



Tiny Homes, Duplexes, Triplexes, Fourplexes: Impact Fees

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Question: Should size of housing unit be considered differently for impact fees?

Current Olympia Approach:

Impact fees are one-time charges assessed on new development projects (and redevelopment over certain sizes). Impact fees are intended to pay the proportionate share of the public facilities needed to serve the new development. The City currently collects transportation, park, and school impact fees. The City charges school impact fees on behalf of the Olympia School District.

Impact fees are collected at the time a building permit is issued; however, the applicant can request to defer the payment until the time the building is constructed and is ready for final inspection prior to it being occupied.

Current impact fees for the missing middle housing types discussed in this paper are shown below. As described in the footnotes of the table, impact fees for downtown are reduced for some housing types. There are also a limited number of potential credits and exemptions defined in the Olympia Municipal Code (for example, for dedicating a portion of a development property for a park).

City of Olympia Impact Fees for Missing Middle Housing Types

Infrastructure Type	Single-family house	ADU	Townhome	Duplex	Triplex	4+ Apartments (incl. cottages, co-housing)
Transportation ¹	\$3,498	\$868 (also same rate for senior housing)	\$2,293 per dwelling unit			
Parks ²	\$5,446	\$2,179	\$3,704	\$3,704	\$3,704	\$3,704
Schools ³	\$5,298	No additional charge	\$2,520	\$2,520	\$2,520	\$2,520

¹ Downtown transportation Impact fees are reduced for the following: Townhome & duplex \$1,004; ADU & Senior housing \$380

² Downtown parks impact fees are reduced for the following: Townhomes, Triplex and 4+ Apartments \$2,832

³ There are no school impact fee charges for downtown townhomes, triplex and 4+ apartments

What is current approach intended to accomplish?

Under state law, impact fees are intended to pay the proportionate share of new development's impact to public facilities. They are not eligible to be used for operation or maintenance costs. The calculation of impact fees is based on a study that determines the costs of the facilities needed to serve each unit of new development, based on the City's adopted level of service (e.g. area of park land per resident). Adjustments to impact fees may be made if they are supported by an updated study. Olympia School District conducts the studies needed to determine school impact fees.

Alternative Approaches:

The tables at the end of this paper show some other cities' 2016 transportation and parks impact fees for multi-family residences. However, how cities assess and collect impact fees can vary significantly, making it difficult to do a direct comparison. Transportation impact fees are based on a calculation that takes into account traffic models and local travel patterns. Parks impact fees are based on each city's adopted level of service standards and forecasted population growth.

A few alternative approaches that could be examined for the missing middle housing types addressed in this paper include:

1. Conduct a study of transportation and/or parks impacts of specific types of missing middle housing for potential to adjust fees downward if warranted.
2. Conduct a study as described in #1 above, focused on areas within ¼-mile of major transit corridors and/or commercial services to see if smaller housing types in those areas have less impact on city transportation and parks systems.
3. Discuss with the Olympia School District a potential study of school impacts from missing middle housing types for potential to adjust school impact fees downward if warranted.

Analysis:

The factors for consideration discussed by the Missing Middle Work Group are:

- **Affordability**
If warranted, adjusting the basis for calculating impact fees for smaller housing types would directly reduce the cost of constructing those units. This would likely increase the number of missing middle housing units constructed. It is uncertain what, if any, impact the lower construction costs would have on individual unit's rental rates. However, if an increased number of missing middle housing units are constructed, it is likely there will be an overall greater number of housing options that would be at more affordable rents than single-family homes.
- **Variety of housing types**
Increasing the number of missing middle housing units will increase the variety of housing types in the City overall. If those types of housing are permitted in more zoning districts as

well, the variety of housing types will likely increase particularly in neighborhoods that currently have few missing middle housing units.

- Ability to accommodate growth
Increasing missing middle housing types will accommodate more households without increasing the overall area of the city. They primarily will provide housing for households of 1-2 persons, which was 70.4% of Olympia’s households in 2010 Census (*The Profile*, Thurston Regional Planning Council). If impact fees are reduced, based on an impact fee study, for smaller missing middle housing types, it may increase the number of missing middle housing types constructed.

Transportation Impact Fees for Comparable Washington Cities - 2016

City*	<i>Multi-Family** Residential (per dwelling unit)</i>		<i>Multi-Family** Residential—Downtown (per dwelling unit)</i>	
Auburn (pop. 67,340)	\$2,815.34 (3 or more units)		\$2,280.42 (3 or more units)	
Bellingham (pop. 84,850)	\$787.00 (3-10 floors; apartments)	\$1,170 (1-2 floors; apartments)	\$613.57 (3-10 floors; apartments)	\$912.49 (1-2 floors; apartments)
Edmonds (pop. 40,900)	\$776.56 (apartment)		\$776.56 (apartment)	
Everett (pop. 108,300)	\$1,392.00 (5-plex or more)		\$1,392.00 (5-plex or more)	
Kirkland (pop. 84,680)	\$2,855.00		\$2,855.00	
Lacey (pop. 47,540)	Varies by project		Varies by project	
Redmond (pop. 60,560)	\$3,992.06		\$3,261.22	
Tumwater (pop. 23,040)	\$2,177.00 (apartment)		\$2,177.00 (apartment)	

Park Impact Fees for Comparable Washington Cities - 2016

City*	Citywide Residential/Multi-Family** (per unit)
Auburn (pop. 67,340)	\$3,500.00
Bellingham (pop. 84,850)	\$3,523.53
Edmonds (pop. 40,900)	\$2,340.16
Everett (pop. 108,300)	\$0.00
Kirkland (pop. 84,680)	\$3,015.00
Lacey (pop. 47,540)	\$0.00
Redmond (pop. 60,560)	\$2,815.51
Tumwater (pop. 23,040)	\$2,413.12

*City population is based on 2015 Office of Financial Management official population estimates.

**Multi-family residential includes duplexes, townhomes, apartments and/or condominiums, *unless otherwise noted*.