PARKS AND RECREATION COMMISSION
RETREAT MEETING AGENDA (UPDATED)
December 14, 2017 at 5:00 p.m.
Kennewick City Hall – Council Chambers
210 West 6th Avenue

1. **WELCOME & DINNER**
2. **RETREAT PURPOSE & OVERVIEW**
3. **REVIEW CITY'S VISION & DEPARTMENT MISSION**
4. **OPERATIONAL PROGRESS**
   a. 2018 Biennium Budget Update
   b. Performance Measures & Goals Status Report
   c. Capital Initiatives
   d. Park Impact Fees
5. **2018 PARKS & RECREATION COMMISSION WORK PLAN DEVELOPMENT**
   a. 2017 Parks and Recreation Work Plan Accomplishments
   b. Playground of Dreams
   c. Parks and Recreation Comprehensive Plan Update
   d. Senior Center Transition
   e. Alternative Funding
   f. Park Identification – Partnership with Arts Commission
   g. Yearlong Wellness Campaign
   h. Parks Annual Audits
6. **2018 PARKS & RECREATION COMMISSION MEETING DATES & TOPICS**
7. **POLL OF COMMISSION MEMBERS & STAFF**
8. **ADJOURMENT**

The next Parks and Recreation Commission Meeting is scheduled for Thursday, January 11, 6:00 p.m. (Please note the time change.)

To assure disabled persons the opportunity to participate in or benefit from City services, please provide twenty-four (24) hour advance notice for additional arrangements to reasonably accommodate special needs.

2018 PARKS & RECREATION BIENNIUM BUDGET STATUS

PARKS & RECREATION 2018 BUDGET REVENUE	BUDGETED	COLLECTED	BALANCE	PERCENT RCVD
Parks Dept - Recreation Services				
General Government				
Park & Facility Eng. Services	$2,000.00	$0.00	$2,000.00	0.00%
Park Maint Services	$102,000.00	$61,401.95	$40,598.05	60.20%
Subtotal	***$104,000.00***	***$61,401.95***	***$42,598.05***	***59.04%***
Activity Fees				
Swim Pool	$115,700.00	$58,850.09	$56,849.91	50.86%
Field Usage/Lighting Fees	$42,700.00	$28,547.75	$14,152.25	66.86%
Tournament Field Usage Fees	$56,800.00	$34,711.00	$22,089.00	61.11%
Subtotal	***$215,200.00***	***$122,108.84***	***$93,091.16***	***56.74%***
Program Fees				
Special Rec. Program User Fees	$605,800.00	$271,580.21	$334,219.79	44.83%
Senior Program Fees	$140,200.00	$38,379.58	$101,820.42	27.37%
Subtotal	***$746,000.00***	***$309,959.79***	***$436,040.21***	***41.55%***
Rents/Leases/Concessions				
Parks Miscellaneous	$577,100.00	$332,972.66	$244,127.34	57.70%
Park Facilities	$58,200.00	$24,491.50	$33,708.50	42.08%
Vendors/Concession	$25,300.00	$5,398.60	$19,901.40	21.34%
Subtotal	***$660,600.00***	***$362,862.76***	***$297,737.24***	***54.93%***
GRAND TOTAL	**$1,725,800.00**	**$856,333.34**	**$869,466.66**	**49.62%**

12/14/2017

City Council 5 Budget Priority Areas

Department Mission:

Building a better community by providing an exceptional place to live, work, and play.

PARK MITIGATION FUNDING	
1E Fruitland	Adding Outdoor Musical Equipment for families
2E - Zintel/Under/Vancouver	*No Funding Available*
3E - Civic Area	Adding small climbing playground component at Pool
4E - Eastgate/Arboretum	*No Funding Available*
5E - Twin Rivers	Adding Sidewalk on 45th for access into Inspiration Park
6E - Cascade	Adding Trail at 45th Street
1W - Sunset/Col Ctr Estates	Adding Outdoor Musical Equipment for families
2W - Lawrence Scott	Adding Outdoor Musical Equipment for families & Stationary Fitness Equipment along trail
3W - John Day/Hawthorne	*Developing Plan*
4W - 10th & CCB	*No Funding Available*
5W - Grange	Increasing amenities at the Splash Pad in Grange Park
6W - Southridge	Install Shade Structure
7 - Five Corners	*Developing Plan*

Kennewick Parks and Recreation Commission 2018 Draft Meeting Schedule
Draft
P&R Commission meetings are held on the 2nd Thursday of each month
6:00 p.m. City Council Chambers – Unless otherwise noted

Date	Topic
January 11	• Draft P&R Commission Work Plan • Columbia Park Presentation
January 26 & 27	• Family Expo at TRAC – Commissioner Attendance
February 8	• Approval of P&R Commission Work Plan
March 8	• Park Audits Due • Parks and Recreation Comp Plan Presentation
April 12	•
May 10	•
June 14	• Midyear Status Reports
July 12	•
August 7	• National Night Out P&R Commission Booth
August 9	•
September 13	•
October 11	•
October TBA	• Tri-City Area Parks & Recreation Commission Meeting
November 8	• Year End Reports – Planning for Retreat
December 13	• P&R Retreat – Prepare goals for 2019

ECONorthwest
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DATE: November 22, 2017
TO: Cheryl Bolin and Terry Walsh
FROM: Morgan Shook, Mike Wilkerson, and Erik Rundell
SUBJECT: Kennewick Park Impact Fee

1 Overview

The City of Kennewick is currently in the process of updating its Comprehensive Parks and Recreation Plan. As part of this broader plan update, the City is also looking to implement a park impact fee to help fund the City's parks and recreation system's future capital needs. This memorandum outlines how the proposed park impact fee for single-family and multifamily development was calculated and implications for the City in deciding whether to adopt a park impact fee.

The memorandum is organized into four sections.

- **Section 2 - Impact Fee Implementation** provides an overview of how impact fees work, the requirements they have to meet under state statutes, and how they are enacted.
- **Section 3 - Impact Fee Methodology** provides an overview of the methods and assumptions used to calculate the proposed park impact fee.
- **Section 4 - Proposed Impact Fee** summarizes the impact fee calculated for new single-family, multifamily, and mobile home units.
- **Section 5 - Impact on Development** compares the proposed impact fee with nearby jurisdictions and assesses the potential impact on development feasibility.

2 Impact Fee Implementation

Cities and counties in Washington that choose to plan under the Growth Management Act are authorized to impose impact fees on development under RCW 82.02.050. Impact fees are a funding tool enacted as part of the Growth Management Act to help communities ensure the adequate infrastructure is built concurrently with new development.

Cities and counties in Washington have several funding sources available to support the construction of new parks and recreation facilities. The City of Kennewick currently uses general fund revenues, bonds, real estate excise taxes, park reserves from State Environmental Policy Act (SEPA) mitigation payments, a share of the state motor vehicle fuel tax for trail uses, state Recreation and Conservation Office (RCO) grants, federal Community Development Block Grants, gifts or dedications, and other sources to fund land acquisition and capital facilities development.

Some of these funding sources have limitations, though. General fund revenues can be used for all types of city obligations, and funding parks and recreation facilities may not be the highest priority relative to other needs, such as public safety. Park reserves can only be used for facilities within the Park Zones that the development is located. The existing 13 park zones are relatively small which limits the amount of revenue generated within a zone. In addition, the zones where the revenues are generated may not align with where systemwide capital needs are located. Real estate excise tax revenues can be used for all types of infrastructure needs, and as a result it is not a dedicated or reliable source of funding for parks and recreation facilities relative to other infrastructure needs. State and Federal grants, moreover, support park development, but local governments have little control over grant allocation.

Impact fees provide a dedicated funding source with more flexibility for funding system-wide parks and recreation capital needs throughout the City. However, impact fees have limitations as well. High impact fees could negatively affect the financial feasibility of new development. Delayed development could reduce the amount of revenue collected. State statutes also establish a number of requirements that limit how impact fees revenues can be used.

2.1 Statutory Requirements

When adopting impact fees, jurisdictions must meet a number of requirements, which are established in state statutes.

- **Types of Facilities.** State statutes allow impact fees to be levied for four types of capital facilities: schools, streets and roads, parks, and fire protection.
- **Types of Improvements.** Impact fees must be used to fund systems improvements that increase the capacity of the system. Park impact fees can be used for "publicly owned parks, open space, and recreation facilities."[1]

  Impact fees cannot be used to fund facility maintenance or operations or fund improvements that address existing deficiencies in capital facilities before the development occurred.
- **Relation to New Development.** Systems improvements need to be, "reasonably related to the new development," and must, "reasonably benefit the new development."[2]
- **Proportionate Share.** An impact fee for a new development must be for the relative proportionate share of the total cost of new facilities necessitated by the new development. The total costs must be adjusted to account for future funding from other non-impact fee sources such as taxes, grants, or other user fees.
- **Eligible Projects.** The comprehensive plan's capital facilities plan establishes what projects are eligible for funding from impact fees. The parks capital improvement plan (CIP) is an adopted element of the capital facility plan.

[1] RCW 82.02.090(7)

[2] RCW 82.02.050(4)

- **Collecting and Spending Impact Fee Funds.** Impact fees are collected at the time a building permit is issued. However, jurisdictions must adopt a system for the deferred collection of impact fees for single-family units, specifically. Fees for single-family units can be deferred until a later point such as when the home is sold, or the certificate of occupancy is issued. The deferral may not extend more than 18 months.

  The fees must be placed in a dedicated interest-bearing account for each type of impact fee (school, transportation, parks, fire). Fees must be spent or encumbered within 10 years, except for extraordinary reason.

2.2 Key Issues

- **Relation to the State Environmental Policy Act.** SEPA mitigation fees are for addressing project specific impacts, while park impact fees are for funding system capacity improvements to service growth. As a result, they are not directly connected.

  RCW 82.02.100 establishes that a person cannot pay duplicative fees (i.e. through an impact fee and SEPA mitigation contribution) for the same impact. As a result, applicants can receive credits or adjustments to their impact fee for other contributions or dedications that are related to future park system improvements. See the Appendix in Section 6 for more detail on SEPA mitigation fees.
- **Inflation Factor.** The City can include an annual inflation factor in the impact fee equation or ordinance so impact fee revenues do not decline in real terms overtime.
- **Uses Affected.** Impact fees typically apply to residential development, but they can also apply to commercial and industrial uses. Kennewick's park impact fee will only apply to construction of new residential development.
- **Service Areas.** A jurisdiction must establish at least one reasonable service area where the impact fee will be imposed, but more than one service area can be established. Each service area will have its impact fee rate based on the needs and growth of each service area.

3 Impact Fee Methodology

The ultimate goal for this analysis is to develop a park impact fee per housing unit that can be assessed at the time a permit is issued. The actual equation for the fee is fairly simple, but determining the assumptions for the formula can be challenging and inexact.

Impact Fee per Unit = (A / B) * C * D

A. **Park capital needs in dollars** (land acquisition and facilities development) for a list of future projects based on public outreach, the proposed level of service standards, and construction cost estimates.

B. **Incremental population growth** based on the City's Comprehensive Plan 2036 population target.

C. **People per dwelling unit** for single-family units, multifamily units, or mobile homes based on U.S. Census figures.

D. **Impact Fee Share Adjustment Factor** based on assumptions about the share of future grant and other funding sources.

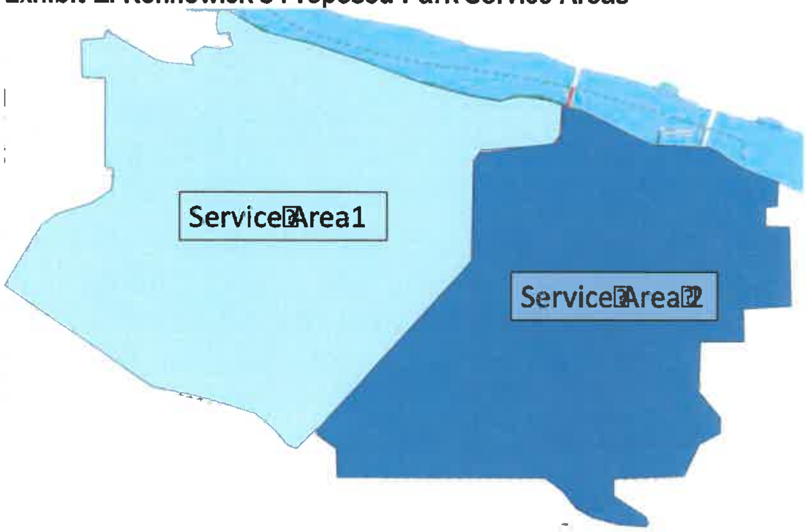
For example, the fee for a single-family residential home in a scenario where ten million dollars in capital projects are needed to accommodate the growth of 10,000 new residents, and where half of those projects would be paid for by the impact fee, would be based on the following calculation: ($10,000,000 / 10,000 people) * 2.5 people per unit * 50% = $1,280.

The following subsection assess the assumptions and needs for each component of the equation.

3.1 Service Areas

State law[3] allows a city to establish one or more service areas for imposing an impact fee. An advantage of having more than one citywide service area is that impact fees can be different based on the capital needs of different sub-geographies. For example, mostly developed areas that already have parks and recreation facilities can have a lower rate than another relatively undeveloped area that will need new parks and recreation facilities built to support future growth. For imposing a new park impact fee, the City of Kennewick has decided to have two service areas. Exhibit 1 shows these areas.

Exhibit 1. Kennewick's Proposed Park Service Areas



Source: Studio Cascade

[3] RCW 82.02.060

3.2 Determining Future Park Capital Needs

Determining future parks and recreation capital needs is a critical input for the impact fee equation. This analysis used a project-based approach to estimate the future capital needs over the 20-year planning period. This approach is based on a list of projects developed using the proposed level-of-services standards. High-level cost estimates are made for each project to determine the total project need in dollars over the planning period. The estimated cost of the identified projects is $24.0 million.

However, not all of these projects would be eligible for impact fee funds as discussed in Section 2.1. ECONorthwest then estimated the share of the local project that adds capacity to the park system to support future growth. The total costs of these projects is $19.7 million. Most of the projects are in the proposed Service Area 1. These projects total $16.9 million. Projects in Service Area 2 total $2.8 million.

Exhibit 2. 20-Year Estimated Project Costs by Service Area

Service Area	short	short-mid	mid-long	long	Total
Service Area 1	$3,091,720	$3,485,540	$10,336,000	$0	$16,913,260
Service Area 2	$1,429,720	$1,235,000	$0	$142,000	$2,806,720
Total	**$4,521,440**	**$4,720,540**	**$10,336,000**	**$142,000**	**$19,719,980**

Source: Studio Cascade

3.3 Future Growth

Assumed future growth is based on growth targets included in the City's comprehensive plan. This assumption ensures that the future parks and recreation needs align with the assumed growth factored into the City's capital facilities plan. Kennewick's recently adopted 2016 Comprehensive Plan has a 2037 population target of 112,044. With a 2016 population of 79,120, the City is planned to grow by 32,924 people over the next 20 years, which was used as the basis for impact fee calculation.

To estimate the breakdown of future growth by service area, ECONorthwest determined the share of residential buildable land in Service Area 1 and Service Area 2. It is assumed that the Service Area with more buildable parcels for housing will realize more population growth. Based on Kennewick's 2016 buildable lands analysis, 82.6 percent of the City's residential buildable land is in Service Area 1 and the remaining 17.4 percent is in Service Area 2. As a result, future population growth is 27,180 in Service Area 1 and 5,744 in Service Area 2.

3.4 People per Dwelling Unit

The average number of people living in a household in Kennewick is based on data from the U.S. Census Bureau. The analysis establishes different park impact fees for single-family, multifamily, and mobile home units. The rationale for different fee rates for different units is that single-family homes will have more people living in those units, generating more demand for parks and recreation facilities than multifamily units or mobile homes, which are smaller units and have fewer people per unit. Thus, single-family homes should pay a higher impact fee to account for their larger impact.

Exhibit 3 shows Kennewick's average household size by unit type. For the impact fee calculations, the formula used the single-unit average for single-family units, the 5 or more units average for multifamily units, and the mobile home/other average for mobile homes.

Exhibit 3. Kennewick Average Household Size by Unit Type, 2016

Unit Type	Population	Households	Average Household Size
Total	79,197	28,558	2.77
Single-unit	56,116	18,371	3.05
5 or more units	10,574	5,822	1.82
Mobile Home/Other	5,154	2,336	2.21

Source: US Census, American Community Survey, 2016 1-Year Estimates

3.5 Adjustment Factor

An adjustment factor estimates the share of future capital costs that will be funded from impact fee revenues. This factor is necessary to comply with Washington State statutes. Specifically:

- Under RCW 82.02.060(1)(b) impact fees shall incorporate "An adjustment to the cost of public facilities for past or future payments made or reasonably anticipated to be made by new development…in the form of user fees, debt service payments, taxes or other payments…"
- In addition, under RCW 82.02 050(2) funding for system improvement, "cannot rely solely on impact fees."

To determine an adjustment factor for the calculation, ECONorthwest estimated the share of the future capital needs that will be supported by other sources, specifically grants, Trail and Path Funds, and other sources. The remaining share is what would be funded through impact fees. To do this, ECONorthwest analyzed the share of park improvement expenditures over the last five years funded by grants and Trail and Path Funds from the City's budget. Of the total park improvement expenditures since 2013, a grant was 35.2 percent and Trail and Path funds were 4.5 percent. Combined, these funding sources represented just over 40 percent of total expenditures.

However, ECONorthwest assumed that other local funds would be used in some instances to fund park improvements. The analysis assumes that 10 percent of future costs would come from these other local sources. The total share of future capital costs assumed to be funded from sources other than park impact fee revenues is 50.0 percent, and the impact fee adjustment factor is then 50.0 percent (1-0.50).

4 Proposed Impact Fee

Based on the assumptions above, ECONorthwest calculated impact fees for single-family, multifamily, and mobile home units in Service Area 1 and Service Area 2. The capital needs per future resident in Service Area 1 is $600 per person ($16.9 million/27,180), rounded to the nearest $50. The capital needs per future resident in Service Area 2 is $500 per person ($2.8 million/5,744), rounded to the nearest $50. The capital need per capita assumptions are then multiplied by the appropriate average household size and the adjustment factor to calculate the individual impact fee per unit. Exhibit 4 lists the proposed park impact fee by unit type within each service area.

Exhibit 4. Park Impact Fees by Unit Type and Service Area

Unit Type	Capital Needs per Capita	HH Size	Adjustment Factor	Impact Fee/Unit
Service Area 1				
Single-Family Units	$600.00	3.05	50.0%	$920
Multifamily Units	$600.00	1.82	50.0%	$540
Mobile Home Units	$600.00	2.21	50.0%	$660
Service Area 2				
Single-Family Units	$500.00	3.05	50.0%	$760
Multifamily Units	$500.00	1.82	50.0%	$450
Mobile Home Units	$500.00	2.21	50.0%	$550

Source: ECONorthwest

The impact fees per unit are highest in Service Area 1 because of the total cost of projects in that area relative to potential future population growth. Impact fees in Service Area 2 are less than half of those in Service Area 1. Due to a higher average household size, single-family units have a higher fee than multifamily or mobile home units. A single-family unit in Service Area 1 would owe $920 compared to a single-family home in Service Area 2, which would owe $760.

5 Impacts on Development

This section considers the effects of a new fee on development in Kennewick. Currently, the City does not have a park impact fee, so the proposed fees in Exhibit 4 would be an additional fee on new residential housing development[4]. The housing market in Kennewick is a regional market. As a result, the fees and regulations in one city affect the relative financial competitiveness of a city compared to its peer cities. The next two sections compare Kennewick's proposed fee with neighboring communities and assesses the potential financial impact on housing development.

[4] This is not true for properties with a SEPA mitigation fee calculated in excess of the parks impact fee

5.1 Impact Fee Comparison

Kennewick is currently the only city in the Tri-Cities area that does not impose a park impact fee on new development. The proposed park impact fees for Service Area 1 and Service Area 2 are less than park impact fees in neighboring cities. Exhibit 5 shows the individual park impact fees imposed by city by unit type. Pasco has the highest park impact fee at $1,420 per unit; Pasco does not apply a different rate for different types of units. Park impact fees in Kennewick's Service Area 2 would be lower than any other park impact fee in the Tri-Cities region.

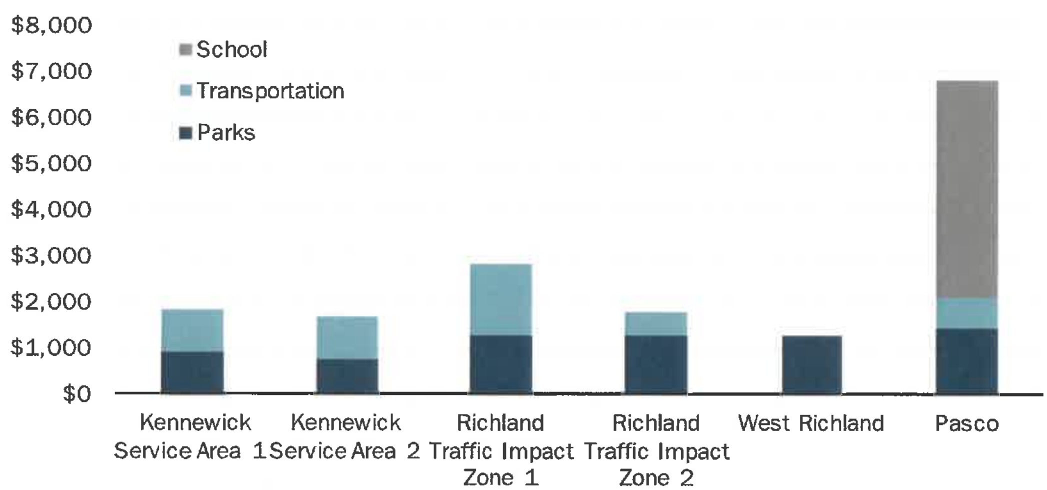
Exhibit 5. Park Impact Fee Comparison by City, 2017

	Kennewick		Richland	West	Pasco
Unit Type	Service Area 1	Service Area 2		**Richland**	
All units					$1,420
Single Family Resdiential Unit	$920	$760	$1,300	$1,290	
Multifamily Residential Unit	$540	$450		$645	
Townhomes and Duplexes			$1,155		
Apartments 3-4 Units			$1,005		
Apartments > 5 Units			$815		
Mobile Homes	$660	$550	$920		

Source: ECONorthwest, City of Richland, City of West Richland, City of Pasco

Kennewick also has a transportation impact fee, which is $938 for single-family units, $582 for multifamily units, $553 for mobile home units, and $253 for senior housing. Combined with the proposed park impact fee, a new single-family home would incur about $1,860 in impact fees in Service Area 1 and about $1,700 in Service Area 2. A multifamily unit would incur $1,120 in Service Area 1 and $1,030 in Service Area 2.

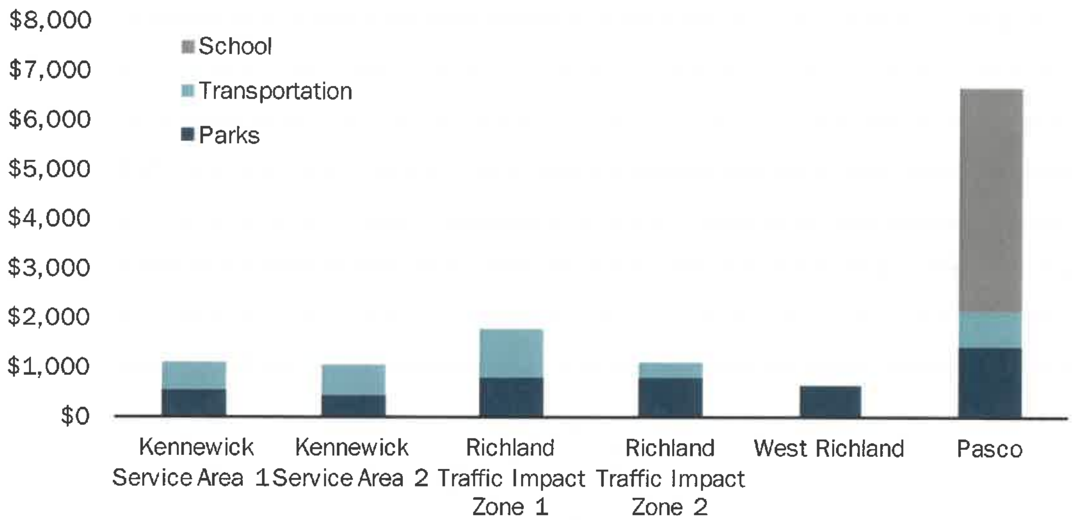
Exhibit 6. Single-Unit Impact Fee Totals by City, 2017



Source: ECONorthwest, City of Richland, City of West Richland, City of Pasco

Exhibit 6 shows how total impact fees paid by a single-family home in Kennewick compare to Richland, West Richland, and Exhibit 7 shows the total impact fee paid for a multifamily unit by each jurisdiction.

Exhibit 7. Multifamily Unit Impact Fee Totals by City, 2017



Source: ECONorthwest, City of Richland, City of West Richland, City of Pasco

Overall, Kennewick is comparable in total impact fee levels with Richland and West Richland. Pasco has higher impact fees than any other city because it imposes a school impact fee, which the others do not.

5.2 Effect on Development Feasibility

Development feasibility is evaluated based on the difference of the value of a development project (based on either its sales price or rent), less the costs to build that unit. In this development equation, an impact fee is treated as an additional cost by developers. Exhibit 8 shows the basics of the development feasibility equation beginning with the development costs, which include the developer's profit/fees and returns to investors and the cost of purchasing the land (including existing structures). The difference between the total value and total costs indicates the maximum amount a developer would be willing to pay for the property, or the residual land value. If what the developer is willing to pay for a property is the same or higher than what the landowner is willing to sell it for, the project becomes financially feasible.

Exhibit 8. Development Equation

Project Value
- Project Cost
Design & Engineering
Permits & Fees
Construction
Parking
Infrastructure
Operation & Maintenance
Financing Costs
Profit

Residual Land Value

In the near-term, an impact fee increases the upfront costs of a particular development without increasing its value. In theory, the *direction* of this effect is a reduction in the number of new projects. However, more important is the *magnitude* of the change, which could be small. This is the *short-run view* of the impact on development.

In the *long-run view*, impact fees do affect the value side of the equation by paying for infrastructure and amenities home-buyers value, such as additional or improved local parks.

The key aspect of the *short-run view* is to understand who pays for the fee—the landowner, the developer, or the buyer? This is referred to as the incidence and is the key determinant of any impact to financial feasibility. The fee is rarely absorbed entirely by one party, but shared depending on local market conditions and the type of development. One key distinction in the incidence of an impact fee is the difference of the effect on single-family homes compared to apartments.

Effects on Single-family Home Development

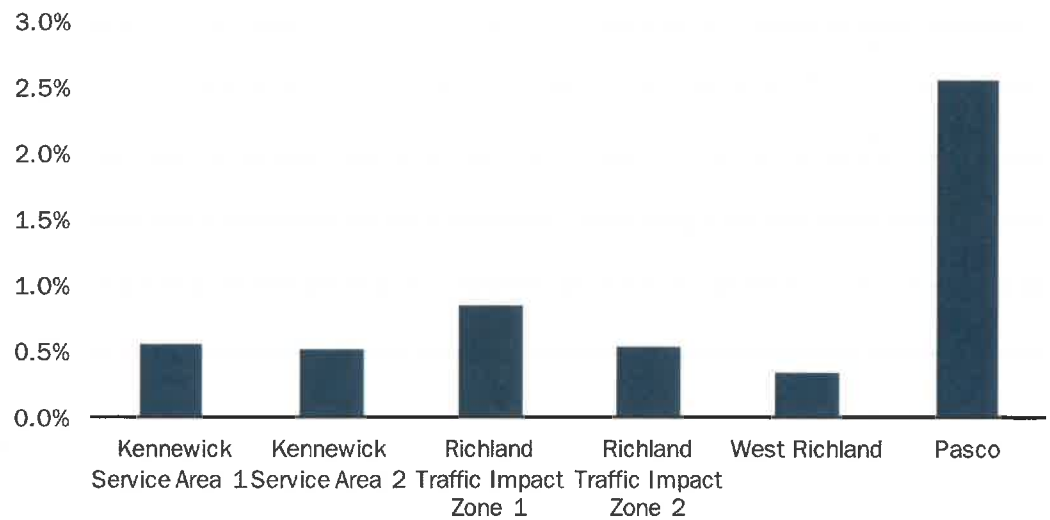
For a single-family home, a developer has the option of building a larger house—when not constrained by density limits—to spread the impact of a fixed fee over more square footage, thereby reducing the impact and increasing the ability to pass on the fee to the buyer. However, the implication of increasing the size of a home is that the price also goes up. The effects of this include three potential scenarios:

- There is market demand for higher priced homes. Developers will build and sell the homes at the higher price and buyers bear more of the burden.
- Buyers are not willing to pay for the higher price homes and fewer homes are built, which decreases the supply of housing and revenues from the impact fee.
- The landowner decreases the price of the land and incurs more of the incidence from an impact fee. For this to happen, property owners must believe that the lower land price still delivers a rate of return higher than other uses, albeit a lower return than prior to

the fee. Unrealistic or speculative expectations could keep the property owner from offering the land at a lower price.

Exhibit 9 **Error! Reference source not found.**displays the total impact fees by city in the Tri-Cities market relative to the average single-family home sales price for new homes built since 2016. This comparison takes into account differences in local housing market conditions. For example, if two cities have the same impact fee totals, the fees would be more of a burden in a city with lower home prices.

Exhibit 9. Single-Family Unit Impact Fee Comparison As Share of Average Annual Sales Price



Source: ECONorthwest, Zillow, City of Richland, City of West Richland, City of Pasco

The average price of a new single family home constructed in Kennewick since 2016 and sold in the past 15 months is $331,000, with an average size of 2,250 square feet, and a price per square foot of $148. The parks fee would represent 0.03 percent of average sales cost, with total impact fees representing 0.56 percent for Service Area 1. In Service Area 2 the parks fee would represent 0.02 percent of average sales cost, with total impact fees representing 0.51 percent.

Richland also had an average sales price of $331,000 for new construction during the same period. New homes in Richland were smaller on average (2,111 SF) and had a higher price per square foot ($159). Richland's parks and total impact fees are higher in their Zone 1, and therefore represent a larger percentage of the total sales price (0.86 percent). In Zone 2, they are more similar to the proposed fees in Kennewick, at 0.54 percent.

In Pasco the average sales price for new construction is lower than the other regional markets at $267,000; they are also smaller with an average size of 1,950 square feet and have a lower price per square foot of $138. As a result of their lower prices and the highest impact fees, Pasco's fees represent the largest share of sales price at 2.56 percent (0.53 percent for parks impact fees).

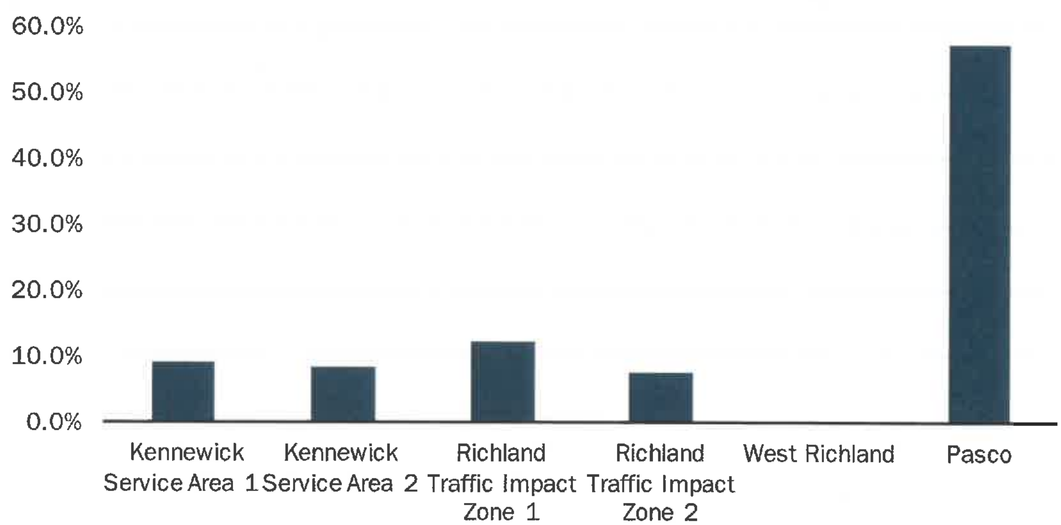
There is a robust single-family development market in the Tri-Cities, which indicates developers are able to pay land owners more than their speculative price or the value of the existing use for properties and still achieve their desired financial returns.

Effects on Multifamily Project Development

For an apartment development, the incentive structure is different than single-family homes. Unlike single-family homes, the rent on a per- square-foot basis decreases the larger unit size. Thus, all else equal, developers prefer to build more efficient studio and one-bedroom units. The tradeoff for building smaller units is that it costs more per square foot to build. This tradeoff impacts the efficiency of building smaller units, and, as a result, might change the unit mix if costs increase. Currently, in Kennewick 60 percent of units are 2- and 3-bedroom units. The share of 2 or larger bedroom units in Kennewick is higher than we see in other markets in the region (Washington and Oregon). As a result, a fixed impact fee regardless of unit type might incentivize a larger share of units to be 2- and 3-bedroom units.

One important consideration when analyzing the impact of increased fees on development feasibility is the value of existing properties. Unlike single-family zoned properties, there are often other permitted uses (retail, office, and flex industrial) competing with multifamily development for the highest and best use of a site. The incidence of the tax will generally fall on the landowner for commercial properties. As a result, if there are competing uses for the property, multifamily developers must be able to pay more for the land than the other uses (or speculative value).

Exhibit 10. Multifamily Unit Impact Fee Comparison As Share of Average Annual Rent



Source: ECONorthwest, CoStar, City of Richland, City of West Richland, City of Pasco

On a per unit cost basis, the proposed park impact fee is smaller than the single-family fee. However, the cumulative costs per land area would be higher. For example, the park impact fee of a 100-unit apartment building would be $52,000, which would be more than the amount of fees generated for a similar amount of land used for single family home. Exhibit 11 shows the equivalent fees in each of the Tri-Cities compared to the annual rent. This is helpful for understanding how impact fees affect feasibility, as rent (minus expenses) determines the value of a property.

The capitalization rate (cap rate) of a development is used to determine the value of a property. Currently, in the Tri-Cities market, the cap rate for multifamily is 6.4 percent. With a proposed fee of $450 to $540, and a cap rate of 6.4 percent, this indicates a developer would need an additional $3.00 a month in rent per unit to offset the cost of the additional fee. This amount is small and unlikely to have a large impact on development feasibility. Currently, we do not see a robust multifamily or mixed-use development market in Kennewick. This indicates that the rents in the market currently do not support the cost of construction given the land prices. An increase to the impact fees will not change the outcome of development feasibility, but will slightly add to the current feasibility gap.

Summary of Proposed Fee Impact on Development Feasibility

- Proposed fee is lowest nominally and as a percentage of prices/rent in Tri-Cities markets.
- The proposed fees are different for single-family and multifamily units—their percentage of market sales price or rent is equal.
- For product types that are already market feasible, the proposed fees will have a small impact, and likely would decrease land values for single-family developments.
- For product types that are not currently market feasible, impact fees will add to the feasibility gap (mixed-use, podium apartments).

6 Appendix – Frequently Asked Questions

This section provides responses to several questions that have been asked as part of the impact fee development process. These questions and responses provide an overview of some of the basics about imposing a park impact fee in Kennewick.

How are park impact fees adopted?

Impact fees are adopted through a city ordinance and codified in the municipal code. The ordinance must include a schedule of impact fees.[5] The impact fees collected must be retained in a special, interest-bearing account.[6]

Code language for park impact fees can live in the municipal code title deemed appropriate by the City. Some cities have specific titles for impacts fees. Others embed the code language in other titles. For example:

- West Richland's park impact fee is under the Division of Land title of the municipal code.
- Richland's park impact fee is under the Environment title of the municipal code.
- Pasco's park impact fee is under the the Revenue and Finance title of the municipal code.
- Kennewick's transportation impact fee is under Title 13 - Streets and Sidewalks of the municipal code.

When are park impact fees collected?

The fees are typically collected when the applicant is issued their building permit. The City must also *"adopt and maintain a system for the deferred collection of impact fees for single-family detached and attached residential construction."*[7] The applicant may defer the full impact fee amount until a later point, such as when the property sale occurs or the certificate of occupancy is issued, that may not exceed 18 months from when the permit is issued.

Can certain areas be exempted from paying impact fees?

Impact fees *"May provide an exemption for low-income housing, and other development activities with broad public purposes, from these impact fees, provided that the impact fees for such development activity shall be paid from public funds other than impact fee accounts."*[8] Broad public purposes are not defined in statute.

[5] RCW 82.02.060(1)

[6] RCW 82.02.070

[7] RCW 82.02.050(3)

[8] RCW 82.02.060(2)

For low-income housing, cities may also, *"Grant a partial exemption of not more than eighty percent of impact fees, in which case there is no explicit requirement to pay the exempted portion of the fee from public funds other than impact fee accounts; or provide a full waiver, in which case the remaining percentage of the exempted fee must be paid from public funds other than impact fee accounts."*[9]

The City can also make adjustments to the impact fee amount. As an example, the City of Ellensburg allows an applicant to be credited for the value of dedicated land, improvements, or construction that is directly related to an improvement that is covered by the impact fee, in the capital facilities plans, or serves the goals and objectives of the comprehensive plan and capital facilities plan. (See Ellensburg Municipal Code Chapter 14.02.260.)

Would a new residential development have to pay both a park impact fee and make a SEPA mitigation contribution?

In most cases, no. An applicant does not have to pay duplicative fees for the same impact.[10] In this case, the impact from new residential development for the park system would be the need for additional park facilites. Revenues from impact fee include the cost to acquire land for the construction of park facilities. Thus, an impact fee would be addressing the same impact generated by residential development.

The City of Kennewick currently requires the dedication of land for park purposes for the division or redivision of land for residential purposes.[11] Mixed use developments with residential units are currently exempt from this requirement. Per discussions with City staff, the intent is to modify the SEPA mitigation requirements so that only large projects that create a need for park land of five acres or more would be required to dedicate land or pay a fee in lieu. In these cases, their impact fee payment would be credited based on the value of the dedication. If the value of the dedication is the same or larger than the impact fee, the full impact fee amount would be credited and the applicant would not pay more than before an impact fee was in place.

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[9] RCW 82.02.060(3)

[10] RCW 82.02.050 (1)(c)

[11] Kennewick Municipal Code Chapter 17.100.010

2017 Parks and Recreation Commission Work Plan

	COUNCIL PRIORITY AREA	GOAL	TASKS DESCRIPTION	COMMISIONER LEAD	STAFF LEAD	PROGRESS	TARGET DATE
1	Community Safety - Economic Development - infrastructure and Growth Quality of Life - Responsible Government	Sustaining Parks & Recreation Strategies	Update Parks Comp Plan	All Commissioners	Cheryl Bolin	Selected Contractor - Negotiating Scope in May	Completed
			Develop Community Engagement process	Ken Hahn	Cheryl Bolin	Deveoped and Implemented Process. One Community Work Shop to host.	Completed
			Attend Community Engagement Comp Plan events	All Commissioners	Cheryl Bolin	Commissioners Attended Community Engagment Events	Completed
			Identify alternative funding sources - research best practice	Jack Anderson & Ty Fisher	Cheryl Bolin	Jack Anderson, Ty Fisher, and Cheryl Bolin held a planning meeting	Completed
			Develop Plan for alternative funding sources	Jack Anderson & Ty Fisher	Cheryl Bolin	Identified potenial "Friends of Parks & Recreation" partners - Cheryl Bolin to organize meeting with partners	Completed
			Prepare Report & Present to City Council		Cheryl Bolin	Discussion Item	Nov-17
2	Economic Development - Quality of Life	Host Joint Arts & Planning Retreat	Invite Arts Commission to a Joint Commission Meeting	Ben Rutledge (Chair)		Joint Meeting Wednesday, May 10: - Meeting Held May 10, 2017. Working on next steps	Completed
			Develop Agenda for Meeting	All Commissioners	Ian Napier	Hosted Joint Meeting	Completed
			Invite Arts & Planning Commission to a Joint Retreat	Ben Rutledge (Chair)		Discussion Item	Jul-17
			Develop Agenda for Retreat	All Commissioners	Ian Napier	Discussion Item	Aug-17
3	Quality of Life	Recreation Programming Strategy	Present updated Marketing Strategy to Commission to include Commissioner roles/duties		Ian Napier	Staff will Present at June P&R Commission Meet: Completed at June 15, 2017 meet	Apr-17
			Representation of Commissioner at January Family Expo & August National Night Out	All Commissioners	Ian Napier	Great representation from Commissioner for Family Expo & National Night Out	Completed

			Develop an informational PowerPoint for Commissioner to present to stakeholders	Mark Reed & Jack Anderson	Ian Napier	Discussion Item	Jun-17
	COUNCIL PRIORITY AREA	**GOAL**	**TASKS DESCRIPTION**	**COMMISIONER LEAD**	**STAFF LEAD**	**PROGRESS**	**TARGET DATE**
3	Quality of Life	Recreation Programming Strategy	Conduct 3 community presentations	All Commissioners	Cheryl Bolin	Discussion Item	Dec-17
			Year-End Presentation to Commissioner on outcome of marketing plan		Ian Napier	Compiling year-end stats; to be completed for presentation available Jan 2018	Nov-17
4	Economic Development - Quality of Life - Responsible Government	Earn the Commission for Accreditation of Parks and Recreation Agencies (CAPRA) accreditation	Review CAPRA Requirements	All Commissioner		Discussion Item	Apr-17
			Attend CAPRA Training	All Commissioner		Discussion Item	Jun-17
			Develop CAPRA Self-Assessment Plan to identify Commissioner roles and duties	Mark Reed & Jack Anderson	Cheryl Bolin	Discussion Item	Sep-17
			Establish Core Values	All Commissioner	Cheryl Bolin	Discussion Item	Dec-17
			Attend Professional Conference	All Commissioner	Cheryl Bolin	Completed	On Going
5	Infrastructure and Growth	Capital Projects	Identify roles and duties for Commissioner within Playground of Dreams design, alternative funding, construction	Ben Rutledge (Chair) & Ken Hahn	Cheryl Bolin	Completed at March P&R	Apr-17
			Preliminary development of a work plan for the future development of the west end of Columbia Park based on the conveyance proceedings	Ken Hahn & Dean Aeling	Greg Duffy	In progress with Parks & Recreation Comp Plan update	Completed
			Preliminary development of a work plan for Columbia Park for nature based uses	Ken Hahn &Dean Aeling	Greg Duffy	In progress with Parks & Recreation Comp Plan update	Oct-17
		Park Audits	Complete Audit on assigned Parks	All Commissioner	Greg Duffy	P&R Commissioners completed June 15, 2017 meet	Completed