

UNDERSTANDING IMPACT FEES

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City Council Workshop



CITY OF POULSBO

COMPREHENSIVE PLAN



PURPOSE

- Provide overview of impact fee framework
- Summarize existing programs : Transportation and Parks
- Introduce Fire Impact Fee
- Policy Considerations
- Next Steps

WHAT ARE IMPACT FEES?

Impact fees are one-time charges assessed by a local government against a new development project to help pay for new or expanded public capital facilities that will directly address the increased demand for services created by that development.


Core Principles:

- Growth should pay for the infrastructure it requires, rather than shifting that burden to existing residents.
- Fees must be:
 - Proportionate to the impact of development
 - Tied to system-wide capital improvements
 - Based on adopted plans and technical analysis

LEGAL REQUIREMENTS OF IMPACT FEES

RCW 82.02.050–
.090

State law requires impact fees to:

- Be based on adopted Level of Service standards
 - Be supported by a technical rate study
 - Fund only growth-related capital facilities
 - Be proportional to the development's impact
 - Be spent on projects identified in the Capital Facilities Plan (CFP)
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CFP/LEVEL OF SERVICE



Exhibit CFP-2: City of Poulsbo Level of Service Standards	
Capital Facility/Service	Level of Service
Water System	A flow volume that meets instantaneous demand together with projected fire flows.
Sanitary Sewer	A level that allows collection of peak wastewater discharge plus infiltration and inflow.
Storm Water	Manage and maintain the City-owned municipal separate storm sewer system (MS4) in compliance with all regulatory and operational requirements of the Western Washington Phase II Municipal Stormwater Permit.
Transportation	The transportation LOS is established to identify the need for growth-related transportation programs and projects, as well as those that serve people already living and working in Poulsbo. The transportation concurrency requirement ensures that these programs and projects are implemented proportionally with the level of growth and serve to implement the City's Land Use Plan. Transportation LOS standards are contained in the Transportation Chapter, Policies TR-2.1, 2.2 and TR-2.9.
Parks	Citywide: 13.73 acres per 1,000 population Neighborhood parks: 2 acres per 1,000 population Community parks: 3.5 acres per 1,000 population Regional parks: 1.5 acres per 1,000 population Open space parks: 6 acres per 1,000 population Trails: 1 mile per 1,000 population
Police Protection	Facilities, equipment, and personnel sufficient to meet the demand for police protection and service for the residents and businesses located within the city limits.
Solid Waste	Weekly curbside refuse collection for single-family residences. Provide daily to every other week collection from multi-family and commercial buildings.
Fire/EMS	The Poulsbo Fire Department has established emergency response time level of service objectives to measure the ability of emergency response crew to arrive and begin mitigation efforts to prevent brain death in a cardiac arrest and flashover in a structure fire. Poulsbo Fire Service Level Objective is less than 6:00 minutes and 8:00 minutes 90% Fractual Total Response Time (TRT) for initial apparatus.


*Level of Service (LOS):
A measurable standard that defines the amount and quality of public facilities needed to serve a given population or level of demand.*

WHY IMPACT FEES MATTER


- Impact fees are a primary tool to ensure infrastructure keeps pace with planned growth.
- They help maintain adopted levels of service for roads, parks, and other facilities.
- Without impact fees:
 - The cost burden shifts to existing taxpayers
 - Infrastructure improvements may be delayed or underfunded
 - Service levels may decline over time

WHAT CAN IMPACT FEES BE USED FOR?

[RCW 82.02.050](#)-.110 and [WAC 365-196-850](#) authorize counties, cities, and towns planning under the [Growth Management Act](#) to impose impact fees for:

- Public streets and roads, as well as bicycle and pedestrian facilities that were designed with multimodal commuting as an intended use;
 - Publicly owned parks, open space, and recreation facilities;
 - School facilities; and
 - Fire protection facilities.
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WHAT CAN IMPACT FEES BE USED FOR?

- These impact fees may only be imposed for “**system improvements**” which are defined as public capital facilities in a local government’s capital facilities plan that provides service to the community at large (not private facilities), are reasonably related to the new development, and will benefit the new development (WAC 365-196-850).
 - Impact fee revenues cannot be used to help pay for a specific capital project if that project is not listed or referenced within a comprehensive plan’s capital facilities element, per RCW 82.02.050(5).
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SYSTEM IMPROVEMENTS




Exhibit CFP-15: Poulsbo Transportation Improvement Projects	
Transportation Improvements	Description
Roadway Preservation Projects	
10 th Avenue Overlay	Maintains road surface and functionality and improves ADA features
Finn Hill Overlay	Maintains road surface and functionality
Hostmark Overlay	Maintains road surface and functionality
7 th Avenue Overlay	Maintains road surface and functionality
Local Street Maintenance Program	Additional streets identified through budget prioritization; maintains road surface and functionality
Local Streets Improvements	
Front Street Improvements	Improves roadway, traffic calming, pavement reconstruction and pedestrian enhancements.
3 rd Avenue – Moe to Hostmark	Road reconstruction, curb, gutter, sidewalk, parking and stormwater improvements.
8 th Avenue Improvements (near NE Lincoln Road)	Improve safety and traffic operations
Mesford Avenue Improvements	Improve pedestrian safety and access within school zone
Noll Road Improvements – Phase III	Increases roadway capacity and improves safety
8 th Avenue Realignment	Improves safety and transit access; improves intersection controls
Hostmark at Caldart	Mini roundabout to improve operations and safety
Noll Road at Hostmark	Mini roundabout to improve operations and safety
Transportation Demand Management	Strategies to improve intersection control, reduce speeds
Safety Improvements	
Citywide Safety Improvements	Improve pedestrian safety, access and accommodations for all users
ADA Curb Ramp upgrades	Improve pedestrian safety, access and accommodations for all users
Active Transportation and Complete Streets Projects	
7 th Avenue Improvements (SR 305 to NE Iverson Street)	Fill sidewalk gaps and remove two-way left-turn lane (TWLTL) to provide standard (5'-6') bike lanes on both sides of the street.
8 th Avenue Improvements (NE Lincoln Road to Hostmark)	Fill sidewalk gaps and implement advisory bike lanes (~5') using low-cost striping and signage.
10 th Avenue Improvements (NE Forest Rock Lane to NE Lincoln Road)	Fill sidewalk gaps, reduce travel lane widths, and consider repurposing some on-street parking to create new space for standard (5'-6') on-street bike lanes.
NE Lincoln Road (NE Iverson Street to NE Hostmark Street)	Fill sidewalk gaps along NE Lincoln Road.

Exhibit CFP-21: Parks Land Acquisition and Development Projects	
Land Acquisition	Capital Improvement
Public Works Properties	The Public Works Department will be moving from its existing site to a new site in the next two years (2022-2023). Acquisition of the existing Public Works properties could add approximately 3 acres to Centennial Park. In addition to restoration activities to South Fork Dogfish Creek and parkland expansion, the acquisition of this new property will enable the city to better manage storm water in the flood-prone area and could possibly be home to new recreational opportunities.
Additional Land to Poulsbo Fish Park	The city wishes to continue acquiring additional parcels as they become available along Dogfish Creek and its estuary for the purpose of habitat restoration and salmon rearing. Existing partnerships with the Suquamish Tribe and various organizations and non-profits will continue to benefit this project.
East Poulsbo	A number of future residential developments are expected to develop within the eastern city limits and would benefit from new Neighborhood Parks. Parks should be 2 to 5 acres in size. No specific parcel has been identified.
West Poulsbo	A number of future residential developments are expected to develop within the western city limits and would benefit from new Neighborhood Parks. Parks should be 2 to 5 acres in size. No specific parcel has been identified.
East Liberty Bay Shoreline Property	Acquisition of parcels located along Fjord Drive to provide beach access and shoreline trail connections.
Johnson Creek	Acquisition of undeveloped parcels along Johnson Creek and within the city limits. This project would acquire property or easements for future trail connections along the corridor.
Shoreline Property North Front Street	Acquisition of .69 acres of steep shoreline property just south of Liberty Bay Auto to add to Liberty Bay Waterfront Trail.
Vista Park	Acquisition of undeveloped tracts, easements and/or parcels of land along the ridge in College Market Place, in order to take advantage of surrounding views and enhance pedestrian access.

WHAT CAN'T IMPACT FEES BE USED FOR?

- Impact fees *may not be used to correct existing deficiencies.*
 - For example, park impact fees collected from new housing can be used to purchase new park land or construct additional recreational facilities needed to serve the increased population. However, these fees cannot be used to upgrade existing parks simply to address current overcrowding or past underinvestment.
 - For example, if a public works maintenance facility was designed and constructed to address both existing deficiencies (e.g., 60%) and future growth needs (e.g., 40%), impact fees could be used to pay for up to 40% of the debt service on the bond issued for that facility.
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DETERMINING IMPACT FEE RATES

- Local governments must adopt an impact fee schedule for each type of development, based on a defined formula or calculation (RCW 82.02.060).
 - Fee calculations must consider the cost of new facilities required to serve growth, as well as the value of existing system improvements.
 - The methodology must account for past or anticipated contributions from development and other available public funding sources.
 - Fees must reflect how infrastructure has been or will be financed to ensure proportionality and avoid double-charging.
 - Impact fee schedules should be updated periodically to reflect changing costs, and while not required, public input is often advisable when adopting or increasing fees.
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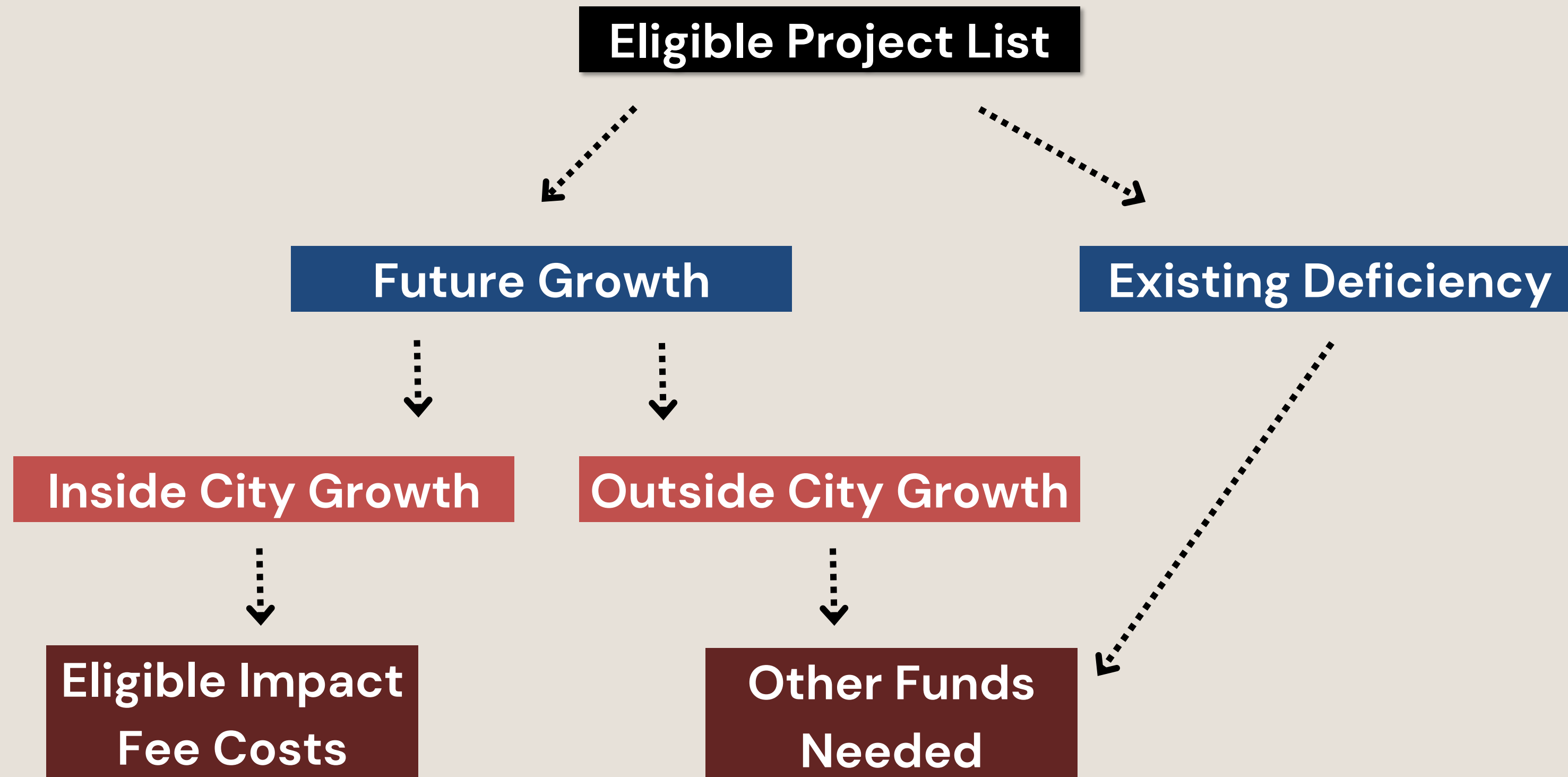
OTHER

- Local governments must have additional funding sources for a capital project and may not rely solely on impact fees to fund the improvements (RCW 82.050.050). While state law does not specify the split between impact fee and non-impact fee funds, the cost of an eligible capital project or improvement cannot be 100% paid for with impact fee monies.
- Impact fees must be expended or encumbered within 10 years of receipt unless there is a written finding of an “extraordinary and compelling reason” for fees to be held longer ([RCW 82.02.070](#)). Unused fees must be refunded to the current owner of the property on which an impact fee has been paid (RCW 82.02.080).

2023 LEGISLATIVE AMENDMENTS

- ESSB 5258, effective on July 23, 2023.
 - Amended RCW 82.02.060 to detail that impact fees must be calculated to reflect the proportional impact of new housing units based on one of the following metrics to produce a lower impact fee for smaller housing units: square footage, number of bedrooms, trips generated.
 - ESHB 1337, effective on July 23, 2023.
 - Added a new section to RCW 36.70A.681, which details that impact fees imposed on ADUs may not exceed 50% of the impact fees that would be imposed on the principal unit.
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RATE STUDY METHODOLOGY (GENERAL)



SCHOOL IMPACT FEES



SCHOOL IMPACT FEES

- School impact fees must be used for “school facilities” that are addressed by a capital facilities plan element of a comprehensive plan adopted under the GMA (RCW 82.02.050(4) and RCW 82.02.090(7)). Typically, school impact fees apply only to residential construction or the residential portion of a mixed-use building or development.
- School districts are responsible for expending the impact fees but are not authorized to collect them. As a result, school impact fees require cooperation between school districts and the cities, towns, or counties administering the program. This cooperation should take the form of an interlocal agreement (ILA) that specifically identifies each party’s role.
- Poulsbo does not currently collect school impact fees and NKSD has not made a request.

TRANSPORTATION IMPACT FEES



TRANSPORTATION IMPACT FEES

- Transportation impact fees must be used for “public streets, roads, and bicycle and pedestrian facilities that were designed with multimodal commuting as an intended use” that are addressed by a capital facilities plan element of a comprehensive plan adopted under the GMA.
- Examples include: Intersection improvements, Road widening, Signalization.
- Bicycle and pedestrian facilities that were designed with multimodal commuting as an intended use would include any bike trail/lane/path, sidewalk, or any other multimodal trail/lane/path, whether on-street or off-street, as long as it is publicly owned or within the public right-of-way and connects two or more destinations.
- Since impact fees are restricted to capital facilities, they cannot be used to fund transportation studies or operating and maintenance costs.

HOW DEVELOPMENT IMPACTS TRANSPORTATION

New Residential Development

- A new subdivision or apartment complex generates daily trips from residents commuting, shopping, and accessing services.
- These trips increase demand on nearby intersections and the broader roadway network.

Change of Use (Existing Building)

- When an existing building changes to a more intensive use, it may generate additional trips.
- For example:
 - A small office converting to a restaurant.
 - A warehouse converting to retail.
- Impact fees are typically applied to the net increase in trips, not the entire building.

Expansion of an Existing Use

- Adding square footage to an existing commercial building can increase trip generation.
- Fees are based on the additional trips created by the expansion.

HOW DEVELOPMENT IMPACTS TRANSPORTATION

Mixed-Use Development

- May generate fewer overall trips than separate uses.
- For example, residents walking to on-site retail reduces external vehicle trips.
- Some methodologies account for internal trip capture, reducing the fee accordingly.

Bypass / Pass-By Trips (Retail Context)

- Some commercial uses capture trips already on the roadway (e.g., someone stopping at a coffee shop on their commute). These are referred to as “pass-by” or “diverted” trips.
- Impact fee methodologies account for this by reducing the total trip count attributed to the development.

Drive-Thru Example

- A driver already traveling on the roadway pulls into a fast-food drive-thru and then continues on their route
- This is considered a pass-by trip because the primary trip would have occurred regardless
- The impact fee methodology reduces the total trip count to reflect this

TRANSPORTATION IMPACT FEE METHODOLOGY (OVERVIEW)

- Transportation impact fees are based on a cost per trip approach, tying fees directly to the demand new development places on the system.
- The City identifies transportation improvements needed to serve growth through the Capital Facilities Plan.
- The total cost of these growth-related improvements is calculated and adjusted to account for other funding sources.
- Future growth is translated into projected vehicle trips using land use assumptions and ITE trip generation data.
- The result is a cost per trip, which forms the basis for the fee.

HOW THE FEE IS APPLIED TO DEVELOPMENT

- Each development pays based on the number of trips it is expected to generate.
- Fee = Cost per trip × Trips generated by land use.

Refinements to Ensure Proportionality

- Fees are based on net new trips (e.g., change of use or redevelopment).
- Adjustments are made for:
 - Pass-by trips (existing traffic already on the roadway).
 - Internal capture (mixed-use developments).
 - Credits are provided when developers construct system improvements.

TRANSPORTATION IMPACT FEES IN POULSBO

- Adopted in 2011 – ORD 2011-16
- Updates 2016, 2017, 2019, 2025
- Codified in PMC 3.86
- Based on Comprehensive Plan and CFP
- Approximately \$564 per average daily trip
- Current:
 - \$5,126.75 per Single-Family Unit
 - \$3,801.36 per Multi-Family Unit
 - \$2,563.3 per ADU

Chapter 3.86 TRANSPORTATION IMPACT FEES

Sections:

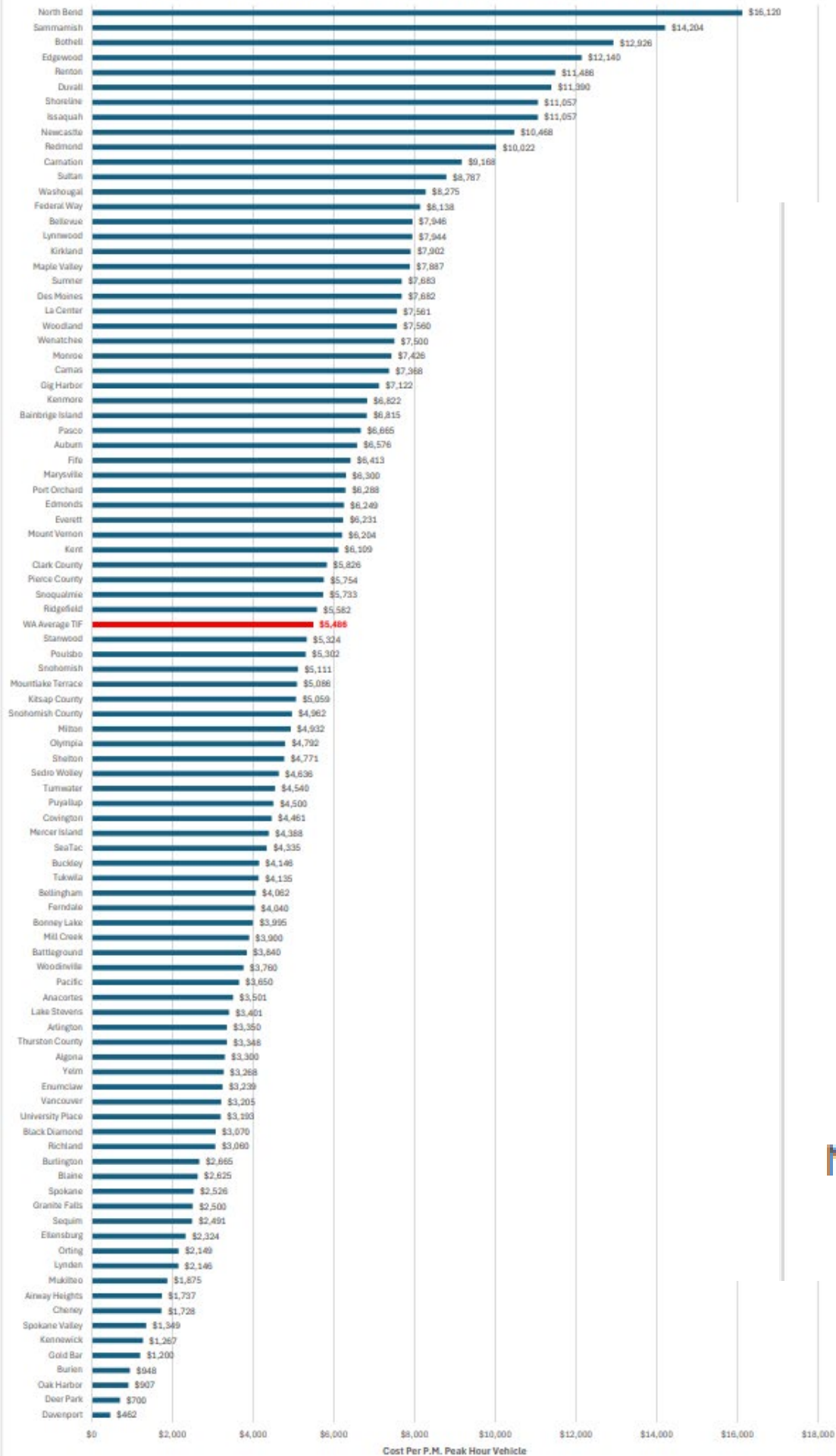
- 3.86.010** Short title.
- 3.86.020** Findings and authority.
- 3.86.030** Purpose.
- 3.86.040** Definitions.
- 3.86.050** Applicability.
- 3.86.060** Geographic scope.
- 3.86.070** Service area and level of service.
- 3.86.080** Imposition of transportation impact fees.
- 3.86.090** Calculating transportation impact fee amount.
- 3.86.100** Exemptions.
- 3.86.110** Credits.
- 3.86.120** Adjustments.
- 3.86.130** Calculation of impact fees based upon independent study.
- 3.86.135** Deferral of single-family residential impact fees.
- 3.86.140** Payments under protest.
- 3.86.150** Appeals.
- 3.86.160** Impact fee accounts and expenditures.
- 3.86.170** Impact fee refunds.
- 3.86.180** Annual impact fee report.

2025 Transportation Impact Fee Comparison: 90 Cities + 5 Counties in Washington State

Data compiled July 2025 from websites, fee sheets, telephone and email inquiries by

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PARKS IMPACT FEES



PARK IMPACT FEES

- Park impact fees must be used for “publicly owned parks, open space, and recreation facilities” that are addressed by a capital facilities plan element of a comprehensive plan adopted under the GMA. See [RCW 82.02.050](#)(4) and RCW 82.02.090(7).
- Parks impact fees are based on a cost per capita approach, tying fees to the demand new residents place on the park system.
- The City identifies park land and facility needs using adopted Level of Service (LOS) standards.
- The total cost of providing parks to serve future growth includes:
 - Land acquisition
 - Park development and amenities
- Costs are adjusted to reflect:
 - Other funding sources
 - The portion attributable to new growth

LEVEL OF SERVICE

- LOS standards define how much park space and facilities are needed
- Typically expressed as:
 - Acres per 1,000 residents
 - Facility-based metrics
- LOS links:
 - Population growth → park demand → capital needs
- LOS standards are legally required to support impact fees

The Park and Recreation Commission considered modifications to Level of Service standards but decided to keep the planned LOS standards the same because the Commission found that Poulsbo's LOS was reasonable. The planned LOS (PLOS) standards are as follows:

Neighborhood Park	2 acres per 1,000 population
Community Park	3.5 acres per 1,000 population
Regional Park	1.5 acres per 1,000 population
Open Space Park	6 acres per 1,000 population
Trails	1 mile or .73 acre per 1,000 population
Overall Citywide LOS	13.73 acres per 1,000 population



RATE STUDY/CALCULATION

TOTAL PARK NEEDS COSTS

$$\begin{aligned} &2044 \text{ Park Need} \\ &\quad \times \\ &\text{Cost of Parkland} \\ &\text{Acquisition/} \\ &\text{Development Cost} \\ &= \\ &\text{Total Park Need} \\ &\text{Costs} \end{aligned}$$

COSTS PAID BY NEW DEVELOPMENT

$$\begin{aligned} &2044 \text{ Total Park} \\ &\text{Need Costs} \\ &\quad - \\ &\text{Anticipated City} \\ &\text{and Other Revenue} \\ &\text{Sources} \\ &= \\ &2044 \text{ Park Need} \\ &\text{Costs Attributable} \\ &\text{to New} \\ &\text{Development} \end{aligned}$$

BASE PARK IMPACT FEE

$$\begin{aligned} &2044 \text{ Park Need} \\ &\text{Costs Attributable} \\ &\text{to New} \\ &\text{Development} \\ &\quad \div \\ &\text{Number of} \\ &\text{Expected New} \\ &\text{Dwelling Units} \\ &= \\ &\text{Base Park Impact} \\ &\text{Fee} \end{aligned}$$

FINAL PARK IMPACT FEE

$$\begin{aligned} &\text{Base Park} \\ &\text{Impact Fee} \\ &\text{Adjusted by Unit} \\ &\text{Size} \\ &= \\ &\text{Final Park} \\ &\text{Impact Fee} \end{aligned}$$

PARK IMPACT FEES IN POULSBO

- Adopted in 2011 – ORD 2011-15
- Updates 2016, 2017, 2025
- Codified in PMC 3.84
- Based on Comprehensive Plan and CFP
- Current – \$1,316.33 per Residential Unit

Chapter 3.84 PARK IMPACT FEES

Sections:

- 3.84.010 Short title.
- 3.84.020 Findings and authority.
- 3.84.030 Purpose.
- 3.84.040 Definitions.
- 3.84.050 Applicability.
- 3.84.060 Geographic scope.
- 3.84.070 Service area and level of service.
- 3.84.080 Imposition of park impact fees.
- 3.84.090 Calculation of park impact fee amount.
- 3.84.100 Exemptions.
- 3.84.110 Credits.
- 3.84.120 Adjustments.
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- 3.84.160 Impact fee accounts and expenditures.
- 3.84.170 Impact fee refunds.
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FIRE IMPACT FEES



FIRE IMPACT FEES

- Fire impact fees must be used for “fire protection facilities” that are addressed by a capital facilities plan element of a comprehensive plan adopted under the GMA, per RCW 82.02.050(4) and RCW 82.02.090(7).
- Fire impact fees are based on a proportionate share, cost per service demand approach, tying fees to the demand new development places on emergency services.
- The methodology calculates the cost of fire protection facilities needed to maintain adopted response time and service level standards.
- Growth-related capital costs are identified from the Fire District’s Capital Facilities Plan and allocated to new development.
- Costs are distributed across development types (residential and commercial) based on historical emergency response demand.

HOW THE FEE IS CALCULATED AND APPLIED

- Only growth-related capital projects are included (e.g., new stations, apparatus, facility expansions).
- Costs are distributed by occupancy type based on historical incident data:
 - Single-family, multi-family, and commercial uses generate different levels of demand.
- Potential reductions for:
 - Fire sprinkler installation.

FIRE IMPACT FEES IN POULSBO

- If adopted, it would be a new impact fee.



<u>System</u>	<u>Driver</u>	<u>Method</u>
Transportation	Trips	Cost per trip
Parks	Population	Cost per capita
Fire	Service demand	Cost per service/population



POLICY CONSIDERATIONS

- **Balancing Proportionality and Feasibility.** Impact fees should reflect the true cost of growth, but timing and structure matter. Large increases can affect project feasibility and housing affordability, which is why phased implementation is often used.
- **Phasing and Predictability.** Gradual fee increases provide certainty to the development community and avoid sudden cost shifts, especially for projects already in the pipeline.
- **Use of Adjustments and Credits.** Policy choices around credits (e.g., private open space, developer-built improvements, sprinkler systems) should balance fairness, simplicity, and administrative complexity.

EXEMPTION CONSIDERATIONS

3.84.100 Exemptions.

The following are exempt from the payment of impact fees under this chapter:

- A. New nonresidential development. For mixed use developments, only the residential units associated will be subject to the park impact fee.
- B. Development for which land has been dedicated, improvements constructed, or impact fees paid under SEPA and which land, improvements, or fees the city has previously determined to be sufficient to mitigate the transportation impacts of the development.
- C. Development for which an impact fee has already been paid under this chapter.
- D. Development for which a voluntary agreement (developer's agreement) has been entered into pursuant to RCW [82.02.020](#) and which agreement calls for the dedication of land, construction of improvements, or payment of transportation impact fees in a specified amount at a date subsequent to execution of the agreement.
- E. Alteration, expansion, remodeling, reconstruction, or replacement of existing single-family or multifamily dwelling units that does not result in the creation of additional dwelling units.
- F. Construction of accessory residential structures that are secondary and associated with a primary single-family or multifamily structure, such as sheds, greenhouses or similar structures.
- G. Demolition of or moving an existing structure within the city from one site to another. (Ord. 2025-12 § 2 (Att. A), 2025; Ord. 2011-15 § 1 (part), 2011)

EXEMPTION CONSIDERATIONS

Examples from other jurisdictions:

- Accessory Dwelling Units – Full fee exemption
- Senior Housing / Age-Restricted Housing– Park Impact Fee specific
- Low-Income Housing – Percentage exempt depending on AMI levels
- Nonprofit Housing Development
- Childcare Facilities – Percentage exempt

REQUIREMENTS

<u>System</u>	<u>Adopted LOS</u>	<u>Adopted Project List</u>	<u>Rate Study</u>	<u>Ordinance</u>
Transportation	Exhibit CFP-12	Exhibit CFP-15	Updated	Amend PMC 3.86
Parks	Exhibit CFP-18	Exhibit CFP-21	Updated	Amend PMC 3.84
Fire	Exhibit CFP-23	Exhibit CFP-24	New	New PMC 3.XX

Also, Fire – Interlocal Agreement

NEXT STEPS

- May 13 – Deep Dive Workshop, with updated/new rate studies.
- June 3 – Ordinance Adoption (or 2nd Workshop).



THANK YOU

