



City of Bellingham

2006 TRANSPORTATION IMPACT FEES REPORT

Prepared for:
City of Bellingham

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Prepared by:
David Evans and Associates, Inc.
415 – 118th Avenue SE
Bellevue, WA 98005
Phone: 425-519-6500
Fax: 425-519-5361
www.deainc.com

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INTRODUCTION

The City of Bellingham (City) currently charges Transportation Impact Fees (TIF) based upon an 18 zone system using a land use based transportation forecasting model to determine proportionate share of PM peak hour traffic using each identified TIF eligible project. This TIF system has been in place for over 10 years. Annual updates are based upon revisions to the eligible project list.

The current system results in an impact fee by zone further adjusted by three land uses: residential, retail, and non-retail. The current per trip rates range from \$114 to \$4,403 for residential, \$184 to \$3832 for retail and \$251 to \$3,825 for non-retail. City staff is faced with significant on-going effort to address questions from the development community regarding the calculation of the fees and their application to specific land uses within the three identified land uses.

STUDY OBJECTIVES

The TIF study addresses several objectives, including:

1. General comparison of methods used to collect transportation impact fees
2. General comparison of jurisdictions using transportation impact fees
3. General discussion of the pros and cons of various transportation impact fee methods
4. Review consistency between transportation improvements programs, concurrency management and transportation impact fee systems.
5. Address concerns regarding large variations in transportation impact fees between adjacent zones.
6. Propose improvements and changes to the existing City of Bellingham transportation impact fee system

General Comparison of Methods Used to Collect Impact Fees

SEPA Based Systems

Some jurisdictions in Washington continue to use SEPA in lieu of GMA TIF systems. SEPA allows jurisdictions to require mitigation for impacts to the natural and built environment that result from development. The SEPA process is well understood by jurisdictions and the development community. Some level of SEPA review, (a checklist at a minimum) is required for nearly all development. SEPA provides very broad authority for mitigation of the impacts of development. SEPA allows for very specific mitigation, and provides for greater flexibility than most TIF systems. Most jurisdictions supplement TIF systems with SEPA mitigation for development specific mitigation, often for capacity improvements necessary for transportation concurrency not included in the adopted Comprehensive Plan or TIF system, mitigation of safety hazards, or mitigation for non-motorized impacts. SEPA mitigation requires an individual analysis of the transportation impacts of each development project. Mitigation is made a condition of development, and is typically in the form of constructed improvements, or payment of negotiated proportional shares of future transportation improvements. Documentation requirements are not as stringent as for a TIF system.

Multi-zone TIF Systems

Multi-zone TIF systems are typically developed in an attempt to distribute the cost of the transportation projects required to accommodate growth on a geographic basis. The systems typically use computer models to assign costs for various transportation projects based upon the demand created for those projects on a geographic basis. Typically, this results in zones that are near proposed transportation projects having high transportation impact fees and zones distant from the projects having small transportation impact fees. The computer models are typically PM peak hour based, and do not address the differences in AM peak hour or daily impacts. The goal of multi-zone TIF systems is to more precisely assign the cost of growth to growth. These systems require complex documentation, and often lead to questions about large or even small differences in transportation impact fees in adjacent zones.

Single Service Area Systems

A single service area TIF system treats the transportation projects required to accommodate growth as a complete system of improvements, and all growth is treated as a single impact. The TIF is calculated on a more general basis, with the total cost of projects required to accommodate growth divided by the total increase in vehicle trips attributable to growth. Single service area transportation impact fees reduce the complexity of impact fee calculations, and they eliminate issues with adjacent properties being charged different fees for the same land use.

General Comparison of Jurisdictions Using Various TIF Methods

SEPA based Systems

The city of Lynnwood and Whatcom County both continue to use SEPA for transportation mitigation on a project by project basis. Both jurisdictions are considering the adoption of TIF systems to provide more consistent mitigation of impacts with less administrative time requirements. King County mitigates intersection impacts using SEPA and roadways with transportation impact fees.

Multi-zone Systems

King County, Bellevue, Issaquah, and Redmond all have multi-zone impact fee systems. They have been in place for many years. The fees vary by zone in each jurisdiction. The TIF is based upon peak hour trips. The per trip TIF's do not vary by land use (a trip is charged the same rate regardless of the type of development that created the trip). The fees are per trip based, and Institute of Traffic Engineers (ITE) Trip Generation data is used to determine the number of trips subject to the TIF.

These agencies have various levels of staff support for their systems. Some were developed by staff and others were developed with consultant support. The systems use various methods to determine the TIF for each zone. All generally use a computer transportation forecasting model to determine the impact of future traffic from each zone on each eligible transportation impact fee project. Some consider the length of trip impacts as well as the number of new trips generated in each zone.

Single Service Area Systems

Kirkland, Olympia, and Sammamish all have single service area TIF systems. Sammamish is currently considering an increase to their TIF to reflect increased project costs. Kirkland will consider increasing its TIF next year. The fees are per trip based, and ITE Trip Generation data is used to determine the number of trips subject to the TIF. The Washington State Supreme Court recently upheld a challenge to the City of Olympia's single service area impact fee. Various adjustments for pass-by trips and trip length are included in the TIF calculation.

General Discussion of the Pro's and Con's of Various TIF Methods

SEPA based Systems

Pros: SEPA is very flexible; mitigation can be in the form of constructed improvements, or cash contributions. SEPA requires less up front planning effort, as impacts are mitigated one project at a time.

Cons: SEPA requires individual assessment of impacts on a project by project basis. Integrating mitigation and long range planning is difficult. Mitigation requirements are often protested or appealed. Proportional mitigation payments (3% of a signal) often result in no improvements at all, or created unfunded burdens for the agency. Staff time to administer SEPA can be high.

Multi-zone Systems

Pros: Are often perceived as more accurate, are similar to proportional share SEPA mitigation. This system can more precisely reflect the cost of development geographically.

Cons: Multi-zone systems require complex calculations based upon transportation forecasting models. The system can result in appeals if fees vary widely among zones. Staff time can be significant depending upon the complexity of the system. The system requires specific information about the location of the project to determine impact fees. Staff time to administer the system can be high.

Single Service Area Systems

Pros: Often perceived as fair to all development, (does not increase the cost of housing in one zone compared to another). The single zone system requires less information from the applicant to calculate a fee. This system requires a reduced level of calculation. Staff time to administer the system is typically less than multi-zone systems.

Cons: Sometimes perceived as unfair, (some should pay more or less than others) or less precise than zone based systems. Still requires a forecast of future transportation conditions.

Review Consistency between Transportation Improvement Plans, Concurrency Management and Impact Fee Systems

The City has maintained project level consistency between the six-year Transportation Improvement Plan (TIP) and its current impact fee calculation method. However, the anticipated impact fee revenue is not explicitly identified in the TIP. Projects eligible for impact fees are identified, but the proposed impact fee revenue is not listed.

The City of Bellingham 2006 Annual Concurrency Report includes some but not all of the projects listed in the impact fee calculation. The report also shows that several arterial streets will exceed concurrency standards by 2012. It appears that additional projects will be necessary to maintain adopted level of service standards, or level of service standards will need to be adjusted. Projects identified to maintain level of service standards will be recommended for inclusion in the City's six-year transportation improvement plan.

(TIP) The six-year transportation improvement plan will continue to be the basis for project cost factor that determines the total per trip impact fee.

Findings

The current transportation impact fee projects do not solve all of the City's projected capacity needs. There is sufficient data available to propose a simplified system, more consistent with the available data.

Address Concerns Regarding Large Variations in Impact Fees between Adjacent Zones

The current impact fee zone structure results in fees varying by as much as considerably in adjacent zones. Specifically, there are cases where development on the west side of a road pays less than one fifth the fee of the same type of development on the other side of the same road. This is typically a result of projects that are located in or near a specific zone and the model assigning a large proportion of site traffic to the impact fee projects. The current impact fee model may not include sufficient land use detail to justify the large variations.

A single zone or service area method treats the transportation system as the sum of its parts, and recognizes that transportation system users often use different roads on different days at different times throughout the year. The PM peak hour is a snapshot of a single use period.

The rough proportionality test can be reasonably estimated by looking at growth in a similar way. All traffic growth (development) anticipated for the City in the planning period is summarized using the transportation model, with external traffic excluded, and an estimate of net new trips is established. This estimate becomes the basis for single per trip fee, calculated as a proportion of the total cost of growth related projects. The variations between zones are eliminated.

Findings

A simplified single zone system that eliminates the large variations between zones is consistent with the available data.

Propose Improvements and Changes to the Existing Bellingham TIF System

The current system requires staff to go through several steps to either answer developer questions or calculate impact fees at permit submittals. The project must be located on the Transportation Impact Fee (TIF) zone map. The land use must be identified as residential, retail, or non-retail. The trip generation for each land use must be developed using ITE Trip Generation Report methods and adjustments to reflect pass-by and diverted traffic must be completed to determine the new trips subject to impact fees.

The zone based approach to impact fees is in use in many cities and counties in Washington. However, many cities choose to adopt a single zone, city wide, asserting that the transportation system serves all system users and all system users will benefit from a complete system of transportation improvements. The calculation of impact fees that vary by land use for the same number of trips is not as common. In general, a trip has the same impact on the transportation system regardless of the land use that generates it. That being said, it is reasonable to assert that trips in the peak flow direction on an arterial will have a greater impact on traffic flow than those traveling in the opposite direction. The breakdown of trips and impact fees into residential, retail, and non-retail supports this assertion, and can be demonstrated with transportation forecasting models. Both PM and AM periods should be analyzed to support this assertion, since the three trip types identified have very different PM and AM trip generation characteristics.

The City of Bellingham is currently relying upon a transportation model with outdated land use data for the calculation of impact fees. The model provides a reasonable estimate of citywide travel patterns, but is no longer consistent with adopted land use policy. The City has an updated transportation model that it is currently using for transportation planning and concurrency testing. The updated model can be used to derive a reasonable estimate of total trip generation created by growth from 2006 to 2012.

The City of Bellingham also develops a six-year TIP annually. The projects from the TIP have been included in the impact fee calculation system. Impact fee revenue on a project by project basis, as calculated in the current TIF program has not been included in the six-year TIP directly, but impact fee eligible projects are identified.

Findings

A simplified single zone system based upon aggregated cost information and growth estimates would reduce staff administration time.

Recommendation

The City of Bellingham should develop a single service area transportation impact fee system to simplify staff administration, reduce concerns regarding highly variable impact fee rates and develop a transportation impact fee worksheet to calculate transportation impact fees in advance for most land development proposals.

Many cities have developed impact fee tables based upon all or most of the land use codes in the ITE Trip Generation Report. These tables typically provide base trip generation rates for each ITE land use code, and adjustments for pass-by trips. Specific adjustments for mixed use developments or area specific transportation issues can also be included. The impact fees are commonly converted into rates per unit of development; commonly residential units, beds, or square foot of building area.

SINGLE SERVICE AREA TRANSPORTATION IMPACT FEE DEVELOPMENT

The development of a single service area or zone impact fee requires the following elements:

- Identify Required Transportation Improvements
- Identify Existing Deficiencies
- Establish Estimate of Growth Trips
- Establish Citywide Trip Fee
- Establish Fee Calculation Worksheet

Identify Required Transportation Improvements and Proportional Share

The City of Bellingham Impact Fee project list represents current and past six TIP projects approved by the City Council annually and consistent with City Comprehensive Plan Policies. These projects were adopted with required public process. The projects address growth needs. The city project list includes non-motorized projects. These projects provide benefits to existing and future vehicle traffic by eliminating vehicle conflicts, and provide alternative modes of transportation to reduce overall traffic volumes.

The TIF calculation method shows that capacity provided by the projects is approximately 50.2 percent consumed by growth related traffic by 2012. Thus the growth share of project costs should be no more than

50.2 percent of the cost of the growth projects. The remaining capacity is available as reserve capacity, and is not eligible for impact fees. The city project list includes non-motorized projects. These projects provide benefits to existing and future vehicle traffic by eliminating vehicle conflicts, and providing alternative modes of transportation to reduce overall traffic volumes and the need for additional vehicle lanes. The proportional share for non-motorized improvements is assumed to be the same as for roads, 50.2 percent.

The current impact fee projects are listed in **Table 1**.

Table 1. Impact Fee Projects

PROJECT	PROJECT CAPACITY	PROJECT COST	LAST YEAR IN PLAN
Lakeway/Electric/Birch Intersection	1500	\$350,000	2004
Chuckanut Ped Willow To Hawthorne	1550	\$300,000	2003
Birchwood/Meridian Ped/Signal Imp	3050	\$400,000	2004
Fraser/Puget Ped Bike Improvements	1550	\$1,200,000	2007
Electric Ave Ped Bike Improvements	1550	\$550,000	2008
Eliza Avenue	1500	\$700,000	2004
Cordata/Kellogg Roundabout	1900	\$900,000	2002
Cordata/Westerly Roundabout	1900	\$900,000	2005
Meridian/Horton Signal	1900	\$300,000	2004
James Street, Woodstock to City Limits	1500	\$2,500,000	2009
Sunset Drive, Orleans to Woburn	3000	\$4,000,000	2002
Sunset Drive, Woburn to City Limits	3000	\$6,900,000	2007
Woburn/Fraser Left-turn Lane	1500	\$250,000	2003
Lakeway/King/Lincoln Intersections	1900	\$1,290,000	2004
San Juan Boulevard	1500	\$6,090,000	2009
Alabama/Vining Trail Overpass	3000	\$1,665,000	2002
Woburn/Alabama Right-turn Lane	1500	\$230,000	2003
Wharf/Pine RR Signals	1500	\$135,000	2002
King/Iowa Right-turn Lane	1500	\$200,000	2002
Bakerview/Irongate Traffic Signal	1900	\$550,000	2009
Northwest Avenue, I-5 to City Limits	1500	\$650,000	2007
Deemer Road & E. Bellis Fair Pkwy	1500	\$1,400,000	2002
Orleans/Barkley Signal	1900	\$300,000	2001
S. State/11th Intersection	1500	\$250,000	2000
Total Cost		\$32,010,000	

(Verify the source of the capacity increase for trail overpass)

IDENTIFY EXISTING DEFICIENCIES

Growth cannot be required to pay for existing level of service deficiencies. The 2006 Annual Concurrency Report does not identify any of the impact fee projects as current deficiencies, therefore the full project costs attributable to growth are eligible for impact fees. Future projects may be added to the TIP to address identified future concurrency failures, the cost of capacity attributable to growth for those projects are also eligible for impact fees.

ESTABLISH ESTIMATE OF GROWTH TRIPS

The City of Bellingham TRANSCAD transportation model was used to estimate the trips generated by new growth from 2002 to 2012. The TRANSCAD model is land use driven. Existing and future land use is input into the model, from which existing traffic volumes used for calibration and future transportation forecasts are generated. Future transportation can be estimated on a citywide basis by subtracting the calibrated existing traffic from the future transportation forecast. Doing this provides the net increase in traffic (new trips) caused by growth. **Table 2** summarizes the TRANSCAD transportation model output for total trip ends in the City, UGA and County.

Table 2. TRANSCAD Trip Tables

2002 PM Peak Hour Vehicle Trips

Jurisdiction	County	City	UGA	Total
County	10,655	4,997	509	16,161
City	6,303	15,902	1,195	23,400
UGA	524	1,004	90	1,618
Total	17,482	21,903	1,794	41,179

2012 PM Peak Hour Vehicle Trip Ends

Jurisdiction	County	City	UGA	Total
County	13,204	6,254	690	20,148
City	8,296	20,186	1,735	30,217
UGA	719	1,395	132	2,246
Total	22,220	27,835	2,557	52,612

Net New PM Peak Hour Vehicle Trip Ends (2002 - 2012)

Jurisdiction	County	City	UGA	Total
County	2,549	1,257	181	3,987
City	1,993	4,284	540	6,817
UGA	195	391	42	628
Total	4,738	5,932	763	11,433

The actual number of trips applied to the impact fee is calculated by excluding the county to county trip ends, and doubling the internal trip ends in the City (4,284 origins plus 4,284 destinations) and UGA (42 origins plus 42 destinations) to reflect two trips, one to the destination and one from the origin. The total increase in PM peak hour trip generation estimated by the model is then 13,209 trips.

ESTABLISH CITYWIDE TRIP FEE

The establishment of a citywide fee is then based upon the cost of projects required to accommodate growth, the aggregate growth share of the project costs, and the aggregate growth traffic anticipated in the planning horizon. The total cost of the TIF projects identified in Table 1 is \$32, 010,000. The growth share of the TIF projects (the capacity of the TIF projects used by new growth trips) is 50.2%. The total number of new growth trips in the City and UGA as shown in Table 2 are 13,209. The citywide impact fee is calculated by multiplying the growth share times the TIF project cost, then dividing the growth share by the number of new growth trips. **Table 3** provides the calculation of a single zone per trip impact fee.

Table 3. Citywide Impact Fee per Trip

Project Costs from Adopted TIP's	\$32,010,000
Growth Share from TIF model	50.20%
Growth Cost from TIF model	\$16,069,020
Anticipated Growth Trips from TRANSCAD Model	13,209
Transportation Impact Fee per Trip (Growth Share/Growth Trips)	\$1,217

ESTABLISH FEE CALCULATION WORKSHEET

The impact fee worksheet attached provides calculation for nearly all ITE listed Land Use codes. The impact fee for a particular development proposal can be easily computed with one of six development units:

- Dwelling Unit – Most Residential Development
- Bed – Assisted Care/Nursing Homes
- Square-foot – Most Commercial Development
- Space – Park and Ride with Transit Service
- Acre – Golf Courses
- Slip - Marinas
- Vehicle Servicing Position – Service Stations, Car Washes, Quick Lubes

Example Fees

Current and proposed impact fees are provided for three typical land uses. The current fee is presented for the average of all zones for each use. The proposed fee would be constant over the city.

100 Single Family Homes

Average of all TIF Zones	\$69,993
Proposed Fee	\$122,900

100,000 Square-foot Office Building

Average of all TIF Zones	\$115,326
Proposed Fee	\$181,000

100,000 Square-foot Free Standing Super Store

Average of all TIF Zones	\$183,392
Proposed Fee	\$310,846

A TIF worksheet with pre-calculated transportation impact fees for various ITE Land Use Codes is attached as **Exhibit A**.

SUMMARY

The proposed single rate Transportation Impact Fee would meet the primary objectives of:

- Address concerns about large variations in impact fees between adjacent zones.
- Creates a simplified impact fee program to reduce staff administration time.
- Provide the development community with a pre-calculated impact fee worksheet for specific land uses based upon the ITE Trip Generation Report.

Improvements to consistency between the land use plan, annual concurrency report, six-year TIP funding definitions and transportation planning model should be completed to further refine the fee.