

Technical Memorandum #8 Transportation Impact Fees

Subject:

Development's Share of Impact Fee Eligible Project Costs

Background:

Technical Memo #7 identifies a process or methodology that was followed in selecting projects to be financed with impact fees to ensure that new growth and development pays only a proportionate share of the cost of new facilities that are needed to serve new growth and development and for eliminating the costs of correcting existing system deficiencies. There must be a balance between impact fees and other sources of public funds and the City cannot rely solely on impact fees to pay for growth-related system projects. Consistent with this limitation, this memorandum outlines a process or methodology for ensuring that the City does not rely solely on impact fees to pay for growth-related system projects.

Process details for determining the Development's share of growth-related project costs:

The first step is to identify the funds that are available to the City to pay for all transportation system projects that need to be designed/constructed in the next six years. There are three basic sources of funds available to design/construct transportation projects:

(1) Taxes - portions of both the Real Estate Excise Tax and Gas Tax are placed in the City's Arterial Street Fund. The amount of taxes devoted to transportation capital projects is regulated through State law;

(2) Grants; both Federal and State grants are obtained through a competitive process; and

(3) Local funds; in the past, these funds have been generated through sources such as; bonds, STA, SEPA Mitigation Fees, WSDOT, County, BNSF (NOTE: Most of these local funding sources have been dedicated to specific projects and not general allocations to the 6 year transportation program).

Historical information for all three sources of funding was reviewed to generate a six-year average of "**Total Revenues**".

The second step in the process is to calculate the total cost of system projects that are considered ineligible for impact fees. To arrive at the "**Cost of Projects Not Eligible for Impact Fees**," the project costs that are considered eligible would be subtracted from the total cost of all projects. The eligible impact fee costs come from Attachment "E" of Technical Memorandum #7. The total transportation costs include both the current funded portion of the Six-year Street Program (2007-2012) and the projects that were selected from the unfunded portions of the program—which are projects identified as

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growth-related projects needing to be designed and constructed in the next six years to assist in meeting concurrency.

The third step in the process is to determine how much public (City) funds are available to help pay for growth-related system project costs. Calculating the **“Revenue Available for Impact Fee Projects”** is done by subtracting the “Cost of Projects Not Eligible for Impact Fees” (Step 2) from the “Total Revenues” (Step 1).

The forth (and final) step in the process is to calculate the development share of growth-related project costs. Even though a shortfall exists (see Step 3), cities are not allowed to rely solely on impact fees to pay for growth-related system project costs. Consistent with this limitation, the final step shows the City of Spokane contributing \$902,700 towards growth’s proportionate share of system project costs. The \$902,700 (which is approximately 5% of growth’s proportionate share of the costs) is subtracted from the eligible cost of impact fee projects (\$18.1 Million from Attachment “E” of Technical Memorandum #7). The resulting \$17 Million is the **“Development Share”** for growth related system projects.

The table shown below indicates how the individual steps are calculated. Section A in the table reflects Step 1 in the process discussed above. Section B in the table reflects Step 2....and so on.

Recommendation:

The foregoing process provides a reasonable methodology and mechanism for ensuring that the City does not rely solely on impact fees to finance growth-related system improvement costs.

Adjustments for Revenue: A Determination of Development's Share	
A. Revenue Available for all Projects:	
Net Operating Revenue	\$16,669,734
Grants (Federal and State)	\$51,783,243
Other local funds (STA, Bond, other)	+ \$4,871,102
Total Revenues	\$73,324,079
B. Cost of Projects Other than Impact Fee Projects:	
Total Transportation Element Projects	\$106,619,598
Eligible Growth Project Costs (Attachment "E" Tech Memo #7)	<u>- \$18,053,908</u>
Cost of Projects Not Eligible For Impact Fees	\$88,565,690
C. Revenue Available for Impact Fee Projects:	
Total Revenue from Section A.	\$73,324,079
Cost of Other Remaining Projects from Section B.	- \$88,565,690
Revenue Available for Impact Fee Projects	- \$15,241,611
D. Adjusted Cost of Growth:	
Eligible Growth Project Costs (Attachment "E" Tech Memo #7)	\$18,053,908
Other Revenue Available for Impact Fee Projects	- \$902,696
Adjusted Cost of Growth	\$17,151,212
Development Share	\$17,151,212

95%¹

¹ While 95 percent may sound high in terms of development's share of the growth-related share of these project costs, it is important to keep this figure in context. In order to arrive at an impact fee schedule that was acceptable to the EWG, only a handful of projects were selected from the capital facilities element of the Comprehensive Plan – *i.e.*, \$18 million in projects selected from a growth-related project list totaling \$106 million. Consequently, under the Rate Study, development's share of all growth-related project costs is much less than 95 percent.