



## **APPENDIX J: Park Impact Fee Program & Rate Calculation**

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## APPENDIX J: PARK IMPACT FEE PROGRAM & RATE CALCULATION

The park impact fee program was approved in the mid 1990s by both the City of Vancouver and Clark County to provide a funding source for the acquisition and development of urban parkland in the Vancouver urban area. The program establishes level of service standards for urban parks, including neighborhood and community parks and urban open space, and assesses park impact fees on new residential development to offset the cost of providing these parks.

The formula used to compute park impact fee rates is based on the cost of land and the cost of park development in each of the 10 park districts that cover the Vancouver urban growth area. They are fixed until modified by county or city action.

The park fees currently charged by Vancouver were last updated in 2004 and Clark County in 2003. Although PIF rate updates have historically occurred concurrently with updates to the Comprehensive Parks, Recreation & Open Space Plan, the 2007 review of PIF rates will occur through a separate process. No methodology or rate changes are proposed in this document.

### STATUTORY AUTHORITY

State statute (RCW 82.02) authorizes qualified Washington counties and cities to collect impact fees to “ensure that adequate facilities are available to serve new growth and development.” The statute requires that impact fees are reasonably related to and reasonably benefit the new development, and

they must not exceed a proportionate share of system improvements.

Public facilities on which impact fees may be spent are limited to parks, roads, schools, and fire protection facilities. These facilities must be part of a capital facilities plan that is a component of an adopted comprehensive land use plan. Impact fees must be expended or encumbered within six years of collection, or refunded.

The statute also requires an “adjustment to the cost of public facilities for past or future payments made or reasonable anticipated to be made by new development...” Commonly known as the “proportionate public share” or “shift”, this adjustment is intended to reasonably relate the cost of public facility improvements with the service demands of new development.

Both City ordinance (VMC 20.97.120) and County code (CCC 12.65.098) anticipate that “Impact fee rates shall be adjusted periodically to reflect changes in costs of land acquisition and construction, facility plan projects, and anticipated growth.”

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## BACKGROUND OF THE PARK IMPACT FEE PROGRAM

### CLARK COUNTY

On September 26, 1990, the Clark County Board of Commissioners adopted Ordinance 1990-09-47, establishing park impact fees on new residential development within the unincorporated urban area around Vancouver. Fee collection began on January 24, 1991. The park impact fee applied to land acquisition only, and was based on existing land values, a standard of 7.5 acres of urban park land per thousand population, the number of residents

per household (2.6 for single-family and 1.9 for multi-family), and a 5% proportionate public share (referred to as the “shift”). Exemptions were allowed for publicly owned low-income housing and public schools. The Board of Commissioners amended the PIF ordinance on April 28, 1993, to allow for school impact fees (Ordinance 1993-04-29); on July 21, 1993, to expand the definition and exemptions of low-income housing (Ordinance 1993-07-21); and on January 25, 1994, to revise provisions for waivers and credits (Ordinance 1994-01-35). Additional changes were made on February 8, 1994, to better define service areas, change the credit basis, and modify procedures for adjusting PIF rates (Ordinance 1994-02-16).

On December 28, 1994, the Board of Commissioners made significant changes to county code in order to implement the GMA Comprehensive Land Use Plan (Ordinance 1994-12-53). Changes to PIF included establishing “greenspaces” as the development standard for undeveloped urban sites, allowing closing costs to be included in PIF, codifying 6 acres per thousand as the acquisition service standard, and authorizing joint city/county administration of impact fees through an interlocal agreement.

On August 6, 1996, Clark County adopted fundamental changes to its park impact fee program to fulfill its role in the city-county coordinated effort (Ordinance 1996-08-03). Development fees were added, new rates were established, acquisition and development standards were set and a new 0.25% Real Estate Excise Tax (REET) was imposed for 6 years to fund the public share of park development.

Clark County made administrative and transportation changes to the general impact

fee program on October 9, 1996 (Ordinance 1996-10-24); zoning, administrative, and procedural changes on December 10, 1997 (Ordinance 1997-12-47); and eliminated low-income housing exemptions on September 28, 1999 (Ordinance 1999-09-12).

In the 2001 Comprehensive Plan update, PIF rates in the Vancouver urban-unincorporated area were reviewed and updated. The updated rates reflected increases in acquisition and development costs. During this update, calculation of the Cost Adjustment Factor (CAF), which accounts for other sources of public funds, was changed from a percent-based to a revenue-based method. The updated rates were adopted in May 2002, as part of the Comprehensive Parks, Recreation, and Open Space Plan update (Clark County Ordinance 2002-05-03).

In 2002, Clark County extended REET collection in the urban area for 30 years (to 2032) and adjusted the allocation of revenues. With this extension, fifty percent of REET funds were reallocated to economic development, while the remaining fifty percent of revenue remained dedicated to parks purposes, including park, sports field, and trail development. This reallocation affects the relative cost adjustment necessitated by the REET funding source.

In January of 2003, Clark County increased its development component of the rate to \$169 per person (\$440 per single-family unit and \$321 per multi-family unit). Acquisition rates remained unchanged. (Clark County Ordinance 2002-10-16)

## THE CITY OF VANCOUVER

The City of Vancouver instituted impact fees for parks, roads, and schools with the

adoption of Ordinance M-3201 on August 7, 1995. Fees were based on four elements:

- land and development costs in each of the 10 urban park districts;
- acquisition and development standards of 6 acres and 4.25 acres per thousand population respectively;
- dwelling occupancy of 2.59 and 1.9 persons for single-family and multi-family units, respectively; and
- a 5% public share.

The City's park and recreation plan was incorporated into the impact fee program and fees for the 10 park districts were reaffirmed with the adoption of Ordinance M-3206 on September 5, 1995. On January 16, 1996, Vancouver adopted Ordinance M-3224, which amended the city's zoning ordinance to achieve consistency between the comprehensive plan and its implementing ordinances, as required by the Growth Management Act. Section 20.97.090 codified park impact fees as established by Council.

In order to properly fund the City's public share of park development, the Vancouver City Council adopted on July 1, 1996, Ordinance M-3251 establishing a new 0.25% Real Estate Excise Tax (REET) within the City, effective until 2002. Revenue generated was to be used to address the service level deficit in existing neighborhoods as state statute prohibits park impact fees from being used for this purpose. Funds were dedicated to parks uses as defined in the statute.

The City of Vancouver extended REET collections permanently in 2002 and reallocated 30% of revenues to transportation uses, up to a maximum of \$500,000 per year plus inflation. City REET revenues available

for parks purposes are now primarily devoted to debt service on recreation center construction and redevelopment. These allocations affect the relative cost adjustment necessitated by the REET funding source. (City of Vancouver Ordinance M-3590 and M-3598).

Updated PIF rates for the City were adopted in May 2002, as part of the 2001 Comprehensive Parks, Recreation, and Open Space Plan update (City of Vancouver Ordinance M-3584). This rate update also included an adjustment to the CAF calculation methodology, as occurred in the County.

The City of Vancouver also updated its rates in 2004, lowering the acquisition rate an average of \$30 per person from 2001, and increasing the development component to \$244 per person. (City of Vancouver Ordinance M-3652)

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## FEE STRUCTURE & RATE CALCULATIONS

Park Impact Fee rates are determined for each PIF district by calculating the cost of acquiring and developing parkland necessitated by new development and deducting the impact of taxes and fees currently paid by new home-owners towards park acquisition and development (the cost adjustment factor, or CAF).

$$\text{Acquisition Cost} + \text{Development Cost} - \text{CAF} = \text{PIF}$$

### ACQUISITION COMPONENT

Currently, the per person land acquisition component of the park impact fee is calculated, by PIF District, based on the average assessed value of an acre of vacant,

non-critical land, plus average additional transaction costs, multiplied by the urban park acreage standard (6 acres/1,000 people). This per person rate is then multiplied by the number of people per dwelling unit to determine the single family and multi-family acquisition components.

Acquisition costs are developed using a compilation of the assessed values of vacant/underutilized, non-critical, residentially zoned lands within each of the ten park districts, using the county's vacant lands model. This method was chosen for use in the 2001 Comprehensive Plan update due to consistency with other datasets, large sample size, and the reliability of the Assessment & GIS database. The exclusion of critical lands most closely reflects the current need for neighborhood and community parklands.

Calculations are also based on the following inputs:

- Household population of 2.6 persons per single family unit or duplex.
- Household population on 1.9 persons per multi-family unit.
- Standard of 5 acres of community and neighborhood parks and 1 acre of urban open space per 1,000 residents. Generally, a mixture of 3 acres of community park and 2 acres of neighborhood park is desired to compose the five acre acquisition standard.

## DEVELOPMENT COMPONENT

The development component is constant for each PIF district. The average development cost per acre for neighborhood and community parks is determined by averaging the cost of recent development projects and the estimated cost of near term projects. The average per acre cost is weighted to reflect the varying guidelines for the proportion of

neighborhood to community parks (2 acres/1,000 persons versus 3 acres/1,000 persons respectively). The average cost is then multiplied by the 4.25 acre/1,000 person development standard and the number of persons per dwelling unit to determine the single family and multi-family development component.

For development components of the fee, the inputs include:

- Household population of 2.6 persons per single family unit or duplex.
- Household population on 1.9 persons per multi-family unit.
- Standard of 4.25 acres of developed community and neighborhood per 1,000 residents.
- “Greenspaces” (Level 1) improvements until sites are developed.
- Level 2 development standard for neighborhood and community parks.

## THE COST ADJUSTMENT FACTOR

The Cost Adjustment Factor (CAF) reflects the contribution of other sources of public funds to park development, as the financing system cannot rely solely on impact fees. (RCW 82.02.050 (2) It is intended to meet two statutory requirements. First RWC 82.02.060 (1) (b) requires that a local impact fee include: *(a)n adjustment to the cost of the public facilities for past or 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.*

Second, RCW 82.02.050 (2) provides that, “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.”

Because CAF is intended to address two distinct statutory requirements, a two-step approach to calculating the value of CAF is used:

1. *Revenue-Based CAF*: As a first step, the CAF is calculated based solely on “payments made or reasonably anticipated to be made by new development to pay for particular system improvements.”
  - (a) Identify principles for including a candidate revenue source in the CAF calculation.
  - (b) Survey parks revenue sources and identify specific sources to include. For each included revenue source, estimate the per capita contribution of new development. Combine these contributions into an Acquisition CAF, a Development CAF, and a Total CAF.
2. *Minimum CAF*: As the second step, compare the Total CAF to the total (per capita) PIF in each district. If the Total CAF equals or exceeds the minimum level (recommended at 5% of total PIF) for a district, no further action is needed – the district meets its “minimum CAF” requirement. However, if the Total CAF is less than 5% of a district’s per capita PIF, increase the Acquisition CAF and/or Development CAF by the amount(s) necessary to bring the total to 5%. The allocation of this increase between the Acquisition and Development CAF should be at the discretion of the City Council and Board of County Commissioners, and should be based on their evaluation of the likely availability of public funds for those purposes.

## Revenue-Based CAF Principles

Step One of the CAF Methodology is identification of principles to be used in deciding whether a revenue source should be considered a “payment made or reasonably expected to be made by new development to pay for particular system improvements.” The statute contemplates payments “in the form of user fees, debt service payments, taxes, or other payments earmarked for or proratable to the particular system improvement.” The following principles are recommended as guidelines for determining whether particular revenue streams fall within this category.

1. *Covered System Improvements*: A revenue stream should be included in the CAF calculation only if it supports (i.e. is earmarked for or proratable to) system improvements of a type for which park impact fees are assessed – in particular, the neighborhood parks (acquisition and development), community parks (acquisition and development) and urban open space (acquisition). *Rationale*: the intent of the statute is to prevent “double-charging” new development for system improvements, once via PIF and once via other payments. If a particular cost or facility type is not covered by PIF (i.e. is not included in the standard costs used to compute PIF), there is no possibility of “double-charging.”
2. *System Expansion vs. Repair and Renovation*: A revenue stream should be included in the CAF calculation only if it supports projects which expand the capacity of the parks system as measured against the standards defined in the parks facilities plan; revenues supporting bona fide repair, reconstruction and renovation only should not be included. *Rationale*: PIFs are collected and expended only for the purpose of increasing system capacity, so

this principle is simply a corollary of the preceding one. Moreover, it seems unlikely that the legislature intended to prohibit localities from asking new development to participate, along with the rest of the community, in supporting the ongoing preservation of existing facilities.

3. *Earmarked Revenues:* Revenues formally earmarked for expansion of covered facilities- by statutes, ordinance, or formally adopted local policy – should be included in the CAF calculation.
4. *Proratable Revenues:* Revenues “proratable to particular system improvements” form a potentially much broader category than earmarked revenues, and some judgment is required to determine how broadly the statutory language should be read. As a partial criterion we recommend that a candidate proratable revenue be included in the CAF calculation only if there is a distinct nexus between the occurrence of new development within the community and the subsequent availability of the revenue in question to the community. As a hypothetical example, if the State of Washington were to impose a new tax on development activity, and the proceeds of that tax were redistributed to cities and counties on a per capita basis for parks purposes, then that tax would be included in the CAF calculation – because development in the community (by raising its population) contributes to making the resource available to the community (via the redistribution formula). Conversely, grants awarded on the basis of project-proposal competition, for example, would not be included in the CAF calculation, despite the possibility that new development may indirectly finance some portion of such a program through general federal or state taxes. *Rationale:* It

seems likely that the legislature’s intent in adoption RCW 82.02.060 (1) (b) was to prevent substantial, direct “double-charging” of new development by local governments, rather than to require an immensely complex tracing of marginal payments through the state and federal budgets. The criterion above is offered as a principled way of distinguishing direct “double-charging” from the more roundabout financial linkages.

5. *Reasonably Anticipated:* In some cases, the Parks Department may find it useful to list funding sources in its comprehensive facilities plan which may or may not actually materialize – representing, for example, grants applied for or general fund support requested. We recommend that only revenues “reasonably anticipated” be included in the CAF calculation. The Parks Department may have to estimate the probability of receiving various types of funding to carry out this recommendation. *Rationale:* This is simply in conformity with the terms of the statute.

### Revenue Sources to Include in CAF

The primary source for identifying candidate revenue sources for the CAF calculation is the financial element of the parks facilities plan. That document shows the planned revenue sources for all parks projects in the 2006-2012 timeframe. The following paragraphs summarize the rationale for including or excluding each source, based on the principles outlined above.

- *REET-2:* Include, assuming source is renewed and that it remains earmarked by ordinance for parks development.
- *Greater Clark Parks District:* Exclude, based on Principles 1 and 2. The Greater Clark Parks District is a metropolitan parks

district formed by voters in 2005, which assesses a property tax primarily to provide revenue for the operation of 35 urban-unincorporated parks and 5 trail segments. A limited amount of revenue is available for above-standard development of these parks; however this revenue is not available for the PIF-funded standard Level II development of these parks.

- *City General Fund: Exclude*, based on Principles 2 and 5. Most of the projects listed as general fund-supported represent repair and renovation efforts, which do not increase the capacity of the parks system.
- *County Remediation Payment: Exclude*, as this represents a single lump-sum payment made to the County a number of years ago (~\$2.9 million) from accumulated fund balance. Thus it represents no tax burden on current or future development.
- *CDBG & LAC Grants: Exclude*, on the criteria proposed under Principle 4. Although these grant funds may arguably include some trace amount of tax dollars paid by new development, development itself does not cause these funds to be available to the community.
- *Private Donations: Exclude*, as these are unconnected with any taxes, fees, or other payments imposed on new development.
- *Other Sources:* There are additional funding sources included in the parks facilities plan to finance projects outside the core parks system to which PIF funding is dedicated. Such sources are excluded under Principle 1, i.e. they do not reflect spending on system improvements “covered” by the PIF program.

## CAF Calculations

Of the candidate revenue sources reviewed above, only one is recommended for inclusion in the CAF calculation: REET-2. The following paragraphs outline assumptions and methodologies for this funding source.

### *Real Estate Excise Tax Assumptions*

1. *Continuation of Source:* It is assumed that both the City of Vancouver and Clark County will continue collection of the 0.25% real estate excise tax and that proceeds of the tax will continue to be dedicated, at least in part, to parks purposes. The CAF calculation accounts only for the percentage of REET-2 devoted to parks development.
2. *First Sale:* For the purpose of this calculation, the revenue attributed to new development is the tax collected on the first sale of newly developed residential property. The full value of the first sale is included in the calculation – that is, no attempt is made to estimate and deduct the value of the bare land underlying the new development.
3. *Occupants per dwelling Unit:* Single family dwelling units are assumed to have 2.6 occupants on average, while multi-family units are assumed to average 1.9 occupants. This conforms to the assumptions incorporated in the Parks Facilities Plan.
4. *Single Family vs. Multi-Family Dwelling Units:* According to City and County staff, 78% of residential building permits issued over the past four years have been for single family units, while 22% have been issued for multi-family units. This calculation assumes this mix will continue in the future.

5. *Single Family vs. Multi-Family Population:* Combining assumptions 3 and 4 above, the distribution of population between single family units and multi-family units can be calculated: 83% of new population growth is expected to reside in single family units, compared to 17% in multi-family units. (These figures are more heavily weighted towards single family units because each such unit is expected to house a larger number of occupants than each multi-family unit. *Example:* Given 100 new dwelling units, 78 are expected to be single family and 22 multi-family. We expect the single family units to house  $78 \times 2.6 = 202.8$  residents, while the multi-family units will house  $22 \times 1.9 = 41.8$  persons. The total population will be  $202.8 + 41.8 = 244.6$ . The single family units will house  $202.8/244.6 = 83\%$  of the total population, while multi-family units house  $41.8/244.6 = 17\%$ .)
6. *Multi-Family Unit Sales:* New construction generates REET revenue at the time the newly constructed unit is sold. In the case of single family units, nearly all are expected to be sold prior to occupancy. (This analysis assumes that all single family units are sold prior to occupancy, ignoring builder-owned housing.) However, multi-family complexes (e.g. apartment buildings) may be occupied by new residents – typically renters – without being sold. To take this into account, this calculation assumes that 20% of multi-family units will change hands each year. Over the 2006-2012 period, this implies that 74% of multi-family units will be sold, generating REET revenues at least one time.
7. *Unit Sales Price:* The average sale price of new single family dwelling unit is used, and the average sale price for multi-family

homes is assumed at 50% of single-family. The 50% ratio reflects the ratio of average construction costs for single family and multi-family housing units in the year 2000 (as of the last census) for Vancouver and Unincorporated Clark County, and the assumption that the ratios between construction costs and initial sales price are approximately equal for both types of housing.

#### *Real Estate Excise Tax Calculation*

1. REET per capita (Single Family) equals the median price of a new single family dwelling unit times the tax rate times the percent allocated to parks purposes divided by occupants per dwelling unit.
2. REET per capita (Multi-Family) equals the median price of a new multi-family dwelling unit times applicable tax rate times the percent allocated to parks purposes divided by occupants per dwelling unit, times turnover rate (see assumption 6).
3. Average REET per capita: REET per capita (Single Family) times percentage of new population in single family housing plus REET per capita (Multi-Family) times percentage of new population in multi-family housing.

This calculation yields an average REET-2 revenue amount for each jurisdiction per new resident. This is then multiplied by the average number of people per household to determine average single family and multi-family CAF rates. This calculated CAF must be compared to the 5% of total PIF minimum, and the greater of these deducted from the PIF development rate.

TABLE J-1: CURRENT PARK IMPACT FEE RATES (2006)

PIF	Clark County (VUGA)				City of Vancouver			
	Per Capita Rates		Unit Rates		Per Capita Rates		Unit Rates	
	Acquisition Rate	Development Rate	Single Family (2.6 persons)	Multi Family (1.9 persons)	Acquisition Rate	Development Rate	Single Family (2.6 persons)	Multi Family (1.9 persons)
1	\$651	\$169	\$2,133	\$1,558	\$651	\$74	\$1,885	\$1,377
2	\$857	\$169	\$2,668	\$1,949	\$857	\$74	\$2,420	\$1,768
3	\$708	\$169	\$2,282	\$1,667	\$709	\$74	\$2,034	\$1,487
4	\$599	\$169	\$1,998	\$1,460	\$599	\$74	\$1,750	\$1,279
5	\$523	\$169	\$1,799	\$1,314	\$523	\$74	\$1,551	\$1,133
6	\$424	\$169	\$1,543	\$1,127	\$424	\$74	\$1,295	\$946
7	\$556	\$169	\$1,885	\$1,377	\$556	\$74	\$1,636	\$1,195
8	\$523	\$169	\$1,800	\$1,315	\$523	\$74	\$1,552	\$1,134
9	\$606	\$169	\$2,016	\$1,472	\$606	\$74	\$1,768	\$1,292
10	\$421	\$169	\$1,534	\$1,120	\$421	\$74	\$1,285	\$939
<i>Avg</i>	<i>\$587</i>	<i>\$169</i>	<i>\$1,966</i>	<i>\$1,436</i>	<i>\$587</i>	<i>\$74</i>	<i>\$1,717</i>	<i>\$1,255</i>

\*The current fees charged by Vancouver and Clark County were last updated in 2004 and 2002, respectively.

## FUTURE PIF RATE REVIEW

### RATIONALE FOR REVIEWING RATES

The current fees charged by Vancouver and Clark County were last updated in 2004 and 2002, respectively. Updating park impact fees will reflect changes in the costs of land acquisition and construction. Updating the rates will also fulfill the responsibility of the county and city to ensure new development pays a proportionate share of the park acquisition and development costs related based on the adopted service standards.

The value of land, and therefore the cost of park acquisition, has risen since park impact fees were last set or adjusted. Development costs have also increased over the past few years, largely due to increases in material costs. Since 2004, material prices in general have increased 25-30%, and some common park construction materials, like asphalt and concrete, have increased over 75%.

### POTENTIAL METHODOLOGY CHANGES

The following methodology changes may be considered in the next rate review.

- Updated urban park acquisition and development costs should be developed and used in future rate updates.
- In prior rate calculations, “greenspaces” or “Level 1” development, to reduce liability and maintenance costs and allow neighborhood use; was included in the development cost calculation. However, this level of development generally occurs immediately after land is acquired, whereas development may occur years later. As this development is associated with basic upkeep of an acquired site prior to development, its costs should be included in the acquisition, rather than the development, component of the fee.
- Updated CAF calculations to reflect changes in the median home sale prices and the relative percentage of other public funds dedicated to parks purposes.

- Indexing the park impact fee may promote gradual changes on a yearly basis, rather than more significant modifications at multi-year intervals. However, choosing cost indexes that accurately reflect cost

fluctuations in land value and construction costs may be difficult. A combined strategy of indexing and more frequent rate evaluations may be a reasonable way to approach future rate updates.