CALL TO ORDER & ROLL CALL  7:00 PM

APPEARANCES
This is the time set aside for members of the public to speak to the Commission about issues of concern. If you wish to speak, please consider the following points:

- Speak audibly into the podium microphone
- State your name and address for the record
- Limit your comments to three minutes

The Commission may limit the number of speakers and modify the time allotted. Total time for appearances: 15 minutes

APPROVAL OF MINUTES
Minutes from December 3, 2014

REGULAR BUSINESS  7:10 PM

Agenda Item #1:
ZTR15-002: Zoning Code Text Amendment related to school impact fees.

An Open Record Public Hearing for a request for a Zoning Code Text Amendment amending MICC Title 19 to add requirements for school impact fees that will be applicable throughout Mercer Island.

OTHER BUSINESS
Staff Comments
Planned Absences for Future Meetings
Announcements & Communications
Next Regularly Scheduled Meeting: July 29, 2015

ADJOURN

AGENDA TIMES ARE APPROXIMATE
CITY COUNCIL CHAMBERS - MERCER ISLAND CITY HALL
9611 SE 36TH STREET; MERCER ISLAND, WA 98040
CALL TO ORDER:
Vice Chair Weineman called the meeting to order at 7:06 PM in the Council Chambers at 9611 SE 36th Street, Mercer Island, Washington.

ROLL CALL:
Chair Jon Friedman, Vice Chair Richard Weinman, Commissioners Bryan Cairns, David McCann, Suzanne Skone, and Craig Olson were present. City staff was represented by Scott Greenberg, Development Services Director, Katie Knight, City Attorney and Will Piro, Planning Technician.

Absences: Chair Jon Friedman and Commissioner Steve Marshall

APPEARANCES:
Tanya Friese, 1100 Dexter Ave, Seattle, WA with Crown Castle.

Hand delivered a letter of support for the AT&T – Led initiative to amend the current Mercer Island wireless communication.

MINUTES:
Vice Chair Weinman moved to approve the minutes from November 19th, 2014. Commissioner Cairns seconded the motion. The minutes were unanimously approved.

REGULAR BUSINESS:
The Planning Commission agreed to amend the agenda order, and discuss the zoning code text amendment, related to youth theaters first, and then the comprehensive plan second.

Agenda Item #1: ZTR14-002: Zoning Code Text Amendment related to Wireless Communication Facilities.
An Open Record Public Hearing on a request for a Zoning Code Amendment amending requirements in Mercer Island City Code (MICC) Title 19 pertaining to wireless communications facilities.

Mr. Greenberg provided a presentation and overview on the proposed code text amendment, and answered questions from the Planning Commission.

Vice Chair Weinman opened the open record public hearing.

Kirsten Larson and Ken Lions, of Busch Law Firm, P.L.L.C., 93 S Jackson St #75606, provided testimony including a brief presentation and answered questions from Planning Commission.
The Planning Commission deliberated on the proposed amendment. Commissioner McCann moved to recommend that the City Council approve the request for amendment of Mercer Island City Code Title 19 as detailed in Exhibit 1, and to authorize the Chair of the Planning Commission to sign the recommendation to the City Council on behalf of the Planning Commission, provided that the proposal shall be modified as follows:

The title of Section D should read, “Residential and Public Institution Zones (outside of the I-90 corridor).

Add the following language to Section 1 (D) (1): “WCFs except for small cell facilities are prohibited in single-family and multifamily residential zones and public institution zones (outside of the I-90 corridor).”

Change the following language in Section 1 (D) (3): “The maximum height of any small cell facility shall be limited to no more than 35 feet above existing grade.”

Change the following language in Section 2 (S): “...attached to a structure and meet the parameters in subsections (1) and (2).”

Commissioner Cairns seconded the motion. The motion passed.

Agenda Item #2 – Mandatory Training: Open Public Meetings Act, Public Records Act and Records Retention (60 minutes)

ESB 5964 passed by the State Legislature in 2014 requires that public agency governing body members (including the Planning Commission) complete training on the above topics. A one-hour video presentation will be shown with an opportunity for questions after the video.

At the request of The Commission City staff will determine if commissioners have city email addresses to conduct official business.

STAFF COMMENTS:
No additional comments were made.

PLANNED ABSENCES FOR FUTURE MEETINGS:
No planned absences were mentioned.

ANNOUNCEMENTS AND COMMUNICATIONS:
There were no announcements.

NEXT MEETING:
The next Planning Commission meeting is scheduled for December 17, 2014.

ADJOURNMENT:
The Planning Commission meeting was adjourned at 9:54 PM.
### CITY OF MERCER ISLAND
### PLANNING COMMISSION
### STAFF REPORT

**Agenda Item: 1**  
**July 15, 2015**

<table>
<thead>
<tr>
<th>File Numbers:</th>
<th>ZTR15-002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Description:</td>
<td>A zoning text amendment to adopt a new section in Mercer Island City Code (MICC) Title 19 pertaining to school impact fees.</td>
</tr>
<tr>
<td>Applicant:</td>
<td>City of Mercer island</td>
</tr>
<tr>
<td>Locations:</td>
<td>All lands within the City of Mercer Island</td>
</tr>
</tbody>
</table>
| Exhibits:     | 1. Development Application Received by the City of Mercer Island Development Services Group on June 25, 2015  
                2. Draft Ordinance Amending Mercer Island City Code Title 19  
                3. Public Notice of Application and Open Record Hearing issued by the City of Mercer Island on June 29, 2015  
                4. City Council Agenda Bill 5049  
                5. MISD Capital Facilities Plan 2015-2020 |

### I. SUMMARY

The City of Mercer Island is proposing an amendment to Title 19 of the Mercer Island City Code (MICC) that would adopt impact fees for schools. The proposed impact fees would be $14,117.84 for a new single-family residence and $4,284.00 for a new multi-family residence.

An application for the proposed code amendment was received on June 25, 2015 and was determined to be complete on June 25, 2015 (Exhibit 1). The proposed code text amendments are incorporated into a draft ordinance, which is included as Exhibit 2. The application is exempt from review under the State Environmental Policy Act (SEPA), WAC 197-11-800(19).

A code amendment is designated as a legislative action, as set forth in MICC 19.15.010(E). Applicable procedural requirements for a legislative action are contained within MICC 19.15.020, including the provision that the Planning Commission conduct an open record public hearing for all legislative actions. On July 15, 2015, the Planning Commission will hold an open record public hearing on this matter to obtain comments from the public, deliberate the proposed amendments and forward a recommendation to the City Council for consideration and action. As the final decision making authority for legislative actions, the City Council will consider the matter in an open public meeting prior to taking final action. The City Council’s first reading of the code amendments is tentatively scheduled for August 3, 2015, and a second reading on September 8, 2015, during which the Council is anticipated to take final action and render a decision on the proposed code amendments.

The City issued a Public Notice of Application and Notice of Open Record Public Hearing (Exhibit 3), which was published in the City’s weekly permit bulletin on June 29, 2015 and in the Mercer Island Reporter on July 1, 2015. The public comment period ran from June 29, 2015 through 5:00 P.M. on
June 15, 2015. As of July 9, 2015, the City had not received any written comments concerning the proposed school impact fees and related code amendments. Any comments received after July 9, 2015 will be provided to the Planning Commission at or before the July 15, 2015 meeting.

II. STAFF FINDINGS, ANALYSIS AND CRITERIA FOR REVIEW

The proposed amendments to MICC Title 19 related to school impact fees are shown in Exhibit 2.

Background: At its January 2015 Planning Session, the Mercer Island City Council directed staff to provide information about the current use of mitigation fees under the State Environmental Policy Act (SEPA) and potential use of impact fees under the Growth Management Act (GMA).

Staff presented the requested information at the City Council’s March 16, 2015 meeting. Exhibit 4 is the agenda bill prepared for that meeting, which contains detailed background information related to SEPA mitigation fees and GMA impact fees. At the March 16, 2015 meeting, the Council directed staff to study the use of GMA impact fees for schools, parks and transportation facilities. Consideration of school impact fees is before the Planning Commission on July 15, 2015. The City Council will receive reports on parks and transportation impact fees at their July 20, 2015 and August 3, 2015 meetings, respectively. If the Council desires to adopt parks and/or transportation impact fee ordinances, it is expected that the Planning Commission will review draft ordinances in the fall.

The Mercer Island School District has also been analyzing the use of GMA impact fees rather than continuing to rely on SEPA mitigation fees. On June 11, 2015, the District adopted its six-year Capital Facilities Plan (Exhibit 5). Pages 10 and 11 of the Capital Facilities Plan provide the calculations used to arrive at the proposed impact fee amounts.

Authority: The City has authority to adopt impact fees to address the impact on school facilities caused by new development pursuant to RCW 82.02.050 through 82.02.100. The proposed Ordinance is heavily influenced by and complies with these RCW sections. In addition, the proposed Ordinance incorporates a new RCW requirement passed this year by the Legislature and signed by the Governor. ESB 5923 requires cities to allow for deferral of impact fees by September 1, 2016. Exhibit 2, Section 9 incorporates this requirement.

Criteria For Review

There are no specific criteria listed in the Mercer Island City Code for a code amendment. However, in accordance with RCW 36.70A.040, the proposed amendments shall be consistent with the goals and policies set forth in the City’s Comprehensive Plan:

1. Capital Facilities Element, Section IV

“Because future growth outside the Town Center is expected to be relatively minor and Mercer Island is a mature community with well developed infrastructure, Mercer Island will not finance capital improvements through development impact fees. The City will use substantive authority under the State Environmental Policy Act (SEPA) to require mitigation for new development that is directly related and proportional to the impacts of that development.” (Emphasis added.)

2. Capital Facilities Element, Section II

“Despite a lack of enrollment loss in 2003-2004, School District enrollment is in a population decline cycle.”

3. Capital Facilities Element
The current Capital Facilities Element mentions school facilities, but does not adopt by reference the District’s Capital Facilities Plan—which is necessary for school impact fees to be collected [RCW 82.02.060(2)].

**Staff findings:**
The current Comprehensive Plan, which is being updated, does not support the adoption of school impact fees. The current Capital Facilities element specifically mentions use of SEPA mitigation rather than GMA impact fees and specifically states the City will not use impact fees. The current Comprehensive Plan also recognizes a declining school enrollment, which does not support the collection of impact fees to mitigate student population growth. The District did experience declining enrollment from 2001-2008, dropping from 4,054 students to 3,845 students. However, for the past 7 years, enrollment has increased annually and is now at 4,316 students. Enrollment is expected to increase an additional 8.2% over the next six years (see Exhibit 5, Section 5). School impact fees cannot be collected since the District’s Capital Facilities Plan is not adopted by reference.

On November 19, 2014, the Planning Commission recommended adoption of an updated Comprehensive Plan to the City Council. The recommended Plan did not change the provisions mentioned above. So, the recommended Plan also does not support adoption of school impact fees.

Since the Commission already sent a recommended Plan to the City Council for review and adoption, the Council could make changes to the Plan to incorporate polices supportive of school impact fees. These policy changes would need to be adopted prior to adoption of an impact fee ordinance.

**III. STAFF RECOMMENDATION**
Based on the analysis and findings included herein, staff recommends to the Planning Commission the following:

**Recommended Motion:** Move to recommend that the City Council approve the request for an amendment to Mercer Island City Code (MICC) Title 19, as detailed in Exhibit 2, subject to adoption of Comprehensive Plan policies supporting the proposed amendment.

**First Alternative Motion:** Move to recommend that the City Council approve the request for an amendment to Mercer Island City Code (MICC) Title 19, as detailed in Exhibit 2, provided that the proposal shall be modified as follows: [describe modifications].

**Second Alternative Motion:** Move to recommend that the City Council deny the request for an amendment to Mercer Island City Code (MICC) Title 19, as detailed in Exhibit 2.

Staff Contact: Scott Greenberg, Development Services Director
CITY OF MERCER ISLAND
DEVELOPMENT SERVICES GROUP
9611 SE 36TH STREET | MERCER ISLAND, WA 98040
PHONE: 206.275.7605 | www.mercergov.org

DEVELOPMENT APPLICATION

STREET ADDRESS/LOCATION
Throughout the City of Mercer Island, WA
COUNTY ASSESSOR PARCEL #’S
N/A

ZONE
All residential zones
PARCEL SIZE (SQ. FT.)
N/A

PROPERTY OWNER
N/A

ADDRESS
N/A

CELL/OFFICE:
206-275-7706
E-MAIL
N/A

PROJECT CONTACT NAME
City of Mercer Island

ADDRESS
9611 SE 36th St., Mercer Island, WA 98040

CELL/OFFICE:
206-275-7706
E-MAIL
N/A

DECLARATION: I HEREBY STATE THAT I AM THE OWNER OF THE SUBJECT PROPERTY OR I HAVE BEEN AUTHORIZED BY THE OWNER(S) OF THE SUBJECT PROPERTY TO REPRESENT THIS APPLICATION, AND THAT THE INFORMATION FURNISHED BY ME IS TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE.

SIGNATURE

PROPOSED APPLICATION(S) AND CLEAR DESCRIPTION OF PROPOSAL:

A zoning text amendment amending MICC Title 19 to add requirements for school impact fees that will be applicable throughout Mercer Island.

(Attach additional paper if needed) ATTACH RESPONSE TO DECISION CRITERIA IF APPLICABLE

CHECK TYPE OF USE PERMIT(S) REQUESTED (3% Technology Fee is included in fees below):

APPEALS
- Building (plus cost of file preparation) $875.50
- Land use (plus cost of verbatim transcript) $975.50
- Code interpretation $875.50

CRITICAL AREAS
- Determination $2,709.47
- Reasonable Use Exception $5,418.83

DESIGN REVIEW
- Administrative Review (of sign & colors) $493.93
- Administrative Review (of other than sign & colors) $723.06
- Change to Final Design Approval $723.06
- Design Commission Study Session $723.06

DESIGN REVIEW & WIRELESS COMMUNICATIONS FACILITIES
- $5,000.00 $723.06
- $5,001-25,000 $1,809.62
- $25,001-50,000 $2,709.90
- $50,001-100,000 $4,274.98
- Over $100,001 Valuation $7,224.42

DEVATIONS
- Changes to Antenna requirements $1,806.62
- Changes to Open Space $1,806.62
- Fence Height $903.31

SOLID WASTE MANAGEMENT
- (Revision = 406 of Fee)

ENVIRONMENTAL REVIEW (SEPA)
- Checklist: Single Family Residential Use $541.78
- Checklist: Non-Single Family Residential Use $1,805.59
- Environmental Impact Statement

SHORELINE MANAGEMENT
- Exemption $437.75
- Permit Revision $723.06
- Semi-Private Recreation Tract (modication) $723.06
- Semi-Private Recreation Tract (new) $1,805.59
- Substantial Dev. Permit $6,709.90

SUBDIVISION SHORT PLAT
- Two Lots $4,515.52
- Three Lots $5,417.80
- Four Lots $6,321.11
- Deviation of Acreage Limitations $909.31
- Short Plat Amendment $2,256.73
- Final Short Plat Approval $909.31
- Fire Review $123.60/Hr
- VARIANCES (Plus Hearing Examiner Fee) $3,612.21
- Type 1* $3,612.21
- Type 2** $2,000.26

SUBDIVISION LONG PLAT
- 2-9 Lots $9,030.01
- 10-24 Lots $12,648.25
- 25 Lots or greater $16,265.46
- Subdivision Alteration to Existing Plat $4,515.52
- Final Subdivision Review $3,612.21
- Fire Review $123.60/Hr

OTHER LAND USE
- Accessory Dwelling Unit (ADU) $180.28
- Code Interpretation Request(s) (plus $100/hour)
- Comp Plan Amendment (CPA) $4,153.99
- Conditional Use Permit (CUP) $7,340.42
- Lot Line Revision $2,708.90
- Lot Use Consolidation $902.28
- Noise Variance ($144.03/hr over 5 hrs) $437.75
- Reclassification of Property (Rezoning) $4,515.52
- Right-of-Way Encroachment Agreement (Requires Separate ROW Use Permit) $536.60
- Zoning Code Test Amendment $4,153.99

CITY USE ONLY

Permit Fee: 0
Permit Fee: 0
Total Fees: 0

EXHIBIT 1
Project No.: ZTR15-002

S:DSG/FORMS/2015Forms/Dev_App_2015
THE CITY OF MERCER ISLAND, WASHINGTON

ORDINANCE NO. _____

AN ORDINANCE OF THE CITY OF MERCER ISLAND, WASHINGTON RELATING TO SCHOOL IMPACT FEES; ESTABLISHING A FRAMEWORK FOR THE ADOPTION OF A SCHOOL IMPACT FEE PROGRAM BY THE CITY; REQUIRING THE EXECUTION OF AN INTERLOCAL AGREEMENT BETWEEN THE CITY AND THE MERCER ISLAND SCHOOL DISTRICT NO. 400; PROVIDING FOR THE ADOPTION OF THE DISTRICT’S CAPITAL FACILITIES PLAN AS AN ELEMENT OF THE CITY’S COMPREHENSIVE PLAN; AUTHORIZING THE IMPOSITION AND COLLECTION OF IMPACT FEES BY THE CITY ON BEHALF OF THE DISTRICT ON NEW DEVELOPMENT IMPACTING SCHOOL FACILITIES; PROVIDING AN OPTION TO DEFER PAYMENT OF IMPACT FEES; PROVIDING THE FORMULA FOR CALCULATION OF THE FEE AND FEE SCHEDULE; DESCRIBING THE PROCEDURES FOR CREDIT, APPEAL AND REFUNDS; ALL AS AUTHORIZED BY THE GROWTH MANAGEMENT ACT AND RCW 82.02.050 THROUGH 82.02.100; AMENDING TITLE 19 OF THE MERCER ISLAND MUNICIPAL CODE BY ADDING A NEW CHAPTER 19.17; AND SETTING A DATE WHEN THE SAME SHALL BE EFFECTIVE.

WHEREAS, the City has authority to adopt impact fees to address the impact on school facilities caused by new development, pursuant to RCW 82.02.050 through 82.02.100; and

WHEREAS, adoption of an impact fee ordinance is categorically exempt from the State Environmental Policy Act pursuant to WAC-197-11-800(19); and

WHEREAS, the City Planning Commission held a public hearing on July 15, 2015 and recommended adoption of this Ordinance; and

WHEREAS, the City Council held a public meeting and considered this Ordinance during its regular City Council meeting of __________ 20____.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF MERCER ISLAND, WASHINGTON, ORDAINS AS FOLLOWS:
Section 1. Title. There is hereby added to Title 19 of the Mercer Island Municipal Code, a new chapter 19.17, entitled "School Impact Fees," containing the provisions set forth in Sections 1 through 12 of this ordinance.

Section 2. Authority and Purpose.
A. This ordinance is enacted pursuant to the City’s police powers, the Growth Management Act as codified in chapter 36.70A RCW ("the Act") and the impact fee statutes as codified in RCW 82.02.050 through 82.02.100.
B. The purpose of this chapter is to:
   1. Develop a program consistent with the City’s Comprehensive Plan for joint public and private financing of school facilities consistent with the capital facilities plan of the Mercer Island School District No. 400 ("the District"), as such public facilities are necessitated in whole or in part by residential development in the City;
   2. Ensure adequate levels of service in school facilities;
   3. Create a mechanism to charge and collect fees to ensure that all new development bears its proportionate share of the capital costs of school facilities reasonably related to new development, in order to ensure the availability of adequate school facilities at the time new development occurs; and
   4. Ensure fair collection and administration of such impact fees.
C. The provisions of this chapter shall be liberally construed to effectively carry out its purpose in the interest of the public health, safety and welfare.

Section 3. Definitions. For purposes of this ordinance, the following terms have the indicated meanings:
A. "Capital Facilities Plan" means the District's facilities plan adopted by the school board consisting of:
   1. A forecast of future needs for school facilities based on the District's enrollment projections;
   2. An identification of additional demands placed on existing public facilities by new development;
   3. The long-range construction and capital improvement projects of the District;
   4. The schools under construction or expansion;
   5. The proposed locations and capacities of expanded or new school facilities;
   6. An inventory of existing school facilities, including permanent, transitional and relocatable facilities;
   7. At least a six-year financing component, updated as necessary to maintain at least a six-year forecast period, for financing needed for school facilities within projected funding levels, and identifying sources of financing for such purposes, including bond issues authorized by the voters;
8. An identification of deficiencies in school facilities serving the student populations and the means by which existing deficiencies will be eliminated within a reasonable period of time; and

9. Any other long-range projects planned by the District.

B. "City" means the City of Mercer Island.

C. "District" means the Mercer Island School District No. 400.

D. "Developer" means the person or entity that owns or holds purchase options or other development control over property for which development activity is proposed.

E. "Development Activity" means any residential construction or expansion of a residential building, structure or use, any change in use of a residential building or structure, or any change in the use of residential land that creates additional demand for school facilities.

F. "Dwelling Unit" means a dwelling as defined in Section 19.16 of the Mercer Island Municipal Code.

G. "Elderly" means a person aged 55 or older.

H. "Encumbered" means impact fees identified by the District as being committed as part of the funding for a school facility for which the publicly funded share has been assured or building permits sought or construction contracts let.

I. "Impact Fee" means a payment of money imposed upon development as a condition of development approval to pay for school facilities needed to serve new growth and development, that is reasonably related to the new development that creates additional demand and need for public facilities, that is a proportionate share of the cost of the public facilities, and that is used for facilities that reasonably benefit the new development. "Impact Fee" does not include a reasonable permit or application fee.

J. "Impact Fee Schedule" means the table of impact fees to be charged per unit of development, computed by the formula contained in the District’s capital facilities plan, indicating the standard fee amount per dwelling unit that shall be paid as a condition of residential development within the City.

K. "Interlocal Agreement" means the agreement between the District and the City, governing the operation of the school impact fee program and describing the relationship, duties and liabilities of the parties.

L. "Relocatable Facilities" means any factory-built structure, transportable in one or more sections that is designed to be used as an education space and is needed to prevent the overbuilding of school facilities, to meet the needs of service areas within the District or to cover the gap between the time that families move into new residential developments and the date that construction is completed on permanent school facilities.

Section 4. Interlocal Agreement Between the City and District. As a condition of the City's authorization and adoption of a school impact fee ordinance, the City and District shall enter into an interlocal agreement governing the operation of the school impact fee program, and describing the relationship and liabilities of the parties thereunder.

Section 5. Annual Council Review. On an annual basis, the District shall submit to the City a six-year capital facilities plan or an update of a previously adopted plan which meets the requirements of the Act. The materials submitted by the District shall include proposed impact
fee amounts for single family dwelling units and multi-family dwelling units. The City may amend the schedule in Exhibit A to reflect changes to the capital facilities plan.

Section 6. Impact Fee Program Elements.
A. The City shall impose impact fees on every Development Activity in the City for which a fee schedule has been established.
B. Any impact fee imposed shall be reasonably related to the impact caused by the development and shall not exceed a proportionate share of the costs of system improvements that are reasonably related to the new development. The impact fee formula shall account in the fee calculation for future revenues the District will receive from the development.
C. The impact fee shall be based on the capital facilities plan developed by the District and approved by the school board, and adopted by reference by the City as part of the capital facilities element of the City's comprehensive plan for the purpose of establishing the fee program.

Section 7. Fee Calculations.
A. The fee shall be calculated based on the formula set forth in the District’s Capital Facilities Plan.
B. Any impact fee imposed shall be reasonably related to the impact caused by the development and shall not exceed a proportionate share of the cost of system improvements that are reasonably related to the new development. The impact fee formula shall take into account the future revenues the District will receive from the development, along with system costs related to serving the new development.
C. Separate fees shall be calculated for single family and multi-family types of dwelling units, and separate student generation rates must be determined by the District for each type of dwelling unit. For the purpose of this ordinance, mobile homes shall be treated as single family dwellings and duplexes shall be treated as multi-family dwellings.
D. The fee shall be calculated on a District-wide basis using the appropriate factors and data to be supplied by the District. The fee calculations shall be made on a District-wide basis to assure maximum utilization of all school facilities in the District which meet District standards for instructional purposes.
E. The formula shall provide a credit for the anticipated tax contributions that would be made by the development based on historical levels of voter support for bond issues in the District.
F. The formula shall also provide for a credit for school facilities or sites actually provided by a developer which the District finds acceptable.

Section 8. Assessment and Collection of Impact Fees.
A. The City shall collect impact fees, based on the schedule set forth in Exhibit A, from any applicant seeking a residential building permit from the City.
B. All impact fees shall be collected from the applicant prior to issuance of the building permit unless the use of an independent fee calculation has been approved or unless the
applicant applies for deferred payment of impact fees pursuant to Section 9. The fee shall be calculated based on the impact fee schedule in effect at the time the building permit is issued unless otherwise required pursuant to Section 9.

C. For building permits for mixed use developments, impact fees shall be imposed on the residential component of the development found on the schedule set forth in Exhibit A.

D. For building permits within new subdivisions approved under Title 19.08 (Subdivisions), a credit shall be applied for any dwelling unit that exists on the land within the subdivision prior to the subdivision if the dwelling unit is demolished. The credit shall apply to the first complete building permit application submitted to the City subsequent to demolition of the existing dwelling unit, unless otherwise allocated by the applicant of the subdivision as part of approval of the subdivision.

E. The City shall not issue the required building permit unless and until the impact fees set forth in the impact fee schedule have been paid.

F. The City may impose an application fee, as provided for in the City’s adopted fee schedule, per dwelling unit which is subject to and not otherwise exempt from this chapter to cover the reasonable cost of administration of the impact fee program. The fee is not refundable and is collected from the applicant of the development activity permit at the time of permit issuance.

G. The City shall collect the impact fee on behalf of the District and maintain separate accounts for transmittal to the District on a monthly basis.

Section 9. Option for Deferred Payment of Impact Fees. An applicant may request, at any time prior to building permit issuance, and consistent with the requirements of this Section 9, to defer to final inspection the payment of an impact fee for a residential development unit. The following shall apply to any request to defer payment of an impact fee:

A. The applicant shall submit to the City a written request to defer the payment of an impact fee for a specifically identified building permit. The applicant’s request shall identify, as applicable, the applicant’s corporate identity and contractor registration number, the full names of all legal owners of the property upon which the development activity allowed by the building permit is to occur, the legal description of the property upon which the development activity allowed by the building permit is to occur, the tax parcel identification number of the property upon which the development activity allowed by the building permit is to occur, and the address of the property upon which the development activity allowed by the building permit is to occur. All applications shall be accompanied by a $50.00 administration fee.

B. The impact fee amount due under any request to defer payment of impact fees shall be based on the schedule in effect at the time the applicant provides the City with the information required in subsection A of this Section 9.

C. Prior to the issuance of a building permit that is the subject of a request for a deferred payment of impact fee, all applicants and/or legal owners of the property upon which the development activity allowed by the building permit is to occur must sign a deferred impact fee payment lien in a form acceptable to the City Attorney. The deferred impact fee payment lien shall be recorded against the property subject to the building permit and be granted in favor of the City in the amount of the deferred impact fee. Any such lien shall be junior and subordinate only to one mortgage for the purpose of construction upon the same real property subject to the
building permit. In addition to the administrative fee required in subsection A of this Section 9, the applicant shall pay to the City the fees necessary for recording the lien agreement with the King County Recorder.

D. The City shall not approve a final inspection until the school impact fees identified in the deferred impact fee payment lien are paid in full.

E. In no case shall payment of the impact fee be deferred for a period of more than eighteen (18) months from the date of building permit issuance.

F. Upon receipt of final payment of the deferred impact fee as identified in the deferred impact fee payment lien, the City shall execute a release of lien for the property. The property owner may, at his or her own expense, record the lien release.

G. In the event that the deferred impact fee is not paid within the time provided in this subsection, the City shall institute foreclosure proceedings under the process set forth in Chapter 61.12 RCW. The District may also institute foreclosure proceedings as set forth in RCW 82.02.050(3).

H. An applicant is entitled to defer impact fees pursuant to this Section 9 for no more than twenty (20) single family dwelling unit building permits per year in the City. For purposes of this Section 9, an “applicant” includes an entity that controls the applicant, is controlled by the applicant, or is under common control with the applicant.

Section 10. Exemptions. The following development activities do not create any additional school impacts and are exempt from the requirements of this ordinance:

A. Reconstruction, remodeling or construction of the following facilities, subject to the recording of a covenant or recorded declaration of restrictions precluding use of the property for other than the exempt purpose. Provided, that if the property is used for a non-exempt purpose, then the school impact fees then in effect shall be paid.

1. Shelters or dwelling units for temporary placement, which provide housing to persons on a temporary basis for not more than four weeks;

2. Construction or remodeling of transitional housing facilities or dwelling units that provide housing to persons on a temporary basis for not more than twenty-four (24) months, in connection with job training, self-sufficiency training and human services counseling, the purpose of which is to help persons make the transition from homelessness to placement in permanent housing; and

3. Any form of housing for the elderly, including nursing homes, retirement centers, and any type of housing units for persons age 55 and over, which have recorded covenants or recorded declaration of restrictions precluding school-aged children as residents in those units.

B. Rebuilding of legally established dwelling unit(s) destroyed or damaged by fire, flood, explosion, act of God or other accident or catastrophe, or remodeling of existing legally established dwelling unit(s), provided that a complete building permit for reconstruction is submitted to the city within 12 months of the date of the loss, and so long as no additional dwelling units are created.

C. Condominium projects in which existing dwelling units are converted into condominium ownership and where no new dwelling units are created.
D. Any development activity that is exempt from the payment of an impact fee pursuant to RCW 82.02.100, due to mitigation of the same system improvement under the State Environmental Policy Act.
E. Any development activity for which school impacts have been mitigated pursuant to a condition of plat approval to pay fees, dedicate land or construct or improve school facilities, unless the condition of the plat approval provides otherwise; and further provided that the condition of the plat approval predates the effective date of fee imposition.
F. Any development activity for which school impacts have been mitigated pursuant to a voluntary agreement entered into with the District to pay fees, dedicate land or construct or improve school facilities, unless the terms of the voluntary agreement provide otherwise; and further provided that the agreement predates the effective date of fee imposition.
G. Any building permit for a legal accessory dwelling unit approved under MICC 19.02.030.

Section 11. Determination of the Fee, Adjustments, Exceptions and Appeals
A. The City shall determine a developer's impact fee, according to the schedule provided by the District.
B. Arrangement may be made for later payment of the impact fee with the approval of the District only if the District determines that it will be unable to use or will not need the payment until a later time, provided that sufficient security, as defined by the District, is provided to assure payment. Security shall be made to and held by the District, which will be responsible for tracking and documenting the security interest.
C. The fee amount established in the schedule shall be reduced by the amount of any payment previously made for the lot or development activity in question, either as a condition of approval or pursuant to a voluntary agreement.
D. Whenever a developer is granted approval subject to a condition that the developer provide a school facility acceptable to the District, the developer shall be entitled to a credit for the actual cost of providing the facility, against the fee that would be chargeable under the formula provided by this ordinance. The cost of construction shall be estimated at the time of approval, but must be documented, and the documentation confirmed after the construction is completed to assure that an accurate credit amount is provided. If construction costs are less than the calculated fee amount, the difference remaining shall be chargeable as a school impact fee.
E. The standard impact fees may be adjusted, if one of the following circumstances exist, provided that any discount set forth in the fee formula fails to adjust for the error in the calculation or fails to ameliorate for the unfairness of the fee:
   1. The developer demonstrates that an impact fee assessment was improperly calculated; or
   2. Unusual circumstances identified by the developer demonstrate that if the standard impact fee amount was applied to the development, it would be unfair or unjust.
F. In cases where a developer requests an independent fee calculation, adjustment exception or a credit pursuant to RCW 82.02.060(3), the City shall consult with the District and the District shall advise the City prior to the City making the final impact fee determination.
G. A developer may provide studies and data to demonstrate that any particular factor used by the District may not be appropriately applied to the development proposal.
H. Any appeal of the decision of the City with regard to fee amounts shall follow the process for the appeal of the underlying development application, as set forth in the Mercer Island Municipal Code. Any errors in the formula identified as a result of the appeal should be referred to the Council for possible modification.

I. Impact fees may be paid under protest in order to obtain a permit or other approval of development activity.

Section 12. Impact Fee Accounts and Refunds

A. Impact fee receipts shall be earmarked specifically and retained in a special interest-bearing account established by the District solely for the District’s school impact fees. All interest shall be retained in the account and expended for the purpose or purposes for which impact fees were imposed. Annually, the District shall prepare a report on the impact fee account showing the source and amount of all moneys collected, earned or received, and capital or system improvements that were financed in whole or in part by impact fees. The District shall submit a copy of this report to the City.

B. Impact fees for the District’s system improvements shall be expended by the District for capital improvements including but not limited to school planning, land acquisition, site improvements, necessary off-site improvements, construction, engineering, architectural, permitting, financing, and administrative expenses, relocatable facilities, capital equipment pertaining to educational facilities, and any other expenses which could be capitalized, and which are consistent with the District's capital facilities plan.

C. Impact fees may be used to recoup costs for system improvements previously incurred by the District to the extent that new growth and development will be served by the previously constructed system improvements.

D. In the event that bonds or similar debt instruments are issued for the advanced provision of capital facilities for which impact fees may be expended and where consistent with the bond covenants, impact fees may be used to pay debt service on such bonds or similar debt instruments to the extent that the facilities or improvements provided are consistent with the requirements of this section.

E. Impact fees shall be expended or encumbered by the District for a permissible use within ten (10) years of receipt by the District, unless there exists an extraordinary or compelling reason for fees to be held longer than ten (10) years. Such extraordinary or compelling reasons shall be identified to the City by the District in a written report. The City Council shall identify the District's extraordinary and compelling reasons for the fees to be held longer than ten (10) years in the Council's own written findings.

F. The current owner of property on which an impact fee has been paid may receive a refund of such fees if the impact fees have not been expended or encumbered within ten (10) years of receipt of the funds by the District on school facilities intended to benefit the development activity for which the impact fees were paid. In determining whether impact fees have been encumbered, impact fees shall be considered encumbered on a first in, first out basis. The District shall notify potential claimants by first-class mail deposited with the United States postal service addressed to the owner of the property as shown in the County tax records.

G. An owner's request for a refund must be submitted to the District in writing within one (1) year of the date the right to claim the refund arises or the date that notice is given,
whichever date is later. Any impact fees that are not expended or encumbered by the District in
conformance with the capital facilities plan within these time limitations, and for which no
application for a refund has been made within this one (1) year period, shall be retained and
expended consistent with the provisions of this section. Refunds of impact fees shall include any
interest earned on the impact fees.

H. Should the City seek to terminate any or all school impact fee requirements, all
unexpended or unencumbered funds, including interest earned, shall be refunded to the current
owner of the property for which a school impact fee was paid. Upon the finding that any or all
fee requirements are to be terminated, the City shall place notice of such termination and the
availability of the refunds in a newspaper of general circulation at least two times and shall notify
all potential claimants by first-class mail addressed to the owner of the property as shown in the
County tax records. All funds available for refund shall be retained for a period of one (1) year.
At the end of one (1) year, any remaining funds shall be retained by the District, but must be
expended by the District, consistent with the provisions of this section. The notice requirement
set forth above shall not apply if there are no unexpended or unencumbered balances within the
account or accounts being terminated.

I. A developer may request and shall receive a refund, including interest earned on
the impact fees, when:

1. The developer has not received final plat approval, the building permit, the
mobile home permit, the site plan approval, nor final approval for the development
activity as required by statute or City Code including the International Building Code; and

2. No impact on the District has resulted. "Impact" shall be deemed to
include cases where the District has expended or encumbered the impact fees in good
faith prior to the application for a refund. In the event that the District has expended or
encumbered the fees in good faith, no refund shall be forthcoming. However, if within a
period of three (3) years, the same or subsequent owner of the property proceeds with the
same or substantially similar development activity, the owner shall be eligible for a credit.
The owner must petition the District and provide receipts of impact fees paid by the
owner for a development of the same or substantially similar nature on the same property
or some portion thereof. The District shall determine whether to grant a credit, and such
determinations may be appealed by following the procedures set forth in Section 11
above.

J. Interest due upon the refund of impact fees required by this section shall be
calculated according to the average rate received by the District on invested funds throughout the
period during which the fees were retained.

Section 13. Severability. If any section, sentence, clause or phrase of this ordinance shall be
held to be invalid or unconstitutional by a court of competent jurisdiction, such invalidity or
unconstitutionality shall not affect the validity or constitutionality of any other section, sentence,
clause or phrase of this Ordinance.

Section 14. Ratification. Any act consistent with the authority and prior to the effective date
of this Ordinance is hereby ratified and affirmed.
Section 15. Effective Date. This Ordinance shall take effect and be in force within 30 days after passage and publication.

PASSED by the City Council of the City of Mercer Island, Washington at its regular meeting on the 3rd day of August 2015 and signed in authentication of its passage.

CITY OF MERCER ISLAND

________________________________
Bruce Bassett, Mayor

ATTEST:

Approved as to Form:

________________________________
Allison Spietz, City Clerk

Kari Sand, City Attorney

Date of Publication: ________________
EXHIBIT A

Single Family Residence Impact Fee: $14,117.84

Multi Family Residence Impact Fee: $4,284.00
NOTICE IS HEREBY GIVEN that an application for a Zoning Code Text Amendment has been filed with the City of Mercer Island for the property described below:

File No.: ZTR15-002

Description of Request: Add requirements for school impact fees

Applicant: City of Mercer Island

Location of Property: The proposed amendment would apply throughout Mercer Island

SEPA Compliance: The proposal is categorically exempt from the State Environmental Policy Act (SEPA) per MICC 19.07.120(D), 19.07.120(J)(2), and WAC 197-11-800(19)(b).

Written Comments: Written comments on this proposal may be submitted to the City of Mercer Island on or before Wednesday, July 15 at 5:00 p.m. either in person or mailed to the City of Mercer Island, 9611 SE 36th Street, Mercer Island, WA 98040-3732. Anyone may comment on the application, receive notice, and request a copy of the decision once made. Only those persons who submit written comments on or before Wednesday, July 15, 2015 at 5:00 p.m. will be parties of record; and only parties of record will receive a notice of the decision and have the right to appeal.

Public Hearing and Public Meeting: Pursuant to MICC 19.15.010(E), and MICC 19.15.020(F)(1), the applicant is required to participate in both an open record public hearing in front of the Planning Commission and a subsequent public meeting with the City Council. The open record public hearing with the Planning Commission is scheduled for Wednesday, July 15, 2015. The date of the public meeting with the City Council is tentatively scheduled for August 3, 2015. Both the open record public hearing and the public meeting are held on their above specified dates in the Mercer Island City Council Chambers, starting at 7:00 PM, and located at 9611 SE 36th Street, Mercer Island, Washington.

Applicable Development Regulations: Pursuant to MICC 19.15.010(E), an application for a Zoning Code Text Amendment is required to be processed as a Legislative Action. Processing requirements for Legislative Actions are further detailed in MICC 19.15.020. There are no other applicable development regulations related to a Zoning Code Text Amendment.
**Other Associated Permits:**

There are currently no additional pending permit applications associated with the proposal.

**Studies and/or Environmental Documents Requested:**

A Capital Facilities Plan was adopted by the Mercer Island School District on June 11, 2015.

The application on file on this matter is available for review at the City of Mercer Island, Development Services Group, 9611 SE 36th Street, Mercer Island, Washington. Written comments and/or requests for additional information should be referred to:

Scott Greenberg, Director  
Development Services Group  
City of Mercer Island  
9611 SE 36th Street  
Mercer Island, WA 98040  
(206) 275-7706  
scott.greenberg@mercergov.org

Date of Application: June 25, 2015  
Determined to Be Complete: June 25, 2015  
Bulletin Notice: June 29, 2015  
Date Notice Published in the Newspaper: July 1, 2015  
Comment Period Ends: 5:00PM on July 15, 2015
DISCUSSION OF GMA IMPACT FEES AND SEPA MITIGATION FEES

DEPARTMENT OF Development Services Group (Scott Greenberg)
COUNCIL LIAISON n/a
EXHIBITS 1. March 2, 2015 Letter from MISD

SUMMARY

At its 2015 Planning Session, the City Council requested information on the use of Growth Management Act (GMA) impact fees under RCW 82.02 and mitigation payments under the authority of the State Environmental Policy Act (SEPA), RCW 43.21C and WAC 197-11. The purpose of this agenda bill is to provide basic information about two alternatives for partially financing public facilities and to provide the City Council with an opportunity for questions and comments regarding these tools. Staff is seeking Council direction on next steps, if any related to GMA impact fees and/or SEPA mitigation payments.

The City has looked at these issues in the past. On December 5, 2011, City Council discussed GMA impact fees and SEPA mitigation fees related to funding of future public improvements for the Town Center (Agenda Bill 4687). The agenda item was informational only and no direction to staff was provided. Much of the information below was taken from the previous agenda bill.

FINANCING OPTIONS

GMA impact fees and SEPA mitigation payments are two options in the City’s toolbox for financing public facilities. In addition, the City has historically invested REET (Real Estate Excise Taxes), General Fund revenues, Utility Fund, Grants and SEPA mitigation payments as the sources of funding capital facilities. The City recently started a Transportation Benefit District (TBD) to fund transportation improvements. Other financing tools such as GMA Impact Fees, Local Improvement Districts (LID), and Parking and Business Improvement Areas (PBIA) may also be considered.

The City has made significant capital investments in the Town Center and many of the facilities needed to support the current and planned Town Center redevelopment are already in place. These have been partially funded by SEPA mitigation fees. The street and pedestrian network, utilities and parks and open space are largely established, but with continued redevelopment new or enhanced facilities may be needed in the Town Center over the next twenty years.
SEPA MITIGATION PAYMENTS

Originally adopted in 1971, SEPA (chapter 43.21C RCW) has been called by the State Department of Ecology perhaps “the most powerful legal tool for protecting the environment of the state” (SEPA Handbook, 1.2 History). SEPA includes “substantive authority” to condition or deny permits.

For permits in the Mercer Island Town Center, SEPA’s “substantive authority” had been used to impose conditions on developments to mitigate for significant probable adverse environmental impacts, especially traffic impacts. SEPA authority has also been used to mitigate school impacts of new Town Center development. SEPA decisions are made by the DSG Director and those decisions are appealable to the Planning Commission. SEPA mitigation must also have a “rational nexus” to the development and be "proportional" to the impact.

Benefits of SEPA Mitigation Payments:
The benefit of using SEPA’s substantive authority to collect mitigation payments is that mitigation of environmental impacts can be tailored to each individual project and its specific impacts.

Disadvantages of SEPA Mitigation Payments:
The disadvantages of using SEPA to collect mitigation payments are:

1) Smaller developments are exempt from SEPA mitigation fees, thus cumulative impacts from several small developments can lead to impacts that are not funded by new development and must be funded from other sources such as property taxes or bonds and levies. Most new development on Mercer Island is categorically exempt from SEPA under State law, and is not required to mitigate its impacts. Exempt development includes most short plats and new single-family homes.

In the last 5 years, the City issued 137 SEPA determinations. Of these, only 5 could potentially be subject to SEPA mitigation fees. The rest were for shoreline improvements, code amendments, public works projects, wireless communication facilities and replacement single family homes.

2) SEPA transportation mitigation fees are typically used to fund specific improvements identified in the six-year Transportation Improvement Program in the immediate vicinity of the proposed development. They cannot be used for transportation improvements farther away from the project site.

3) The current system of using SEPA to mitigate project impacts can be uncertain for the developer. A developer is required to submit a SEPA Environmental Checklist with the permit application and provide appropriate impact analysis (E.G. a traffic study), and then come to agreement with city staff regarding reasonable and appropriate mitigation. This process creates a high level of uncertainty and risk for the developer who does not know what mitigation will be required, or how much those impacts will cost, until after the project permit has been submitted. Since mitigation payments usually only fund a small portion of an improvement, additional City resources must be appropriated to cover the remaining cost of the actual system improvements.

GMA IMPACT FEES

The State’s Growth Management Act (GMA) requires a capital facilities plan as a mandatory element of our Comprehensive Plan (RCW 36.70A.070). In 1990, the legislature, as part of the GMA, authorized the use of impact fees to ensure that adequate facilities are available to serve new growth and development (RCW 82.02.050).

The funds collected cannot be used for operation, maintenance, repair, alteration, or replacement of existing capital facilities and cannot just be added to general revenue. Instead, the use of GMA impact fees are
limited and 1) shall only be imposed for system improvements that are “reasonably related” to the new development; 2) shall not exceed a “proportionate share” of the costs of system improvements that are “reasonably related” to the new development; and 3) shall be used for system improvements that will reasonably benefit the new development.

A GMA impact fee may be imposed for “public facilities” owned or operated by government entities including: 1) public streets and roads, 2) publically owned parks, open spaces and recreational facilities, 3) school facilities and 4) fire protection facilities (RCW 82.02.090). The ordinance imposing impact fees must be carefully crafted to avoid an unconstitutional taking of private property. For this reason, development of impact fees ordinances often require use of technical consultants.

A city may adopt GMA impact fees by local ordinance following a very detailed analysis of public facility needs and costs related to new growth and development. GMA impact fees collected by the city shall be held in special interest bearing accounts, with separate accounts established for each type of public facility. Annual Reports are required. GMA impact fees collected must be spent or encumbered on eligible improvements identified in the capital facilities plan within 10 years of receipt or the fee must be refunded to the applicant. GMA impact fees may be held longer for “an extraordinary and compelling reason” (RCW 82.02.070).

GMA impact fees work well for the development of raw land, or “greenfield development” when new streets, parks, schools and fire protection infrastructure are needed to support development. In simple terms, an impact fee system might be described as follows: the cost of new infrastructure needed to support new development is divided by number of new housing units (and/or commercial or industrial space) resulting in an impact fee per unit. For example, if a new road were to cost $1,000,000 and were to exclusively serve multiple developments totaling 126 units, an impact fee of $7,936.51 per unit would likely pass the rational nexus and proportionality tests. Establishment of an impact fee becomes more complex in cases where the new road provides some benefit to the public, in addition to the benefit to the development. So, using this same example, if 50% of the users of the new road were expected to be members of the public, who are not residents of the new development, the reasonable impact fee would be cut in half, or would be $3,968.25.

One very important aspect of GMA impact fees is that the fee must be used to support new growth and development. Because nearly all of Mercer Island is fully developed, the use of GMA impact fees for redevelopment is constrained. To establish GMA impact fees where developed land is gradually being redeveloped, careful analysis would be required. For example, the establishment of a road impact fee would require an analysis of the incremental impact of the new development. This analysis would include consideration of the surplus capacity of existing roads and the proportional impact of the development in relationship of trips by the general public. Proposed capital improvements would need to be identified to address the needed expansion of roadway capacity. Finally, a rational nexus and proportionality test would be applied to the proposed improvements to establish an appropriate impact fee for redeveloping land.

The complexity of redevelopment impact fees typically requires extensive and detailed analysis and study to justify the fee, which may be challenged by any developer who believes the fee does not meet the standards of nexus and proportionality established by the State. In addition, once the GMA impact fee is adopted, the cost of administration including management of the fund and the actual construction of the facility can add cost to the program.

In the last 5 years, the City issued 190 building permits for new single-family homes and 138 single family demolition permits (see chart on next page). This is a net increase of 52 new homes for which GMA impact fees could have been collected. All of these houses were exempt from SEPA, so collection of SEPA mitigation fees was not possible.
Benefits of GMA Impact Fees:

1) Impact fees provide a revenue stream to construct public facilities needed to support new development.

2) Impact fees establish certainty for developers who know the costs for public facilities development and reduce the risk of the unknown as the project is planned and developed.

3) Impact fees can be collected for new development that is exempt from SEPA, and therefore, not subject to SEPA mitigation payments. For example, a lot with an existing home is approved for a 4 lot short plat. The City could collect impact fees on the new development (3 homes) but could not collect a SEPA mitigation payment since the short plat is exempt from SEPA.

Disadvantages of Impact Fees:

1) The cost of developing and administering the impact fee program as well as follow-up modeling and updating. Since GMA impact fees would conceivably be collected on all new development, there would be more fees and payments to track than the less frequently used SEPA mitigation fees.

2) Impact fees add to the cost of development.

**IMPACTS**

The following discusses several specific types of impacts that have been raised by Councilmembers:

**Transportation Impacts:**

This mitigation typically comes in the form of a proportionate share of a future transportation improvement by the City. The current approach is to address transportation impacts on a project-specific basis. A project that is subject to SEPA may require a traffic study that analyzes the impacts of the project and identifies appropriate project-specific mitigation.

An example is impacts on intersections from Town Center projects. The following chart shows contribution toward traffic signals for Town Center projects since 2005:

<table>
<thead>
<tr>
<th>PROJECT</th>
<th>CONTRIBUTION TOWARD TRAFFIC SIGNALS (YEAR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Starbucks</td>
<td>$28,000 (2005)</td>
</tr>
<tr>
<td>The Mercer</td>
<td>$18,667 (2007)</td>
</tr>
<tr>
<td>Island Square</td>
<td>$3,645 (2008)</td>
</tr>
<tr>
<td>7700 Central</td>
<td>$33,950 (2009)</td>
</tr>
<tr>
<td>7800 Plaza</td>
<td>$9,143 (2010)</td>
</tr>
<tr>
<td>Aviara</td>
<td>$35,500 (2011)</td>
</tr>
</tbody>
</table>
If GMA impact fees are enacted for transportation impacts, the fees must be based on system improvements that are reasonably related to the new development. A reasonable question is what planned improvements are related to growth.

The only project in the City’s current Transportation Improvement Plan that could be somewhat related to growth is the SE 40th Street project. This $759,000 project is projected for 2018, so it meets the 10-year requirement for use of impact fees. However, most of this project is needed to handle the impact of current development and traffic. So an impact fee to recover some of the SE 40th Street project costs would need to be based on less than 100% of the project cost.

If the City charged a GMA transportation impact fee, a development project would still be responsible for on-site street improvements and any nearby off-site improvements to mitigate impacts that are unrelated to the SE 40th Street project.

School Impacts:

Under the current SEPA mitigation fee system, the Mercer Island School District submits comments on SEPA checklists requesting mitigation. The table below shows the mitigation payments that were paid by each project. The gap of payments between 2004-2007 is unexplained. The Legacy payment was based on the cost of a portable and the projected number of students per unit in the project.

<table>
<thead>
<tr>
<th>PROJECT NAME</th>
<th>SCHOOL MITIGATION</th>
<th>YEAR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legacy</td>
<td>$90,556.00</td>
<td>2014</td>
</tr>
<tr>
<td>Aviara</td>
<td>$0.00</td>
<td>2007</td>
</tr>
<tr>
<td>7800 Plaza</td>
<td>$0.00</td>
<td>2005</td>
</tr>
<tr>
<td>77 Central</td>
<td>$0.00</td>
<td>2005</td>
</tr>
<tr>
<td>Aljoya</td>
<td>$0.00</td>
<td>2004</td>
</tr>
<tr>
<td>The Mercer</td>
<td>$93,696.46</td>
<td>2002</td>
</tr>
<tr>
<td>Island Market</td>
<td>$43,244.42</td>
<td>2001</td>
</tr>
<tr>
<td>Avellino</td>
<td>$19,608.00</td>
<td>2001</td>
</tr>
<tr>
<td>Newell Court</td>
<td>$17,160.50</td>
<td>2001</td>
</tr>
</tbody>
</table>

The School District recently submitted a letter asking that the previous mitigation formula be updated to reflect the cost of a new classroom. See Exhibit 1. If the City continues to use the SEPA mitigation fee tool, the City will collect the updated fee for projects in the Town Center as indicated in the letter. City Council action is not required to update the mitigation formula.

Parks, Open Spaces and Recreational Facility Impacts:

The City has not been collecting SEPA mitigation fees for impacts to parks, open spaces and recreational facilities. GMA impact fees for parks, open spaces and recreational facilities would need to fund system improvements that are reasonably related to new growth.

OTHER CITIES FEES

The Municipal Research and Service Center (MRSC) has a valuable webpage related to impact fees: http://mrsc.org/Home/Explore-Topics/Planning/Land-Use-Administration/Impact-Fees.aspx. MRSC has some information on what other cities charge for impact fees. While it is tempting to conclude that Mercer Island can collect $8,400 per PM peak hour trip like Redmond or $3,000 like Bellevue, each City’s fee must be based uniquely on its projected growth and Capital Facilities plans. Comparison to other cities is helpful.
when deciding how a proposed impact fee compares to other cities in the market but should not be used to inform a decision on how much funding is potentially available.

NEXT STEPS

If the City Council would like to continue to study use of GMA impact fees, a rate study will be needed to provide legal support for any fee that is adopted. A rough estimate of a rate study for a transportation impact fee would be $20,000 to $50,000 depending on what is needed to support collection of the fee. Council could direct staff to return with a budget request and hire a consultant to complete the study. If Council wanted to study impact fees for parks, open spaces and recreational facilities, school facilities and/or fire protection facilities, staff could return with cost estimate(s) to study each of those items.

ADDITIONAL RESOURCES

Two good resources for information are the aforementioned MRSC website and the Thurston County website: http://www.co.thurston.wa.us/planning/impact/impact_home.html. The linked documents at the bottom of the Thurston County webpage provide examples of impact fee studies.

RECOMMENDATION

Development Services Director

Provide direction to staff.
March 2, 2015

Scott Greenberg  
Director of Development Services Group  
City of Mercer Island  
9611 SE 36th Street  
Mercer Island, Washington 98040

Dear Scott;

I am writing to you at the direction of Dr. Plano, school superintendent, regarding the assessment of impact fees for new and future development on Mercer Island. As you know, the Mercer Island School District has had an agreement with the City of Mercer Island on the amount of school mitigation fees it seeks on residential development within the Town Center since the 1990's. Mitigation fees are requested by the District as each development is submitted for design approval and permitting.

Should the City desire to move to an impact fee ordinance, the District would like to work with the City to develop one as provided for under the Growth Management Act for all new residential development within the City. In the interim the District desires to revisit the current agreement with the City on the level of mitigation fees it seeks regarding residential development in the Town Center once the current moratorium expires.

The District would like to seek mitigation fees within the Town Center as illustrated in the attachment below. The calculation of impact fees would be based on the total number of residential units within the development or based on the number of two or more bedroom units within the development. The fee would be $2,725.38 per unit (based on the total number of units) or $5,923.92 per unit (for two or more bedroom units).

The District is also requesting that the City work with District to update Attachment 2, which will require a small adjustment to the fee being requested.

Sincerely,

R. Dean Mack  
Chief Operating/Financial Officer  
Mercer Island School District  
206.236.4522

Attachments
ATTACHMENT 1:
Mercer Island School District (Elementary No. 4 Cost Detail)

Cost of Elementary No. 4

<table>
<thead>
<tr>
<th>Hard Costs</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contract with Bayley Construction</td>
<td>$30,385,900.00</td>
</tr>
<tr>
<td>Sales Tax 9.50%</td>
<td>2,886,660.50</td>
</tr>
<tr>
<td>Subtotal</td>
<td>$33,272,560.50</td>
</tr>
</tbody>
</table>

Other Costs

<table>
<thead>
<tr>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Design/Planning</td>
</tr>
<tr>
<td>Permitting/Inspection</td>
</tr>
<tr>
<td>Builders Risk Insurance/Constr. Management</td>
</tr>
<tr>
<td>Furniture</td>
</tr>
</tbody>
</table>

Total $38,861,717.94

Cost Per Square Foot

$38,861,717.94/77,000 Sq. Ft. = $504.70 per square foot

Impact Fee Calculation Options (Per Unit)

Option 1 – Based on Total Number of Units

$504.70 X 900 sq. ft. = $454,230.00 per classroom
$454,230.00/24 = $18,926.25 per student
$18,926.25 X .144 = $2,725.38 per unit (all units)

Option 2 – Based on Total Number of Units Containing Two or More Bedrooms

$504.70 X 900 sq. ft. = $454,230.00 per classroom
$454,230.00/24 = $18,926.25 per student
$18,926.25 X .313 = $5,923.92 per unit (2 or more bedrooms)
## ATTACHMENT 2:

**Mercer Island School District Historic School Enrollment for Projects in the Town Center (2012)**

<table>
<thead>
<tr>
<th>Building</th>
<th>Students</th>
<th>1-bedroom, Studio, Live/work</th>
<th>2-bedroom</th>
<th>3-bedroom</th>
<th>Average student per &gt;1 bedroom unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Mercer Island Square Avellino 7700 Building 78 Plaza Newell</td>
<td>49</td>
<td>76</td>
<td>83</td>
<td>0</td>
<td>59.0%</td>
</tr>
<tr>
<td>37</td>
<td>149</td>
<td>86</td>
<td>0</td>
<td>43.0%</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>0</td>
<td>23</td>
<td>0</td>
<td>8.7%</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>119</td>
<td>49</td>
<td>3</td>
<td>12.5%</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>0</td>
<td>24</td>
<td>0</td>
<td>12.5%</td>
<td></td>
</tr>
<tr>
<td>0</td>
<td>0</td>
<td>26</td>
<td>0</td>
<td>0.0%</td>
<td></td>
</tr>
<tr>
<td>Total:</td>
<td>92</td>
<td>344</td>
<td>291</td>
<td>3</td>
<td></td>
</tr>
</tbody>
</table>

Average number of students per all units is .144

Average number of students per all two and three bedroom units is .313
Mercer Island School District No. 400 hereby provides to the City of Mercer Island this Capital Facilities Plan documenting the present and future school facility requirements of the District. The Plan contains all elements required by the State of Washington's Growth Management Act, including a six (6) year financing plan component.

Adopted on June 11, 2015
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<th>Page Number</th>
</tr>
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For information about this plan, call the District Business Services Office
(206)236-4522
## Mercer Island School District No. 400
Mercer Island, Washington
(206) 236-3330

### Board of Directors

<table>
<thead>
<tr>
<th>Position Number</th>
<th>Term</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brian Emanuels, President 3</td>
<td>12/2/2011 – 12/2/2015</td>
</tr>
<tr>
<td>Ralph Jorgenson, Vice-President 5</td>
<td>Appointed 5/14/2015 – 12/2/2015</td>
</tr>
<tr>
<td>Adair Dingle 4</td>
<td>12/2/2013 – 12/2/2017</td>
</tr>
<tr>
<td>Dave Myerson 2</td>
<td>12/2/2013 – 12/2/2017</td>
</tr>
<tr>
<td>Pat Braman 1</td>
<td>12/2/2011 – 12/2/2015</td>
</tr>
</tbody>
</table>

### Central Office Administration

- **Superintendent**: Gary Plano
- **Executive Director of Learning & Technology Services**: Jennifer Wright
- **Chief Financial and Operations Officer**: Dean Mack
Mercer Island School District No. 400
Mercer Island, Washington

Administration Building
4160 86th Ave. SE
Mercer Island, WA 98040
(206) 236-3300
Gary Plano, Superintendent

Mercer Island High School
9100 SE 42nd
Mercer Island, WA 98040
(206) 236-3350
Vicki Puckett, Principal

Lakeridge Elementary
8215 SE 78th
Mercer Island, WA 98040
(206) 236-3415
Jenny Gibbs, Principal

Islander Middle School
8225 SE 72nd
Mercer Island, WA 98040
(206) 236-3413
Mary Jo Budzius, Co-Principal
Aaron Miller, Co-Principal

West Mercer Elementary
4141 81st Ave
Mercer Island, WA 98040
(206) 236-3430
Carol Best, Principal

Island Park Elementary
5437 Island Crest Way
Mercer Island, WA 98040
(206) 236-3410
David Hoffman, Principal

Elementary No. 4
4030 86th Ave
Mercer Island, WA 98040
(206) 236-3330
Aimee Batliner-Gillette, Principal
Section 1 – Executive Summary

The Mercer Island School District is located wholly within the incorporated City of Mercer Island. This Six-Year Capital Facilities Plan (the “Plan”) has been prepared by the Mercer Island School District (the “District”) as the organization’s primary facility planning document, in compliance with the requirements of the State of Washington's Growth Management Act. This plan was prepared using data available in spring of 2015 and is consistent with prior capital facilities plans adopted by the District. However, it is not intended to be the sole plan for all of the organization's needs.

Pursuant to the requirements of the Growth Management Act and the local implementing ordinance, this plan will be updated on an annual basis with any changes in the fee schedule adjusted accordingly. See Appendix A for the current single family residence and multi-family residence calculations.

The District’s Plan establishes a "standard of service" in order to ascertain current and future capacity. This standard of service is reflective of current student/teacher ratios that the District hopes to be able to maintain during the period reflected in this Capital Facilities Plan. While the District would strive to be able to attain lower class sizes district-wide, prolonged and ongoing reductions in funding from the State have significantly impacted our ability to do so. The District has, and will continue to make budgetary decisions in order to attempt to protect class size through reduction in other programs and services, where possible. Future state and other funding shortfalls could impact future class sizes.

It should also be noted that although the State Superintendent of Public Instruction establishes square foot guidelines for capacity funding criteria, those guidelines do not account for the local program needs in the District. The District has made adjustments to the standard of service based on the District's specific needs.

In general, the District's current standard provides the following (see Section 2 for additional information):

<table>
<thead>
<tr>
<th>School Level</th>
<th>Target Average Student/Teacher Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Elementary</td>
<td>19.5 Students</td>
</tr>
<tr>
<td>Middle</td>
<td>26 Students</td>
</tr>
<tr>
<td>High</td>
<td>28 Students</td>
</tr>
</tbody>
</table>

School capacity is based on the District standard of service and use of existing inventory. Existing inventory includes both permanent and relocatable classrooms (i.e. portable classroom units). The District's current overall permanent capacity is 3,483 students (with an additional 604 student capacity available in portable classrooms). October enrollment for the 2014-15 school year was 4,316 students. Enrollment is projected to increase by 8.2%, to 4,672 by 2020. Washington State House Bill 2776, which was enacted in 2010, requires all kindergarten classes in the State to convert to full day kindergarten by 2018. The district currently provides a tuition based full-day kindergarten program to 92% of kindergarten students.
Approximately 25% of the growth on the Island is the result of the King County Growth Management Act and policy choices for high density development in the Town Center. The City of Mercer Island is anticipating significant further development within the Town Center as a result of commitments under the Growth Management Act. The other 75% of growth comes from redevelopment of property (in many cases occurring where existing lots are subdivided and several new homes are constructed) and from a higher rate of homes being sold by seniors to a younger population that is just starting or might already have young families.

This sustained growth continues to create the need for additional classroom inventory. The district passed a bond issue in February 2014 for $98.8 million dollars. The bond issue was designed to fund three targeted facility projects to address current overcrowding in Mercer Island Schools and to provide permanent capacity for the future growth of the student population over the next ten years. These bonds will enable the district to build a fourth elementary school, expand Islander Middle School with twelve classrooms for basic education and special education programs. In addition the bonds provide for the addition of ten classrooms at Mercer Island High School, which provide adequate space for basic education and special education programs; and allow for STEM (science, technology, engineering and math), with a focused delivery of instruction.
Section 2 – Current District "Standard of Service"

Mercer Island School District has established a “standard of service” in order to ascertain its overall capacity. The standard of service identifies the program year, the class size, the number of classrooms, students and programs of special need, and other factors (determined by the district), which would best serve the student population. Relocatables (i.e. portable classroom units) may be included in the capacity calculation using the same standards of service as the permanent facilities.

The standard of service outlined below reflects only those programs and educational opportunities provided to students that directly affect the capacity of the school buildings. The special programs listed below require classroom space; thus, the permanent capacity of some of the buildings housing these programs has been reduced in order to account for those needs. The standard of service has been updated to incorporate anticipated class size reduction at the K-3 level as outlined in House Bill (HB 1351), which was approved by voters in November 2014.

Standard of Service for Elementary Students

- Average target class size for grades K – 3: 17 students
- Average target class size for grades 4 – 5: 25 students
- Special Education for students with disabilities may be provided in a self-contained classroom. Average target class size: 10 students

Identified students will also be provided other special educational opportunities in classrooms designated as follows:

- Resource rooms
- Computer rooms
- English Language Learners (ELL)
- Education for disadvantaged students (Title I)
- Gifted education (Hi-C)
- District remediation programs
- Learning assisted programs
- Severely behavior disordered
- Transition room
- Mild, moderate and severe disabilities
- Preschool programs
- Before and After School Day Care Programs

It is not possible to achieve 100% utilization of regular teaching stations because of scheduling conflicts for student programs, the need for specialized rooms for certain programs, the need for teachers to have a work space during their planning periods, and due to the fact that the same number of sections or classes is required every period. In
addition the district is in the process of building classrooms to meet the demand of
development over the next five to seven years. Based on actual utilization due to these
considerations, the district has determined a standard utilization rate of 95% for
elementary schools.

**Standard of Service for Secondary Students**

- Average target class size for grades 6 - 8: 26 students
- Average target class size for grades 9 - 12: 28 students
- Special Education for students with disabilities may be provided
  in a self-contained classroom. Average target class size: 10 students

Identified students will also be provided other special educational opportunities in
classrooms designated as follows:

- English Language Learners (ELL)
- Computer rooms
- Education for disadvantaged students (Title I)
- District remediation programs
- Learning assisted programs
- Resource rooms (for special remedial assistance)
- Severely behavior disordered
- Mild, moderate and severe disabilities
- Transition room

**Room Utilization at Secondary Schools**

It is not possible to achieve 100% utilization of regular teaching stations because of
scheduling conflicts for student programs, the need for specialized rooms for certain
programs, the need for teachers to have a work space during their planning periods, and
due to the fact that the same number of sections or classes is required every period. One
example is a period when band or orchestra is offered and over 100 students can be
taken out of the mix; this can reduce the demand on the number of classrooms required.
Based on actual utilization due to these considerations, the district has determined a
standard utilization rate of 88% (just over 6 out of 7 periods per day) for secondary
schools.
Section 3 – Inventory and Evaluation of Current Permanent Facilities

The District's current permanent capacity is 3,483 students. The current enrollment on October 1, 2014 was 4,316 students or 833 student’s more than permanent capacity. Student enrollment is expected to increase by an additional 8.2% over the next five to six years. In addition, the Washington State Legislature has action pending to reduce student/teacher ratios at grades K-3 to 17:1 in the next two school years. This Plan incorporates these reduced student/teacher ratios. The Legislature is also considering implementation of Initiative 1351, which reduces class sizes at all grade levels. In the next Plan update, the District will update any facilities changes required if the Legislature funds and implement these reduced student/teacher ratios.

Calculations of elementary, middle, and high school capacities have been made in accordance with the current standards of service. Due to changes in instructional programs, student needs (including special education) and other current uses, some changes in building level capacity have occurred at some schools. An inventory of the District’s schools arranged by level, name, and current permanent capacity are summarized in the following table.

<table>
<thead>
<tr>
<th>Facility</th>
<th>Grade</th>
<th>Permanent Classroom Capacity @ 100%</th>
<th>Special Education Capacity</th>
<th>Total Permanent Capacity @ 95%, 88%, 88%</th>
<th>Estimated Oct. 1, 2015 Enrollment</th>
<th>Over (Short) Permanent Capacity</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Elementary Schools</strong> (Permanent Capacity @ 95%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Island Park Elementary</td>
<td>K - 5</td>
<td>332</td>
<td>10</td>
<td>325</td>
<td>585</td>
<td>(260)</td>
</tr>
<tr>
<td>Lakeridge Elementary</td>
<td>K - 5</td>
<td>370</td>
<td>0</td>
<td>352</td>
<td>631</td>
<td>(280)</td>
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<tr>
<td>West Mercer Elementary</td>
<td>K - 5</td>
<td>390</td>
<td>10</td>
<td>380</td>
<td>655</td>
<td>(275)</td>
</tr>
<tr>
<td><strong>Total Elementary Capacity</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>1,092</td>
<td>20</td>
<td>1,056</td>
<td>1,871</td>
<td>(815)</td>
</tr>
<tr>
<td><strong>Middle School</strong> (Permanent Capacity @ 88%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Islander Middle School</td>
<td>6 - 8</td>
<td>1,118</td>
<td>50</td>
<td>1,028</td>
<td>1,108</td>
<td>(80)</td>
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<tr>
<td><strong>High School</strong> (Permanent Capacity @ 88%)</td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mercer Island High School</td>
<td>9 - 12</td>
<td>1,540</td>
<td>50</td>
<td>1,399</td>
<td>1,414</td>
<td>(15)</td>
</tr>
<tr>
<td><strong>Total District Capacity (EL 95% MS, HS 88%)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>3,750</td>
<td>120</td>
<td>3,483</td>
<td>4,393</td>
<td>(910)</td>
</tr>
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</table>

* For Details on Use of Portables see Appendix D
Section 4 – Relocatable Classrooms

The District’s inventory of classrooms includes 30 portable classrooms that provide standard capacity and special program space as outlined in Section 2. The District inventory of portables provides approximately 14.5% of capacity district-wide. Based on projected enrollment growth, proposed legislative actions, and timing of anticipated permanent facilities, the district anticipates the need to acquire additional relocatables at the elementary school level during the next six-year period.

As enrollment fluctuates, relocatables provide flexibility to accommodate immediate needs and interim housing. Because of this, new and modernized school sites are all planned to accommodate the potential of adding relocatables to address temporary fluctuations in enrollment. In addition, the use and need for relocatables will be balanced against program needs. Relocatables are not a solution for housing students on a permanent basis, and the District would like to reduce the percentage of students that are housed in relocatable classrooms.

The cost of relocatables also varies widely based on the location and intended use of the classrooms. Currently, two of the portables in our inventory are not intended for regular classroom use and have not been included in the capacity to house student enrollment.
Section 5 – Six Year Enrollment Projections

The District enrollment projections are based on historic growth trends, future building plans and availability, birth rates, as well as economic and various other factors that contribute to overall population growth. Based on these projections, enrollment is anticipated to increase by approximately 356 students over the next six years. This represents an increase of 8.2% over the current population.
Section 6 – Six-Year Plan for Housing Students

Applying the enrollment projections, current capacity, and added capacity from construction plans discussed in previous sections above, the following table summarizes permanent and portable projected capacity to serve our students during the periods of this Plan.

As demonstrated in the following table, the District has continuing permanent capacity needs at ALL levels. The district passed a bond proposition for $98.8 million dollars in February 2014 to address student overcrowding across the district and to provide space for additional growth over the next six years. The bonds will build one additional elementary school and provide additional permanent capacity at both the middle school (ten classrooms and two special education spaces) and high school (eight classrooms and two special education spaces). Our Six-Year Finance Plan includes the addition of portable classrooms by the 2020-21 school year.

Enrollment continues to grow all grade levels. While the additional elementary school and classroom additions at the middle and high school levels, along with portable capacity, will provide needed capacity for our District, there may be additional needs within the timeframe of the Plan. State law currently will require class sizes of 17 students for grades K-3 by 2018 and the legislature could move this date forward. This represents an approximate 27% reduction in current K-3 class sizes and corresponding increase in needed classroom capacity. The District’s current Plan does not include consideration for any potential additional capacity needs as a result of these changes. Future updates to the Plan will address this matter as necessary.

<table>
<thead>
<tr>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Permanent Capacity @ 100%</td>
<td>3870</td>
<td>3870</td>
<td>4114</td>
<td>4844</td>
<td>4844</td>
<td>4844</td>
<td>4844</td>
</tr>
<tr>
<td>Added Capacity @ 100%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Elementary School (19.5)</td>
<td></td>
<td>450</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Middle School (26)</td>
<td>280</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>High School (28)</td>
<td></td>
<td>244</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Permanent Capacity @ 100%</td>
<td>3870</td>
<td>4114</td>
<td>4844</td>
<td>4844</td>
<td>4844</td>
<td>4844</td>
<td>4844</td>
</tr>
<tr>
<td>Total Permanent Capacity @ 95%, 88%, 88% *</td>
<td>3483</td>
<td>3698</td>
<td>4371</td>
<td>4371</td>
<td>4371</td>
<td>4371</td>
<td>4371</td>
</tr>
<tr>
<td>Portables @ 95%, 88%, 88% *</td>
<td>604</td>
<td>604</td>
<td>222</td>
<td>222</td>
<td>222</td>
<td>222</td>
<td>225</td>
</tr>
<tr>
<td>Total Capacity with Portables @ 95%, 88%, 88% *</td>
<td>4076</td>
<td>4302</td>
<td>4593</td>
<td>4593</td>
<td>4593</td>
<td>4593</td>
<td>4630</td>
</tr>
<tr>
<td>Projected Enrollment Headcount **</td>
<td>4316</td>
<td>4393</td>
<td>4487</td>
<td>4569</td>
<td>4610</td>
<td>4624</td>
<td>4672</td>
</tr>
<tr>
<td>Capacity (Surplus/Deficit) @ 95%, 88%, 88% *</td>
<td>-833</td>
<td>-695</td>
<td>-116</td>
<td>-198</td>
<td>-239</td>
<td>-253</td>
<td>-301</td>
</tr>
<tr>
<td>Capacity with Portables (Surplus/Deficit) @ 95%, 88%, 88% *</td>
<td>-229</td>
<td>-91</td>
<td>106</td>
<td>24</td>
<td>-17</td>
<td>-31</td>
<td>-42</td>
</tr>
</tbody>
</table>

* Capacity calculations are based on the 95% utilization for Elementary School and 88% utilization for Middle/High School (see Appendix D).
** 2014-15 Actual October 1st enrollment head counts. The number of planned portables may be reduced if permanent capacity is increased by a future bond issue. Alternatively the number of portables may increase as necessary to address capacity.
Section 7 – Impact Fees and the Finance Plan

The school impact fee formula ensures that new development only pays for the cost of the facilities necessitated by new development. The following impact fee calculations examine the costs of housing the students generated by each new single family or multi-family dwelling unit. These are determined using student generation factors, which indicate the number of students that each dwelling produces based on recent historical data. The student generation factor is applied to the anticipated school construction costs (construction cost only, not total project cost), which is intended to calculate the construction cost of providing capacity to serve each new dwelling unit during the six year period of this Plan. The formula does not require new development to contribute the costs of providing capacity to address needs created by existing housing units.

The construction cost, as described above, is reduced by any state match dollars anticipated to be awarded to the District and the present value of future tax payments of each anticipated new homeowner, which results in a total cost per new residence of additional capacity during the six year period of this Plan.

The finance plan below demonstrates how the Mercer Island School District plans to finance improvements for the years 2015 through 2020. The financing requirements of this plan have been secured.

For the purposes of this Plan’s construction costs, the District is using the value of each projects contract as it was bid and authorized, with estimated adjustments for change orders during actual construction. The impact fee calculation uses only those costs allocable to the new capacity being added at Islander Middle School (with the finance plan showing the total project costs).

The District has also updated State Match availability estimates from OSPI. A district can be eligible for potential State matching funds for 1) New Construction, and 2) Modernization/New-in-Lieu Construction. The State Match program has authorized $3,078,826.89 for the Islander Middle School Expansion Project, which the district is front funding.

### Six-Year Finance Plan

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Elementary No. 4</td>
<td>N</td>
<td>$1,350,397</td>
<td>$35,000,000</td>
<td>$2,511,321</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$38,861,718</td>
<td>$38,861,718</td>
<td>$0</td>
</tr>
<tr>
<td>Islander Middle School******</td>
<td>M</td>
<td>$2,138,194</td>
<td>$38,000,000</td>
<td>$2,778,080</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$42,916,274</td>
<td>$42,916,274</td>
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<tr>
<td>Mercer Island High School</td>
<td>M</td>
<td>$1,492,215</td>
<td>$7,500,000</td>
<td>$208,783</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$9,200,998</td>
<td>$9,200,998</td>
<td>$0</td>
</tr>
<tr>
<td>Portables****</td>
<td>M</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$200,000</td>
<td>$200,000</td>
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<td>$80,500,000</td>
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<td>$200,000</td>
<td>$91,178,990</td>
<td>$91,178,990</td>
</tr>
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* N = New Construction M = Modernization/Rebuild
** Mercer Island School District has front funded these projects.
*** School impact fees may be utilized to offset front funded expenditures associated with the cost of new facilities. Impact fees are currently collected from the City of Mercer Island.
**** The number of portables may increase as necessary to address capacity. Funds for portable purchases may come from impact fees, state matching funds, interest earnings, capital levies or future bond sale elections.
***** The cost allowed for new capacity at Islander Middle School is $10,288,148.
## Estimated School Impact Fee Calculation
Based on King County Code 21.A.43

### Single Family Residence (“SFR”)

### School Site Acquisition Cost:

<table>
<thead>
<tr>
<th>Facility</th>
<th>Cost/ Student</th>
<th>Site Cost/Acre</th>
<th>Acre Size</th>
<th>Student Factor</th>
<th>SFR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Elementary</td>
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<td>0</td>
<td>0</td>
<td>0.2941</td>
<td>0</td>
</tr>
<tr>
<td>Middle</td>
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<td>0</td>
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<tr>
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<td>0</td>
<td>0</td>
<td>0</td>
<td>0.1176</td>
<td>0</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>0</strong></td>
<td><strong>0</strong></td>
<td><strong>0</strong></td>
<td><strong>0</strong></td>
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</table>

### School Construction Cost:

<table>
<thead>
<tr>
<th>Percent</th>
<th>Construction Cost</th>
<th>Facility Size</th>
<th>Bldg. Cost/ Student</th>
<th>Student Factor</th>
<th>SFR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Elementary</td>
<td>100%</td>
<td>$38,861,718</td>
<td>482</td>
<td>$80,626</td>
<td>0.2941</td>
</tr>
<tr>
<td>Middle</td>
<td>100%</td>
<td>$10,288,148</td>
<td>280</td>
<td>$36,743</td>
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</tr>
<tr>
<td>High School</td>
<td>100%</td>
<td>$9,200,998</td>
<td>244</td>
<td>$37,709</td>
<td>0.1176</td>
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<tr>
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<td><strong>0</strong></td>
<td><strong>0</strong></td>
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### Temporary Facility Cost:

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<th>Percent</th>
<th>Construction Cost</th>
<th>Facility Size</th>
<th>Bldg. Cost/ Student</th>
<th>Student Factor</th>
<th>SFR</th>
</tr>
</thead>
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<tr>
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<td>$0</td>
<td>22</td>
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<tr>
<td>Middle</td>
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<td>$0</td>
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<td>$0</td>
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<tr>
<td>High School</td>
<td>0%</td>
<td>$0</td>
<td>28</td>
<td>$0</td>
<td>0.1176</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>0</strong></td>
<td><strong>0</strong></td>
<td><strong>0</strong></td>
<td><strong>0</strong></td>
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### State Assistance Credit Calculation:

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<th>Allocation</th>
<th>Sq. Ft./ Student</th>
<th>Funding Assistance</th>
<th>Credit/ Student</th>
<th>Factor</th>
<th>SFR</th>
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<td>Middle</td>
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### Tax Payment Credit Calculation:

- Average SFR Assessed Value: $1,195,878
- Current Capital Levy Rate (2014)/$1000: $0.83
- Annual Tax Payment: $992.58
- Years Amortized: 10
- Current Bond Interest Rate: 3.68%
- Present Value of Revenue Stream: $8,180

### Impact Fee Summary for Single Family Residence:

- Site Acquisition Cost: $0
- Permanent Facility Cost: $27,280
- Temporary Facility Cost: $0
- State Match Credit: ($276)
- Tax Payment Credit: ($8,180)
- Sub-Total: $18,824
- Local Share (Adjustment): 25%
- **SFR Impact Fee**: $14,117.84

---

Appendix A
### Estimated School Impact Fee Calculation
Based on King County Code 21.A.43

#### Multiple Family Residence ("MFR")

#### School Site Acquisition Cost:

<table>
<thead>
<tr>
<th>Facility</th>
<th>Cost/ Facility</th>
<th>Site Cost/ Student</th>
<th>Student Factor</th>
<th>MFR</th>
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</thead>
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<td>Acreage</td>
<td>Acre</td>
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<td>$0</td>
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<tr>
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<td>280</td>
<td>$0</td>
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<td>244</td>
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#### School Construction Cost:

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<th>Construction Cost</th>
<th>Facility Size</th>
<th>Bldg. Cost/ Student</th>
<th>Student Factor</th>
<th>MFR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Permanent</td>
<td>100%</td>
<td>$38,861,718</td>
<td>482</td>
<td>$80,626</td>
<td>0.0622</td>
</tr>
<tr>
<td>Middle</td>
<td>100%</td>
<td>$10,288,148</td>
<td>280</td>
<td>$36,743</td>
<td>0.0274</td>
</tr>
<tr>
<td>High School</td>
<td>100%</td>
<td>$9,200,998</td>
<td>244</td>
<td>$37,709</td>
<td>0.0460</td>
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</tbody>
</table>

#### Temporary Facility Cost:

<table>
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<tr>
<th>Percent</th>
<th>Construction Cost</th>
<th>Facility Size</th>
<th>Bldg. Cost/ Student</th>
<th>Student Factor</th>
<th>MFR</th>
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</thead>
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<tr>
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<td>28</td>
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### State Assistance Credit Calculation:

<table>
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<tr>
<th>Const Cost</th>
<th>Allocation</th>
<th>Sq. Ft./ Student</th>
<th>Funding Credit</th>
<th>Student Assistance</th>
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TOTAL $128

### Tax Payment Credit Calculation:

- Average MFR Assessed Value $305,844
- Current Capital Levy Rate (2014)/$1000 $0.83
- Annual Tax Payment $253.85
- Years Amortized 10
- Current Bond Interest Rate 3.68%
- Present Value of Revenue Stream $2,092

### Impact Fee Summary for Multiple Family Residency:

- Site Acquisition Cost $0
- Permanent Facility Cost $6,981
- Temporary Facility Cost $0
- State Match Credit ($128)
- Tax Payment Credit ($2,092)
- Sub-Total $4,760
- Local Share (Adjustment) 10% $476.01
- MFR Impact Fee $4,284

---

Appendix A
## Student Generation (Single Family Residence)

<table>
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<tr>
<th>Single Family Development</th>
<th>Units</th>
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<th>6 - 8</th>
<th>9 - 12</th>
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<th>K - 5</th>
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</table>

Totals Students: **34** | **10** | **2** | **4** | **16.00** | **0.2941** | **0.0588** | **0.1176** | **0.4706**

### SFR Student Generation Factors

<p>| | | | | | | | | | |</p>
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</table>

**TOTAL** | **0.4706**

These developments are currently under construction or have been completed within the past five years.
### Student Generation (Multi Family Residence)

<table>
<thead>
<tr>
<th>Multi-Family Development</th>
<th>Units</th>
<th>K - 5</th>
<th>6 - 8</th>
<th>9 - 12</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Avellino</td>
<td>23</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>Aviara</td>
<td>166</td>
<td>12</td>
<td>5</td>
<td>6</td>
<td>23</td>
</tr>
<tr>
<td>Island Square</td>
<td>235</td>
<td>12</td>
<td>4</td>
<td>9</td>
<td>25</td>
</tr>
<tr>
<td>Newell Court</td>
<td>26</td>
<td>3</td>
<td>3</td>
<td>1</td>
<td>7</td>
</tr>
<tr>
<td>The Mercer</td>
<td>159</td>
<td>17</td>
<td>9</td>
<td>11</td>
<td>37</td>
</tr>
<tr>
<td>7700 Central</td>
<td>171</td>
<td>3</td>
<td>0</td>
<td>6</td>
<td>9</td>
</tr>
<tr>
<td>7800 Plaza</td>
<td>24</td>
<td>2</td>
<td>0</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td>804</td>
<td>50</td>
<td>22</td>
<td>37</td>
<td>109</td>
</tr>
</tbody>
</table>

| MFR Student Generation Factors | | | | | |
|-------------------------------|-------|-------|-------|-------|
| Elementary K-5               | 0.0622|       |       |       |
| Middle School 6-8            | 0.0274|       |       |       |
| High School 9-12             | 0.0460|       |       |       |
| **TOTAL**                    | 0.1356|       |       |       |

These developments are currently under construction or have been completed within the past 10 years.
MERCER ISLAND SCHOOL DISTRICT MAP

CREST LEARNING CENTER
MERCER ISLAND HIGH SCHOOL
ADMINISTRATION BUILDING
WEST MERCER ELEMENTARY

ISLAND PARK ELEMENTARY
ISLANDER MIDDLE SCHOOL
LAKERIDGE ELEMENTARY
### Projected Capacity to House Students

<table>
<thead>
<tr>
<th></th>
<th># of Standard Classrooms</th>
<th>Room Capacity (Elementary 19.5, Middle School 26, High School 28)</th>
<th>Handicapped Room Capacity (High Needs)</th>
<th>Permanent Capacity @ 60%</th>
<th>Permanent Capacity @ 60%, 95%</th>
<th>Permanent Capacity @ 60%, 95%, 88%</th>
<th># of Existing Portables</th>
<th>Current School Capacity With Portables</th>
<th>Current School Capacity With Portables @ 95%, 88%, 88%</th>
<th>Projected October 2015 Headcount</th>
<th>Capacity With Portables @ 95%, 88%, 88%</th>
<th>Over or Short @ 95%, 88%, 88%</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Elem. Schools (Capacity Utilization Factor)</strong></td>
<td>95%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Island Park</td>
<td>17</td>
<td>332</td>
<td>1</td>
<td>10</td>
<td>342</td>
<td>324</td>
<td>8</td>
<td>156</td>
<td>496</td>
<td>473</td>
<td>585</td>
<td>(261)</td>
</tr>
<tr>
<td>Lakeridge</td>
<td>19</td>
<td>371</td>
<td>0</td>
<td>0</td>
<td>371</td>
<td>352</td>
<td>8</td>
<td>156</td>
<td>537</td>
<td>500</td>
<td>631</td>
<td>(279)</td>
</tr>
<tr>
<td>West Mercer</td>
<td>20</td>
<td>390</td>
<td>2</td>
<td>10</td>
<td>400</td>
<td>380</td>
<td>7</td>
<td>137</td>
<td>537</td>
<td>510</td>
<td>655</td>
<td>(275)</td>
</tr>
<tr>
<td><strong>Total Elementary</strong></td>
<td>56</td>
<td>1092</td>
<td>3</td>
<td>20</td>
<td>1172</td>
<td>1096</td>
<td>23</td>
<td>449</td>
<td>1531</td>
<td>1492</td>
<td>1871</td>
<td>(815)</td>
</tr>
<tr>
<td><strong>Middle Schools (Capacity Utilization Factor)</strong></td>
<td>88%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Islander Middle Sch.</td>
<td>43</td>
<td>1118</td>
<td>5</td>
<td>50</td>
<td>1168</td>
<td>1028</td>
<td>7</td>
<td>202</td>
<td>1370</td>
<td>1206</td>
<td>1106</td>
<td>(80)</td>
</tr>
<tr>
<td><strong>Total (Middle Sch.)</strong></td>
<td>43</td>
<td>1118</td>
<td>5</td>
<td>50</td>
<td>1168</td>
<td>1028</td>
<td>7</td>
<td>202</td>
<td>1370</td>
<td>1206</td>
<td>1106</td>
<td>(80)</td>
</tr>
<tr>
<td><strong>High Schools - (Capacity Utilization Factor)</strong></td>
<td>88%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MI High School</td>
<td>55</td>
<td>1540</td>
<td>5</td>
<td>50</td>
<td>1590</td>
<td>1398</td>
<td>0</td>
<td>0</td>
<td>1590</td>
<td>1398</td>
<td>1414</td>
<td>(13)</td>
</tr>
<tr>
<td><strong>Total (High School)</strong></td>
<td>55</td>
<td>1540</td>
<td>5</td>
<td>50</td>
<td>1590</td>
<td>1398</td>
<td>0</td>
<td>0</td>
<td>1590</td>
<td>1398</td>
<td>1414</td>
<td>(13)</td>
</tr>
<tr>
<td><strong>Total (All Schools)</strong></td>
<td>154</td>
<td>3750</td>
<td>13</td>
<td>120</td>
<td>3820</td>
<td>3483</td>
<td>30</td>
<td>650.5</td>
<td>4520.5</td>
<td>4087</td>
<td>4393</td>
<td>(810)</td>
</tr>
</tbody>
</table>

* Excludes spaces for special program needs and services

** Average of staffing ratios: Elementary 19.5, Middle School 26, High School 28

*** Permanent Capacity X Capacity Utilization Factor - (Minus) Projected October Headcount = (reflects the building's level of service design capacity)

**** Maximum Capacity with Portables x Capacity Utilization Factor - (Minus) Projected October Headcount Enrollment =