

SCOPE OF WORK

Fee in Lieu of Affordable Housing Standards Legislative Review

PROJECT DESCRIPTION

This project will establish new standards in Title 19 Mercer Island City Code (MICC) to create an option to pay a fee in lieu of constructing required affordable housing for buildings of three stories or taller in the Town Center.

PROJECT QUICK FACTS	
Approximate Start Date:	June 2025
Approximate End Date:	December 2025
Project Manager:	Alison Van Gorp, Deputy Director for Community Planning and Development
Consultants:	Community Attributes, Inc.
Related Budget Codes:	01450011-541000
Estimated Number of PC Meetings:	2
Estimated Number of Council Touches:	4

BACKGROUND

This project will implement a policy from the recently adopted Housing Element of the Comprehensive Plan. Evaluation of a fee in lieu of constructing affordable housing program is directed by Housing Element Policy 2.7, which states that the City will “Evaluate a fee-in-lieu program whereby payments to the local affordable housing fund can be made as an alternative to constructing required income-restricted housing.” During the adoption of the Housing Element the City Council indicated that consideration of the fee in lieu program should be prioritized as the City implements the Housing Element.

The City Council included \$30,000 in the 2025-2026 Biennial Budget to support development of a Fee in Lieu of Affordable Housing option for the Town Center. This project was added to the Community Planning and Development (CPD) and Planning Commission (PC) work plan for 2025 (see [AB 6618 Exhibit 2](#)). This project was initiated by the City Council, and initial phases of work will be carried out by the staff team, with the assistance of consultant resources, and under the direction of the City Council. A draft code amendment will then be prepared for legislative review by the PC and City Council.

Summary of Amendments Expected

This project is expected to result in the amendment of the following sections of the Mercer Island Comprehensive Plan or the development code established in Title 19 Mercer Island City Code (MICC):

Comprehensive Plan

- No amendments expected

Title 19 MICC

- Amendments to MICC 19.11.040 to add a fee in lieu option to the existing affordable housing incentive in the Town Center

Other

- Amendments to the City of Mercer Island Fee Schedule to add the new fee

The amendments made to Title 19 MICC will provide two options for buildings that are three stories or taller to meet the affordable housing requirement: either by constructing the required affordable units as a part of the project, or by paying an equivalent fee into an Affordable Housing Fund in place of some or all of the required units. These funds would then be directed towards the creation of affordable units in other development projects.

The amendments to the City's Fee Schedule will add the Fee in Lieu of Affordable Housing Production and establish the initial fee amount. The amount of the fee will be established based on the consultant analysis planned as a part of this project.

PUBLIC PARTICIPATION

The project will primarily utilize the standard public participation required for every development code amendment as established in Title 19 MICC. The standard public participation process includes the following steps:

- Notice of application posted onsite and mailed to property owners within 300 feet
- SEPA Comment Period
- Public access at first PC meeting
- Public hearing notice and public comment period at least 30 days prior to the PC public hearing.
- Public hearing at second PC meeting
- Public access at Council's first reading
- Public access at Council's second reading

In addition to the standard participation outlined above, the City will also solicit feedback from Town Center property owners and developers. The City has received several public comments from Town Center property owners related to the 2024 updates to the affordable housing incentive in MICC 19.11.040 and advocating for consideration of a fee in lieu option. Staff will solicit input from property owners and present that input to the City Council for their consideration when providing initial policy direction.

PUBLIC MEETINGS

The project is expected to be completed with approximately six public meetings. The City Council will be briefed on this scope of work and provide initial input on the proposed project. After staff and consultant analysis, staff will draft a code amendment and initiate legislative review. The Planning Commission review is expected to begin in September and will include holding a public hearing and making a recommendation to the City Council. The City Council is expected to review the ordinance in November and a fee schedule amendment in December. Please note that the City Council agenda is subject to change and all dates are approximate as of the preparation of this scope.

Planning Commission

- Late September, 2025 – First Touch
- Late October, 2025 – Second Touch, Public Hearing, Recommendation

City Council

- June 2025 – Initial briefing
- Early November 2025 – First Reading
- Late November 2025 – Second Reading and adoption
- December 2025 – Fee schedule adoption

Meeting dates are approximate. The schedule and agendas may be subject to change. Staff recommend an effective date of January 1, 2026 for both the anticipated code amendment and the fee schedule update.

TASKS

This project will involve the tasks listed in Table 1.

Table 1. Project Master Schedule.

Task #	Task	2025											
		J	F	M	A	M	J	J	A	S	O	N	D
1	City Council Initial Direction and Scope of Work Approval												
2	Staff and consultant analysis												
3	Town Center Property Owner Outreach and Peer City Research												
4	Code Amendment Preparation												
5	Planning Commission review: code amendment												
6	City Council review: code amendment and fee schedule update												

TASK DESCRIPTIONS

1. City Council Initial Direction and Scope of Work Approval

The City Council will be briefed on the recommended scope of work, schedule, and public participation plan at the June 17 City Council meeting. With City Council approval of the scope of work, the project will commence, and the City and consultant team will proceed with the economic analysis and code drafting work.

2. Staff and consultant analysis

A consultant has been hired to conduct a “nexus study” analyzing the connection between new market rate housing development and the need for affordable housing. The nexus study will establish the maximum fee developers can be charged to mitigate the impact of new development on affordable housing needs.

3. Town Center Property Owner Outreach and Peer City Research

Staff will conduct outreach to Town Center property owners and developers as well as researching similar programs in peer communities during this phase of work.

4. Code Amendment Preparation

Staff will prepare a draft code amendment to implement the fee in lieu program and a recommended fee amount, based on the consultant and staff analysis, outreach and research findings.

5. Planning Commission Review: Code Amendment

The draft code amendment will be presented to the Planning Commission for review and feedback. A Public Hearing will be held to solicit community feedback on the proposed amendment and a recommendation will be made to the City Council with a refined code amendment.

6. City Council Review: Code Amendment and Fee Schedule Update

The Planning Commission recommendation will be presented to the City Council for consideration in the form of an ordinance to amend the development code. Two readings of the ordinance are anticipated. The City Council will also need to add the new fee to the City’s fee schedule, which will be included in the annual fee schedule update in December.