



CITY COUNCIL

AGENDA BILL # AB22-0020

**City of Algona
200 Washington Blvd.
Algona, WA 98001**

ITEM INFORMATION

SUBJECT: Impact Fees	Agenda Date: March 28th, 2022		
	Department/Committee/Individual	Created	Reviewed
	Mayor		X
	City Administrator		X
	City Attorney	X	
	City Clerk		
	Finance Dept		
	PW/Utilities		
	Planning Dept		
	Community Services		
Cost Impact:	Police Dept		
Fund Source:	Finance Committee		
Timeline:	Planning Commission		
	Civil Service Committee		

Staff Contact: Mayor Hill

Attachments:

SUMMARY STATEMENT: (Prepared by Zach Lell, City Attorney)

GMA Impact Fees—Defined

Impact fees are fixed, one-time charges assessed by a municipality against new development projects for the purpose of funding public facilities. This financing mechanism is one of the key tools cities can use to help ensure that new development pays for itself, and that the public infrastructure needed to support new development is not unfairly subsidized by local taxpayers.

Impact fees are authorized by Chapter 82.02 RCW, a corollary statute to the Growth Management Act (GMA). For that reason they are commonly referred to as "GMA impact fees."

Use of Impact Fees

Cities may collect GMA impact fees to finance four categories of public infrastructure:

- Transportation facilities (i.e., public streets and roads)
- Park facilities (i.e., parks, recreational facilities and open space)
- School facilities
- Fire protection facilities

(Continues on next two pages...)

COMMITTEE REVIEW AND RECOMMENDATION:

RECOMMENDED ACTION:

RECORD OF COUNCIL ACTION

Meeting Date:

Action:

Vote:

SUMMARY STATEMENT CONTINUED:

State law further provides that GMA impact fees may only be imposed for “system improvements”, defined as public facilities that are included in the City’s capital facilities plan and designed to provide service *within the community at large*. System improvements are distinct from “project improvements”—i.e., site improvements and facilities that serve a *particular development project* only. Impact fees cannot be imposed to fund project improvements.

The amount of impact fees assessed by the City against new development may not exceed the proportionate share of the cost of the particular system improvement(s) being funded. The City must also identify other funding sources, and may not rely solely on impact fees for the purposes of financing such improvements.

Collection of Impact Fees

Impact fees generally must be paid before construction on a particular development project begins. However, state law allows a limited number of payment deferrals, at the developer’s request, for single-family residential projects.

Once impact fees are assessed by the City, the moneys collected must be earmarked and retained in special interest-bearing accounts. If the City fails to expend or encumber the funds *within 10 years of collection*, the current owner of the property for which the impact fee was originally assessed may seek a refund.

Impact Fee Ordinances

In order to assess GMA impact fees, the City must first adopt an ordinance establishing its local impact fee program. State law imposes several requirements for local impact fee ordinances:

- The ordinance must include a schedule of impact fees for each type of covered development activity, specifying the impact fee amount to be imposed. The fee schedule must be based upon a formula or other calculation method that incorporates, among other factors:
 - The cost of public facilities necessitated by new development;
 - An adjustment to the cost of the public facilities for past or future payments made or reasonably anticipated to be made by new development;
 - The availability of other funding sources;
 - The cost of existing public facilities improvements; and
 - The methods by which public facilities improvements were financed.
- The ordinance must establish one or more reasonable service areas and impose impact fees for various land use categories per unit of development within such areas.
- The ordinance must allow credits for the value of land dedications or physical improvements provided by the developer.
- The ordinance must allow the opportunity for potential adjustment of the standard impact fee for unusual circumstances in order to ensure fairness.

SUMMARY STATEMENT CONTINUED:

- The ordinance must allow for consideration of studies and data submitted by developers who seek to adjust the amount of the fee.
- The ordinance may provide an exemption for low-income housing, early learning facilities, and other development activities with broad public purposes.
- The ordinance may provide for the imposition of an impact fee for system improvement costs previously incurred by the City to the extent that new growth and development will be served by the previously constructed improvements. However, the City cannot use impact fees to make up for any pre-existing deficiencies.

Procedure

The process for adopting a local GMA impact fee program is relatively straightforward. Unlike amendments to the City's zoning and land use regulations, there is no requirement for the City to hold a public hearing, involve the City's Planning Commission, or evaluate the proposal under the State Environmental Policy Act (SEPA). A typical process would involve the following steps:

- The City would select and retain a qualified consultant to prepare an inventory and cost-itemization of the City's present and future system improvement needs in light of current growth projections. Because GMA impact fees may only be collected to finance facilities that are listed in the City's capital facilities plan, necessary amendments to the plan may also be identified during this process. Plan updates of this type may occur during the City's annual Comprehensive Plan docket cycle or in conjunction with a mid-year budget amendment.
- Using the data from the inventory and cost-itemization process, the consultant would then develop a formula or other model for calculating the City's impact fee assessments in a manner consistent with the state law parameters identified above.
- Finally, the City would prepare and adopt one or more ordinances establishing the standards and procedures of Algona's local impact fee program. (The specific program for each type of impact fee—i.e., transportation, parks, etc.—is typically created through a separate ordinance and codified as an independent chapter of the City's code.) The ordinance(s) would be centered around a schedule of impact fees for particular categories of development; the fee schedule would in turn be based upon the consultant-developed formula referenced above.

There is no requirement under state law for cities to adopt a GMA impact fee program; the decision to do so lies within the policy discretion of the City Council. The City also has broad latitude in developing the formula upon which the impact fees will be based, as well as the specific fee amounts that will be assessed against new development.