital Improvement Project Costs.

The Comprehensive Plan's Capital Facilities Plan Transportation section identifies a number of projects necessary to ensure the continuation of the City's adopted level of service during the 2036 anticipated population growth. These projects were based on the 2016 Transportation Plan Update, with some projects removed that had been completed. The comprehensive plan identifies four types of facility improvements:

- Table CFP-5 "2036 Required Transportation Improvement Projects"
- Table CFP-6 "2036 Required New Roadway Segments"
- Table CFP-7 "2036 Required Intersection Improvement Projects"
- Table CFP-8 "2036 Segments and Intersections for Transportation Demand Management"

All four tables identify transportation improvement projects that are growth-related improvements. However, the 2036 required new roadway segments identified in Table CFP-6,

are necessary due to new residential development in the underdeveloped areas of the City, and therefore would be completed under the requirements of development regulations and frontage improvements, and not impact fees (with the exception of New Road X- Noll Road Extension). Therefore, Tables CFP-5, 7 and 8 and New Road X – Noll Road are the capital improvements qualified to use transportation impact fee as a funding source.

Combined, Table CFP-5 "2036 Required Transportation Improvement Projects," Table CFP-7 "Required Intersection Improvement Projects", Table CFP-8 Transportation Demand Management and New Road X – Noll Road Extension represent an estimated $54 million of transportation improvements to the City's roadways and intersections:

$31.3 million Transportation Improvement Projects (Table CFP-5), $3.5 million in Intersection Improvement Projects (Table CFP-7), $11.2 million for TDM, Transit and Trail projects, and $8 million for New Road X– Noll Road Extension.

{Preliminary roadway segment costs were determined by applying planning level unit costs for required lineal feet of improvements. Specific unit costs for sidewalks, turn lanes, bike lanes, roadway widening and new roadways were developed and applied to the lengths of various improvements required. Preliminary intersection costs were determined by applying planning level unit costs for various intersection improvements. Specific unit costs for signalization, roundabout construction, rechannelization, realignment, and two-way and all-way stop-control were developed and applied to the various intersection locations. The Cost Estimates are found in the 2016 Transportation Plan Update Appendix F.}

B. **Transportation Improvement Costs to be paid by new development.**

The total 2036 Transportation Improvement costs of $54 million must be shared between the City and new development. This is referred to as an "adjustment factor" and reflects the contribution of public funds, as the financing system cannot rely solely on impact fees. The adjustment factor is based on the City's evaluation of likely collection of payments and the availability of public funds for future transportation capital improvements.

1. Predicted Public Funding Sources.
   The City anticipates contributing $23 million through a variety of funding sources including taxes and grants over the 2036 planning period.

   State/Federal Grants: $20,000,000
   Fund 311, gas tax and other sources: $3,000,000

   Total 2036 Estimated Public Funding:$23 M

2. Adjustment Factor.
   Based on the City's predicted public funding sources over the 2036 planning horizon of $23M, the City anticipates financing42.6% of the needed transportation facility improvements eligible for impact fee funding.

Therefore, the total transportation improvements to be funded by development through impact fees is as follows:

Transportation Facility Improvement project costs to be partially funded by impact fees: *$54 million*

Predicted Public Funding Sources: *$23 million*

Remaining balance to be funded by developer contribution: *$31 million*

V. Transportation Impact Fee Calculation.

The follow formula represents the calculation of a transportation impact fee:

Transportation Impact Fee:
Developer Contribution of Transportation Improvement Costs/Predicted Trip Growth = Fee

$31,000,000/55,020 new trips = **$563.43 per daily trip – round to $564**

VI. Calculation of Impact Fee for New Developments.

The transportation impact fee to be paid by new development shall be calculated by multiplying $564 times the number of average daily trips generated by the development that is the subject of the development permit. Average daily trips shall be determined using the latest version of the Trip Generation Manual published by the Institute of Transportation Engineers (ITE) for the land use(s) that are the subject of the permit.

As allowed by the Transportation Impact Fee Ordinance, a developer may elect to prepare an independent fee calculation study for a proposed development, pursuant to the requirements in Section 3.86.130.

Further, as set forth in RCW 82.02.060(3), if a developer dedicates right-of-way and/or makes a transportation improvement identified in the City's Capital Facilities Plan and included in the City's impact fee calculation methodology, then a credit to the transportation impact fee may be requested. Procedures for impact fee credits are set forth in the TIF ordinance Section 3.86.110.

The City will have the authority to adjust the transportation impact fee annually for cost indexing. At the end of any 12 month period in which the City's Capital Facilities Plan transportation system improvements that are the basis for transportation impact fees is not updated, the City Engineer may adjust the transportation impact fee amount by the same amount as the percentage change in the City's standard CPI-U.