

Transportation Planning Advisory Committee (TPAC)

Meeting Minutes
May 19, 2009, 7-9pm,
Fairgrounds Training Center

TPAC Members Attending – Annie Humiston, Linda Berry-Maraist, Jay Spady, Ralph Marsh

Visitors – Art Castle, Gary Lindsey, Andrzej Kasiniak

Kitsap County Staff – Jim Rogers, Bill Zupancic

The following documents were handed out at the meeting:

- March 17, 2009 Meeting Minutes
- List of TPAC Members appointed by the BOCC
- PSA posted on County's website calling for filling 3 vacancies on the TPAC
- Draft recommendation to BOCC recommending 10 'shovel-ready' projects
- TPAC Bylaws
- KC Code Chapter **4.110** "Impact Fees"
- KC Code – Title 4, Appendix 2 – Road Impact Fees Table
- Clark County Current Impact Fees Cheat Sheet
- Pertect Engineers 'Impact Fees' city comparisons
- Pierce Co. Guide to Traffic Impact Fees for Single Family Residences
- "Change Is Gonna Come" document from Traffic Technology International

Welcome and General Information

Jim led off by letting the committee know that due to a shift in workloads and his need to concentrate on his Traffic Modeling efforts, Bill Zupancic was now going to be taking over the duties of TPAC administration. Jim will continue to attend meetings, but from this point on all correspondence, emails, etc., should be directed to Bill.

Bill Zupancic brought the meeting to order and welcomed the committee members and introduced guest presenters, Art Castle, Executive Vice President of the Home Builders Association and Andrzej Kasiniak, Assistant Public Works Director for the City of Poulsbo along with previous TPAC committee member, Gary Lindsey, all of whom would be speaking on the evening's topic: Traffic Impact Fees.

Terms for members Shane Phillips (District 1), Gary Anderson (District 2) and Gary Lindsey (District 3) all ended during the month of March. Bill pointed out that a Public Service Announcement from the office of Jan Koske, County Volunteer Services Coordinator, had been posted on the County's website on May 8 seeking replacements for the three vacated positions.

Bill pointed out that due to the sparse attendance, a 'quorum' was not present to approve the March 17, 2009 minutes. Further, the only *old* business of the evening, i.e., the recommendation to the BOCC that the Public Works Department maintain at least ten 'shovel-ready' projects at all times in order to take advantage of future grant funding opportunities, this too can not be acted upon. Both the March meeting minutes and the discussion of the *old* business would have to be deferred until the July meeting.

Traffic Impact Fees

(Due to the rather detailed history, facts and opinions expressed by Art Castle, we have chosen to reprint most all of his presentation. This, coupled with the fact that so many members were absent, we thought this may be beneficial to all. It should be noted that not all facts and figures have been vetted by County staff for accuracy, nor do some of the opinions expressed necessarily reflect official county policy)

Art Castle began his presentation with a brief history and background of Traffic Impact Fees (TIF) beginning with the 1982 legislation prohibiting jurisdictions from collecting these fees. Instead, the legislature dedicated one-quarter percent (0.25%) of the Real Estate Excise Tax (REET) for infrastructure needs. This legislation was not very 'tight' and subsequently litigation broke out. (It was deemed that some jurisdictions were inappropriately using these funds.)

The 1991 Growth Management Act (GMA) repealed the prohibition of Impact Fees and subsequently authorized their collection and added an additional one-quarter percent bringing the total to one-half percent (0.50%) of the REET. GMA put much tighter controls, criteria and restrictions on the use of these funds for infrastructure. So, there were two one-quarter percent taxes. Therefore a half of a percent of every real estate transaction was dedicated through this legislative action for infrastructure. This could also be used for park acquisition. The first quarter percent is a lot more open as long as it's in the Capital Facilities Plan (CFP). The second quarter has to be for park acquisition, roads, sewer, schools and these types of things.

When Growth Management authorized impact fees it made them interim fees and a process was created that required that the jurisdictions look at their CFP, usually through a consultant process, because there were numbers that had to be justified. Kitsap County did not begin to collect TIF until 2001, and then ending in the summer of 2003. At this time came the first major update since the 'interim' fees began in the early 90s. During that process they adopted an Ordinance raising impact fee levels. However, the Commissioners came back, yet again, and revisited the ordinance. One of the things they did was to take a portion of the REET and actually dedicate it to transportation and lowered the TIF back to the initial fee levels.

The county used a portion of the first one-quarter percent for various things such as the Norm Dicks Governance Center and the new Administration building. The first one-quarter percent was broad enough to be authorized for such use and that is how the bonds were backed.

The Home Builders Association is not a fan of TIF. It is felt that these fees are regressive. They do a lot of negative things, both to the price of housing and commercial development and are a huge disincentive. They are legal so they have become politically popular so there are a number of jurisdictions that have them. Currently there are only two jurisdictions within the county that have them, i.e., Poulsbo and Kitsap County. In most states, water and sewer hookups fees, connection fees and system fees are considered impact fees. So here in the County, with the combined impact fees for roads, parks and schools added to the sewer and water connection fees you are looking at some large fees – particularly in the larger commercial developments.

Another concern is the national model that is used for trips per household. The ITE (Institute of Traffic Engineers) Trip Generation Manual uses 10 vehicle trips per day per single-family residence. Further, this model has as an underlying premise 4 persons per household when calculating the density share of impact fees. It's questionable just how valid this might be, but it is nevertheless the national standard. Here in Kitsap County we are rapidly approaching 2.6 persons per household. It's easy to say that in a perfect world we are collecting a thousand dollars, so let's collect two or three thousand dollars, or more so that we can pay for everything. You reach a point of diminishing returns that also affects housing affordability. You can also see what is happening in the market. When construction started to slow down is when local and state budgets started hurting. As the recession continued to affect other parts of the economy, such as the auto industry, this is when government really began to feel the pain.

The last time there was a detailed analysis concerning the County's TIF process, I looked at just three revenue sources: **1.** The REET; **2.** The property tax bump in the year of construction change from an unimproved lot to an improved lot with a house or commercial building, and; **3.** Sales tax. Sales tax is important because here in Washington we are one of just a handful of states that collect sales tax on both materials and labor. Most states just collect on material. In 2001 here in Kitsap County – which was not a particularly high-activity year – the County collected over \$50 million dollars in revenue for construction related activities. Keep in mind though, that two-thirds of that goes to the state and one-third to local jurisdictions.

The numbers we use for calculating sales tax and the property tax bump with the building permit valuation table, which are generally low, so those numbers were probably substantially lower. In the years when the market was really hot those numbers probably came close to approaching a \$100 million dollars in Kitsap County and that was only using those three revenue sources – and not including impact fees and other fees and other taxes. So it's not that the building industry does not pay a substantial portion of taxes. As I said, it was when the construction market started slowing down is when local government started feeling the pain.

I have some issues with the TIF, but they are legal and our local elected officials get to make those choices. If the local electeds wish to revisit the issue they must go through the process – and there is a process that must be followed that would involve all the stakeholders. The last time the TIF Ordinance was revisited the Commissioners hired a

consultant to come in and there was about a six or seven-month process with the different stakeholders and all the different opinions to work through all the issues and ultimately make recommendations to the Commissioners.

Andrzej Kasiniak: With regard to Traffic Impact Fees Poulsbo needed to make two decisions, both of which were policy decisions. First, do we want to have impact fees? The answer to this first question was ‘yes.’ The second question was: What kind of LOS do we want to adopt as an acceptable Level of Service? On the heels of these two decisions it is all a mathematical calculation. We first must calculate the number of future trips generated by the new development. The consultants told us which roads would be impacted and how we were to maintain an acceptable level of service. From those points we proceeded with a couple of assumptions in order to derive a mathematical formula.

When Poulsbo went through this impact fee process a couple of years back we derived a mathematical formula which placed impact fees at around six-thousand dollars per single family unit – or around \$500 to \$600 per trip. After the city’s Comprehensive Plan is complete the fees will be raised from the current fee of around \$3K to the \$6K level. The city has it’s own traffic model and this model allowed only the use of the 6-Year TIP to include in the cost of the project we are planning to execute within the next 6 years. The present system depends on project location, e.g., traffic fees are higher if the project is in the vicinity of S.R. 305 or on Viking Way, as opposed to being located at the outer edge of the city.

The breakdown of the costs for infrastructure is as follows:

40% improvements by developer
40% Traffic Impact Fees
20% Grants & other

The new Impact fees will be about \$6,000 per house

In the future traffic impact fees will be the same all across the city.

Discussion

Jim Rogers pointed out the map showing Kitsap’s 4 Traffic Analysis Zones which had been previously handed out to the TPAC. When impact fees are collected they go into the particular zone where the project lies. There are a number of capacity projects projected for 2025. The red lines represent levels of services deficiencies out to 2025. The TPAC has asked for costs by areas and those are the figures you see there.

There was discussion regarding the various types of models used, some very simple and yet others very complex and intricate. The discussion then moved on to percent of developer SEPA mitigation combined with impact fees and other funding, i.e., grants, road funds, etc.

Questions arose concerning the modeling forecast. Because we are in a 'new' economic model, do the traffic models account for this? Jim responded that there are some economic factors like income but for the most part the model is based on population and employment and where that population and employment is located.

Gary felt that Impact Fees should be higher until he realized that with SEPA mitigation, in addition to Impact Fees, the county was probably getting enough. [Note: SEPA mitigation results in a reduction of TIF] The SEPA mitigation can take care of quite a bit of the development impact. It was pointed out that much of our system is already 'broken' and future development cannot be expected to fix already existing problems. As a society we have failed to invest in our infrastructure at needed levels for the past few decades.

At this point we had some audio difficulties and experienced a gap in the ensuing discussion. Fortunately, we noticed that we weren't recording and was able to pick up the tail end of the discussion. We have created an audio file for posting at the County's TPAC website for anyone interested in listening to the remaining discussion.