

**CITY OF ISSAQUAH
City Council Special Meeting**

6:00 PM
July 24, 2018

Cougar Room
130 E. Sunset Way

MINUTES

COUNCIL AND ADMINISTRATIVE PERSONNEL PRESENT

- | | |
|------------------------------------------|-------------------------------------------------|
| <i>Councilmembers:</i> | <i>Administration/Staff:</i> |
| Mariah Bettise | Mary Lou Paul, Mayor (<i>Excused Absence</i>) |
| Stacy Goodman (<i>Excused Absence</i>) | Emily Moon, Interim City Administrator |
| Victoria Hunt | Christine Eggers, City Clerk |
| Tola Marts (<i>Mayor Pro Tem</i>) | Lori Brown, Human Resources Director |
| Bill Ramos | Lauren Knox, Human Resources Analyst |
| Chris Reh | |
| Paul Winterstein | |

PURPOSE

The purpose of this special meeting was to allow the City Council to recess into Executive Session to discuss collective bargaining.

CALL TO ORDER

Mayor Pro Tem Marts, called the meeting to order at 6:00 PM.

AGENDA ITEMS

Council recessed into Executive Session to discuss collective bargaining per RCW 42.30.140(4). The item was expected to take approximately 20 minutes.

ADJOURNMENT

The meeting was reconvened at 6:17 PM. There being no further business to come before the Council, the meeting was adjourned at approximately 6:17 PM.

Christine Eggers, City Clerk

Tola Marts, Mayor Pro Tem

**CITY OF ISSAQUAH
Committee-of-the Whole Council**

6:30 PM
July 24, 2018

Council Chambers
135 E. Sunset Way

MINUTES

COUNCIL AND ADMINISTRATIVE PERSONNEL PRESENT

Councilmembers:

Mariah Bettise
Stacy Goodman (*Excused Absence*)
Victoria Hunt
Tola Marts
Bill Ramos
Chris Reh
Paul Winterstein

Administration/Staff:

Emily Moon, Interim City Administrator

CALL TO ORDER

Council President Marts called the meeting to order at 6:30 PM.

AGENDA ITEMS

a) **ID 0264 - 2019 Community Fund Capacity Grant Recommendations**

Presented by:

Amy Dukes, Grant Coordinator

The following public comment was provided:

David Kappler, 255 SE Andrews St., spoke regarding the Issaquah Alps Trails Club.

b) **ID 0304 - Senior Center Update**

Presented by:

Jeff Watling, Parks & Recreation Director

The following public comment was provided:

David Kappler, 255 SE Andrews St., spoke in support of City management of the senior center.

REPORTS ON REGIONAL ACTIVITIES / ISSUES – None.

ADJOURNMENT

There being no further business, the meeting was adjourned at approximately 7:30 PM.

Christine Eggers, City Clerk

Tola Marts, Council President



CITY COUNCIL
AGENDA BILL
City Council Regular Meeting - 06 Aug 2018

NEW
AB 7640 -
Consent
Calendar

Amending School Impact Fees

Proposed Council Action:
Refer to Council Services & Safety Committee

DEPARTMENT OF	Development Services, Trish Heinonen
COUNCIL LIAISON	n/a
OTHER COUNCIL MEETINGS	n/a
COMP PLAN POLICY NOS.	CF Poicy E11
OTHER POLICIES	n/a
EXHIBITS	A. Issaquah School District 2018 Capital Facilities Plan B. 2017 City Attorney Memo

SUMMARY STATEMENT

This agenda bill seeks Council action to increase the School Impact Fees collected on new residential development as requested in the Issaquah School District's 2018 Capital Facilities Plan. The District requests that the City adopt the 2018 Capital Facilities Plan and impact fees effective Jan. 1, 2019.

The Issaquah City Council adopted a School Impact Fee Ordinance (Ordinance No. 2074) and an Interlocal Agreement with the Issaquah School District for the collection of School Impact Fees in 1995. Under the Agreement, the City collects the impact fee from new residential development and sends the money to the School District where it is used to help build school facilities that are needed to serve student growth from development.

The school impact fees are determined by the District and are based on their most recent Capital Facilities Plan. Although the District's Capital Facilities Plan include capital projects that address both current and future needs, impact fees are only used to address future need from new development. As identified on page 21 of the Plan, it appears the District will utilize all school impact fee revenue over the next 6-year period to purchase portables.

Per staff's interpretation of the Six Year Finance Plan, 100% of school construction will be funded by the bond and less than 1% of the capital construction budget will be dedicated to portables. The anticipated school impact fees will represent approximately 11% of the cost of the portables and, therefore, less than 1% of the total school and portables construction cost.

Using the forecast revenue of the proposed impact fees, the District's Capital Budget over this 6-year period may be represented as follows:

- | Bond Revenue: 99%
- | Impact Fees: .05%
- | Other revenue: .05%

The District's 2018 Capital Facilities Plan (Exhibit A) was adopted by the Issaquah School Board on May 23, 2018. The school impact fees are updated annually to reflect the District's current Capital Facilities Plan and were last revised by the City Council on December 18, 2017 (Ordinance No. 2822; AB 7462).

The District's Six-Year Construction Plan can be found on page 14 of Exhibit A.

The School District proposes to change the School Impact Fees as follows:

	Single Family	Multifamily
Current School Impact Fee (per unit)	\$8,762	\$3,461
PROPOSED 2019 School Impact Fee (per unit)	\$15,276	\$4,399
Increase	(+74.3%) \$6,514	(+27.1%) \$938

The increase in the proposed 2019 School Impact Fees is due to rising costs, such as construction and land purchases, as well as higher student generation rates from new development. The full impact cost is not being sought; the District has discounted the full fee by \$22,914.59 for single family and \$6,598.96 for multifamily dwelling units, calling this discount "Local Share" (page 15 of Exhibit A).

Prior Council and School District Discussions

During the review of last years' proposed school impact fees (AB 7462), the Council Services & Safety Committee met on Oct. 10 and Nov. 13, 2017. The Committee asked Steve Crawford, Director of Capital Projects for the Issaquah School District, about the calculations of school impact fees. Mr. Crawford explained that the "discounted amount" of the fee includes the legal amount of discount that is built into the calculation from King County. However, the District often makes additional discounts.

Council expressed concern over the "additional discounted amount" adding that this was akin to leaving a legal funding source untapped and not having development pay for its impacts. Council asked the City Attorney to answer questions regarding school impact fee legal issues (Exhibit B). After much deliberation, on Dec. 18, 2017, the Council passed Ord. 2822, adopting the school impact fees as proposed by the District.

On April 2, 2018, the Council and School District held a special meeting where the topic of school impact fee calculations and the District's "additional discounted amount" was again discussed. Council again expressed their concern regarding the District's policy to discount the impacts from new development.

Although the proposed 2019 fees still incorporate a discount, the discount has been reduced from 70% in 2018 to 60% in 2019, as shown below:

	Single Family 2018	Multifamily 2018	Single Family 2019	Multifamily 2019
Fee Before Discount	\$29,206.93	\$11,535.81	\$38,190.99	\$10,998.27
Discounted Amount/ Local Share (% discount)	\$20,444.80 (approx 70%)	\$8,075.07 (approx 70%)	\$22,914.59 (approx 60%)	\$6,598.96 (approx 60%)
Final Fee	\$8,762	\$3,461	\$15,276*	\$4,399*

*Proposed

The funding sources for new school construction over the next six years can be found on the Six Year Finance Plan on page 21 of Exhibit A.

Other Jurisdictions

As part of understanding the City's options regarding adoption of the proposed fees, the Administration surveyed other cities' responses to proposed school impact fees:

1. Issaquah School District Peer Cities

The other cities that are part of the Issaquah School District (Bellevue, Renton, Newcastle and Sammamish) also adopted the fees last year, as presented by the District. For 2019 impact fees, none of the ISD peer cities have begun deliberation on these fee as yet.

2. City of North Bend

The Administration also queried the City of North Bend, whose impact fees increased significantly. North Bend

adopted the school impact fees as proposed by the Snoqualmie Valley School District with the exception of an adjustment (lowering) of the cottage single family school impact fee to the level of the current school impact fees for multifamily units. In 2018 this fee is \$2,274.34 for multifamily and cottage units of 1,500 SF or smaller; as compared with a single family school impact fee of \$10,096.27. The City included a square footage limitation on cottage housing to 1,500 square feet or less in order for them to get the lower multifamily school impact fee rate. This clarification of cottage housing sizes stopped the flow of larger cottage housing applications trying to get the lower multifamily fee rate.

3. City of Kent

The City of Kent approved a cap to their impact fees, including a smaller multifamily unit fee than proposed by the Federal Way Public Schools School District. The City believed the proposed multifamily fee of \$20,086 created an impact that, in essence, prevented multifamily development. The City of Kent approved a cap of \$8,386 per multifamily units and \$8,229 per single-family homes. Kent's existing fees are \$5,235 for single family units and \$2,267 for multifamily units. At this time, they have not yet adopted new fees for 2019; however, they set the cap to show the District they are not in favor of the proposed 2019 fees.

City's Options

The Administration recommends an increase to the school impact fee. Additional options are provided in the attached attorney memo (Exhibit B) and the Alternative section of this agenda bill. A proposed ordinance will be provided after review by the Council & Services Safety Committee.

Financial Information:

The school impact fees are collected by the City and are passed through to the School District for their use.

Administration's Recommendation:

The Administration recommends passage of an increase to the school impact fee in support of the Issaquah School District's capital needs, such that the increase can be implemented by January 1, 2019. While the Administration seeks to collaborate with the District on the implementation of such a fee increase, the Administration recognizes the District's fee discounting has been the subject of prior Council questioning and concern. As such, the Administration recommends that City Council review the alternatives and considerations expressed in this agenda bill and accept or modify the motion as it sees fit.

Update:

n/a

Alternative(s):

- 1) Do not amend the school impact fees and leave 2018 fees in place. An amendment to IMC 3.63.080 is not necessary to do this. [Impact: Reducing the amount would potentially under-fund the School District's Capital Facilities Plan.]
- 2) Approve the proposed increase and commit to actively work with the District to continue to discuss expectations and decrease the discount over time. [Impact: This option may not result in future change as the School District has not agreed with the Council that full impacts should be mitigated.]
- 3) Seek the adoption of higher school impact fees. This option would require an amendment to IMC 3.63.080.A Fee calculations -Application fee to allow the City to set higher impact fees. If this option is selected, Council would remand AB 7640 to the Administration for:

- 1) drafting of an ordinance amending IMC 3.63.080.A Fee calculations - Application fee to allow the City to set a higher Impact Fees;
- 2) additional discussion between the Administration and the School District of the proposed 2019 fees; and,
- 3) both items to return to the City Council by Dec. 17, 2018 in order for the new fees to take effect on Jan. 1, 2019.