



March 30, 2022

Herald Legals

Please publish the following notice one time:

CITY OF SULTAN  
NOTICE OF PUBLIC HEARING  
TRANSPORTATION IMPACT FEE  
APRIL 14, 2022

Notice is hereby given that a public hearing will be held on the Transportation Impact Fee on Thursday, April 14, 2022, during the regular Council meeting at 7:00 p.m. utilizing a hybrid of in-person and remote attendance procedures. At this time public input will be taken on the proposed changes to the Transportation Impact Fee. Written comments may be mailed to the City Clerk at PO Box 1199, Sultan, WA 98294-1199 or via email at [tami.pevey@ci.sultan.wa.us](mailto:tami.pevey@ci.sultan.wa.us) and must be received no later than 4:00 p.m. the day of the hearing. Copies of the public hearing packet and instructions on remote attendance procedures are available on the City website at <https://ci.sultan.wa.us/205/City-Council>.

Tami Pevey  
City Clerk

**CITY OF SULTAN  
COUNCIL MEETING – COMMUNITY CENTER  
319 MAIN STREET, SULTAN, WA 98294  
April 14, 2022**

IN PERSON AND REMOTE ATTENDANCE AVAILABLE  
INSTRUCTIONS ON ATTENDANCE VIA ZOOM SHOWN BELOW

WRITTEN PUBLIC COMMENT SHOULD BE EMAILED TO THE CITY CLERK, TAMI PEVEY  
EMAIL: [TAMI.PEVEY@CI.SULTAN.WA.US](mailto:TAMI.PEVEY@CI.SULTAN.WA.US)

WRITTEN COMMENTS SHOULD BE RECEIVED NO LATER THAN 4:00 PM THE DAY OF THE  
MEETING

**DIRECTIONS FOR ATTENDING THE COUNCIL MEETING AND INSTRUCTIONS ON PROVIDING REMOTE ORAL PUBLIC COMMENT:**

1. At 7:00 p.m. (or shortly before or after) on Thursday, please join the meeting via computer or phone as shown below and enter the meeting ID to join the meeting. If using the website, the phone number given may be different, please follow prompts given:

- Via Computer:
- <https://us02web.zoom.us/j/82857320872?pwd=QytFc3M3KzFSNTNrZHNV V1VWb0huQT09>
- 828 5732 0872
- Phone #: (253) 215-8782
- Meeting ID: 778579
- After you enter the meeting ID, if it asks for a participant ID, just wait or press # and you will be added to the meeting.

Please note if you attend via computer, your computer may provide different options for connecting to audio to include different phone numbers. It is recommended to follow the zoom compute prompts to connect to the meeting

2. You will be muted upon entry to the meeting. When it is the portion of the meeting for Public Comment, your name will be called to speak, and the City Clerk will unmute you.
3. Please begin your comments by stating your name, city of residence, and any organization represented.
4. Please be advised that your comments are being recorded.

Each speaker is allotted 3 minutes and you will be notified when your time has expired.

**ADA NOTICE:**

**Accommodations for persons with disabilities will be provided upon request. Please make arrangements prior to the meeting by calling City Hall at 360-793-2231. For additional information please contact the City at [cityhall@ci.sultan.wa.us](mailto:cityhall@ci.sultan.wa.us) or visit our web site at [www.ci.sultan.wa.us](http://www.ci.sultan.wa.us)**



## SULTAN CITY COUNCIL

### Agenda Bill 22-19

<b>SUBJECT</b>	Reduction of Transportation Impact Fees for Commercial Development
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<b>DATE:</b>	<b>DEPT:</b>	<b>CONTACT:</b>	<b>PRESENTER:</b>	<b>ITEM:</b>
03/10/22	Com Dev	Andy Galuska	Andy Galuska	Public Hearing #2

**Discussion:** CM 2/03/2022, 2/24/2022, and 03/10/22

**Attachments:** A. Ordinance 1366-22  
B. Memo to the Mayor proposed TIF options

**REQUESTED ACTION:** hold a public hearing to take comments from the public and consider the proposed updates to the City's Transportation Impact Fee to reduce the fee charged to commercial and retail development with a two-year sunset date.

#### **DESCRIPTION:**

At the February 3<sup>rd</sup> council workshop and the February 24<sup>th</sup> council meeting, staff presented to council three different options. The staff memo to the Mayor on the topic is attached. The history since those meetings and the draft ordinance are attached to this packet item.

Staff has been discussing the issue of lower-than-expected commercial development considering the strong residential demand. During our downtown visioning and other outreach efforts we have heard that residents want more commercial services in the city. At present we have not active permits for commercial development. In our outreach to potential developers one of the clear hurdles in our transportation impact fee that is required of all development at a cost of \$8,787 per trip generated. We held a workshop with council on 2/03/22 to discuss this issue and based on feedback from this meeting and discussion at the 2/24/22 meeting staff are proposing a 50% reduction for all commercial uses as well as an additional 100% reduction for retail development with a two-year sunset date.

These reductions were chosen to encourage all commercial development but especially the retail uses as defined in the city's zoning code. A sunset date is included to try to encourage development to have some urgency is moving forward. The hope is that these changes will encourage commercial development.

## **FISCAL IMPACTS**

The fiscal impacts of this project have been discussed with council. Generally, reducing the impact fee for commercial developments would mean less money available for much needed transportation improvements. However, if the reduction increases the amount of commercial development, then there would be increases in sale tax revenues that would offset the lower impact fee.

## **ALTERNATIVES**

The Council can choose to not pass the attached ordinance and the City will continue to use a uniform impact fee for all development.

CITY OF SULTAN  
WASHINGTON  
ORDINANCE NO. 1366-22

**AN ORDINANCE OF THE CITY OF SULTAN, WASHINGTON, AMENDING  
THE SULTAN FEE SCHEDULE TO REDUCE THE TRANSPORTATION  
IMPACT FEE ON COMMERCIAL DEVELOPMENT TO ENCOURAGE  
ECONOMIC DEVELOPMENT; PROVIDING FOR SEVERABILITY; AND  
ESTABLISHING AN EFFECTIVE DATE.**

WHEREAS, the City of Sultan is a municipal code city as provided in Title 35A RCW and planning under the Growth Management Act, Chapter 36.70A RCW; and

WHEREAS, RCW 82.02.050-.110 and WAC 365-196-850, authorize cities to adopt by ordinance a schedule of impact fees to ensure that adequate facilities are available to serve new growth and development; and

WHEREAS, the Sultan City Council adopted Ordinance 970-07 in 2007, implementing Traffic Impact Fees in the City of Sultan; and

WHEREAS, on October 8, 2020, the City adopted a new Transportation Element to its Comprehensive Plan; and

WHEREAS, on November 5, 2020, the City adopted updated its transportation impact fees based on analysis of future transportation needs; and

WHEREAS, RCW 82.020.70(2) provides that impact fees shall be expended only in conformance with the Capital Facilities Plan Element of the Comprehensive Plan; and

WHEREAS, the Transportation Element contains a 2020-2025 Transportation Improvement Plan which describes the necessary capital improvements needed for the City's transportation network; and

WHEREAS, RCW 82.02.050(1) allows cities to require new development within their jurisdiction to pay a proportionate share of the cost of system improvements to serve such new development activity through the assessment of impact fees for transportation facilities; and

WHEREAS, RCW 82.020.050(1)(b) and RCW 82.020.060 provide that the City may enact a local ordinance providing for impact fees and the limitations and/or extent that the local ordinance can provide for the impact fees; and

WHEREAS, Transportation Solutions, Inc, a consultant for the City, has analyzed these future capital needs and have calculated an updated transportation impact fee in a report entitled "Transportation Impact Fee Rate Analysis"; and

WHEREAS, the City Council finds that building permits which authorize residential, commercial and industrial development will create additional demand for transportation facilities and the

**ATTACHMENT A**

City Council finds that such development should pay a proportionate share of the cost of system improvements needed to serve the new growth and development, and

WHEREAS, the City Council finds that it is in the public interest, is consistent with the intent and purposes of the Growth Management Act (36.70 RCW), and consistent with RCW 82.02.060(1) for the City to adopt appropriate impact fees, and

WHEREAS, on May 14, 2020 staff presented the capital projects list, calculations for inclusion in the impact fee, and final proposed impact fee to the City Council at their regular meeting, and

WHEREAS, on November 5, 2020 the City Council considered the Transportation Impact Fee Rate Analysis, the capital projects list, and the final proposed impact fee at its regularly scheduled public meeting; and

WHEREAS, the City Council has identified that residents need additional commercial services in the local area; and

WHEREAS, the City Council determined that the transportation impact fee was a major impediment to commercial development; and

WHEREAS, the City Council concluded that the financial impact of lower transportation impact fee would be offset by the tax revenue, increased employment, and other positive economic impacts that commercial development would create; and

WHEREAS, the City Council has held a workshop on February 3, 2022 to discuss ways to encourage additional commercial development; and

WHEREAS, the City Council discussed the issue at their February 24, 2022 meeting; and

WHEREAS, the City Council determines it is in the best interest of the City to reduce the Transportation Impact Fee for commercial and retail uses specifically to encourage additional development of these uses;

NOW THEREFORE, THE CITY COUNCIL OF SULTAN, WASHINGTON, DO ORDAIN AS FOLLOWS:

**Section 1. Revise the Fee Schedule to Update the Transportation Impact Fee.** The City Council hereby revises the "Impact Fee" section of the existing City of Sultan Fee Schedule as follows:

**"Impact Fees**

Park Impact Fees.....\$3,175.00 per dwelling unit

    Park Impact Administrative Fee.....\$35.00 each unit

School Impact Fees May be required by the School District at building permit application, check with school 360.793.9800

**ATTACHMENT A**

Transportation Impact Fees.....\$8,787.00 per peak hour trip

Commercial Development

50% of the Base Fee

Retail Development

Exempt from Transportation Impact Fee

Transportation Impact Administration Fee.....\$35.00 or 1% of the fee whichever is greater”

**Section 2. Sunset Provision.** These changes shall be in effect for two years from the effective date. Following the sunset date, the above changes to the fee schedule shall revert to the version before adoption of this ordinance unless otherwise modified by council in the future.

**Section 2. Severability.** Should any section, paragraph, sentence, clause or phrase of this Ordinance, or its application to any person or circumstance, be declared unconstitutional or otherwise invalid for any reason, or should any portion of this Ordinance be pre-empted by state or federal law or regulation, such decision or pre-emption shall not affect the validity of the remaining portions of this Ordinance or its application to other persons or circumstances.

**Section 3. Effective Date.** This Ordinance shall be published in the official newspaper of the City, and shall take effect and be in full force five (5) days after the date of publication.

ADOPTED BY THE CITY COUNCIL AT A REGULAR MEETING THEREOF ON THE 28TH DAY OF APRIL 2022.

CITY OF SULTAN

\_\_\_\_\_  
Russell Wiita, Mayor

ATTEST/AUTHENTICATED:

\_\_\_\_\_  
Tami Pevey, City Clerk

Approved as to form:

\_\_\_\_\_  
Hillary Graber, City Attorney

Date of Publication:

Effective Date:



To: Mayor Wiita

From: Will Ibershof CA, Andy Galuska CDD, Nate Morgan, PWD

Re: Adjustments to the TIF

History:

With the city's recent surge in residential growth, there is now a strong interest in commercial development, especially retail. The Sky Valley Chamber of Commerce is receiving two calls a week from business owners looking for space. The city has very limited space, which is good news for the businesses within the city, not great for the ones who wish to open up in Sultan. It has become evident that the city needs additional buildings to accommodate the growing business interests.

The Mayor and staff hosted a workshop with council to discuss the challenges and opportunities, surrounding commercial growth with a focus on the Transportation Impact Fee. Staff shared with council that a couple of developers have raised the issue that our \$8,787 per trip transportation impact fee is pricing them out of developing additional space. To address this concern staff proposed reducing the fee for commercial projects. Council through the Mayor directed staff to present alternative policies to reduce the fee charged to new commercial development.

To assist with recommending an alternative, the PW Director, Community Development Director and the Chamber Director and the Chamber's Economic Development/Tourism Manager met to discuss where they are seeing the greatest need. The following are the areas that arose from the discussion.

- Grocery store
- Restaurants
- Small office space
- Retail shops
- Dance studio
- Indoor recreation

In addition, they have received calls from a roofing company and a tiny home builder. Both are looking for light industrial space. Yet the strongest interest is in retail space

When staff developed its models, we formulated its recommendations based on the chamber's feedback, the available property and projects that have approached the city.

Below are two recommended models for council to consider.

**ATTACHMENT B**

**Model A:**

An across the board reduction of 50% of the fee be applied to all commercial building applications for four years. This approach is not favoring one industry over the other.

Retail uses would receive an additional discount for a 100% reduction for new retail development that would sunset in two years.

Pros:

This model will be easy for staff to follow and would allow light industrial and commercial properties to build out. In addition, it would encourage retail development projects that are considering Sultan to take the initiative and apply for development permit.

Cons:

The challenge could lead to a rush in development, we do not see a large reduction in impact fees for projects that will affect traffic on US-2. Especially if council limits the number of years for the reduction.

**Model B:**

This model would focus the reduction to specific industries without getting into the weeds with each type of use. This model simplifies the uses and allows staff the flexibility of working with a new business on what its transportation impact fee will be. This model does not have a timeline associated with it.

The following table outlines staff’s recommendations:

<b>Land Use Category/Description</b>	<b>Percent Reduction</b>
Light industrial	25%
Manufacturing	25%
Hotel	50%
Motel	50%
Day care center	50%
General office	25%
Medical office	50%
Hardware / Paint Store	75%
General retail and services (includes shopping center)	75%

## ATTACHMENT B

Car sales	50%
Supermarket	80%
Convenience market – 24 hour	30%
Discount supermarket	50%
Apparel Store	75%
Pharmacy/drugstore	50%
Bank	50%
Drinking Place	50%
Fast Casual Restaurant	75%
Restaurant – sit down	75%
Fast food	50%
Coffee/donut shop	50%
Quick lube shop	25%
Gas station	25%
Automated car wash	25%
Winery/distillery	50%

### Pros:

This model will encourage retail over light industrial. Most importantly it will encourage developers that are considering Sultan as a home.

### Cons:

This model will drive discussion on how we arrived at one type of business over another and why we selected the different percentages for each business. This model can create challenges with what projects apply and when since there is no end date. This model is not supported by staff.

### Model C:

This model is a variation of model A, except for the 100% reduction for retail. This model would be a clear 50% reduction of the impact fee for any type of commercial development. In addition, this model will sunset after three years of its implementation.

### Pros:

This model would be easy to manage and provide some relief to businesses that wish to build and operate in Sultan.

**ATTACHMENT B**

Cons:

This model may not be significant enough to encourage the type of development that the city’s residents and businesses need.

**Conclusion:**

To help with the evaluation of options, staff created a financial table that reflects the additional sales tax based on new businesses opening with the city.

Year	Retail sales	sales tax	Total sales tax	City's share	new sales tax revenue
2023	1,500,000	9.00%	\$135,000.00	2.50%	\$37,500.00
2024	8,000,000	9.00%	\$720,000.00	2.50%	\$200,000.00
2025	15,000,000	9.00%	\$1,350,000.00	2.50%	\$375,000.00
2026	45,000,000	9.00%	\$4,050,000.00	2.50%	\$1,125,000.00
2027	60,000,000	9.00%	\$5,400,000.00	2.50%	\$1,500,000.00
2028	65,000,000	9.00%	\$5,850,000.00	2.50%	\$1,625,000.00
2029	70,000,000	9.00%	\$6,300,000.00	2.50%	\$1,750,000.00
2030	85,000,000	9.00%	\$7,650,000.00	2.50%	\$2,125,000.00

It is the recommendation of city staff that we move forward with Model A for the following reasons:

- First it is staff’s belief that this approach will boost the strongest interest in the commercial properties within the city.
- Secondly, even with the reduction of impact fees the city will make up the difference over the years in sales tax.

With respect on how it affects the overall transportation plan for the various projects, the table below will outline how the change in the fee will affect the funding.

<b>Implications of 2-year Impact Fee Exemption for Retail/Commercial Uses</b>					
			Low Estimate	High estimate	
			\$2,400,000 Reduction	\$3,200,000 Reduction	
Current Impact Fee					
	Growth Share	\$24,164,800	\$21,764,800	\$20,964,800	
	Anticipated Grant Revenue	\$16,063,260	\$16,063,260	\$16,063,260	
	City of Sultan Responsibility	<b>\$5,362,940</b>	<b>\$7,762,940</b>	<b>\$8,562,940</b>	
	Total Impact Fee Project Costs	\$45,591,000	\$45,591,000	\$45,591,000	

With the Federal Government passing the infrastructure package, where funding is released over the next five years, staff feels we will be in a great position to obtain grant funding to fill in the gaps.

**ATTACHMENT B**

Finally, staff is requesting that council provide direction, so staff can bring forward an ordinance updating the impact fee.