

**STAFF REPORT NO. 143-16**

**TO:** Mayor and City Council  
**FROM:** Eric Holmes, City Manager



**DATE:** 10/24/2016  
11/07/2016

**Subject:** Park Impact Fee (PIF) Technical Document Update

**Key Points:**

- The current PIF Technical Document was adopted in 2009, prior to the 2013 termination of interlocal agreement that governed a joint City-County Parks and Recreation Department.
- The PIF Technical Document needs to be updated to reflect that it is only applicable to development occurring within city limits.
- The proposed action would amend the technical document to:
  - Reflect the dissolution of the Parks Interlocal Agreement and update the document to be applicable only within the Vancouver city limits;
  - Realign park district boundaries from ten districts to three larger districts to improve flexibility, program management and concurrency compliance, and facilitate future annexation areas;
  - Revise the fee schedule to represent merged districts (no update to PIF formula values);
  - Merge park acquisition and development funds by park district to provide greater flexibility.
- Additional housekeeping amendments are proposed to the section of the Vancouver Municipal Code (VMC) regulating impact fees for consistency with the PIF Technical Document.
- A SEPA review for non-project action was completed and duly published with no public comments submitted during the comment period.
- Information was provided to the Building Industry Association and Clark County Association of Realtors with no follow-up comments or requests.

**Objective:** Amend the Park Impact Fee Technical Document and VMC Title 20.915 – Impact Fees. This action supports implementation of Goal 4 of the Strategic Plan.

**Background:** The current Park Impact Fee Technical Document was adopted in 2009 while the City and County operated under an interlocal agreement for joint management of a county-wide park system and PIF program. The PIF Technical Document was originally developed for three primary purposes. The first was to improve consistency between jurisdictions for a seamless PIF program. The second was to streamline the update process by removing time sensitive data related to the PIF program from the Parks Plan and municipal code. These variables included the district map, fee schedule, and values associated with the calculation formula such as census data on persons per household, land and development costs, and the cost adjustment factor. This effort served to consolidate all applicable data into one document for greater flexibility and efficiency in program administration. The third purpose was to adopt an indexing methodology to facilitate future fee updates to adjust for inflation and deflation.

### **Present Situation:**

Applicability. The 2009 PIF Technical Document adopted ten park impact fee districts including the City of Vancouver and the entire UGA. Boundaries were drawn irrespective of jurisdictional boundaries, and maximized the nexus between the payee and facility improvements. With the Parks Interlocal Agreement terminated (effective December 31, 2013) there is a need to define the applicability of the Park Impact Fee Technical Document to only areas within the Vancouver city limits.

Realign Park Districts. In the twenty years since adoption of the original impact fee ordinance there has been a 143% increase in population with growing residential densities throughout the urban area. With fewer properties available for private development, impact fee accounts accumulate more slowly and fewer options are available for park land acquisition or expansion. Combined with the slow economic recovery there are mounting challenges to meet adopted park standards and concurrency timelines mandated by state law. Merging of park districts to create larger service areas will provide an opportunity for district funds to accumulate more quickly and offer increased flexibility and responsiveness to meet eligible park project needs. *(See Park District Map in PIF Technical Document)*

Revised Fee Schedule. The current fees of the districts merged to create Districts A, B, and C are to be averaged for a revised fee schedule for the proposed new districts. No values have been updated for the variables used in the fee calculation. *(See 2016 Fee Schedule in PIF Technical Document)*

Merge Acquisition and Development Accounts. RCW and VMC authorize the collection of impact fees for various types of facilities including transportation, schools, and parks. State statutes and city code direct the City to establish interest bearing accounts for each type of public facility and service area. Historically, revenues received by the City from Park Impact Fees have been held in separate acquisition and development accounts for each of the park districts. Although not required by either state law or city code, their use has been restricted to either acquisition or development depending on which account the revenue is drawn from. This management policy has contributed to limited funds being available as well as additional accounting needs for common interfund loans between these accounts when sufficient funds are not available for priority projects.

Staff recommends an amendment to clarify that the acquisition and development accounts are to be merged into a single account retrospectively for each of the original ten districts. In the future, each of the realigned park districts (A, B and C) will have a single account respectively to simplify accounting and add program flexibility to meet the recreation needs of our growing population and to be good stewards of these resources. *(See PIF Technical Document and Resolution)*

### **VMC 20.915 (Impact Fee) Amendments (See Ordinance)**

There are multiple housekeeping amendments recommended for VMC 20.915 (Impact Fees) of the municipal code, including the following:

- Add or correct references to the Park Impact Fee Technical Document.
- Remove details regarding the types of costs included in the acquisition process and average cost per acre. These components of the acquisition process are discussed in more detail in the PIF Technical Document and recommended for removal from the code to minimize potential inconsistencies in the future.
- Remove references to Vancouver-Clark Parks and Recreation (20.915.030[A]) to recognize dissolution of the Parks Interlocal Agreement and autonomy of the Vancouver Park Impact Fee program.
- Remove the numeric value of the Cost Adjustment Factor (20.915.050[A][7]), a time sensitive data value that is already included in the PIF Technical Document.
- Remove references to '*recreational facilities*' in the list of park types included in the park impact fee program. Recreation facilities can be supported by impact fees under state law; however, the Vancouver PIF program was always designed and calculated on the acquisition and development of neighborhood and community parks and urban natural areas. The fees are based upon detailed calculations of the acquisition and development costs for only these three park types consistent with adopted park standards. Recreational facilities, such as special use facilities or community centers currently do not have adopted standards, nor are the costs for these types of facilities factored into the fee calculation. This amendment to the code is recommended for deletion to assure consistency with the PIF Technical Document.

**Advantage(s):**

1. The revised district map and PIF Technical Document text clarify that fees are charged only within the Vancouver city limits, but guides the applicable city park district for future annexations without the need of additional amendments.
2. District realignment and merging of the PIF acquisition and development accounts add improved flexibility and responsiveness to meet park needs, act on opportunities, and realize efficiencies in the management of the PIF Program and compliance with concurrency requirements.
3. The revised fee schedule reflects a reduced variation in the fees charged throughout the city as currently exists with the existing park districts.
4. Removal of all time sensitive statistical or numeric data from the Parks Plan and VMC sections related to park impact fees will enable the city to adjust fees or make other programmatic amendments on a more flexible timeline outside of the Comprehensive Plan update or Annual Review processes.
5. The Park Impact Fee Technical Document provides the additional advantage of consolidating all park impact fee related data, including the PIF formula, definitions, formula factors, data

inputs, park district delineations and fee rate schedule into one document for ease of reference. The approach also provides flexibility and efficiency in program administration.

6. The Park Impact Fee Technical Document amendments provide greater clarity and definition for implementation and management.

**Disadvantage(s):** Fee rate averaging of the merged districts results in as much as a 19% increase and 14% decrease in some districts, with the overall change being less than 1%.

**Budget Impact:** No net changes to the impact fee rate schedule are proposed at this time. However, as funding will grow more rapidly in the larger districts and merged accounts, projects will be proposed for priority projects more frequently.

**Prior Council Review:** Council Workshop – September 12, 2016

**Action Requested:**

1. On October 24, 2016, approve the ordinance on first reading, setting the date of second reading and public hearing for Monday, November 7, 2016.
2. On Monday, November 7, 2016:
  - a) Adopt a resolution approving the 2016 Park Impact Fee Technical Document and merging the PIF Acquisition and Development Accounts; and
  - b) Subject to second reading and public hearing, approve the proposed code amendments related to the new Park Impact Fee Technical Document.

Attachments:

- Resolution
- PIF Technical Document
- Ordinance, VMC 20.915 Amendments



To request other formats, please contact:  
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11/07/16

RESOLUTION NO. M- 3910

A RESOLUTION relating to the adoption of a City of Vancouver Park Impact Fee Technical Document; the merging of park impact fee acquisition and development accounts; and providing for effective dates.

WHEREAS, the City of Vancouver and Clark County adopted a joint Park Impact Fee (PIF) Technical Document date November 1, 2009, and

WHEREAS, the PIF Technical Document details the numeric formula factors used in the fee calculation, delineates a map of the applicable service districts, and defines the fee rate schedule by park district and residential structure type, and

WHEREAS, the PIF Technical Document provides the framework and details of the PIF program, and

WHEREAS, the Interlocal Agreement for joint management of the county-wide park system and the PIF program was dissolved, effective December 31, 2013, and

WHEREAS, the PIF Technical Document needs to be updated to reflect that it is only applicable to development occurring within the City, and

WHEREAS, it is advantageous to increase the size of the districts to provide for three districts rather than ten districts as currently adopted. The larger district size increases the opportunity to acquire park land within the district and allows more flexibility in the use of impact fees, and,

WHEREAS, Park Impact Fees are calculated using an acquisition component and a development component. Historically, the revenues received from Park Impact Fees have been held in separate acquisition and development accounts for each of the park districts. Although this is not required by either state law or city code, their use has been restricted to either acquisition or development depending on which account the revenue is drawn from. It is advantageous to merge the acquisition and development accounts into single accounts for each district,

NOW, THEREFORE,

BE IT RESOLVED BY THE CITY OF VANCOUVER:

Section 1. The City of Vancouver Park Impact Fee Technical Document attached hereto as Exhibit A is hereby adopted to become effective on January 1, 2017.

Section 2. Effective immediately, the Director of Financial and Management Services is directed to merge the existing acquisition and development accounts for each park impact fee district into a single account per district and to create new accounts for the three new districts (Districts A, B and C) created by the City of Vancouver Park Impact Fee Technical Document adopted by this resolution.

DATED this 7th, of November, 2016.

  
Timothy D. Leavitt, Mayor

Attest:

  
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R. Lloyd Tyler, City Clerk

~~By: Carrie Lewellen, Deputy City Clerk~~

Approved as to form:

A handwritten signature in blue ink, appearing to read "E. Bronson Potter", written over a horizontal line.

E. Bronson Potter, City Attorney

City of Vancouver, Washington

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# PARK IMPACT FEE TECHNICAL DOCUMENT

November 2016





## INTRODUCTION

The Park Impact Fee Technical Document provides the framework and details of the Park Impact Fee program and serves as a vehicle to streamline rate updates and program changes at the direction of the elected officials of the City of Vancouver.

The PIF Technical Document details the numeric formula factors used in the fee calculation, delineates a map of the applicable service districts, and defines the fee rate schedule by park district and residential structure type. In addition, the document outlines a methodology for future implementation of park impact fee indexing in order to keep pace with fluctuations in the economic market and more accurately reflect current acquisition and development costs. To date, fee indexing updates have not been implemented, but at the direction of the City Council rate change proposals can be brought forward for consideration. Future proposals would provide an updated analysis for inflation or deflation adjustments, identify any revised data sources or values for formula factors, and include a proposed fee rate schedule.

## BACKGROUND

The State Growth Management Act grants cities and counties the authority to assess impact fees on new development to provide the infrastructure to support orderly growth. On August 7, 1995 the City of Vancouver implemented the collection of impact fees for parks, roads and schools. In 1997, the City of Vancouver and Clark County entered into an Interlocal Agreement for the consolidation and management of a county wide park system and administration of the Park Impact Fee Program. Minor amendments to the program occurred over the years that followed, with the most recent fee update going into effect on June 3, 2004.

In 2009, references to the fee schedule, service area maps and numeric calculation factors were removed from the 2007 Vancouver-Clark Parks and Recreation Comprehensive Parks, Recreation and Open Space Plan (Parks Plan) and the Vancouver Municipal Code with the adoption of the first Park Impact Fee Technical Document. The purpose of this action was to streamline future updates outside of the Comprehensive Plan amendment process as well define a methodology for future implementation of fee indexing, and improve consistency between city and county administrative codes as they related to the application and management of the joint park impact fee program.

Park Impact Fees are calculated using an acquisition and development component. Historically, revenues received from park impact fees have been held in separate acquisition and development accounts for each of the park districts. Although this is not required by either state law or city code, their use has been restricted to either acquisition or development depending on which account the revenue is drawn from.

The Interlocal Agreement for joint administration of the Park System and Park Impact Fee Program between the City of Vancouver and Clark County was terminated with a Wind-Up Agreement adopted by both jurisdictions. Effective January 1, 2014, the city and county administer independent park impact fee programs. This termination has initiated the need for some of the proposed amendments to this document to be applicable to only those areas within the jurisdiction of the City of Vancouver.

## OVERVIEW OF DOCUMENT UPDATE

Since the 2004 fee update the City of Vancouver has experienced significant growth, leaving fewer properties available for residential development and infill. Increased urban density in combination with the economic recession resulted in a slower rate of growth in existing park impact fee district accounts, fewer lands available for new or expanded park sites, and increased challenges in committing general fund resources for park maintenance for additions to the parks system.

Additional amendments to the Park Impact Fee Program relate to this need for increased flexibility in the management of the program and compliance with the state statutes regarding concurrency and the use of impact fees.

Amendments to the program include:

- Applicability to only the area within the Vancouver city limits,
- Realignment of the original ten (10) park impact fee service area districts to three (3) service area districts,
- Fee schedule revised to reflect an average of the existing 2004 schedule based on the districts located within the realigned Districts A, B, and C,
- Clarification that revenues collected within each park impact fee service area, including acquisition and development components, are to be managed as a single account for expenditures and concurrency, and
- Reformatting, clarifications, and correction of scrivener's errors.

## PARK IMPACT FEE FACTORS

The formula used to compute park impact fee rates is based on four primary factors: 1) acquisition costs, 2) development costs, 3) adopted park standards, and 4) an adjustment factor required by state law.

1. **Acquisition cost** is the unique cost of land acquisition in each of the established park districts.
2. **Development cost** is the average cost of park development over all park districts within the City of Vancouver.
3. **Adopted park standards** are those adopted by the City of Vancouver Comprehensive Parks, Recreation and Natural Areas Plan for Neighborhood and Community Parks and Urban Natural Areas (also referred to as Urban Open Space). These standards are population based and represent the acres of land needed to serve one thousand residents for each of the respective park types.
4. **Adjustment factor** is based on state statute that requires an "adjustment to the cost of public facilities for past or future payments made or reasonably anticipated to be made by new development..."

State statute requires that park facilities on which impact fees may be spent must be part of a capital facilities plan that is a component of an adopted comprehensive land use plan.

The Vancouver Municipal Code (VMC 20.915.100) anticipates that impact fee rates will be revised periodically when financial analysis establishes that there is a need for a major program update, or adjusted annually to account for inflation/deflation using an indexing methodology. All fee adjustments are to be described in a Technical Document to be reviewed and adopted by the Vancouver City Council.

#### Park Impact Fee Formula

$$\begin{aligned}
 \text{PIF} &= \left[ \text{Acquisition Cost} + \text{Development Cost} \right] - \text{Cost Adjustment Factor} \\
 \text{PIF} &= \left[ \left( \frac{(\text{Ca} \times \text{Ia} \times \text{Sa})}{\text{P}} \right) + \left( \frac{(\text{Cd} \times \text{Id} \times \text{Sd})}{\text{P}} \right) \times \text{U} \right] \times \text{A}
 \end{aligned}$$

“PIF” represents the total cost of the impact fee per single family/duplex, or multi-family residence.

#### Acquisition Cost

“Ca” represents the average cost per acre for land appraisal, land acquisition, associated due diligence fees and expenses, closing costs and Level 1 Development for each service area or overlay area as described in the Parks Plan for Neighborhood Parks, Community Parks and Urban Natural Areas, and adopted by City Council in the impact fee revision process pursuant to VMC 20.915.100.B.

“Ia” represents the percentage annual inflation/deflation adjustment index applicable to the acquisition component, as outlined in the Park Impact Fee Program Technical Document and annually determined by City Council in the impact fee revision process pursuant to VMC 20.915.100.B.

“Sa” represents the parks acquisition standard in acres per thousand residents for Neighborhood Parks, Community Parks and Urban Natural Areas as established in City of Vancouver Comprehensive Parks, Recreation and Natural Areas Plan (Parks Plan). The current (2014) acquisition standard per the Parks Plan is 6 acres per thousand residents. This standard is designed to include a combined 5 acres / 1,000 residents for Neighborhood and Community Parks and one acre per thousand for Urban Natural Areas. Within the combined standard, the preferred distribution is two acres for Neighborhood Parks and three acres for Community Parks. However, the combined standard allows for modifications where existing and proposed development limits the availability of parcels large enough to accommodate the preferred standard-size for Community Parks.

“P” represents one thousand (1,000) residents.

#### **Development Cost:**

“Cd” represents the average cost per acre for site development. Development costs shall be calculated assuming development standards described in the Parks Plan for Neighborhood and Community Parks, and the Vancouver City Council in the impact fee revision process pursuant to VMC 20.915.100.B.

“Id” represents the percentage annual inflation/deflation adjustment index applicable to the development component as outlined in the Park Impact Fee Program Technical Document and annually determined by the Vancouver City Council in the impact fee revision process pursuant to VMC 20.915.100.B.

“Sd” represents the parks development standard in acres per thousand residents for Neighborhood and Community Parks as established in the Parks Plan. The current development standard per the Parks Plan is 4.25 acres of developed park land / 1,000 residents. No development standard is proposed for Urban Natural Areas, which should remain in a relatively natural condition.

“P” represents one thousand (1,000) residents.

#### **Occupants per Dwelling Unit**

“U” represents the average number of occupants per single-family/duplex dwelling unit or per other multifamily dwelling unit, based on the most current applicable statistical census data (US Census Bureau or Washington State Office of Financial Management (OFM) census data for persons per dwelling unit) and as adopted by Vancouver City Council in the impact fee revision process pursuant to VMC 20.915.100.B.

Current fee rates are based on 2000 OFM census data identifying 2.59 persons per dwelling unit for a single family/duplex (SF) residence, and 1.9 persons per household for a multi-family (MF) residence.

#### **Cost Adjustment Factor**

“A” represents an adjustment to the cost of park facilities for past or future payments made or reasonably anticipated to be made by new development to pay for park system improvements in the form of user fees, debt service payments, or other payments earmarked for or proratable to park system improvements. The City of Vancouver adjustment value is determined to be five percent (5%), so that “A” factor equals 95%.

### **PARK DISTRICT SERVICE AREAS**

State statutes allow cities and counties to impose impact fees to support public facilities needed to serve new growth and development. The public facilities need to be reasonably related to and benefit

the new development. Jurisdictions are required to establish one or more defined geographic service areas within which it shall calculate and impose impact fees.

With the 1997 Interlocal Agreement for joint management of the county-wide park system and the park impact fee program, ten park impact fee district boundaries were delineated irrespective of jurisdictional boundaries. Boundaries focused primarily on natural and manmade barriers to walkability to assure the maximum possible nexus relationship between those paying the fee and those benefiting from the facility improvements.

Now twenty years later many conditions have changed that suggest the need to realign the district boundaries to increase flexibility in the management of the Park Impact Fee Program, including:

- **Dissolution of Interlocal Agreement**

The Interlocal Agreement for joint management of the county-wide park system and the park impact fee program was dissolved, effective January 1, 2014. Each jurisdiction manages their programs independently, including fees being applicable only to those areas within their respective jurisdiction.

Accommodations need to be included in the district boundary designations to address future annexations, by clarifying what city park district annexation areas will be assigned to without requiring amendments to the PIF Technical Document.

- **Increased Residential Densities**

Residential densities within the City of Vancouver have increased significantly in the twenty years since the adoption of the original 1995 PIF program. With fewer properties to develop, PIF funds accumulate more slowly within the respective park districts.

- **Economic Recession**

Although the impact fee program provides a significant portion of the funds that support park land acquisition and development, park maintenance revenues are currently supported by the City of Vancouver General Fund. Housing markets as well as city revenues were significantly impacted by the economic recession that was felt nationwide.

- **Concurrency**

State statutes define the timeline within which impact fee funds must be committed, expended or refunded to the current property owner. With the slower rate of growth resulting from increased residential densities and the economic recession, it has become increasingly difficult to accumulate the resources necessary to fund projects and commit maintenance resources within the concurrency timelines specified by state law.

- **Level of Service**

Our community enjoys the benefit of having multiple streams and rivers that lace through our landscape. However, some park districts have a greater abundance of these natural resources than others, creating a notable imbalance in the measureable level of service by park district for

Urban Natural Areas. Likewise, some of the larger community parks that functionally serve outside of their current park district boundaries also present an unrealistic measure of our level of service city wide.

Combined, these factors support the need for increased flexibility in the management of the impact fee program by reducing the number of park districts or service areas. The 2016 Park Impact Fee Technical Document realigns the districts as specified in Figure 1. Districts 1, 9 and 10 merge to form District A. Districts 2, 7 and 8 merge to form District B, and districts 3, 4, 5, and 6 merge to form District C. Districts A, B, and C cover the entire City of Vancouver and Vancouver Urban Growth Area, however City park impact fees will only be collected in those areas within the Vancouver city limits. As areas within the unincorporated Vancouver Urban Growth Boundary are annexed the City of Vancouver's jurisdiction for collection of fees will expand automatically, with appropriate city park district newly annexed properties assigned will be determined to the appropriate park based district based on Figure 1.

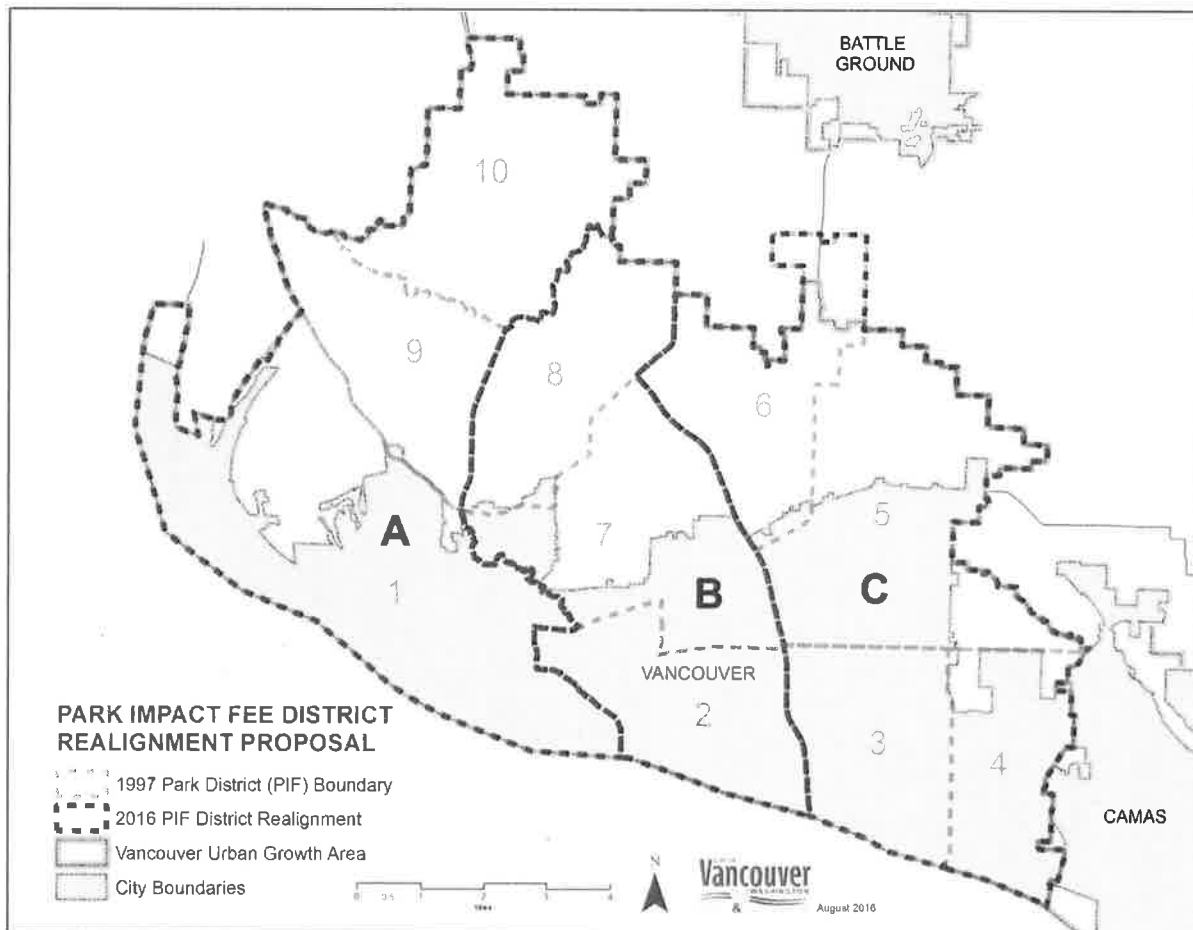


Figure 1 – 2016 Park Impact Fee Districts

## PARK IMPACT FEE RATE SCHEDULE

CITY OF VANCOUVER PARK IMPACT FEE SCHEDULE - 2004		
Park District	Single-Family	Multi-Family
1	\$2,243	\$1,639
2	\$2,751	\$2,011
3	\$2,385	\$1,743
4	\$2,116	\$1,546
5	\$1,926	\$1,407
6	\$1,683	\$1,203
7	\$2,007	\$1,467
8	\$1,927	\$1,408
9	\$2,132	\$1,558
10	\$1,674	\$1,223

The 2004 fee scheduled listed above was adopted by Ordinance M-3653, and became effective June 3, 2004. The 2016 PIF Technical Document does not propose an update to the factors used to calculate park impact fee rates for land acquisition or development based upon current costs. However, with the merging of park districts from ten into three, a simple methodology was utilized to create an average fee from the existing fee schedule based on the districts located within the realigned Districts A, B, and C. Current (1997) park districts 6, 8, 9 and 10 are completely or predominantly outside the City of Vancouver. The current fees for these districts were, therefore, excluded from the 2016 rate schedule calculation.

The 2016 fee rate for District A includes the 2004 fee rate for District 1, excluding Districts 9 and 10. District B averages the 2004 rates for Districts 2 and 7 (city portion), excluding District 8. District C averages the 2004 rates for Districts 3, 4, and 5 (city portion), excluding District 6. The 2016 rate schedule is listed in the table below.

CITY OF VANCOUVER PARK IMPACT FEE SCHEDULE - 2016			
2016 Realigned Park Districts	1997 Original Park Districts	Single Family*	Multi-Family*
A	1	\$2,243	\$1,639
	9		
	10		
B	2	\$2,379	\$1,739
	7		
	8		
C	3	\$2,142	\$1,565
	4		
	5		
	6		

(As adopted by Resolution M-XXXX, effective November X, 2016)

\*Rates are the average of the 2004 fee schedule of those districts merged within the respective 2016 Realigned Park Districts.

## FUND MANAGEMENT

RCW 82.020.070 and Vancouver Municipal Code 20.915.100 both specify that a non-lapse impact fee fund will be established and separate accounts within the fund will be established for each type of facility and service area. These references are applied in the context of the collection of funds for transportation, school and park facilities.

The park impact fee calculation formula includes an acquisition component and a development component. Historically, there have been separate acquisition and development accounts for each of the park districts although this is not required by either state law or city code. The acquisition and development accounts are to be merged into a single account retrospectively for each of the original ten district districts and, in the future, each of the realigned park districts (A, B and C) will have a single account prospectively.

The use of park impact fees will continue to be restricted to the district from which they were collected. For example, a fee collected in what was District 3, should only be spent within the boundaries of District 3 service area. In the future, fees collected in District B may be spent anywhere within the service area of District B. An exception can be made when a site serves more than one district and funds can be utilized from one or more districts.

This approach to fund management provides improved flexibility and responsiveness to meet community needs and adopted standards. In the long term, every effort should be made to implement the intent of the Park Impact Fee Program to provide equitable distribution of parks and natural areas throughout each park district as identified in the Park Plan.



This management policy is consistent with the historic calculation and tracking of concurrency by park district with the merging of the acquisition and development accounts.

## PARK IMPACT FEE INDEX METHODOLOGY

### Purpose

The intent of indexing is simply to keep impact fees as current as possible by accounting for inflation or deflation adjustments over time using a known or common factor, such as the consumer price index or the construction cost index. Annually adjusted impact fees also minimize potential public share obligations to the system, which are caused by the difference between current rates and the annually eroding value of those rates as they are impacted by inflation. Indexing is implemented by City Code as follows:

### **VMC20.915.100 (Other Provisions)**

Park impact fee rates may be revised using the following process:

- 1 The adopted Park Impact Fee Program Technical Document may be revised periodically by the City Council when financial analysis establishes that there is a need for a major program update. Such adjustments shall only become effective upon adoption by the City Council.
2. Between major program updates, the calculated park impact fee will be adjusted annually to account for inflation/deflation using the indexing methodology described in the adopted Park Impact Fee Technical Document. Such adjustments shall only become effective upon adoption by the City Council.

### Indexing Models Used by Other Jurisdictions

Numerous jurisdictions across Washington and Oregon apply an annual inflation index to their impact fees or system development charges. Several common indices are used, as noted below:

**Producer Price Index (PPI)** – shows the direction and magnitude of price changes for finished goods; published by the Bureau of Labor Statistics.

**Consumer Price Index (CPI)** – shows day-to-day inflation in prices as experienced by urban consumers for a representative basket of goods and services; also published by the Bureau of Labor Statistics.

**Engineering News Record (ENR)** – calculates national index of building cost changes using a 20 city average and individual costs as local average. ENR offers two indices: Construction Cost Index (CCI) and the Building Cost Index (BCI<sup>1</sup>). The CCI can be used where labor costs are a high proportion of total costs. The BCI is more applicable for structures.

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<sup>1</sup> The difference between ENR's Construction Cost Index and Building Cost Index is the approach to the labor component. The CCI uses 200 hours of common labor, multiplied by the 20-city average rate for wages and fringe benefits. The BCI uses 68.38 hours of skilled labor, multiplied by the 20-city wage- fringe average for three trades—bricklayers, carpenters and structural

ironworkers. For their materials component, both indexes use 25 cwt of fabricated standard structural steel at the 20-city average price, 1,128 tons of bulk Portland cement priced locally and 1,088 board ft. of 2 x 4 lumber priced locally. The ENR indexes [sic] measure how much it costs to purchase this hypothetical package of goods compared to what it was in the base year. (Source: [enr.construction.com](http://enr.construction.com))

Additionally, two primary approaches exist to apply indexed adjustments: uniformly across dual components or uniquely to each component.

**Uniform Indexing Approach** – The uniform approach merely applies an index to the composite impact fee, and in the case of park fees, it would apply to the combined acquisition and development rates equally. No distinction is made between components or between the relative impacts of how each component is affected by the index. Upon initial review of the application of indices throughout the region, it was noted that most jurisdictions elected to index impact fee rates uniformly.

**Unique, Component-Specific Indexing Approach** – An alternative approach is to annually adjust each impact fee component based on a unique index, both pertinent and suitable to that component. For example, the development component is adjusted based on a construction cost index, and the acquisition component is adjusted based on a real estate or land valuation index as appropriate. By design, component-specific indexing allows for a higher degree of congruence between the component and the index, along with providing a more true reflection of local changes on an annual basis.

In Oregon, jurisdictions can choose to use the local tax assessor's annual ratio report to index the acquisition component. In Washington, no similar report is required, but some cities have indexed acquisition costs based on annual changes in land value. The indexing approach used by the City of Olympia offers a compelling model, as described below from their PIF program documentation:

*The change in property value is calculated based on information from the Thurston County Assessor's Office. Thurston County is on an annual valuation cycle, meaning that all real property is physically inspected at least once every six years, but is statistically updated every year. The County Assessor does not create values, but interprets current market activity to estimate the values of parcels in Thurston County for the purposes of property taxation. Fair market value is the amount a willing buyer would pay a willing seller when neither is under undue pressure. The Thurston County Assessor's Office uses valid recent sales data of similar properties and the replacement cost of buildings (based on the cost of current labor and material, less depreciation), to arrive at fair market value. For projects where the location of the property is known, the property value factor will be calculated based on the difference between the current year and preceding year's fair market value for land. For projects where the location of the property is not known, the property value factor will be calculated based on the average of the changes in land value for representative similar facility type projects in the CFP.*

Thurston County's approach to annual assessment re-evaluation is consistent with that of Clark County's and is identified as a viable approach. During the current PIF assessment, staff from the Clark County Assessment office was contacted to discuss and coordinate a comparable approach for local, annual PIF adjustments based on Clark County data and modeling.

With readily accessible, quality indexing datasets, the component-specific approach can offer the City of Vancouver a stronger nexus between the selected index and the base PIF rate. As a historically high-

growth region, an approach using a uniform index for both components, such as a construction index, does not accurately reflect the differences in and changes to real property valuations, and does not reflect value differentiation across the urban area. As such, when the City of Vancouver is ready to proceed with implementation of an annual index of Park Impact Fee rates, a component-specific indexing option will be used, whereby the acquisition base rate is indexed to recent real property changes and the development base rate is tied to a construction related index, such as the ENR-CCI. The establishment of the real property index is the most complex task, and it is a uniquely local exercise. The following section details the methodology.

## Indexing Methodology

### PIF Acquisition Component

In close collaboration with Clark County Assessment and GIS staff, land valuation tables for the Vancouver urban area were isolated and reviewed for the three most recent property tax assessment cycles (2007, 2008, and 2009). The primary goal was to establish the rate of change in land valuations between consecutive property tax cycles as the basis for a potential PIF acquisition rate index. Secondly, the data were reviewed to evaluate the appropriateness of applying a single, urban area-wide index factor versus unique index factors per each PIF districts.

Acreage valuations from the Assessor's Neighborhood Land Tables were the primary input. Clark County annually updates the assessment land tables with a physical inspection of 1/6th of the county per cycle and statistical revisions of the remainder. The data used in this analysis are consistent with the assessed valuations used for annual property tax assessments.

The land coverage of the Assessor's Neighborhood Land Tables was correlated to that of the PIF districts using GIS. The acreage and percentage of total land area of each Neighborhood was calculated as it relates to each PIF district. Using these relative coverages, a weighted average land valuation was calculated by PIF district. Additionally, a single average was calculated for the Vancouver urban growth area (VUGA) as a whole.

In comparing the valuations of each PIF district to that of VUGA composite, significant differences were noted. While the average valuation change of the sum of the 10 PIF districts was the same as the valuation change of the VUGA as a whole, a wide degree of variability was noted between PIF districts for each comparative cycle reviewed. In looking at the differences between the 2009 and 2008 tax years, a 14% spread exists between the highest and lowest change between PIF districts. Given this variability, the acquisition component will be indexed based on the unique rate of change by PIF district, instead of using a VUGA average, to best reflect the specific changes in valuation within the urban area. This approach is consistent with that taken to establish the acquisition base rates, and the data and calculations required to determine these unique index factors have been tested.

Using the weighted average land valuation by PIF district, the acquisition index factors for each PIF district are determined by the ratio of the current tax year to the previous. Table 1 shows these results.

**Table 1: Acquisition Index Factors by District (2008-09)**

PIF District	Tax Year		Tax Year		Index Factor	Index Change
	2009		2008			
1	\$	136,135	\$	138,890	0.980	-2.0%
2	\$	149,378	\$	149,619	0.998	-0.2%
3	\$	165,304	\$	175,479	0.942	-5.8%
4	\$	160,373	\$	168,254	0.953	-4.7%
5	\$	154,999	\$	179,888	0.862	-13.8%
6	\$	156,412	\$	176,384	0.887	-11.3%
7	\$	148,720	\$	159,786	0.931	-6.9%
8	\$	161,771	\$	162,060	0.998	-0.2%
9	\$	168,909	\$	168,910	1.000	0.0%
10	\$	169,001	\$	169,001	1.000	0.0%
Average	\$	157,100	\$	164,827	0.955	-4.5%
VUGA Average	\$	154,079	\$	162,135	0.950	-5.0%

Using the established PIF acquisition base rates for each district, Table 2 shows how the index would be applied by multiplying the index factor with the PIF base rate to establish a revised PIF acquisition rate.

**Table 2: Application of Index to PIF Acquisition Component**

PIF District	Base Acquisition Rate		Index Factor	Revised PIF Rate (Acq)		Change (\$)
1	\$	1,227	*	0.980	= \$ 1,203	\$ (24)
2	\$	1,524	*	0.998	= \$ 1,521	\$ (2)
3	\$	1,357	*	0.942	= \$ 1,279	\$ (79)
4	\$	1,519	*	0.953	= \$ 1,448	\$ (71)
5	\$	863	*	0.862	= \$ 744	\$ (119)
6	\$	777	*	0.887	= \$ 689	\$ (88)
7	\$	1,275	*	0.931	= \$ 1,187	\$ (88)
8	\$	868	*	0.998	= \$ 867	\$ (2)
9	\$	993	*	1.000	= \$ 993	\$ (0)
10	\$	721	*	1.000	= \$ 721	\$ (0)
Average	\$	1,112		0.955	\$ 1,065	\$ (47)

NOTE: The Clark County Assessor's Office does not release land valuation tables until the early fall of the tax year in question (i.e., October 2009 for the 2009 property tax assessment). Given this known and reliable lag time, it is recommended that annual PIF indexing occur in the early fall of each year to accommodate delivery of the most recent Assessor's data.

### PIF Development Component

The application of a construction cost index to the PIF development component is simple and direct. Using the Seattle ENR-CCI monthly data available from ENR, calculate the index factor as the percentage change based on the ratio of the current month to the previous period (see below).

**Table 3: Construction Cost Index (Oct '07 – Oct '08)**

ENR-CCI Periods	ENR-CCI Factor	Index Change
October '08: 8812.22	= 1.023	or 2.3% Increase
October '07: 8612.75		

Using the established PIF development base rates for each district, the index is applied by multiplying the index factor with the PIF base rate to establish a revised PIF development rate. Since development rates are uniform across all PIF districts, this calculation is completed only once as shown in Table 4.

**Table 4: Application of CCI to PIF Development Component**

PIF Base Rate (Dev)	ENR-CCI Factor	Revised PIF Rate (Dev)	Change (\$)
\$553	* 1.023	= \$566	\$13

### Conclusion - Indexing Methodology

The Vancouver Municipal Code already includes a provision for periodic revisions and indexing adjustments to the park impact fee schedule through adoption of a Technical Document. To date, this provision has not been utilized. The indexing methodology included in this document does not suggest that the City implement the indexing provision at this time, but that this methodology be considered and implemented at some point in the near future to ensure the viability of the Park Impact Fee Program.

10/24/16  
11/07/16

ORDINANCE NO. M- 4181

AN ORDINANCE relating to park impact fees, amending VMC 20.915.030, VMC 20.915.050 and VMC 20.915.100 to accurately refer to and be consistent with the Park Impact Fee Technical Document and establishing an effective date.

WHEREAS, in 2004, the City Council adopted Ordinance M-3643 which, in relevant part, referred to the Vancouver Clark Parks and Recreation Parks Impact Fee Program Park Impact Fee Technical Document as the document where park service areas were designated; and

WHEREAS, effective January 1, 2014, the Vancouver and Clark County terminated the interlocal agreement that provided for the consolidated parks program; and

WHEREAS, by Resolution M-3910, the City Council approved a new City of Vancouver Park Impact Fee Technical Document; and

WHEREAS, the City Council, desires to amend VMC 20.915.030 and VMC 20.915.050 to refer to and be consistent with the current Park Impact Fee Technical Document;

NOW, THEREFORE,

BE IT ORDAINED BY THE CITY OF VANCOUVER:

**Section 1. Amendatory.** Ordinance M-3643 as last amended by section 2 of Ordinance M-4107 is hereby amended to read as follows:

**Section 20.915.030 Establishment of Development Service Areas.**

A. General. Service areas, which may vary by type of public facility, are established as shown on the ~~Vancouver Clark Parks and Recreation Department Parks Impact Fee~~

~~Program Park Impact Fee~~ Technical Document and Vancouver Transportation Impact Fees Program Technical Document, which are incorporated herein by reference.

B. Service areas and fees. Such areas will provide a nexus between those paying the fees and receiving the benefits to ensure that those developments paying impact fees receive substantial benefits.

C. Establishment of overlay service areas. Overlay service areas may be established for identified system improvements designed to serve geographic areas whose boundaries are not generally contiguous with established service areas.

D. Factors affecting service areas. Additional or revised service areas may be designated by the City Council upon consideration of the following factors:

1. The Comprehensive Plan;
2. Standards for adequate public facilities incorporated in the capital facilities plan;
3. The projections for full development as permitted by land use ordinances and timing of development;
4. The need for and cost of un-programmed capital improvements necessary to support projected development; and
5. Such other factors as the City Council may deem relevant.

E. Service areas and urban growth boundaries. Service areas adjoining an urban growth boundary shall automatically be adjusted to conform to any change in such boundary.

**Section 2. Amendatory.** Ordinance M-3643 as last amended by section 5 of Ordinance M-4080 is hereby amended to read as follows:

**Section 20.915.050 Park Impact Fee.**

A. Formula for parks ~~and natural and natural areas, and recreational facilities~~. The impact fee component for parks ~~and~~ natural areas, and recreational facilities shall be calculated using the following formula as further defined in the Park Impact Fee Technical Document adopted by the City Council in the impact fee revision process pursuant to VMC 20.915.100.B:

$$\text{PIF} = (\text{Acquisition Cost} + \text{Development Cost}) \times \text{Cost Adjustment Factor}$$
$$\text{PIF} = \left[ \left[ \frac{(\text{Ca} \times \text{Ia} \times \text{Sa})}{\text{P}} + \frac{(\text{Cd} \times \text{Id} \times \text{Sd})}{\text{P}} \right] \times \text{U} \right] \times \text{A}$$

1. **“PIF”** means the park, ~~and~~ natural areas, and recreational facility component of the total development impact fee.
2. a. **“Ca”** means the average cost per acre for land ~~appraisal, acquisition, associated due diligence fees and expenses, closing and Level I Development acquisition~~ for each service area or overlay area as described in the Vancouver Comprehensive Parks Recreation and Natural Areas Plan and Park Impact Fee Technical Document for neighborhood parks, community parks and urban natural areas and adopted by the City Council in the impact fee revision process pursuant to VMC 20.915.100.B.
- b. **“Cd”** means the average cost per acre for site development. Development cost shall be calculated assuming development standards described in the Vancouver Comprehensive Parks Recreation and Natural Areas Plan for neighborhood and community parks, and adopted by the City Council in the impact fee revision process pursuant to VMC 20.915.100.B.
3. a. **“Ia”** means the percentage annual inflation/deflation adjustment index applicable to the acquisition component, as outlined in the Park Impact ~~Program Fee~~ Technical Document and annually determined by the City Council in the impact fee revision process pursuant to VMC 20.915.100.B.
- b. **“Id”** means the percentage annual inflation/deflation adjustment index applicable to the development component as outlined in the Park Impact Fee Technical Document and annually determined by the City Council in the impact fee revision process pursuant to VMC 20.915.100.B.
4. a. **“Sa”** means the parks acquisition standard in acres per thousand residents for



neighborhood parks, community parks and urban natural areas as established in the Vancouver Comprehensive Parks Recreation and Natural Areas Plan.

b. "Sd" means the parks development standard in acres per thousand residents for neighborhood and community parks as established in the Vancouver Comprehensive Parks Recreation and Natural Areas Plan.

5. "P" means one thousand (1,000).

6. "U" means the average number of occupants per single-family/duplex dwelling unit or per other multi-family dwelling unit, based on the most current applicable statistical census data (US Census Bureau or Washington State Office of Financial Management census data for persons per dwelling unit), and as adopted by the City Council in the impact fee revision process pursuant to VMC 20.915.100.B.

7. "A" means an adjustment to the cost of park facilities for past or future payments made or reasonably anticipated to be made by new development to pay for park system improvements in the form of user fees, debt service payments, or other payments earmarked for or prorable to park system improvements as outlined in the Park Impact Fee Technical Document.

~~Such adjustment for park impacts is determined to be five percent (5%), so that "A" equals ninety-five percent (95%).~~

B. Community and Economic Development shall maintain a schedule of current park impact fee rates.

C. At least one copy of the Park Impact Fee Technical Document adopted by the City Council, ~~and including~~ the current park impact fee schedule as calculated there under, shall be filed in the Office of the City Clerk for use and examination by the public.

**Section 3. Amendatory.** Ordinance M-3643 as last amended by section 7 of Ordinance M-4107

is hereby amended to read as follows:

**Section 20.915.100 Other provisions.**

A. Process for revision of traffic impact fees. Traffic impact fee rates shall be adjusted periodically to reflect changes in costs of land acquisition and construction, facility plan projects and anticipated growth. Traffic Impact Fee Program Document may contain provision for automatic revision of traffic impact fee rate no more than once annually to reflect the change in a generally recognized and applicable inflation/deflation index.

B. Park impact fee rates may be revised. Rates may be revised using the following process:

1. The adopted Park Impact Fee ~~Program~~ Technical Document may be revised periodically by the City Council when financial analysis establishes that there is a need for a major program update. Such adjustments shall only become effective upon adoption by the City Council.

2. Between major program updates, the calculated park impact fee will be adjusted annually to account for inflation/deflation using the indexing methodology described in the adopted Park Impact Fee Technical Document. Such adjustments shall only become effective upon adoption by the City Council.

C. Process for revision of school impact fees. School impact fee rates shall be adjusted periodically to reflect changes in costs of land acquisition and construction, facility plan projects and anticipated growth. Such adjustments shall only become effective upon adoption by the City Council of a modification to the Capital Facilities Plan.

D. Operation of impact fee fund. The City has created and established a special purpose, non-lapse impact fee fund. The City Finance Director shall establish separate accounts within such fund and maintain records for each such account whereby impact fees collected can be segregated by type of facility and by service area:

1. Collected interest. All interest shall be retained in the account and expended for the intended purposes that the impact fees were imposed.

2. Impact fee fund annual report. By April of each year, the Finance Director shall provide a report for the previous calendar year on each impact fee account showing the source and amount of moneys collected, earned or received and system improvements that were financed in whole or in part by impact fees.

E. Inter-local agreements and fees. The City of Vancouver may enter into an inter-local agreement with Clark County to establish a coordinated program for the imposition, collection, administration and expenditure of traffic and park impact fees.

F. School impact fees. School impact fees shall not be collected on behalf of any school district until such district enters into an inter-local agreement with City of Vancouver providing for submittal of capital facilities plans, fund administration, report of expenditure, allocation of risk, and other appropriate matters. Where Clark County adopts a substantially similar school impact fee for a district whose boundaries include portions of the City of Vancouver, such an inter-local agreement may include the County. The inter-local agreement may include a fee to cover the City's cost of administering the School Impact Fee Program.

G. Imposition of impact fees for costs previously incurred. The Review Authority may impose an impact fee for system improvements costs previously incurred by the City of

Vancouver to the extent that new growth and development will be served by the previously constructed improvements, provided such fee shall not be imposed to make up for any system improvement deficiencies.

H. Expenditures for system improvements with impact fees. Impact fees for system improvements shall be expended only in conformance with the capital facilities plan. Impact fees shall be expended or encumbered for a permissible use within ten years of receipt, unless an extraordinary and compelling reason exists for fees to be held longer than ten years. Such extraordinary or compelling reasons shall be identified in written findings by the City Council.

I. Refunds for the current owner. The current owner of property on which an impact fee has been paid may receive a refund of such fee if the City fails to expend or encumber the impact fees within ten years of when the fees were paid, or such other period of time established pursuant to this subsection, on public facilities intended to benefit the development activity for which the impact fees were paid. In determining whether impact fees have been encumbered, impact fees shall be considered encumbered on a first-in, first-out basis. The current owner likewise may receive a proportionate refund where the public funding of applicable service area projects by the end of such ten-year period has been insufficient to satisfy the ratio of public-to-private funding for such service area as established in the capital facilities plan. The City shall notify potential claimants by first-class mail deposited with the United States Postal Service at the last known address of claimants.

1. Refund time period. The request for refund money must be submitted to the Vancouver City Council in writing within one year of the date the right to claim the refund arises or the date the notice is given, whichever is later. Any impact fees that are not expended within these time limitations, and for which no application for refund has been made within this one year period, shall be retained and expended on the indicated capital facilities. Refunds of impact fees under this subsection shall include interest earned on the impact fees.

2. Criteria for a refund with interest. A developer may request and shall receive a refund, including interest earned on the impact fees, when the building permit for which the impact fee has been paid has lapsed for non-commencement of construction. A partial refund shall be provided where the project for which a building permit has been issued has been altered resulting in a decrease in the amount of the impact fee due.

J. Impact fees as additional and supplemental requirements. The impact fee is additional and supplemental to, and not in substitution of, any other requirements imposed by the City on the development of land or the issuance of building permits. This is provided that any other such City development regulation which would require the developer to undertake dedication or construction of a facility contained within the City Capital Facility Plan shall be imposed only if the developer is given a credit against impact fees as provided for in Section 20.915.090 VMC.

**Section 4. Effective Date and Notice.** This ordinance shall become effective on January 1, 2017 after passage by the City Council. The City Clerk is directed to publish a summary hereof including the title at the earliest possible publication date.

Read first time: October 24, 2016

Ayes: Councilmembers Stober, Topper, McEnerny-Ogle, Turley, Hansen, Bunkman, Mayor Leavitt

Nays: Councilmembers None

Absent: Councilmembers None

Read second time: November 7, 2016

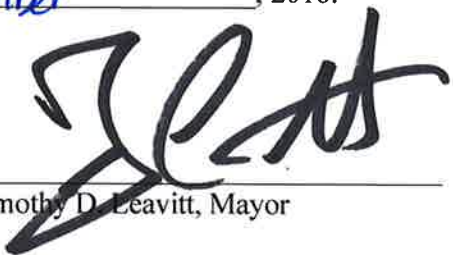
PASSED by the following vote: 5-0

Ayes: Councilmembers Stober, Topper, McEnerny-Ogle, Bunkman, Mayor Leavitt


Nays: Councilmembers None

Absent: Councilmembers Turley, Hansen

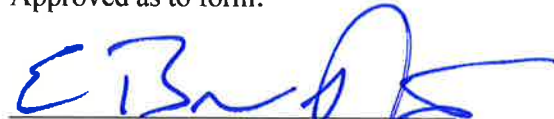
SIGNED this 7th day of November, 2016.

  
\_\_\_\_\_  
Timothy D. Leavitt, Mayor

Attest:

  
\_\_\_\_\_  
R. Lloyd Tyler, City Clerk  
~~By: Carrie Lewellen, Deputy City Clerk~~

Approved as to form:

  
\_\_\_\_\_  
E. Bronson Potter, City Attorney

## SUMMARY

ORDINANCE NO. M-4181

AN ORDINANCE relating to park impact fees, amending VMC 20.915.030, VMC 20.915.050, and VMC 20.915.100 to accurately refer to and be consistent with the Park Impact Fee Technical Document and establishing an effective date.

The full text of this ordinance will be mailed upon request. Contact Raelyn McJilton, Records Officer at 487-8711, or via [www.cityofvancouver.us](http://www.cityofvancouver.us) (Go to City Government and Public Records).