

# City of Mercer Island Park Impact Fee Update

Impact Fee Rate Study: **Council Review Draft**

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Council Review Draft

May 2022

# Table of Contents

<b>Introduction .....</b>	<b>4</b>
Purpose .....	4
<b>Impact Fee Definition .....</b>	<b>4</b>
Statutory .....	4
Potential Deficiencies .....	5
Project Eligibility .....	5
Requirements for Impact Fee Rate Calculation .....	6
<b>Fee Calculations .....</b>	<b>6</b>
Anticipated Growth.....	6
Population and Housing .....	6
Commercial Employment .....	9
Resident and Resident Equivalent.....	10
Funding Other than Impact Fees .....	11
Approach.....	11
Level of Service: Per Capita .....	11
System Valuation.....	12
Per Capita System Value.....	13
Future Need .....	14
Capital Plans and Proportion Related to Growth .....	14
Service Area .....	14
<b>Impact Fee Rates .....</b>	<b>15</b>
Unadjusted Rate Schedules.....	15
Residential Fees Only .....	15
Residential and Commercial Fees .....	15
Proportionate Share.....	15
Proportion of Expected Future Revenue Resulting from Growth.....	16
Adjusted Rate Schedules .....	17
Residential Fees Only .....	17

Residential and Commercial Fees .....	17
Park Impact Fee Exemptions.....	18
Affordable Housing .....	18
Early Learning Facilities .....	19
<b>Policy and Plan Amendments .....</b>	<b>19</b>
<b>Attachments .....</b>	<b>19</b>
<b>List of System Improvements (Facility Plan) .....</b>	<b>20</b>

## Table of Exhibits

Exhibit 1. Estimated and Target Housing 2010-2044 .....	7
Exhibit 2. Housing Target, Unit Shares, and Population Estimates .....	7
Exhibit 3. Future Added Housing and Development-Related Population Growth Projections, 2022-2044 and 2022-2041 .....	8
Exhibit 4. Population Estimates and Expected Growth from Development and Existing Housing, 2010-2044 .....	9
Exhibit 5. Commercial Employment – Estimated Jobs and Job Targets, Past Estimates and 2022-2044 and 2022-2041 .....	10
Exhibit 6. Employee to Resident Conversion Factor .....	10
Exhibit 7. Commercial Resident Equivalent Targets, 2022-2041 .....	11
Exhibit 8. 2021-2026 Parks and Open Space Capital Funding (2021\$).....	11
Exhibit 9. Estimated Facility Replacement Costs – City of Mercer Island Park Facilities, 2022\$ .....	13
Exhibit 10. Park System per Capita Value .....	13
Exhibit 11. 2022-2041 Parks System Additional Value Needed (2022\$).....	14
Exhibit 12. Unadjusted Residential Only Fee Schedule .....	15
Exhibit 13. Unadjusted Residential and Commercial Fee Schedule.....	15
Exhibit 14. Proportionate Share of Expected Parks Revenue, 2021-2026 (2021\$) .....	16
Exhibit 15. Expected Growth Revenue for Capital Projects per Capita, 2021-2026 (2021\$).....	17
Exhibit 16. Residential Only Adjusted Fee Schedule.....	17
Exhibit 17. Residential and Commercial Adjusted Fee Schedule .....	18
Exhibit 18. Affordable Housing Exemption Options.....	18

# Introduction

Please note that this Council Review Draft of the *Park Impact Fee Rate Study* includes multiple options for fee calculation that represent policy decisions to be made by City Council.

## Purpose

In 2015, Mercer Island enacted Growth Management Act (GMA) impact fees to fund parks, open space, and recreational facility growth-driven needs. Six years later, the City engaged BERK Consulting to complete a comprehensive update its park impact fee rates, to reflect current replacement costs and system improvements made in the past six years. This document presents an updated rate study with the following major components:

1. Introduction: Purpose, background, definitions, requirements
2. Fee Calculations: Anticipated growth, approach, future needs, capital plans, rate schedule
3. Proposed Policy and Plan Amendments: Level of service policy addition

# Impact Fee Definition

## Statutory

Impact fees are those fees charged by a local government on new development to recover a portion of the cost of capital facility improvements needed to serve new development. Specifically, the Washington State Legislature outlined the intent of local impact fees:

*RCW 82.02.050 Impact fees—Intent—Limitations.*

*(1) It is the intent of the legislature:*

*(a) To ensure that adequate facilities are available to serve new growth and development;*

*(b) To promote orderly growth and development by establishing standards by which counties, cities, and towns may require, by ordinance, that new growth and development pay a proportionate share of the cost of new facilities needed to serve new growth and development; and*

*(c) To ensure that impact fees are imposed through established procedures and criteria so that specific developments do not pay arbitrary fees or duplicative fees for the same impact.*

*(2) Counties, cities, and towns ... are authorized to impose impact fees on development activity as part of the financing for public facilities, provided that the financing for system improvements to serve new development must provide for a balance between impact fees and other sources of public funds and cannot rely solely on impact fees.*

Impact fees may be charged to help pay for public transportation and road facilities; fire protection facilities; schools; and public parks, open space, and recreation facilities. Local governments are authorized to charge such fees under RCW 82.02.050 to 82.02.090, provided that these fees are only imposed for system improvements that are reasonably related to the new development, do not exceed a proportionate share of the costs of necessary system improvements, and are only used for system improvements that will reasonably benefit the new development (RCW 82.02.050(3)). In addition, cities “financing for system improvements to serve new development must provide for a balance between impact fees and other sources of public funds”—i.e., impact fees cannot be the sole source of funding for system improvements that address growth impacts.

According to the provisions of RCW 82.02.060, impact fees must be adjusted for other revenue sources that are paid by development if such payments are earmarked or proratable to particular system improvements. Likewise, the City must provide impact fee credit if the developer dedicates land or improvements identified in the City’s adopted Capital Facilities Plan and such construction is required as a condition of development approval. Collected impact fees may only be spent on public facilities identified in a capital facilities plan or to reimburse the government for the unused capacity of existing facilities (RCW 82.02.050(4)). In addition, impact fees may only be spent on capital costs; they may not be used to pay for operating expenses or maintenance activities.

## Potential Deficiencies

Based on the language of RCW 82.02.050(4), the capital facilities plan must identify “[d]eficiencies in public facilities serving existing development and the means by which existing deficiencies will be eliminated within a reasonable period of time,” and must distinguish such deficiencies from “[a]dditional demands placed on existing public facilities by new development.”

The extent to which existing deficiencies exist will be determined by the LOS standard that the city or county uses to define the impact created by development. In this case, the City of Mercer Island is electing to use a per capita level of service and impact fee calculation approach. Because the per capita investment method is based on current assets and the current population there are no existing deficiencies.

## Project Eligibility

Impact fee legislation requires that parks impact fees only be used for parks system improvements that benefit the new development and relate to the demand from new development. To the extent these projects extend capacity for park, facility, and/or trail use, that portion of the project that corresponds to an impact that can be tied to new development can be funded by impact fees. By law, to be impact fee eligible, a project:

- (a) *Shall only be imposed for system improvements that are reasonably related to the new development;*
- (b) *Shall not exceed a proportionate share of the costs of system improvements that are reasonably related to the new development; and*
- (c) *Shall be used for system improvements that will reasonably benefit the new development.*

Examples of the types of City park and recreation projects that may be eligible for a portion of the project to be impact-fee funded include added lighting or artificial turf on athletic fields allowing greater hours of use, expanded trails, added waterfront access facilities, or increase capacity in existing parks. More specific projects that could support growth are found in the List of System Improvements (Facility Plan) beginning on page 20 and is based on the adopted 2022 *Parks, Recreation and Open Space Plan*.

## Requirements for Impact Fee Rate Calculation

The impact fee must be assessed in line with the requirements of RCW 82.02.050 through 82.02.090. The ordinance is to include a schedule of impact fees for each type of development activity that is subject to impact fees. The schedule must be based on a formula or method. (RCW 82.02.060(1)) The fees must be adjusted for the share of future taxes or other available funding sources. The means by which the proportionate share reduction is calculated is guided by RCW 82.02.060:

*...In determining proportionate share, the formula or other method of calculating impact fees shall incorporate, among other things, the following:*

- (a) The cost of public facilities necessitated by new development;*
- (b) An adjustment to the cost of the public facilities for past or future payments made or reasonably anticipated to be made by new development to pay for particular system improvements in the form of user fees, debt service payments, taxes, or other payments earmarked for or proratable to the particular system improvement;*
- (c) The availability of other means of funding public facility improvements;*
- (d) The cost of existing public facilities improvements; and*
- (e) The methods by which public facilities improvements were financed.*

## Fee Calculations

### Anticipated Growth

#### Population and Housing

In 2012, the King County Countywide Planning Policies set 2006-2035 growth targets for both housing units and jobs for the City of Mercer Island. In 2021, King County released the *Urban Growth Capacity Report*, that updated progress to date on those targets. The City ratified the draft King County 2019-2044 growth targets included in the updated the Countywide Planning Policies. This study uses the updated 2044 housing targets to project future population growth.

Using information collected from the King County Urban Growth Capacity Report, Exhibit 1 shows estimated housing units for 2006 and 2018 and the implied total target housing units for 2044.

## Exhibit 1. Estimated and Target Housing 2010-2044

	<b>Housing Units</b>
2006 Estimated Housing Units	9,467
2018 Estimated Housing Units	10,473
2006-2018 Housing Production	1,006
2019-2044 Target (King County, 2021)	1,239
<b>2044 Target Housing Units</b>	<b>11,712</b>

Sources: Washington State Office of Financial Management, 2021; King County, 2021; BERK, 2022.

To develop the future population estimates, this study uses the net change in dwelling units and expected associated change in population for the 2044 target. Using linear interpolation between the most recently available data and housing target, estimates in housing and growth-related population are presented for the years 2031 and 2041, which correspond to the 10-year and 20-year planning windows of this study.

To help project the future dwelling unit mix, BERK used the *2021 King County Urban Growth Capacity Report* estimated remaining residential capacity mix of single-family and multifamily. That analysis shows that as of the 2021 capacity for new growth, the share of single-family dwellings would be 22.1% and the share of multifamily dwellings would be 77.8%.

## Exhibit 2. Housing Target, Unit Shares, and Population Estimates

	<b>Total</b>	<b>Single-Family</b>	<b>Multifamily</b>
Housing Capacity 2021 (Dwelling Units)	1,607	355	1,251
Residential Capacity Ratio		22.1%	77.8%

Source: U.S. Census Bureau ACS, 2020; King County, 2021; BERK, 2022.

This study assumes that future residential development will roughly follow the breakdown 22% single-family and 78% multifamily over the planning period (through 2041).

To estimate future population, we apply data from the 2015-2019 American Community Survey (ACS)<sup>1</sup> on the average persons per dwelling unit. According to the most recent data available, the City of Mercer Island's average persons per single-family dwelling unit is 2.82 and the average persons per multifamily dwelling unit is 1.75. The housing targets, capacity availability, and number of persons per dwelling unit are used in Exhibit 3 to find the estimated future population additions associated with residential development.

<sup>1</sup> U.S. Census data releases were delayed during the COVID-19 pandemic. 2019 American Community Survey 5-year estimates were the most recent available data at the time of this study.

**Exhibit 3. Future Added Housing and Development-Related Population Growth Projections, 2022-2044 and 2022-2041**

	<b>Housing Target and Population Estimates</b>	<b>Single Family Share Estimate</b>	<b>Multifamily Share Estimate</b>
<b>Countywide Planning Policy Period (2022-2044)</b>			
Target: 2022-2044 Total Added Housing (Dwelling Units)	1,127	249	877
Average Persons per Dwelling Unit		2.82	1.75
<b>2022-2044 Estimated Population Growth from Development</b>	<b>2,241</b>	<b>702</b>	<b>1,540</b>
<b>Impact Fee Planning Period (2022-2041)</b>			
2022-2041 Added Housing (Dwelling Units)	980	216	763
Average Persons per Dwelling Unit		2.82	1.75
<b>2022-2041 Estimated Population Growth from Development</b>	<b>1,949</b>	<b>610</b>	<b>1,339</b>

Sources: U.S. Census Bureau ACS, 2020; King County, 2021; BERK, 2022.

The population growth estimates are carried forward throughout this rate study, including the per capita level of service analysis beginning on page 11.

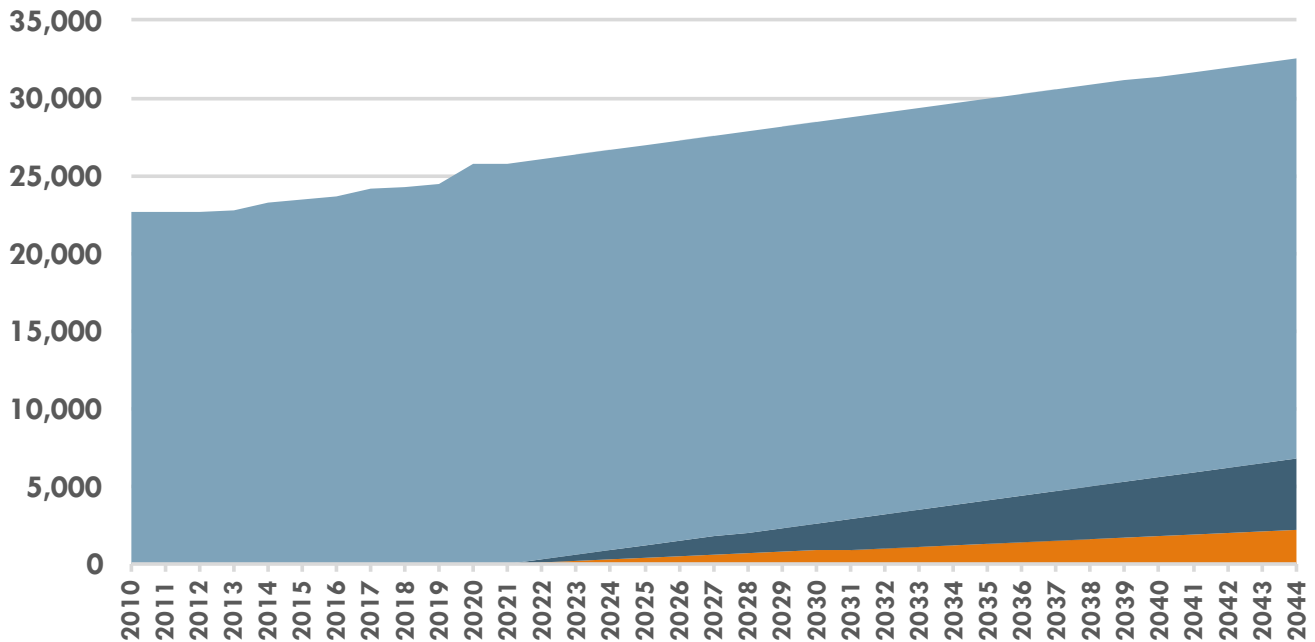
Using the Washington State Office of Financial Management’s population estimates and the population additions from Exhibit 3, BERK estimates the City of Mercer Island 2044 population will be 32,575. This figure is likely conservative given that the 56% of the estimated added population in the 2015 Park Impact Fee Rate Study has been added in the intervening 6 years.

However, most of the expected future population growth will not be related to development. The City of Mercer Island has experienced population growth much faster than housing units have been added, suggesting that the number of people living in existing housing stock has been increasing. This trend could be from single family housing changing ownership from retirement-age owners to families with children.

Comparing the number of people expected to live in the added housing units to meet the Countywide Planning Policy targets compared to the trends in population, much of the City’s future population growth will come from. Exhibit 4 shows the breakdown of past and current population estimates and future expected population growth from development and existing housing.



**Exhibit 4. Population Estimates and Expected Growth from Development and Existing Housing, 2010-2044**



**Legend**

- Expected Population Growth from Development
- Expected Population Growth from Existing Housing
- Estimated Population (2010-2021)

Notes: Expected population growth from development estimates is based on expected growth in housing. Growth in population and housing is not expected to occur in the smooth straight line shown in the chart but have some years higher and lower; any given year is less relevant than the 20-year change.

Sources: Washington State OFM, 2021; U.S. Census Bureau ACS, 2020; King County, 2021; BERK, 2022.

Impact fees are only levied on new housing and can only be used for capital projects related directly to growth. Should the change in the number of people living in current housing stock level off, the dark blue portion of Exhibit 4 will be reduced but would not affect the results of this study. Fee rates are based on the expected number of housing units and associated residents – only the portion related to growth.

**Commercial Employment**

Similar to housing, King County *Countywide Planning Policies* provide City-approved job growth targets. These targets are expressed in number of jobs. Exhibit 5 shows the *Countywide Planning Policies* past jobs estimates and future target for the City of Mercer Island for both the County 2044 target and the extrapolated 2041 target for this study. The County 2044 target represented 17% growth in jobs over 45 years, or annualized job growth of 0.4%, slightly higher than the 0.3% growth experienced in the City between 2006 and 2018.

**Exhibit 5. Commercial Employment – Estimated Jobs and Job Targets, Past Estimates and 2022-2044 and 2022-2041**

	<b>Jobs</b>
2006 Estimated Jobs	7,453
2018 Estimated Jobs	7,745
2006-2018 Jobs Growth	292
2019-2044 Jobs Target (King County, 2021)	1,300
<b>2044 Target Total Jobs</b>	<b>9,045</b>
2022-2041 Added Jobs	1,000
<b>2041 Target Total Jobs</b>	<b>8,745</b>

Sources: King County, 2021; BERK, 2022.

## Resident and Resident Equivalent

Residents are not the only source of park capital demand – added jobs can increase demand on parks infrastructure through use of parks by employees and/or non-resident visitors to those businesses. Multiple Washington jurisdictions have attempted to capture this increased usage resulting from growth by using the concept of equivalent population.<sup>2</sup> Equivalent population estimates are based on quantifying the amount of time that parks are available to each group. These estimates are not an estimate of usage, but of possible usage given the periods that parks are open.

Mercer Island Parks are open daily from 6 a.m. to 10 p.m. Based on these hours of operation and comparisons with other jurisdictions, BERK used an assumption that an employee can access City parks 40.2% of the time a resident can access City parks. These calculations are shown in Exhibit 6.

### Exhibit 6. Employee to Resident Conversion Factor

<i>Time Employee at Employment Location</i>	
Hours per day parks open to residents (6 a.m.-10 p.m.)	16
Days per week	7
Total hours per week parks available to residents	112
<i>Time Employee at Employment Location</i>	
Hours per day at employment location	9
Days per week at employment location	5
Total hours per week at employment location	45
<b>Employee to Resident Conversion Factor</b>	<b>40.2%</b>

Sources: City of Mercer Island, 2022; BERK, 2022.

BERK used this employee-to-resident equivalency factor to estimate employee growth and the number of additional resident equivalents expected from 2022-2041. Exhibit 7 below contains the target growth in jobs from 2022-2041 and the resident equivalent conversion factor of 40.2%.

<sup>2</sup> Examples of other jurisdictions that have used equivalent population include the cities of Anacortes, Edmonds, Issaquah, Montlake Terrace, and Redmond.

**Exhibit 7. Commercial Resident Equivalent Targets, 2022-2041**

<b>Employee to Resident Equivalent Ratio</b>	<b>40.2%</b>
2022-2031 Estimated Added Jobs	500
<b>2022-2031 Growth in Commercial Resident Equivalents</b>	<b>201</b>
2032-2041 Estimated Added Jobs	500
<b>2032-2041 Growth in Commercial Resident Equivalents</b>	<b>201</b>
2022-2041 Total Added Jobs	1,000
<b>2022-2041 Total Commercial Resident Equivalents</b>	<b>402</b>

Source: OFM, 2021; King County, 2021; BERK, 2022.

## Funding Other than Impact Fees

The City identified expected funding for planned 2021-2026 parks capital projects as part of the City biennial budgeting process. While only covering part of the impact fee period, a summary of planned parks capital facilities funding is found in Exhibit 8.

**Exhibit 8. 2021-2026 Parks and Open Space Capital Funding (2021\$)**

<b>Funding Source</b>	<b>2021-2026 Estimate</b>
REET 1	\$12,312,112
King County Levy	\$1,675,975
Department Fees	\$830,000
Other	\$3,220,000
<b>Total without Grants</b>	<b>\$18,038,087</b>
Grants	\$4,964,775
<b>Total with Grants</b>	<b>\$23,002,862</b>

Note: BERK treated the values as 2021 dollars.  
Source: City of Mercer Island, 2021; BERK, 2022.

BERK used these funding estimates to find the expected share of funding related to growth – please see Proportionate Share below.

## Approach

### Level of Service: Per Capita

This study updates the existing level of service standard used for park impact fees, the investment per capita. To create a per capita LOS, BERK estimated the total parks system value and the divided by the total population to determine the average value of the system per resident.

Under this LOS standard, the park system’s value is used as a target to set a minimum investment per capita that can be applied to future growth. As population grows, the City makes additional investments in the park system equal to the per capita value multiplied by the additional population in order to maintain the existing per capita value. To find the additional value needed, the basic approach is:

$$\text{Capital Value per Capita} \times \text{Population Growth} = \text{Additional Value Needed}$$

The investment necessary to meet the needs of future growth is calculated by taking the Additional Value Needed and subtracting the value of any Reserve Capacity in the system (i.e., surplus value per capita), as well as any balance in the City’s impact fee account. Presently the City has not oversized any facilities anticipating growth, and does not have a reserve value.

$$\text{Additional Value Needed} - \text{Reserve Capacity Value} - \text{Impact Fee Balance} = \text{Investment Needed for Growth}$$

Because the per capita investment approach focuses on maintaining the value of the park system at the resident level, it provides a clear starting point for establishing park impact fees. The amount of investment needed to accommodate a given amount of population growth must be discounted for other funding sources and City-selected discounts, each addressed separately in Impact Fee Rates below.

## System Valuation

The Mercer Island City Council directed the use of the system value per capita approach, including the full value of land, improvements, and facility replacement values.

The current value of the City’s park system was estimated based on the assessed land value of current park properties, including improvements, and the replacement cost of existing park facilities. Value estimates are based on a combination of King County Assessor data and Washington Cities Insurance Authority (WCIA) data.

### Current Land Value

In the past, the King County Assessor included City park parcels in property assessments that would provide land values. However, the Assessor’s Office discontinued assessing government-owned properties, which required an alternative approach to create a replacement land value. The limited nature of land on Mercer Island along with the high land values from waterfront properties makes this estimate highly variable, but BERK used a sample of all properties within a half mile of City-owned parks to find an average value per acre. This leads to an average value of \$1.5 million per acre and a replacement value of \$725 million.

This estimate does not include park or open space land or facilities that are privately owned, part of Mercer Island School District, or street ends.

Based on this data, the current assessed land value of the City’s park system is approximately \$725 million. BERK estimated that the building replacement value is \$21 million, together equaling \$746 million. It should be noted that replacement value for park land is generally slightly higher than assessed value, since park land is often assessed below market value as government-owned property. If the City needed to “replace” its current park acreage through market-rate purchases, it would probably pay more than \$746 million. However, due to rapidly rising land costs over the past several decades, adjusting for sales value would likely overstate the amount the City has actually invested in its park land.

### Replacement Cost of Park Facilities

The value of the City’s park facilities and infrastructure, such as sports fields, play equipment, and site improvements, is expressed in terms of replacement construction cost. Using a combination of WCIA building insurance information provided by the City, Mercer Island construction cost estimates for Luther Burbank Park, and various general pricing sources, BERK estimated the unit replacement cost for each of the park facilities listed in the 2022 *City of Mercer Island Parks, Recreation & Open Space Plan* and calculated a total facility value, as shown in Exhibit 9.

**Exhibit 9. Estimated Facility Replacement Costs – City of Mercer Island Park Facilities, 2022\$**

Facility Type	Examples	Capital Replacement Value (2022\$)
Sports Fields	Baseball/softball fields, football fields	\$3,270,389
Sports Courts	Tennis and basketball courts	\$2,321,479
Playgrounds	Playgrounds and swing sets	\$4,471,412
Docks	Docks, fishing pier, day moorage	\$5,447,226
Art	Sculptures	\$782,277
Plazas	Entry plazas, waterfront plazas	\$235,549
Trails	Paths, trails, stairs	\$4,360,921
Site Improvements	Parking, restrooms	\$9,988,746
Other	Gardens, amphitheater, batting cages, shelters, picnic areas	\$1,676,977
<b>Total</b>		<b>\$32,554,977</b>

Sources: *City of Mercer Island, 2022; WCIA, 2021; BERK, 2022.*

Based on these estimated values, current replacement cost of the City’s park facilities and improvements is \$32.5 million.

### Per Capita System Value

The total per capita value of the City’s park system consisted of the combined values of land, buildings, and facilities divided by the City’s current population and then, alternatively, divided by the City’s current population plus equivalent population accounting for employees, as shown in Exhibit 10.

**Exhibit 10. Park System per Capita Value**

Category	Resident-Only	Resident and Resident Equivalent
Land Value	\$724,570,751	\$724,570,751
Building Replacement Value	\$21,140,476	\$21,140,476
Facility Replacment Value	\$32,554,977	\$32,554,977
<b>Current Estimated Total Replacement Value (2022\$)</b>	<b>\$778,266,204</b>	<b>\$778,266,204</b>
<b>2021 Estimated Population</b>	<b>25,790</b>	<b>28,962</b>
<b>Parks System Value Per Capita (2022\$)</b>	<b>\$30,177</b>	<b>\$26,872</b>

Sources: *City of Mercer Island, 2022; WCIA, 2021; King County Assessor, 2021; BERK, 2022.*

The combined land, building, and facility replacement value equals the total estimated value of the City’s park system. As described in the approach, these per capita values do not represent final impact fee

rates. The evaluation of additional factors, as described in the Proposed Impact Fee section below, in combination with the identified projects, are required to find the final estimates.

## Future Need

Combining the 2022-2041 population estimates with the system value estimates using the additional value needed formula introduced in Level of Service: Per Capita:

$$\text{Capital Value per Capita} \times \text{Population Growth} = \text{Additional Value Needed}$$

BERK calculated the estimated additional value needed to keep the per capita value constant (see Exhibit 11).

**Exhibit 11. 2022-2041 Parks System Additional Value Needed (2022\$)**

	Resident Only	Resident Equivalent
Per Capita Parks LOS Standard	\$30,177	\$26,872
2022-2041 Population Growth	1,949	2,351
<b>2022-2041 Additional Value Needed from LOS Standard</b>	<b>\$58,809,185</b>	<b>\$63,165,014</b>

Source: BERK, 2022.

This estimate acts as the upper bound of the value that would need to be added to keep the per capita system value equal through time. Additionally, if land values increase faster than inflation, much of the estimated additional value needed could be met through land value alone. This estimation is based on information current at the time of this study, but BERK recommends that the City of Mercer Island update the system value and additional value needed on a regular basis.

## Capital Plans and Proportion Related to Growth

The attached List of System Improvements (Facility Plan) includes all planned parks capital projects for the next 20 years. The 2022 Parks, Recreation and Open Space Plan outlined 90 capital projects totaling \$48.5 million. The PROS project costs were developed in 2021; for this study, the estimated cost of each project was adjusted to 2022 values, increasing the total project cost to \$49.6 million.

The complete park capital project list a mixture of repairs, renovations, system updates, and new facilities. Under State law, only capital projects related to growth are eligible for impact fee funding. These can be new facilities designed to accommodate future demand or renovations/updates that add increased capacity. City of Mercer Island Parks and Recreation staff assisted BERK in estimating the proportion of each capital project related to growth (please see the attached List of System Improvements (Facility Plan)). Of the \$49.6 million in park capital project costs, \$4.3 million, or 9%, will increase park system capacity in response to development.

## Service Area

This study assumes that single service area, matching how the City government maintains parks and facilities.

# Impact Fee Rates

## Unadjusted Rate Schedules

This draft study presents rate schedules for two separate scenarios – charging only residential development, such as the City currently does, and charging both residential and commercial development.

### Residential Fees Only

For a fee structure applied only to residential development, the capital need related to growth is divided equally between future residents. However, impact fees are levied as part of the permitting process and assessed based on dwelling units. To match both the historical development patterns of the City and the difference in average persons per unit, two fee rates are included, one for single-family residences and one for multi-family residences. Exhibit 12 contains the suggested per dwelling unit fee before adjusting for future revenue.

**Exhibit 12. Unadjusted Residential Only Fee Schedule**

	Single-Family	Multifamily	Total
Maximum Fee from per Capita LOS (Per Resident)			\$30,177
Growth in Resident Population	610	1,339	1,949
Identified Need: Capital Projects 2022-2041 (2022\$)			\$4,286,106
Per Capita Need from Growth (2022\$)			\$2,199
Average Persons per Dwelling Unit	2.82	1.75	
<b>Unadjusted per Dwelling Unit Fee (2022\$)</b>	<b>\$6,198</b>	<b>\$3,859</b>	

Source: BERK, 2022.

### Residential and Commercial Fees

**Exhibit 13. Unadjusted Residential and Commercial Fee Schedule**

	Single-Family	Multifamily	Commercial	Total
Maximum Fee from per Capita LOS (Per Resident-Equivalent)				\$26,872
Growth in Resident Equivalent Population	610	1,339	402	2,351
Identified Need: Capital Projects 2022-2041 (2022\$)				\$4,286,106
Per Capita Need from Growth (2022\$)				\$1,823
<i>Resident</i>				
Average Persons per Dwelling Unit	2.82	1.75		
<b>Resident Unadjusted per Dwelling Unit Fee</b>	<b>\$5,138</b>	<b>\$3,200</b>		
<i>Commercial</i>				
Resident Equivalent per 1,000 sq. ft. of Commercial			1.18	
<b>Commercial Unadjusted per 1,000 sq. ft. Fee</b>			<b>\$2,155</b>	

Source: BERK, 2022.

## Proportionate Share

As required by the Washington State authorizing statute, BERK estimated the amount of revenue expected from growth. Residents and employees pay taxes and fees that can be used to pay for a portion of the necessary increases in capacity.

## Proportion of Expected Future Revenue Resulting from Growth

The expected future revenues were produced by the City of Mercer Island as part of the 2021-2022 *Biennial Budget*. The biennial budget includes a six-year Capital Improvement Plan; the 2021-2022 *Biennial Budget*, Section E: Capital Improvement Plan covers the years 2021-2026. The planned parks and open space capital funding by source is found in Exhibit 8 on page 11 and reproduced in Exhibit 14 below.

The planned future funding includes funds that the City has saved through time along with future payments by current and new residents. BERK calculated the proportion of the expected revenue that can be attributed to the existing population and proportion expected from growth. The amount from growth is then:

$$\text{Expected Future Revenue} \times \text{Share of Revenue from Growth} = \text{Expected Revenue from Growth}$$

Using the previously calculated expected changes in population, BERK found the estimated proportion of population resulting from growth to be 1.8% for the resident population and 1.9% for the resident equivalent population (adding resident equivalents to account for commercial demands on parks facilities). However, not all the future growth will arrive at the beginning of the capital plan period, and therefore the revenue contribution would incrementally increase. The mid-point of the change in resident and resident equivalent population is equal to 1.1% and 1.2%, respectively. The proportions of 1.1% and 1.2% is used to estimate the future per capita contribution for parks capital coming from growth.

Applying these proportions to the expected parks capital facilities revenue, BERK determined that future residents would be increase revenue by approximately \$250,000 to \$268,000, as shown in Exhibit 14. These six-year totals are relatively low, but the expected additional residents for those six years from development is estimated to be 485 individuals or 585 resident equivalents including commercial development.

**Exhibit 14. Proportionate Share of Expected Parks Revenue, 2021-2026 (2021\$)**

Parks & Open Space Funding Source	2021-2026 Estimate	Resident Proportion of 1.1%	Total Resident Equivalent Proportion of 1.2%
REET 1	\$12,312,112	\$133,356	\$143,625
King County Levy	\$1,675,975	\$18,153	\$19,551
Department Fees	\$830,000	\$8,990	\$9,682
Other	\$3,220,000	\$34,877	\$37,562
<b>Subtotal without Grants</b>	<b>\$18,038,087</b>	<b>\$195,376</b>	<b>\$210,420</b>
Grants	\$4,964,775	\$53,775	\$57,916
<b>Total with Grants</b>	<b>\$23,002,862</b>	<b>\$249,151</b>	<b>\$268,336</b>

Source: City of Mercer Island, 2020; BERK, 2022.

Exhibit 14 contains estimates of the total expected revenue from the added population to parks capital facilities; however, only a portion of this revenue is used for capital projects related to growth. City staff provided information on the share of specific projects related to growth (see the Appendix: List of System Improvements (Facility Plan)), which BERK found to be 8.6% of capital project costs. Applying these rates to the expected revenue from Exhibit 14 results in an estimated proportionate share of \$44.41 per person or \$39.63 per resident equivalent (see Exhibit 15).



**Exhibit 15. Expected Growth Revenue for Capital Projects per Capita, 2021-2026 (2021\$)**

	Resident Only Proportion of 1.1%	Resident Equivalent Proportion of 1.2%
Expected Revenue from Growth (With Grants)	\$249,151	\$268,336
Proportion of Capital Projects Related to Growth	8.6%	8.6%
Expected Revenue for Growth-Related Capital Projects	\$21,541	\$23,200
Change in Population	485	585
Per Capita Revenue Contribution	\$514	\$458
<b>Per Capita Proportion of Revenue for Capital Projects</b>	<b>\$44.41</b>	<b>\$39.63</b>

Source: BERK, 2022.

State statute requires that these per capita proportionate share of revenues used for parks capital projects be accounted for in impact fee rate calculations. The six-year Capital Improvement Plan is the best information available for parks revenues and is assumed to be representative of City capital spending.

## Adjusted Rate Schedules

### Residential Fees Only

Applying the results from Proportionate Share above, BERK created an adjusted fee schedule incorporating expected revenue (Exhibit 16), including the fee should the City include an affordable housing exemptions (see Park Impact Fee Exemptions below).

**Exhibit 16. Residential Only Adjusted Fee Schedule**

	Single-Family	Multifamily	Total
Growth in population	610	1,339	1,949
Identified need for capital projects			\$4,286,106
Per capita need from growth			\$2,199
Average persons per dwelling unit	2.82	1.75	
Unadjusted per dwelling unit fee	\$6,198	\$3,859	
Expected revenue for growth per capita			\$44
Expected revenue per dwelling unit	\$125	\$78	
<b>Adjusted per Dwelling Unit Fee</b>	<b>\$6,073</b>	<b>\$3,782</b>	
<b>Affordable Housing per Dwelling Fee (80% Exemption)</b>	<b>\$1,215</b>	<b>\$756</b>	

Source: BERK, 2022.

### Residential and Commercial Fees

Applying the results from Proportionate Share above, BERK created an adjusted fee schedule incorporating expected revenue. As discussed in the unadjusted rate schedules above, single-family dwellings have an average of 2.82 people living in them compared to an average of 1.75 in multi-family dwellings. Rates are as shown in Exhibit 17, including the fee should the City include an affordable housing exemptions (see Park Impact Fee Exemptions below).

## Exhibit 17. Residential and Commercial Adjusted Fee Schedule

	Single-Family	Multifamily	Commercial	Total
Growth in Resident Equivalent Population	610	1,339	402	2,351
Identified Capital Project Need Related to Growth				\$4,286,106
Per capita Need from Growth				\$1,823
Expected Revenue from Growth (per Capita)				\$40
<i>Residential</i>				
Average Persons per Dwelling Unit	2.82	1.75		
Unadjusted per Dwelling Unit Fee	\$5,138	\$3,200		
Expected Revenue per Dwelling Unit	\$112	\$70		
<b>Adjusted per Dwelling Unit Fee</b>	<b>\$5,027</b>	<b>\$3,130</b>		
<b>Affordable Housing per Dwelling Fee (80% Exemption)</b>	<b>\$1,005</b>	<b>\$626</b>		
<i>Commercial</i>				
Resident Equivalent per 1,000 sq. ft. of Commercial			1.18	
Unadjusted Commercial Fee (per 1,000 sq. ft.)			\$2,155	
Expected Revenue per 1,000 sq. ft. of Commercial			\$47	
<b>Adjusted Commercial per 1,000 sq. ft. Fee</b>			<b>\$2,108</b>	

Source: BERK, 2022.

Please note that only one of these impact fee schedules can be used; City decision-makers will need to decide between these two options before implementing a rate update.

## Park Impact Fee Exemptions

### Affordable Housing

Under Washington State statute, the City can provide impact fee exemptions for affordable housing and development with broad public purposes. Exhibit 18 shows the range of options available to the City.

#### Exhibit 18. Affordable Housing Exemption Options

	“Low Income”*	All Other Affordable Housing Options
>0%-80% of Fee	No repayment necessary (Existing City Exemption**)	Total exemption amount paid by City using non-impact fee public funds
>80%-100% of Fee	Exemption amount above 80% must be paid by City using non-impact fee public funds	Total exemption amount paid by City using non-impact fee public funds

Notes: \*“Low-income housing” is defined in RCW 82.02.060(9) as that having a rental rate 30% or less of the U.S. Department of Housing and Urban Development Section 8 income limits. These income limits vary based on the number of household members, but are 80% of the area median income. For example, for a household of 2, the monthly low-income rent was a maximum of \$1,810 in 2021. See, for example, King County [“2021 Income and Rent Limits – Multifamily Rental Housing.”](#)

\*\*The City of Mercer Island currently provides for 80% exemption of park impact fees for affordable housing that generally follows the State definition of low-income except a more restrictive definition of 60% King County median income for multifamily housing.

Source: BERK, 2022.

When implemented in 2015, the City of Mercer Island opted for the maximum unpaid exemption of 80% of the applicable fee for housing that meets the state definitions of low-income, except for a more stringent income requirement for multifamily housing. The fees listed in Adjusted Rate Schedules below include residential impact fees adjusted for affordable housing.

## Early Learning Facilities

Under Washington State law, if the City includes commercial levies commercial development impact fees, the City *may* provide a partial to full waiver of the impact fees “without an explicit requirement to pay the exempted portion of the fee from public funds other than impact fee accounts” (RCW 82.02.060(4)(b)). To meet this exemption, the developer must record a covenant that at least one quarter of the children and families using facility qualify for state-subsidized child care.

# Policy and Plan Amendments

Mercer Island’s current capital improvement LOS approach for parks is explored in the 2022 *Parks, Recreation and Open Space Plan* (PROS Plan). The PROS Plan provides the project list and estimated cost for each project.

In Ordinance 15-16, the City amended the Parks LOS to be based on expenditure per capita (Ordinance 15-16, Table 2 of Exhibit A). This is consistent with the City’s intended impact fee approach in the pending park impact fee ordinance.

# Attachments

## List of System Improvements (Facility Plan)

See the table listing proposed capital project and the percentage the facility is related to growth. These estimates are incorporated into the rate schedules calculations. Some projects would occur in the first 10 years of the planning period (2022-2031) and others in the second 10 years of the planning period (2032-2041).

# List of System Improvements (Facility Plan)

Project ID	Park	Description	Related to Growth	Cost (2021\$)	Cost Inflated to 2022\$	Percent Related to New Development	Expected Cost from Growth, 2022\$	Initial 10-Year Impact Fee Period
GB0102	MICEC	Building Repairs	No	\$100,000	\$102,145			
PA0100	System-Wide	Open Space Management	No	\$300,000	\$306,435			
PA0101	System-Wide	Recurring Minor Capital	No	\$140,000	\$143,003			
PA0103	System-Wide	Trail Renovation & Property Management	Yes	\$50,000	\$51,072	5%	\$2,554	Y
PA0104	System-Wide	Lake Water Irrigation Development	No	\$200,000	\$204,290			
PA0105	Aubrey Davis Park	Lid A Playground Replacement	No	\$350,000	\$357,507			
PA0106A	Aubrey Davis Park	Lid B Playground Replacement and ADA Parking	Yes	\$900,000	\$919,305	10%	\$91,930	Y
PA0106B	Aubrey Davis Park	New Restroom at Lid B and ADA Path	Yes	\$1,200,000	\$1,225,740	25%	\$306,435	Y
PA0107	Aubrey Davis Park	Outdoor Sculpture Gallery Improvements	Yes	\$260,000	\$265,577	5%	\$13,279	Y
PA0108	Aubrey Davis Park	Luther Lid Connector Trail	Yes	\$900,000	\$919,305	15%	\$137,896	Y
PA0110	Aubrey Davis Park	Lid A Backstop Lifecycle Replacement	No	\$640,000	\$653,728			
PA0111	Aubrey Davis Park	Vegetation Management	No	\$110,000	\$112,359			
PA0112	Clarke Beach	Shoreline Repair/Restoration	No	\$2,500,000	\$2,553,625			
PA0114	Groveland Beach	Bulkhead Replacement and Beach Upgrade	Yes	\$3,500,000	\$3,575,075	5%	\$178,754	Y
PA0115	Hollerbach Open Space	SE 45th Trail System (Phase 1)	Yes	\$460,000	\$469,867	10%	\$46,987	Y
PA0116	Island Crest Park	South Field Lights and Backstop Replacement and Upgrade	Yes	\$1,100,000	\$1,123,595	10%	\$112,359	Y
PA0117A	Island Crest Park	North Infield Turf and Backstop Replacement	No	\$1,000,000	\$1,021,450			
PA0117B	Island Crest Park	South Field Backstop Replacement	No	\$300,000	\$306,435			
PA0119	Luther Burbank Park	Tennis Court Upgrade or Conversion to Pickleball	Yes	\$500,000	\$510,725	25%	\$127,681	Y
PA0120	Luther Burbank Park	Parking Lot Lighting	Yes	\$125,000	\$127,681	5%	\$6,384	Y
PA0121	Luther Burbank Park	Swim Beach Renovation	Yes	\$1,025,000	\$1,046,986	10%	\$104,699	Y
PA0122	Luther Burbank Park	Dock and Adjacent Waterfront Improvements	Yes	\$3,500,000	\$3,575,075	20%	\$715,015	Y
PA0123	Luther Burbank Park	Recurring Minor Capital	No	\$100,000	\$102,145			
PA0124B	Luther Burbank Park	Boiler Building Full Renovation (Phase 2)	Yes	\$3,200,000	\$3,268,640	15%	\$490,296	Y
PA0126	Mercerdale Park	Mercerdale Park Master Plan	Yes	\$200,000	\$204,290	20%	\$40,858	Y
PA0127	MICEC	MICEC Annex Facilities Plan	No	\$200,000	\$204,290			
PA0128	Pioneer Park	Bike Trail Path Lighting	Yes	\$100,000	\$102,145	5%	\$5,107	Y
PA0129	Pioneer Park and Engstrom	Open Space Forest Management	No	\$180,000	\$183,861			
PA0130A	Roanoke Park	Playground Replacement	No	\$400,000	\$408,580			
PA0130B	Roanoke Park	General Park & ADA Improvements	Yes	\$100,000	\$102,145	5%	\$5,107	Y
PA0131	South Mercer Playfields	Synthetic Turf Replacement & Ballfield Backstop Upgrade	*	\$1,600,000	\$1,634,320			
PA0132	Upper Luther Burbank Park	Ravine Trail Phase 2	Yes	\$325,000	\$331,971	15%	\$49,796	Y
PA0133	MICEC	Technology and Equipment Replacement	No	\$40,000	\$40,858			
PA0134	Aubrey Davis Park	Lid C Field Drainage Renovation	No	\$990,000	\$1,011,235			
PA0137	77th Ave SE Landing	General Park & ADA Improvements	Yes	\$380,000	\$388,151	5%	\$19,408	Y
PA0138	Aubrey Davis Park	ADA Access Improvements to Picnic Shelter	No	\$190,000	\$194,075			
PA0139	Aubrey Davis Park	Improved Shoreline Access at Boat Launch	Yes	\$330,000	\$337,078	5%	\$16,854	
PA0140A	Aubrey Davis Park	Dog Off-leash Area	Yes	\$580,000	\$592,441	20%	\$118,488	
PA0140B	Aubrey Davis Park	ADA Access Trail to Tennis Courts	No	\$242,000	\$247,191			
PA0141	Aubrey Davis Park	Tennis Court; Resurfacing/Conversion to Shared use for Pickleball	Yes	\$110,000	\$112,359	20%	\$22,472	Y
PA0142	Aubrey Davis Park	Intersection and Crossing Improvements	No	\$600,000	\$612,870			
PA0143	Aubrey Davis Park	Mountains to Sound Trail Pavement Renovation	No	\$95,000	\$97,038			
PA0144	Aubrey Davis Park	Mountains to Sound Trail Connection at Shorewood Drive	Yes	\$75,000	\$76,609	5%	\$3,830	Y
PA0145	Aubrey Davis Park	Mountains To Sound Trail Lighting from Island Crest Way to Shorewood	Yes	\$300,000	\$306,435	25%	\$76,609	Y
PA0146	Aubrey Davis Park	Luther Lid Trail Connection to Upper Luther	Yes	\$1,100,000	\$1,123,595	25%	\$280,899	Y
PA0147	Clarke Beach	General Park & ADA Improvements	Yes	\$900,000	\$919,305	5%	\$45,965	
PA0148	Deane's Children's Park	Playground Replacement (Castle/Swings/Climbing Rock)	Yes	\$250,000	\$255,362	0%	\$0	Y
PA0149	Deane's Children's Park	Playground Replacement (Main Play Area/Swings)	Yes	\$800,000	\$817,160	0%	\$0	
PA0150	Ellis Pond	Aquatic Habitat Enhancement	No	\$18,000	\$18,386			
PA0151	First Hill Park	Playground Replacement and Sport Court Resurfacing	Yes	\$350,000	\$357,507	2%	\$7,150	Y
PA0152	Franklin Landing	ADA Parking	No	\$73,000	\$74,566			
PA0153	Garfield Landing	General Park & ADA Improvements	Yes	\$105,000	\$107,252	2%	\$2,145	
PA0154	Groveland Beach	General Park & ADA Improvements	Yes	\$1,325,000	\$1,353,421	5%	\$67,671	
PA0155	Groveland Beach	Playground Replacement	No	\$400,000	\$408,580			
PA0156	Groveland Beach	Dock Replacement	Yes	\$1,700,000	\$1,736,465	5%	\$86,823	
PA0157	Groveland Beach Park and Clarke Beach Park	Joint Master Plan for Groveland Beach Park and Clarke Beach Park	Yes	\$300,000	\$306,435	10%	\$30,643	Y
PA0158	Hollerbach Open Space	92nd Ave SE trail (Phase 2)	Yes	\$150,000	\$153,217	10%	\$15,322	
PA0159	Homestead Park	Playground Replacement	No	\$375,000	\$383,044			
PA0160	Island Crest Park	South Field Synthetic Turf	Yes	\$1,650,000	\$1,685,392	15%	\$252,809	
PA0161	Island Crest Park	Restroom Upgrades	Yes	\$300,000	\$306,435	5%	\$15,322	
PA0162	Luther Burbank Park	The Source Fountain Renovation	No	\$250,000	\$255,362			
PA0163	Luther Burbank Park	Maintenance Facility Improvements	No	\$360,000	\$367,722			
PA0164	Luther Burbank Park	Picnic Shelter at the Meadow	Yes	\$275,000	\$280,899	15%	\$42,135	
PA0165	Luther Burbank Park	Fishing Pier Renovation	No	\$275,000	\$280,899			
PA0166	Luther Burbank Park	Amphitheater Renovation	Yes	\$800,000	\$817,160	15%	\$122,574	Y
PA0167	Luther Burbank Park	Bike Skills Area Improvements	Yes	\$215,000	\$219,612	5%	\$10,981	Y
PA0168	Luther Burbank Park	West Hill ("Kite Hill") Gardens	Yes	\$825,000	\$842,696	15%	\$126,404	
PA0169	Luther Burbank Park	P-Patch Renovation	Yes	\$215,000	\$219,612	0%	\$0	
PA0170	Luther Burbank Park	Off leash Area Improvements	Yes	\$50,000	\$51,072	0%	\$0	
PA0171	Luther Burbank Park	South Park Entrance Improvements	Yes	\$190,000	\$194,075	5%	\$9,704	
PA0172	Luther Burbank Park	Main Entry Plaza at 84th and 24th	Yes	\$400,000	\$408,580	5%	\$20,429	
PA0173	Luther Burbank Park	Central Campus Trail Connections	Yes	\$180,000	\$183,861	5%	\$9,193	
PA0174	Luther Burbank Park/Aubrey Davis Park	Downtown Entry Improvements	Yes	\$250,000	\$255,362	20%	\$51,072	
PA0175	Mercerdale Hillside	Trail Renovation	Yes	\$600,000	\$612,870	10%	\$61,287	Y
PA0176	Mercerdale Park	Mercerdale Skate Park Renovation	Yes	\$1,100,000	\$1,123,595	15%	\$168,539	
PA0178	MICEC	Entryway Parking lot Asphalt Replacement	No	\$150,000	\$153,217			
PA0179	MICEC	Parking Lot Planter Bed Renovation (LID)	No	\$200,000	\$204,290			
PA0180	MICEC	Playground Replacement	Yes	\$275,000	\$280,899	5%	\$14,045	
PA0181	MICEC	Generator for Emergency Use	Yes	\$400,000	\$408,580	15%	\$61,287	Y
PA0182	MICEC	Stair replacement between MICEC and Luther Burbank Park Parking Lot	No	\$190,000	\$194,075			
PA0183	Proctor Landing	General Park & ADA Improvements	Yes	\$420,000	\$429,009	5%	\$21,450	
PA0184	SE 47th Open Space	EMW Trail Connection	Yes	\$450,000	\$459,652	5%	\$22,983	
PA0185	SE 56th St Landing	General Park & ADA Improvements	Yes	\$120,000	\$122,574	0%	\$0	
PA0186	SE 56th St Landing	SE 56th & WMW Trail Improvement	Yes	\$215,000	\$219,612	5%	\$10,981	
PA0187	Secret Park	Playground Replacement	Yes	\$450,000	\$459,652	5%	\$22,983	Y
PA0188	Slater Park	Landscape and Stormwater Plan	Yes	\$45,000	\$45,965	5%	\$2,298	
PA0189	South Point Landing	General Park Improvements	Yes	\$140,000	\$143,003	0%	\$0	Y
PA0190	Wildwood Park	ADA Perimeter Path & General Park Improvements	Yes	\$200,000	\$204,290	5%	\$10,214	Y
PA0191	Mercerdale Park	Expansion of Native Plant Garden	No	TBD				
PA0192	TBD	Spray Park	Yes	TBD		20%		
<b>2022-2031 Total (2022\$)</b>					<b>\$23,610,816</b>		<b>\$3,165,473</b>	<b>30</b>
<b>2022-2031 Proportion Related to Growth</b>							<b>13.4%</b>	
<b>2032-2041 Total (2022\$)</b>					<b>\$25,963,215</b>		<b>\$1,120,633</b>	<b>21</b>
<b>2032-2041 Proportion Related to Growth</b>							<b>4.3%</b>	
<b>2022-2041 Total</b>				<b>\$48,533,000</b>	<b>\$49,574,031</b>		<b>\$4,286,106</b>	
<b>2022-2041 Proportion Related to Growth</b>							<b>8.6%</b>	<b>51</b>

