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 2026 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 the local 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 projects that are designed to serve new growth and not fix existing deficiencies. Both motorized and nonmotorized improvements are potentially eligible
- Addresses "system" wide impacts
- Must be generally proportional to impacts of development
- Provides funding for the City's Capital Improvement Program
- Funds assessed for several improvement needs can be "pooled" to address City's priority projects

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, in addition to the required on-site roadways, the City requires improvements to ensure 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 and comprehensive plans. Frontage Improvements can apply to both vehicular and non-motorized facilities. The basis for these requirements is set forth in the City's Comprehensive Plan policies under goals TR-1 and TR-9.

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

- Address on-site transportation and safety impacts
- Ensure that new development is served by adequate roads
- Developer is 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 used to review and mitigate impacts of projects within the immediate and nearby vicinity. SEPA as applied to transportation is typically used to mitigate a development's significant adverse impacts on the transportation system in terms of nonmotorized accommodation, capacity and/or operations that are not already mitigated through development regulations and frontage improvement requirements.

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
- Mitigation must have nexus and proportionality to project's impacts
- Pooling 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 shall 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 transportation improvements or programs needed shall 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-1, 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 ensure 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) Request an adjustment based on circumstances that make the standard impact fee unfair or unjust (Section 3.86.120).
4) For single-family residential impact fees, the developer may request a deferral (Section 3.86.135).
5) Appeal the impact fee calculation by the City of Poulsbo. (Section 3.86.160).
6) Obtain a refund if the development does not proceed and no impacts are created (Section 3.86.180).
7) Obtain a refund if the City of Poulsbo fails to expend the impact fees within the prescribed timeframe (Section 3.86.160).

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 Capital Facilities Plan found in the 2009 Comprehensive Plan.

The 2026 Transportation Impact Fee Update is based upon the 2024 Comprehensive Plan Capital Facilities Plan and a 2024 update to the Transportation Functional Plan, with adjustments for estimated public funding.

III. 2024 Transportation Functional Plan Update – Basis for Impact Fees

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 2024 Transportation Functional Plan Update and the adopted Comprehensive Plan discuss Level of Service (*reference: 2024 Transportation Functional Plan Update p. 3-11 and City of Poulsbo 2024 Comprehensive Plan Transportation Element p. 42-44.)* As discussed in both 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 2024 Transportation Functional Plan Update and summarized in the 2024 Comprehensive Plan's Capital Facilities Plan (*reference: 2024 Transportation Functional Plan Update p. 3-1 through 3-24*).

The next evaluation completed in the 2024 Transportation Functional Plan Update was to evaluate the City's transportation network with the projected 2044 travel demand due to City's population allocation and employment/commercial growth, while maintaining the LOS standard. This analysis resulted in a list of capital improvements needed to be implemented as growth occurs, to ensure maintenance of the identified LOS E standard. This evaluation provided the basis for the "2044 Transportation Facilities Improvement" section in the 2024 Comprehensive Plan's Capital Facilities Plan (*reference: 2024 Transportation Functional Plan Update p. 6-1 through 6-10 and City of Poulsbo 2024 Comprehensive Plan Section 2, Chapter 13 Capital Facilities Plan*)

C. Forecast Funding Needs

In the 2024 Transportation Functional Plan Update, the funding required for improvements

needed to meet the forecast growth are calculated. The plan identified $64.5 million for existing roadway segment improvements, intersection improvements, active transportation improvements complete streets improvements and TDM, Transit and Trail projects that are to be City projects funded with a combination of public and private contributions (not including developer funded new roadway segments). Of the $64.5 million, $50.5 million in projects have been determined to be projects responding to growth and eligible for partially funding with Transportation Impact Fees.

It is forecast that the City anticipates able to contribute $20.8 million through a variety of funding sources including taxes, grants and other agency assistance for the transportation capital facilities program for TIF eligible projects, thereby leaving a total of $29.8 million to be funded by development through impact fees and frontage improvements. Reference attached Traffic Impact Fee calculation spreadsheet.

D. Forecast Transportation Growth

The City's future traffic growth has been forecast on a 20-year timeline, starting 2024 and is based on the City's 2044 population allocation of 18,149 (*City of Poulsbo 2024 Comprehensive Plan, Table LU-1 pg 13)* and the net total undeveloped acreage that is zoned for non-residential development.

The 2024 Transportation Functional Plan Update identified predicted growth from 2024 to 2044 in Poulsbo in terms of average daily trips as a gross growth of 64,163 daily vehicle trips. Of that amount, 19,213 trips are derived from residential growth and 44,950 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 33,712 daily trips. Thus, the net basis for allocating costs via impact fees is the sum of 19,213 residential-based trips and 33,712 net new commercial-based trips, or 52,925 net new daily trips.

IV. 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 2044 anticipated population growth. These projects were based on the 2024 Transportation Functional Plan Update, with some projects removed that had been completed. The

comprehensive plan identifies five types of facility improvements:

- Roadway preservation
- Local street and intersection improvements
- Safety improvements
- Complete Streets and active transportation projects
- New roads (developer initiated and funded)

The projects are described in Chapter 6. Planned City projects are shown on figures 6-1 and 6-2 and in Table 6-1. The 2044 required new roadway segments identified on Figure 6-2 and in table 6-1 are necessary due to new residential development in the underdeveloped areas of the City and therefore would be completed by developers under the requirements of development regulations and frontage improvements, not impact fees.

The projects listed in Table 6-1 "Six and Twenty-Year Project Lists" represent an estimated $89.6 million of transportation improvements to the City's roadways and intersections:

• Developer funded road projects NR-1 through NR-14	$25.9 million
• Local Streets projects	$27.0 million
• Complete Streets and active transportation projects	$24.9 million
• Roadway preservation RP1 through RP-7	$9.15 million
• Safety projects S-1 through S-4	$2.65 million
• Portion of new Public Works Facility	$0.75 million
Total	**$90.4 million**

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, channelization, 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 2024 Transportation Plan Update Appendix D.

B. Transportation Improvement Costs to be paid by new development

The total 2044 City capital transportation improvement costs of $90.4 million consists of $35.9 million in project costs not directly related to growth impacts that are not eligible for funding by transportation impact fees and $50.5 million in project costs attributable to growth impacts that are eligible for funding by transportation impact fees. These eligible project costs 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 for TIF eligible projects.
   The City anticipates contributing $20.8 million through a variety of funding sources including taxes and grants over the 2044 planning period.

   State/Federal/other Grants: $17,800,000
   Fund 311 and other sources: $ 3,000,000

   Total 2044 Estimated Public Funding: $20,800,000

2. Adjustment Factor.
   Based on the City's predicted public funding sources over the 2044 planning horizon of $20.8 million, the City anticipates financing 41% of the needed transportation facility improvements eligible for impact fee funding, with the remaining 59% to be funded by transportation impact fees. (Note that the 2019 TIF technical document funded 58% of the capital program with TIF).

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

Transportation Improvement project costs to be partially funded by impact fees: ***50.5 million***

Predicted Public Funding Sources: ***$20.8 million***

Remaining balance to be funded by developer contribution: ***$29.75 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

$29,750,000/52,925 new trips = **$562.11 per daily trip – round to $562**

VI. Calculation of Impact Fee for New Developments

The transportation impact fee to be paid by new development shall be calculated by multiplying $548 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 described in Section 1(B) and allowed by the Transportation Impact Fee Ordinance, a developer may elect to prepare an independent fee calculation study for a proposed development per the requirements in Section 3.86.130 or request an adjustment per the criteria in Section 3.86.120.

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.

VII. Cost Indexing of Impact Fee

Per PMC 3.86.090(F) the City has the authority to adjust the transportation impact fee annually via 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.