



**BUSINESS OF THE CITY COUNCIL
CITY OF MERCER ISLAND**

**AB 6087
May 17, 2022
Regular Business**

AGENDA BILL INFORMATION

TITLE:	AB 6087: Transportation and Parks Impact Fee Rate Updates (First Reading Ord No. 22C-06 & Ord No. 22C-07)	<input type="checkbox"/> Discussion Only <input checked="" type="checkbox"/> Action Needed: <input checked="" type="checkbox"/> Motion <input type="checkbox"/> Ordinance <input type="checkbox"/> Resolution
RECOMMENDED ACTION:	Schedule Ordinance Nos. 22C-06 and 22C-07 for second reading on June 7, 2022. Provide direction to staff on whether to include a commercial parks impact fee in the final rate study.	

DEPARTMENT:	Community Planning and Development
STAFF:	Jeff Thomes, Interim CPD Director Alison Van Gorp, Deputy CPD Director
COUNCIL LIAISON:	n/a
EXHIBITS:	<ol style="list-style-type: none"> 1. Planning Commission Recommendation 2. Staff memos dated March 17, 2022 and April 20, 2022 3. Ordinance No. 22C-06 4. Ordinance No. 22C-07 5. Draft Transportation Impact Fee Rate Study 6. Draft Parks Impact Fee Rate Study
CITY COUNCIL PRIORITY:	n/a

AMOUNT OF EXPENDITURE	\$ n/a
AMOUNT BUDGETED	\$ n/a
APPROPRIATION REQUIRED	\$ n/a

EXECUTIVE SUMMARY

The purpose of this agenda bill is to transmit the Planning Commission’s recommendation on a set of code amendments to MICC 19.18.100 and MICC 19.19.100 that would update the process for adopting new transportation and parks impact fee rates. In addition, consultants have prepared updated rate studies, including the proposed new transportation and parks impact fee rates. Additional summary information includes:

- The Planning Commission has reviewed the proposed code amendments and prepared a recommendation for City Council consideration (Exhibit 1).
- After reviewing the staff memos dated March 17, 2022 and April 20, 2022 (Exhibit 2) and holding a public hearing on April 27, 2022, the Planning Commission has recommended the proposed code amendments shown in draft Ordinance No. 22C-06 and Ordinance No. 22C-07 (Exhibits 3 and 4, respectively).

- The proposed amendments will allow the City to adopt transportation and parks impact fee rate studies by reference, without having to further amend the development code.
- Consultants have prepared Transportation and Parks Impact Fee Rate studies analyzing the City’s capital project lists and calculating recommended updates to the impact fee rates (Exhibits 5 and 6, respectively).

BACKGROUND

What are Impact Fees?

Impact fees are one-time charges assessed by a local government against a new development project to help pay for new or expanded public facilities that will directly address the increased demand for services created by that development. [RCW 82.02](#) (sections .050 - .110) and [WAC 365-196-850](#) authorize counties, cities, and towns planning under the Growth Management Act (GMA) to impose impact fees for:

- Public streets and roads
- Publicly owned parks, open space, and recreation facilities
- School facilities
- Fire protection facilities

Impact fees can only be imposed for “system improvements,” which are public facilities included in the capital facilities plan that provide service to the community at large, are reasonably related to the new development, and will benefit the new development. Impact fees cannot exceed a proportionate share of the cost of the system improvements, and municipalities must have additional funding sources and may not rely solely on impact fees to fund the improvements. Impact fees may not be used to correct existing deficiencies. Generally, impact fees must be expended within ten years of receipt; otherwise, they must be refunded to the developer.

Impact Fees in Mercer Island

The Mercer Island City Council adopted transportation and park impact fees in 2015, and the City began collecting fees in 2016. Payment of the fees is required as a part of the permitting process for new development. The initial fees were set based on rate studies conducted on 2015; the fees are indexed to the construction cost index and have been adjusted accordingly on an annual basis. The current transportation and parks impact fees are shown in the table, below. There is not currently a commercial impact fee for parks. Since their inception, the City has collected \$662,217 in transportation impact fees and \$189,001 in park impact fees.

	Single Family (per dwelling unit)	Multi-family (per dwelling unit)	Commercial (per sq. ft.)
Transportation Impact Fee	\$4,914.53	\$2,801.61	\$19.56
Parks Impact Fee	\$2,600.31	\$1,671.59	--

The impact fees were established based on the capital facilities planned at the time of the rate studies in 2015. In the seven years since the impact fees were adopted, many of those projects have been completed, and new projects are now planned. In addition, costs for projects that remain in capital facilities plans have likely increased. So even though the impact fees have been increased relative to the index, it is a best practice to periodically update the rate studies to reflect changes in planned facilities and cost estimates to ensure the fees accurately represent the improvements needed to accommodate new development.

Review Process

The proposed code amendments were brought forward by the City as a part of the annual docket process in the fall of 2020. The City Council added these proposals to the final docket and the CPD work program with the approval of [Resolution No. 1594](#) on December 1, 2020. The proposals were assigned file numbers ZTR21-007 and ZTR21-008. The City also included resources in the 2020-2021 biennial budget to support consultant services to update the transportation and parks impact fee rate studies.

The Planning Commission first discussed and gave initial feedback regarding ZTR21-007 and ZTR21-008 on March 23, 2022. Staff prepared a draft code amendment based on the initial feedback for the Planning Commission to consider after holding a public hearing. A State Environmental Policy Act (SEPA) determination of non-significance was issued on March 21, 2022, and the project was assigned SEPA register file number 202201240. The SEPA determination comment period was open from March 23 to April 4, 2022; no comments were received. The WA Department of Commerce was notified of the intent to adopt development code amendments on March 21, 2022. Notice of the Planning Commission public hearing was published in the *Mercer Island Reporter* on March 23, 2022, and in the CPD Weekly Permit Bulletin on March 21, 2022. The Planning Commission held a public hearing regarding ZTR21-007 and ZTR21-008 on April 27, 2022.

ISSUE/DISCUSSION

Planning Commission Recommended Code Amendments

The Planning Commission recommended code amendments shown in Ordinance No. 22C-06 and Ordinance No. 22C-07 would amend the transportation and parks impact fee update requirements in MICC 19.18.100 and MICC 19.19.100. The proposed code amendments enable the impact fee rates to be updated periodically without the need for further code amendments in the future (Exhibits 3 and 4). Instead, once a rate study is approved by City Council, the new rates will be adopted as part of the annual development and construction fee schedule update.

Draft Transportation and Parks Impact Fee Rate Studies

The City contracted with Fehr and Peers to conduct an updated transportation impact fee rate study and with BERK Consultants to conduct an updated parks impact fee rate study. The consultants have prepared Transportation and Parks Impact Fee Rate studies analyzing the City's capital project lists and calculating recommended updates to the impact fee rates (Exhibits 5 and 6).

The impact fee rate studies look at the planned capital improvements that are needed to add capacity to accommodate projected new development. Development-related improvements are capital projects that add capacity that is intended to serve the needs generated by new development. For example, in areas where new development capacity is planned, improvements such as new sidewalks, bike lanes, turn lanes, traffic signals, trails or expanded park playgrounds might be needed to serve the new residents, employees and customers generated by the future development. The total cost of development-related improvements is pro-rated for each new residential and/or commercial development that is projected over the planning period. The impact fees charged for each unit of new development would then pay for a proportional share of the cost of the needed improvements.

The project lists included in the updated rate studies were developed in close partnership between the consultants and the City's Parks and Public Works staff. Capital project lists included in the Transportation Improvement Plan, Parks Recreation and Open Space Plan as well as the Comprehensive Plan were reviewed for inclusion in the parks and transportation rate studies. Staff used their professional judgement and knowledge of the planned projects to identify the projects (or portions of projects) that are development-

related improvements. In addition, the consultant teams have worked closely with CPD staff to understand the City’s housing and employment growth targets and the areas in the city where development capacity exists, and future development is likely to occur. Each rate study includes the list of eligible projects and the total estimated cost to construct the eligible projects. The recommended impact fees are calculated by dividing the total project cost by the projected growth in either transportation trips or in park users generated by new development.

Policy Options

As explained above, the City currently charges transportation impact fees for single family, multi-family, and commercial uses. However, parks impact fees are currently only charged for single family and multi-family uses. The City Council can consider adding a parks commercial impact fee. Adding a commercial fee will not increase the total revenue generated by parks impact fees, rather it will redistribute how the fees are charged. Residential parks impact fees will be slightly reduced, and the commercial parks impact fee would be added in an equivalent proportion. Thus, this policy choice is really a matter of who pays, not how much revenue is collected.

Recommended Impact Fee Rates

The updated rate studies prepared by the consultants recommend the rates shown in the table below, with the final parks rates dependent on the policy decision described above. The City Council will be asked to provide direction to staff on including *either* the residential-only option *or* the residential and commercial option in the final parks impact fee rate study.

	Single Family (per dwelling unit)		Multi-family (per dwelling unit)		Commercial (per sq. ft.)	
	Current	Proposed	Current	Proposed	Current	Proposed
Transportation Impact Fee	\$4,914.53	\$4,418	\$2,801.61	\$1,856	\$19.56	\$18.73
Parks Impact Fee (Residential-Only Option)	\$2,600.31	\$6,073	\$1,671.59	\$3,782	--	--
Parks Impact Fee (Residential + Commercial Option)	--	\$5,027	--	\$3,130	--	\$2.11

NEXT STEPS

If the City Council would like to pursue the proposed code amendment, second reading of Ordinance Nos. 22C-06 and 22C-07 can be scheduled for the June 7, 2022 City Council Meeting. The consultants will finalize the rate studies based on City Council feedback at the May 17 meeting. The final drafts can also be scheduled for approval at the June 7, 2022 meeting. Once approved, the new rates will be adopted as a part of the annual development and construction fee schedule update planned for the November-December 2022 timeframe and take effect on January 1, 2023.

RECOMMENDED ACTION

Schedule Ordinance Nos. 22C-06 and 22C-07 for second reading on June 7, 2022. Provide direction to staff on whether to include a commercial parks impact fee in the final rate study.