



PLANNING AND ECONOMIC DEVELOPMENT

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MEMO

To: Mayor and City Council
From: Nikole Coleman, AICP, Planning Manager
Subject: Impact Fee Program Update and Ordinance Amendments – June 3, 2026 Workshop
Date: May 28, 2026

The purpose of this workshop is to provide Council with an overall update regarding the City's impact fee program and four related agenda items. The workshop includes discussion regarding future policy considerations and potential impact fee exemptions or reductions, along with proposed updates to the Fire, Transportation, and Park Impact Fee programs, including associated ordinance amendments and implementation recommendations.

RECOMMENDED/REQUESTED COUNCIL ACTION

- Sub-Agenda Item 1: Future Policy Considerations. Provide staff direction regarding potential future impact fee exemptions, reductions, and related policy considerations.
- Sub-Agenda Item 2: Fire Impact Fee Program. Provide feedback and direction regarding the proposed Fire Impact Fee Program and associated adopting ordinance and new PMC Chapter 3.88 for advancement to the June 17, 2026 business agenda.
- Sub-Agenda Item 3: Transportation Impact Fee Program. Provide feedback and direction regarding the proposed Transportation Impact Fee Program updates and associated adopting ordinance and amendments to PMC Chapter 3.86 for advancement to the June 17, 2026 business agenda.
- Sub-Agenda Item 4: Park Impact Fee Program. Provide feedback and direction regarding the proposed Park Impact Fee Program updates and associated adopting ordinance and amendments to PMC Chapter 3.84 for advancement to the June 17, 2026 business agenda.

PROCESS TO DATE AND PRIOR COUNCIL DISCUSSION

The City initiated a comprehensive review of its impact fee programs as part of implementation of the recently adopted Comprehensive Plan update and associated Capital Facilities planning efforts. The review includes updates to the existing Transportation and Park Impact Fee programs and establishment of a new Fire Impact Fee program. Staff has worked to develop updated rate studies, ordinance amendments, and implementation recommendations intended to maintain consistency with state law and current growth assumptions.

Council previously received an introductory workshop on April 15, 2026, providing background regarding impact fee authority, legal requirements, methodology, and general policy considerations. Updated technical analyses and implementation approaches were subsequently presented during the May 13, 2026 workshop. Discussion during the May 13 workshop included updated methodologies and proposed fee structures for the Fire, Transportation, and Park Impact Fee programs, proportionality requirements and recent state law updates, phased implementation approaches intended to reduce potential rate impacts, and potential future considerations related to exemptions, reductions, and housing affordability. Council also discussed balancing growth-related infrastructure funding needs with broader affordability and community objectives.

SUB-AGENDA ITEM 1 - FUTURE POLICY CONSIDERATIONS – POTENTIAL EXEMPTIONS AND REDUCTIONS

The proposed ordinance amendments focus primarily on updating the City's Park Impact Fee Program to ensure consistency with state law, the adopted Comprehensive Plan, and updated technical analysis. Staff recognize, however, that broader policy discussions regarding exemptions and fee reductions may warrant additional consideration.

Potential future discussions may include exemptions or reductions for affordable housing, childcare facilities, senior housing, and other community-serving uses. Staff will provide examples from other jurisdictions and return with future amendments if directed by Council.

Separating these discussions from the current update allows the City to modernize the impact fee programs while providing additional time to evaluate broader housing and community policy objectives.

SUB-AGENDA ITEM 2 - FIRE IMPACT FEE PROGRAM

The City currently does not have a Fire Impact Fee Program in place. As growth continues, additional capital facilities, equipment, and service capacity may be needed to maintain adopted fire service levels and response capabilities. Similar to transportation and park impact fees, fire impact fees are intended to ensure that new development contributes its proportionate share toward growth-related capital improvements necessary to serve future development. Impact fees may only be used for eligible system improvements attributable to growth and cannot be used to correct existing deficiencies or fund ongoing operations and maintenance.

The proposed Fire Impact Fee Program establishes a new framework for collecting growth-related fire impact fees through adoption of a new PMC Chapter 3.88 and associated adopting ordinance. The proposed program is intended to align with updated Comprehensive Plan growth assumptions, applicable state law requirements, and the Poulsbo Fire Department’s long-term capital facility planning efforts. Staff also anticipates returning at a later date with an Interlocal Agreement associated with implementation and administration of the program.

Staff recommends advancing the proposed Fire Impact Fee Program, including the adopting ordinance and new PMC Chapter 3.88, for consideration at the June 17, 2026, meeting on the business agenda, with implementation proposed to become effective January 1, 2027.

SUB-AGENDA ITEM 2 - TRANSPORTATION IMPACT FEE PROGRAM

The City has maintained a Transportation Impact Fee Program since 2011 to help ensure that new development contributes its proportionate share toward transportation system improvements necessary to accommodate growth. Transportation impact fees provide a mechanism for funding growth-related capital improvements identified within the City’s Capital Facilities Plan and are intended to support roadway, intersection, and transportation system investments needed to maintain the City’s adopted level of service as development occurs.

The proposed Transportation Impact Fee update recalibrates the existing program using updated Comprehensive Plan growth assumptions, revised transportation project costs, and current technical and legal requirements. The updated analysis also incorporates recent state law requirements related to proportionality and fee calculation methodologies to ensure fees more accurately reflect the impacts generated by different development types.

Staff recommends advancing the proposed Transportation Impact Fee Program updates, including the adopting ordinance and associated amendments to PMC Chapter 3.86, for consideration at the June 17, 2026 meeting on the business agenda.

SUB-AGENDA ITEM 2 - PARK IMPACT FEE PROGRAM

Background and Future Park Planning

The City of Poulsbo first adopted park impact fees in 2011 (Ordinance 2011-15) as part of the transition from collecting park mitigation through the State Environmental Policy Act (SEPA) to a Growth Management Act (GMA) impact fee program. The purpose of the program has remained consistent: ensuring that new development contributes its proportionate share toward the cost of acquiring and developing park facilities needed to maintain the City’s adopted level of service as growth occurs.

Impact fees are authorized under RCW 82.02.050-.110 and may only be used for system improvements related to new development. Impact fees cannot correct existing deficiencies or fund operations and maintenance and therefore represent one component of the City’s broader park funding strategy. The City’s adopted Planned Level of Service (PLOS) remains 13.73 acres per 1,000 residents and has remained generally unchanged through multiple planning cycles. The proposed update does not increase this service level but instead recalculates the cost of maintaining the same standard using updated costs, growth assumptions, and state law requirements.

The City’s current Parks, Recreation and Open Space (PROS) Plan was developed using the best available demographic and growth assumptions at the time of adoption. Similar to the recently completed Comprehensive Plan update, the City has now received its first substantial update to long-term population and housing allocations since approximately 2009, establishing revised assumptions through 2044. These updated allocations create an opportunity to reevaluate long-term park needs and community priorities as demographics and recreation preferences evolve over time.

Park Impact Fee Studies: Assumptions and Resulting Base Fee Over Time
Comparison of key assumptions and resulting single-family base park impact fee from the 2011, 2017, and 2026 studies.

STUDY YEAR	2011 <i>Original Study</i>	2017 <i>Update</i>	2026 <i>Updated Analysis</i>
Average Land Acquisition Cost (per acre)	\$72,887	\$57,546 <i>(-21% from 2011)</i> <small>Lower values due to lingering recession impacts and depressed land values.</small>	\$139,107 <i>(+91% from 2011)</i> <small>Reflects current market conditions and land values.</small>
Average Park Development Cost (per acre)	\$76,413	\$75,320 <i>(-1% from 2011)</i> <small>Relatively stable due to soft construction market conditions.</small>	\$900,512 <i>(+1,078% from 2011)</i> <small>Reflects escalation in construction costs, labor, materials, and infrastructure requirements.</small>
Planned Level of Service (acres per 1,000 residents)	13.73 <i>(No change)</i>	13.73 <i>(No change)</i>	13.73 <i>(No change)</i>
Resulting Single-Family Base Park Impact Fee (per unit)	\$1,174	\$1,174 <i>(No change)</i>	\$9,578 <i>(+719% from 2011)</i> <small>Reflects updated costs and current growth assumptions.</small>

Staff anticipates initiating a comprehensive PROS Plan update in approximately 2028 utilizing consultant support, technical analysis, and community engagement to reevaluate park level of service standards, future facility needs, and long-term funding strategies.

Major Changes from Prior Rate Studies

The 2026 update represents the first significant recalibration of the City's park impact fee methodology since the original program was adopted. While the resulting fee increase appears substantial, it is not driven by changes to the City's adopted park level of service or expansion of the park system. Key factors include:

- *Proportionality requirements.* Recent state legislation requires jurisdictions to better align residential impact fees with the actual impacts generated by different housing types. The proposed program replaces the historic flat-fee approach with a structure that distinguishes between single-family and multi-family housing and further adjusts fees by residential unit size.
- *Recognition of private facilities and credits.* The updated analysis incorporates adjustments recognizing private neighborhood open space and existing facility capacity in order to avoid overestimating future public park needs.
- *Updated land and construction costs.* Land acquisition and park development costs have increased substantially since the original study. The 2011 analysis assumed average land acquisition costs of approximately \$72,887 per acre and development costs of approximately \$76,413 per acre. The 2017 update reflected relatively little change due in part to lingering recession impacts and depressed land values. The updated 2026 analysis estimates acquisition costs of approximately \$139,107 per acre (91% increase) and development costs of approximately \$900,512 per acre (1,079% increase), reflecting changes in market conditions, construction costs, labor, materials, and evolving park facility expectations.

2026 Park Impact Fee Rate Update and Staff Recommendation for Phased Implementation Approach

The proposed rate study identifies approximately 25.96 acres of net new park land needed to maintain the adopted level of service through 2044 after applicable credits and adjustments. Total growth-related park costs are estimated at approximately \$26.99 million. After deducting approximately \$8.5 million in anticipated public contributions, approximately \$18.5 million remains attributable to new development, resulting in a calculated base impact fee of approximately \$9,578 for a representative single-family dwelling unit prior to proportional adjustments.

Staff recommend implementing only the first two phases of the updated Park Impact Fee schedule, with increases occurring in January 2027 and January 2028, followed by reevaluation through a future PROS Plan update.

Year	Single-Family Base Fee	Multi-Family Base Fee
January 2027	\$2,596	\$1,912
January 2028	\$4,611	\$2,524

No automatic increases beyond 2028 are proposed. Any future adjustments would be considered following completion of the updated PROS Plan and subsequent review of park level of service assumptions, future facility needs, and updated demographic information.

This recommendation is intended to balance progress toward recovering growth-related park costs while avoiding significant rate shock and maintaining predictability for projects currently in the development pipeline. The approach also provides an opportunity to reevaluate future park needs using updated demographic information and community priorities and aligns future impact fee discussions with a broader, community-based parks planning process through the future PROS Plan update.

AGENDA PACKET

The agenda packet for this workshop includes:

- [June 3 Staff Presentation](#)
- [Fire Impact Fee Adopting Ordinance](#) and [New PMC Chapter 3.88](#)
- [Transportation Impact Fee Adopting Ordinance w/ PMC Chapter 3.86 Amendments](#)
- [Park Impact Fee Adopting Ordinance](#) and [PMC Chapter 3.84 Amendments](#)

Rate Studies and previous documents/presentations associated with the Impact Fee Update can be found [here](#).