
CITY OF MERCER ISLAND

COMMUNITY PLANNING & DEVELOPMENT

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PLANNING COMMISSION

To: Planning Commission

From: Alison Van Gorp, Deputy Director

Date: April 20, 2022

RE: ZTR21-007 & ZTR21-008 Transportation Impact Fee and Parks Impact Fee Code Amendments

Attachments:

1. Proposed Code Amendment to MICC 19.18 and MICC 19.19
2. Draft Transportation Impact Fee Rate Study
3. Draft Parks Impact Fee Rate Study (will be transmitted separately, at a later date)

SUMMARY

The City has contracted with consultants to prepare updated rate studies for the transportation and parks impact fees. The draft rate studies are now available for review. A code amendment is needed to enable adoption of the new impact fee rates via the annual development and construction fee schedule update.

BACKGROUND

In 2015, the City Council adopted code amendments implementing transportation and parks impact fees in [MICC 19.19](#) and [MICC 19.18](#), respectively. In late 2020, the City Council budgeted for consultant work to update the rate studies for these impact fees and added to the final docket the accompanying code amendments necessary to update the fees. Code amendments are proposed to allow the City to update the impact fee rates during the annual development and construction fee schedule update.

The City contracted with Fehr and Peers to conduct an updated transportation impact fee rate study and with BERK to conduct an updated parks impact fee rate study. These consultant teams are now in the final stages of their work, and the City is ready to initiate the code amendment process.

At the March 23 meeting, Kendra Brieland, Principal at Fehr and Peers, and Jason Hennessey, Senior Associate at BERK, provided an overview of impact fee implementation in Washington and the methodology for the rate study updates. The Planning Commission had an opportunity for Q and A with each of the consultants. At the April 27 meeting, the Planning Commission will hold a public hearing on the proposed code amendments that are necessary to adopt the updated impact fees. The draft rate studies and recommended impact fees are also available for review.

Proposed Code Amendments

The following code amendments are recommended to enable the parks and transportation impact fee rates to be updated periodically without the need for further code amendments in the future. Instead, once a rate study is approved by City Council, the new rates would be adopted as part of the annual development and construction fee schedule update.

19.18.100 - Fee schedule and updates.

- A. The parks impact fees shall be adopted in the development and construction fee schedule based on the most recent rate study approved by the city council and updated annually thereafter as described in MICC 19.18.100 (B).
- B. Park impact fee rates shall be updated annually using the following procedures:
 - 1. The code official shall use the Construction Cost Index for Seattle (June-June) published by the Engineering News-Record to calculate annual inflation adjustments in the impact fee rates. The park impact fees shall not be adjusted for inflation should the index remain unchanged.
 - 2. The indexed impact fee rates shall be effective January 1.
- C. The code official shall review the park impact fee rates annually to determine when a new park impact fee rate study is necessary and recommend to the city council when a new study should be prepared.

19.19.100 - Fee schedule, review of schedule and updates.

- A. The transportation impact fees shall be adopted in the development and construction fee schedule based on the most recent rate study approved by the city council and updated annually thereafter as described in MICC 19.19.100 (B).
- B. Transportation impact fee rates shall be updated annually using the following procedures:
 - 1. The code official shall use the Construction Cost Index for Seattle (June-June) published by the Engineering News Record to calculate annual inflation adjustments in the impact fee rates. The transportation impact fees shall not be adjusted for inflation should the index remain unchanged.
 - 2. The indexed impact fee rates shall be effective January 1.
- C. The code official shall review the transportation impact fee rates annually to determine if a new transportation impact fee rate study is necessary and recommend to the city council when a new study should be prepared.

Draft Rate Studies

The consultants have prepared draft park and transportation impact fee rate studies. Each study includes the list of eligible projects and the basis for the calculation of the recommended impact fees. In the case of the Transportation impact fee rate study, some work is still underway to further refine the use chart on page 16 and the use definitions in Appendix D to align with the allowed uses in the City's development code. This will aid city staff in the administration of the impact fees, in particular making it simpler to determine the appropriate fee for the various types of commercial businesses and ensuring impact fee rates are established for all allowed uses. These updates will be included in the final draft of the rate study.

For the parks impact fee, a policy choice is required on whether to add a commercial impact fee. Currently, parks impact fees are only charged for residential uses. Adding a commercial impact fee would have the effect of somewhat lowering the residential impact fee rate to offset the rate being charged to commercial businesses and would not result in the City collecting additional revenue.

Staff Recommendation

Approve the proposed code amendments for recommendation to the City Council. These code amendments are necessary to adopt the new impact fee rates proposed in the rate studies. The code amendments will also allow the rates to be updated in the future without additional code amendments (via the annual adoption of the development and construction fee schedule).

NEXT STEPS

At the April 27 meeting, the Commission will hold a public hearing and make a recommendation to the City Council on proposed code amendments. The City Council is scheduled to review the rate studies and proposed code amendments in May and June.