

# School Impact Fee Methodology Review and Comparisons

PIERCE COUNTY PERFORMANCE AUDIT COMMITTEE

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Pierce County School Impact Fee Review



# School Impact Fees

Impact fees are a growth management tool that helps local government and special purpose districts recover a portion of the costs incurred in providing new public facilities needed as a result of new development.

# School Impact Fees – Washington State

- 10 of 39 counties have school impact fee programs. These counties include King, Pierce, Snohomish, Clark, Thurston, Kitsap, Yakima, Whatcom, Skagit, and Lewis.
- 48 of 281 cities and town have school impact fee programs. (2012 AWC Tax and User Fee Survey)

# School Impact Fees – Statutory Requirements

Impact fees:

- Shall only be imposed for system improvements that are reasonably related to the new development;
- Shall not exceed a proportionate share of the costs of system improvements that are reasonably related to the new development; and
- Shall be used for system improvements that will reasonably benefit the new development

Provisions allow for the return of monies not expended within 10 years of collection, and to exempt certain types of development (e.g., limited impact).

# School Impact Fees – Pierce County

- Authorized by the Pierce County Council in 1997
- Sets forth impact fee procedures, methodology, and payment schedule codified as Title 4A of the Pierce County
- Pierce County uses a formula which calculates a school district's unfunded capital facility need. The formula is similar to that used by other jurisdictions across the state
- Last significant program update in 2004

# School Impact Fees – Pierce County Program Review

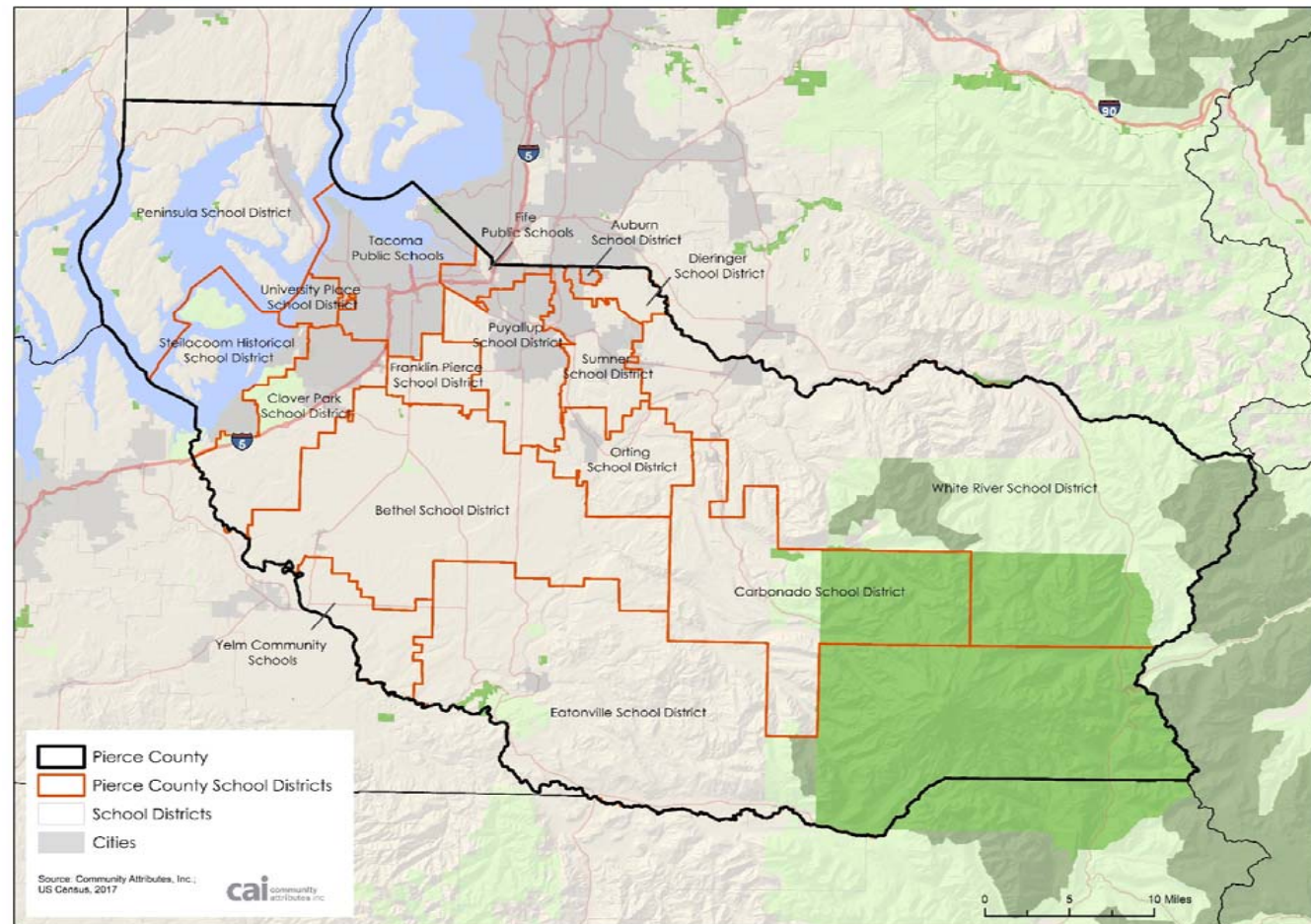
- Pierce County's School Impact Fee program has not been reviewed since inception in 1996
- Requested by the Council and commissioned by the Performance Audit Committee in 2017
- After a competitive bidding process, the contract was awarded to Community Attributes, Inc., of Seattle, which has extensive experience with impact fees
- Review initiated to support the Council-created School Impact Fee Working Group, consisting of school districts, realtors, and builders.

# School Impact Fees – Review Objectives

- A Review of School Impact Fee Methodology And Comparisons Across Washington Jurisdictions (Clark, Snohomish, King, Fife, Edgewood, Auburn)
- A Review of Pierce County School Impact Fee Methodology Application Across School Districts in the County
- Benchmarking Pierce County School Impact Fee Rates To Other Washington Jurisdictions

# Pierce County School Impact Fee Program

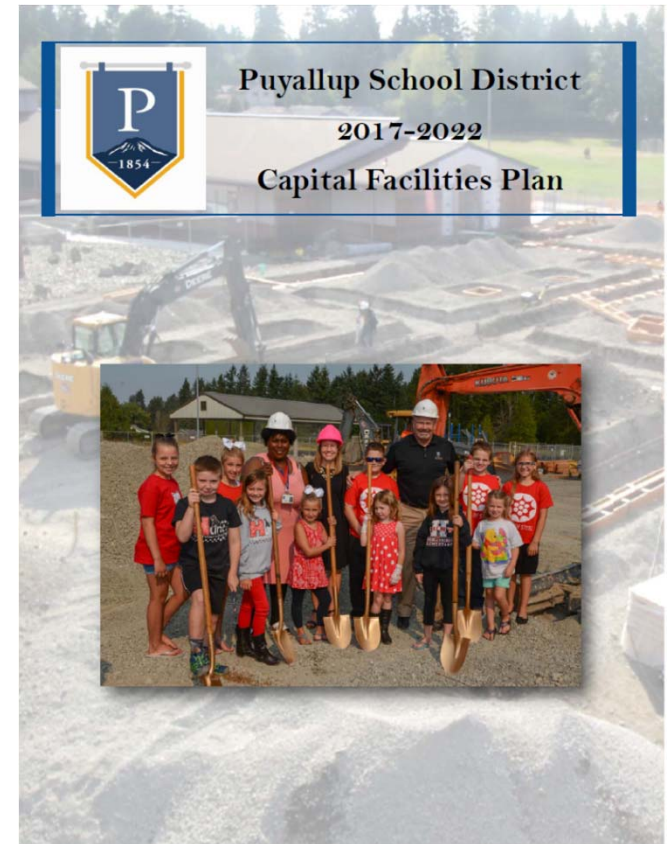
- > There are 17 school districts in Pierce County
- > Thirteen districts participate in the school impact fee program
- > Three of these districts currently choose not to charge school impact fees; two others opted out initially





# Pierce County School Impact Fee Program

- > Each school district submits their CFP to the county for review identifying:
  - > Existing deficiencies
  - > Facility capacity of current development
  - > Existing capacity available for new development
  - > Additional facility capacity needed for new development
  - > Projections for student population by grade span
  - > Impact fee calculations for single-family and multifamily development



# School Impact Fees – Pierce County Formula

- > Site Acquisition Cost X Student Factor
- > School Construction Cost per Student
- > Temporary Facilities Cost per Student
- > State Match Credit = Cost Index X SPI Square Foot per Student X State Match Percent X Student Factor
- > Tax Payment Credit = Net Present Value Factor X Current District Capital Property Tax Levy Rate X Average Assessed Value
- > Adjusted by 50%
- > The lesser of the calculated fee or the Maximum Fee Obligation is the school impact fee
- > MFO currently set at \$3,485 for single-family and \$1,840 per multifamily dwelling unit

| Single-Family Impact Fee Calculations                                            |                      |                   |                        |                |                    |
|----------------------------------------------------------------------------------|----------------------|-------------------|------------------------|----------------|--------------------|
| SITE ACQUISITION COSTS (A)                                                       | COST PER ACRE        | NUMBER OF ACRES   | NUMBER OF STUDENTS     | STUDENT FACTOR | TOTAL COST         |
| Elementary                                                                       | \$350,000            | 15                | 500                    | 0.355          | \$3,727.50         |
| Middle School                                                                    | \$0                  | 25                | 700                    | 0.117          | \$0.00             |
| Senior High                                                                      | \$350,000            | 40                | 1,600                  | 0.090          | \$787.50           |
| <b>Total</b>                                                                     |                      |                   |                        |                | <b>\$4,515.00</b>  |
| CONSTRUCTION COSTS (B)                                                           | FACILITY COST        |                   | NUMBER OF STUDENTS     | STUDENT FACTOR | TOTAL COST         |
| Elementary                                                                       | \$34,000,000         |                   | 500                    | 0.355          | \$24,140.00        |
| Middle School                                                                    | \$0                  |                   | 700                    | 0.117          | \$0.00             |
| Senior High                                                                      | \$95,000,000         |                   | 1,600                  | 0.090          | \$5,343.75         |
| <b>Total</b>                                                                     |                      |                   |                        |                | <b>\$29,483.75</b> |
| TEMPORARY FACILITY COSTS (C)                                                     | PURCHASING COST      |                   | NUMBER OF STUDENTS     | STUDENT FACTOR | TOTAL COST         |
| Elementary                                                                       | \$500,000            |                   | 40                     | 0.355          | \$4,437.50         |
| Middle School                                                                    | \$500,000            |                   | 56                     | 0.117          | \$1,044.64         |
| Senior High                                                                      | \$500,000            |                   | 56                     | 0.090          | \$803.57           |
| <b>Total</b>                                                                     |                      |                   |                        |                | <b>\$6,285.71</b>  |
| STATE MATCHING CREDIT (D)                                                        | BOECKH INDEX         | SQ FT PER STUDENT | STATE MATCH            | STUDENT FACTOR | TOTAL COST         |
| Elementary                                                                       | \$213.23             | 90                | 0.7007                 | 0.355          | \$4,773.66         |
| Middle School                                                                    | \$213.23             | 117               | 0.7007                 | 0.117          | \$2,045.28         |
| Senior High                                                                      | \$213.23             | 130               | 0.7007                 | 0.090          | \$1,748.10         |
| <b>Total</b>                                                                     |                      |                   |                        |                | <b>\$8,567.03</b>  |
|                                                                                  | PRESENT VALUE FACTOR | BOND LEVY RATE    | ASSESSED VALUE OF UNIT | BOND INTEREST  | TOTAL CREDIT       |
| TAX PAYMENT CREDIT (TC)                                                          | 9.547                | \$1.81            | \$233,539              | 3.66%          | \$4,123.36         |
| NET COST (A+B+C-D)-TC                                                            |                      |                   |                        |                | \$27,594.07        |
| DISCOUNT IS 50%, RATE IS 0.50<br>IMPACT FEE PER UNIT (NET COST-TC)*DISCOUNT RATE |                      |                   |                        |                | \$13,797.04        |
| LESS OTHER CREDITS (FC)                                                          |                      |                   |                        |                | 0                  |
| <b>NET IMPACT FEE PER UNIT</b>                                                   |                      |                   |                        |                | <b>\$13,797.04</b> |

# School Impact Fees – Pierce County Maximum Fee Obligation

- Caps the impact fee –it is the maximum fee that may be collected
- Reflects a policy decision at time of program adoption
- Currently \$3,485 (SF) and \$1,840 (MF)
- Adjusted annually based upon CPI change
- Accounts for 12% to 100% of district unfunded need – depending on district – highest growth districts typically lowest percentage

# Pierce County School Impact Fee Program

## Single-Family School Impact Fee Calculations and MFO

| School District                     | 2013     | 2014     | 2015     | 2016     | 2017     | 2018     |
|-------------------------------------|----------|----------|----------|----------|----------|----------|
| MFO                                 | \$3,005  | \$3,215  | \$3,270  | \$3,330  | \$3,400  | \$3,485  |
| Puyallup School District            | \$13,709 | \$13,709 | \$8,955  | \$8,144  | \$8,144  | \$14,462 |
| Bethel School District              | \$11,429 | \$11,429 | \$16,511 | \$10,608 | \$13,797 | \$13,797 |
| Sumner School District              | \$3,163  | \$4,019  | \$10,396 | \$12,750 | \$12,750 | \$11,851 |
| Orting School District              | \$3,675  | \$3,675  | \$3,675  | \$4,841  | \$4,841  | \$10,730 |
| Franklin Pierce School District     | \$10,032 | \$10,032 | \$10,032 | \$10,032 | \$10,032 | \$10,032 |
| Peninsula School District           | \$3,341  | \$4,954  | \$4,061  | \$5,296  | \$5,296  | \$8,061  |
| Yelm School District                | \$4,450  | \$4,450  | \$4,450  | \$4,450  | \$4,450  | \$4,450  |
| Steilacoom Historic School District | \$2,302  | \$2,302  | \$4,665  | \$6,184  | \$6,184  | \$4,217  |
| Dieringer School District           | \$5,322  | \$5,299  | \$5,231  | \$4,672  | \$5,053  | \$3,760  |
| Fife School District                | \$1,163  | \$1,163  | \$2,640  | \$3,216  | \$6,670  | \$1,527  |
| Carbonado School District           | \$0      | \$0      | \$0      | \$0      | \$0      | \$0      |
| Eatonville School District          | \$4,497  | \$4,497  | \$0      | \$0      | \$0      | \$0      |
| White River School District         | \$0      | \$0      | \$0      | \$0      | \$0      | \$0      |

# Pierce County School Impact Fee Program

## Multifamily School Impact Fee Calculations and MFO

| School District                     | 2013     | 2014     | 2015     | 2016    | 2017     | 2018     |
|-------------------------------------|----------|----------|----------|---------|----------|----------|
| MFO                                 | \$1,585  | \$1,695  | \$1,725  | \$1,755 | \$1,795  | \$1,840  |
| Orting School District              | \$52     | \$52     | \$52     | \$163   | \$163    | \$11,611 |
| Bethel School District              | \$12,713 | \$12,713 | \$12,504 | \$7,514 | \$10,369 | \$10,369 |
| Peninsula School District           | \$1,917  | \$2,903  | \$2,380  | \$3,085 | \$3,085  | \$4,800  |
| Franklin Pierce School District     | \$4,530  | \$4,530  | \$4,530  | \$4,530 | \$4,530  | \$4,530  |
| Puyallup School District            | \$4,395  | \$4,395  | \$2,839  | \$2,202 | \$2,202  | \$4,233  |
| Yelm School District                | \$1,812  | \$1,812  | \$1,812  | \$1,812 | \$1,812  | \$1,812  |
| Sumner School District              | \$0      | \$830    | \$4,500  | \$4,302 | \$4,302  | \$1,772  |
| Dieringer School District           | \$0      | \$1,766  | \$1,839  | \$1,518 | \$1,759  | \$1,081  |
| Fife School District                | \$0      | \$0      | \$5,664  | \$6,875 | \$1,772  | \$290    |
| Stellacoom Historic School District | \$0      | \$0      | \$532    | \$0     | \$0      | \$0      |
| Carbonado School District           | \$0      | \$0      | \$0      | \$0     | \$0      | \$0      |
| Eatonville School District          | \$2,404  | \$2,404  | \$0      | \$0     | \$0      | \$0      |
| White River School District         | \$0      | \$0      | \$0      | \$0     | \$0      | \$0      |

# Key Findings

- > The application of the Maximum Fee obligation changes the proportion of contribution of impact fees between single-family and multifamily from the originally calculated school impact fee rates.
- > School impact fee rates vary greatly between jurisdictions and over time, which is not unique to Pierce County.
- > The factor with the most impact of the variance in calculated rates is the number and type of projects included in the district's CFP.
- > It is often difficult to determine from the CFP projects list and cost information, which project costs generate new capacity and are included in the impact fee calculations.
- > There are some inconsistencies between districts in the application of the formula, and particularly in the tables and formats used in the published impact fee calculations
- > Districts provided feedback that staff training, resources and information would be helpful for them in their impact fee calculations.

# Key Findings

- > Overall, Pierce County's formula and school impact fee program are generally similar to the programs used in King, Snohomish and Clark counties.
- > The main differences are the adjustment percentage and the application of a Maximum Fee Obligation.
  - > Snohomish and King counties have a 50% adjustment, Clark County has an 85% adjustment.
  - > Snohomish County has a temporary maximum of \$7,000 per dwelling unit
- > Generally, Pierce County school impact fee rates are lower than other regional jurisdictions, due to the application of the MFO
- > Most other jurisdictions in Pierce County also have lower rates, creating general uniformity in rates across the county.
- > Pierce County and the three municipalities examined all have less exhaustive CFP and impact fee review process compared to King, Snohomish and Clark counties.

# QUESTIONS