

# WORK SESSION AGENDA ITEM SUMMARY

City Council



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## STAFF

Josh Birks, Deputy Director, Sustainability Services  
Joe Wimmer, Utilities Finance Director, Financial Services

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## SUBJECT FOR DISCUSSION

**Impact Fees 2025 Realignment.**

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## EXECUTIVE SUMMARY

The purpose of this item is to propose a workplan for alignment of capital expansion fees and supporting studies to City Council values and priorities. Studies conducted in 2023 for updates of capital expansion fees remain unadopted, with inflationary-only fee adjustments implemented in 2024 and 2025. Staff proposes to explore modifications to the study methodologies, based on previous Council discussions, to better align the studies with other City objectives and will bring forward a proposal of revised fees to be effective January 1, 2026.

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## GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

1. Does Council have any additions to our recap of 2023/2024 discussions?
2. Do you have any questions or comments about the proposed 2025 work plan?

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## BACKGROUND / DISCUSSION

### **Fee History and Current State:**

Impact fees (also known as capital expansion fees) are one-time payments imposed on new development that must be used solely to fund growth-related capital projects. An impact fee represents new growth's proportionate share of capital facility needs. Fees cannot be used for improvements which solely benefit adjacent development, existing deficiencies, and/or for maintenance. The City collects capital expansion fees for neighborhood parks, community parks, fire protection, police, general government, and transportation.

In November 2024, staff proposed adoption of capital expansion fees determined by studies conducted by external consultants in 2023. For the comprehensive study and update of fees, the City contracted with Economic & Planning Systems to update the Capital Expansion Fees (CEFs) and with TischlerBise to update the Transportation Capital Expansion Fees (TCEFs). In place of adopting the full fees presented by the studies, inflationary adjustments were approved by City Council for both 2024 and 2025. All capital expansion fees have received inflationary-only adjustments since the most recent comprehensive studies conducted in 2017.

Concurrent with the capital expansion fee work of 2023/24, Utilities staff updated impact fee models that were ultimately adopted in full for 2025 implementation. Utilities development fees include Water, Wastewater, and Stormwater Plant Investment Fees (PIFs) and Electric Capacity Fee (ECF). Utilities will continue updating fee models on a bi-annual basis and are not planned for inclusion in the 2025 capital expansion fee review.

**Realignment Objectives:**

The 2023 studies largely relied on an incremental expansion (or level of service) methodology, which bases the fees on the existing levels of service of the City’s facilities and capital assets. The incremental expansion method is a common technique and appropriate for the City’s capital growth projections due to the limitation of detailed capital improvement plans. This approach catalogs the current level of service in the city and converts it to a value per unit of service demand (e.g. service population or vehicle miles traveled).

Considering discussions from previous Council Work Sessions, staff are working to evaluate the assumptions and variables included in the level of service approach to understand the maneuverability within the study models to best reflect the City’s policy objectives. Examples include a review of the unit square footage fee schedules, impact on affordable housing costs, future growth and level of service assumptions, and future transportation infrastructure goals. Staff is committed to maintaining the data-driven and defensible approach provided by the existing models and will be simultaneously conducting a legal review of the methodologies used.

**Proposed 2025 Timeline:**

After direction-setting and guidance from the February work session, staff will continue assessing methodological options to bring forward modifications at a mid-year Council Finance Committee meeting and Council Work Session. Staff is tentatively planning to propose an updated fee schedule in 2025 for an effective date of January 1<sup>st</sup>, 2026.

**2023 Study Original Proposed Fees (not including 2024 or 2025 inflationary adjustments):**

Transportation Capital Expansion Fees (TCEFs):

Residential	Unit	Roadway Fee	% of Total	Active Modes	% of Total	Update Total	2023 Total	Change	% Change
up to 700 sq. ft.	Dwelling	\$2,863	91%	\$272	9%	\$3,135	\$2,703	\$432	16%
701-1,200 sq. ft.	Dwelling	\$4,988	91%	\$487	9%	\$5,475	\$5,020	\$455	9%
1,201-1,700 sq. ft.	Dwelling	\$6,363	91%	\$625	9%	\$6,988	\$6,518	\$470	7%
1,701-2,200 sq. ft.	Dwelling	\$7,380	91%	\$726	9%	\$8,106	\$7,621	\$485	6%
over 2,200 sq. ft.	Dwelling	\$8,191	91%	\$809	9%	\$9,000	\$8,169	\$831	10%
Development Type	Unit	Roadway Fee	% of Total	Active Modes	% of Total	Update Total	2023 Total	Change	% Change
Commercial	1,000 sq. ft.	\$11,045	94%	\$702	6%	\$11,747	\$9,946	\$1,801	18%
Office & Other Services	1,000 sq. ft.	\$6,450	86%	\$1,075	14%	\$7,525	\$7,327	\$198	3%
Industrial	1,000 sq. ft.	\$2,897	75%	\$944	25%	\$3,841	\$2,365	\$1,476	62%

Capital Expansion Fees (CEFs):

Residential	Unit	N'hood Park	Comm. Park	Fire	Police	Gen. Gov't	Update Total	2023 Total	Change	% Change
up to 700 sq. ft.	Dwelling	\$2,813	\$2,140	\$604	\$382	\$745	\$6,684	\$6,593	\$91	1%
701-1,200 sq. ft.	Dwelling	\$4,260	\$3,241	\$914	\$578	\$1,129	\$10,122	\$8,844	\$1,278	14%
1,201-1,700 sq. ft.	Dwelling	\$4,783	\$3,638	\$1,026	\$649	\$1,267	\$11,363	\$9,652	\$1,711	18%
1,701-2,200 sq. ft.	Dwelling	\$5,145	\$3,913	\$1,104	\$698	\$1,363	\$12,223	\$9,764	\$2,459	25%
over 2,200 sq. ft.	Dwelling	\$5,848	\$4,448	\$1,254	\$794	\$1,549	\$13,894	\$10,880	\$3,014	28%

  

Development Type	Unit	N'hood Park	Comm. Park	Fire	Police	Gen. Gov't	Update Total	2023 Total	Change	% Change
Commercial	1,000 sq. ft.			\$1,281	\$811	\$1,582	\$3,674	\$2,791	\$883	32%
Office and Other Services	1,000 sq. ft.			\$701	\$444	\$866	\$2,010	\$2,791	(\$781)	-28%
Industrial	1,000 sq. ft.			\$332	\$210	\$410	\$953	\$656	\$297	45%

**NEXT STEPS**

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Council Finance Committee – May/June 2025

Council Work Session – July/August 2025

**ATTACHMENTS**

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1. 2023 Capital Expansion Fee Study
2. 2023 Transportation Capital Expansion Fee Study
3. Presentation