

# GMHB EXHIBIT 45



## BUSINESS OF THE CITY COUNCIL CITY OF MERCER ISLAND

**AB 6186**  
**November 15, 2022**  
**Regular Business**

### AGENDA BILL INFORMATION

<b>TITLE:</b>	AB 6186: Affordable Housing Unit Allocation Comment Letter	<input type="checkbox"/> Discussion Only <input checked="" type="checkbox"/> Action Needed: <input checked="" type="checkbox"/> Motion <input type="checkbox"/> Ordinance <input type="checkbox"/> Resolution
<b>RECOMMENDED ACTION:</b>	Review and authorize the Mayor to sign a comment letter to the King County Growth Management Planning Council (GMPC)	

<b>DEPARTMENT:</b>	Community Planning and Development
<b>STAFF:</b>	Jeff Thomas, Interim CPD Director Alison Van Gorp, Deputy CPD Director
<b>COUNCIL LIAISON:</b>	n/a
<b>EXHIBITS:</b>	1. Draft GMPC Comment Letter
<b>CITY COUNCIL PRIORITY:</b>	1. Prepare for the impacts of growth and change with a continued consideration on environmental sustainability.

<b>AMOUNT OF EXPENDITURE</b>	\$ n/a
<b>AMOUNT BUDGETED</b>	\$ n/a
<b>APPROPRIATION REQUIRED</b>	\$ n/a

### EXECUTIVE SUMMARY

The purpose of this agenda item is to review and authorize the Mayor to sign a comment letter to the Growth Management Planning Council (GMPC) conveying Mercer Island’s position on the affordable housing unit allocation and specifically, which option is preferred. On November 1, 2022, the City Council received a staff presentation on the new Growth Management Act (GMA) requirements created by [Engrossed Second Substitute House Bill 1220](#) (E2SHB 1220), including new affordable housing units allocation ([AB 6156](#)).

- In 2021, the WA State Legislature adopted E2SHB 1220. This bill amended the GMA to establish new requirements for the City’s Comprehensive Plan Housing Element. The City will need to address these new requirements during the update of the Comprehensive Plan currently underway.
- One of the new requirements established in E2SHB 1220 is that the City must adopt affordable housing unit allocations as targets and demonstrate that the Comprehensive Plan can accommodate these targets.
- The GMPC is currently working to determine the affordable housing unit allocations for cities in King County. The City is participating in this process.
- Three options are currently under consideration for allocating the affordable housing units to the cities. The GMPC is accepting comments on these options in advance of its scheduled November 30 meeting.

- A draft comment letter to the GMPC (Exhibit 1) was prepared for City Council consideration and approval. The letter recommends that the GMPC select the allocation method identified as Option 1 because it is the most realistic and attainable.

## BACKGROUND

In 2021, the Washington State Legislature passed by [E2SHB 1220](#), which directed the Washington State Department of Commerce (Commerce) to supply two types of housing unit projections that jurisdictions must plan for and accommodate in updated comprehensive plans. The two housing need projections Commerce will provide to counties are:

1. By income level: 0-30%, 31-50%, 51-80%, 81-120%, and >120% of area median income (AMI), and
2. Special needs housing: emergency housing, emergency shelters, and permanent supportive housing.

Once Commerce provides countywide affordable housing unit projections, counties must allocate such to its cities. In King County, the GMPC will recommend to the County Council affordable housing unit allocations for each city. The GMPC is a formal body, consisting of elected officials from King County, Seattle, Bellevue, other cities and towns in King County, special purpose districts, and the Port of Seattle who assist in developing a collaborative set of framework policies to guide development of each jurisdiction's comprehensive plan.

King County staff and the GMPC are now working on establishing and selecting a methodology for affordable housing unit allocations for cities. The GMPC discussed the topic at their [July 27 and September 28 meetings](#).

## ISSUE/DISCUSSION

### Affordable Housing Allocation Options

King County staff developed three options for the GMPC to consider for affordable housing unit allocations. These options were informed by local data and the methodology as well as county-level affordable housing projections provided by the Washington State Department of Commerce (Commerce). An [Online Dashboard](#) was prepared to illustrate these three options on a city-by-city basis. County staff are also developing a recommendation to the GMPC regarding the Countywide Planning Policy (CPP) amendments necessary to implement affordable housing unit allocations. In a September 28, 2022 King County staff report entitled "Briefing on AHC Revised Project Schedule, Allocating Countywide Housing Needs, and Other Updates" to the GMPC, the three allocation options are summarized as follows:

#### Option 1

- All countywide housing needs are accommodated through new housing production.
- Total new units allocated to each jurisdiction is limited to their share of planned countywide housing growth.
- All jurisdictions allocate the same percentage shares of their net new housing growth target by income level, including units for moderate, low, very low, and extremely low-income households.
- Similar to an allocation process used in King County before the countywide planning policies (CPPs) were amended in 2012.

#### Option 2

- Each jurisdiction should plan to provide the same percentage share of their total housing supply at each income level as needed countywide by 2044.
- Allocations of need are based in part on the estimated 2020 housing supply by affordability level. Jurisdictions with less low-income housing are thus allocated higher amounts in lower AMI bands.

- Allocations do not assume that all net new countywide housing needs will be met through new housing production.
- Similar to the way jurisdictions were guided to project their share of countywide need in the 2021 amended CPPs.

**Option 3**

- All countywide housing needs are accommodated through new housing production and total new units allocated to each jurisdiction is limited to their share of planned countywide housing growth.
- All jurisdictions initially receive a total new unit allocation that is equal to their percent share of total countywide growth.
- Then, uses three different weighting factors to adjust the total new unit need allocation within a jurisdiction:
  1. Percent share of housing that’s currently affordable at 0-80 percent AMI
  2. Percent share of housing that’s currently income restricted at 0-80 percent AMI
  3. Subregional ratio of low-wage jobs to low-wage workers
- Places different weights on each of the factors: 50% weight on share of housing that’s affordable, 25% weight each on share of housing that’s income-restricted, and low wage job import/export.
- This final allocation is then divided into different income levels by analyzing how many units currently exist in each jurisdiction at each income level, and then placing more of that jurisdiction’s allocation at income levels where they have less housing than the countywide average.

The three affordable housing unit allocation options are provided in Table 1, below. Please note, these options represent different income-level-based distributions of the City’s 1,239-unit overall housing growth target ratified in 2021 for the planning period 2024-2044.

**Table 1: Affordable Housing Unit Need Allocation Options**

Income Segment	Option 1 (dwelling units)	Option 2 (dwelling units)	Option 3 (dwelling units)
0-30% AMI	520	1,288	542
31-50% AMI	194	1,015	200
51-80% AMI	87	1,459	489
81-100% AMI	58	311	1
101-120% AMI	65	25	1
120+% AMI	315	(-) 2,858	6
<b>Total</b>	<b>1,239</b>	<b>1,240</b>	<b>1,239</b>

Source: King County 2022, [jurisdictional housing need options dashboard](#), retrieved November 1, 2022.

GMPC is currently accepting comments on the three proposed allocation options for affordable housing unit allocations (shown above in Table 1). Comments will be reviewed at its November 30 meeting.

**Comment Letter to the GMPC**

City staff have prepared a draft comment letter for City Council review at its November 15 regular meeting (Exhibit 1). The comment letter focuses on the following points:

1. Implementation:
  - The GMPC should focus on effective solutions that will achieve the desired outcomes.
  - Flexibility should be maintained for local jurisdictions to plan for unique circumstances and use tools that are most effective.

- Proven strategies such as the ARCH Housing Trust Fund must be included in the achievement of affordable housing targets.
2. Affordable Housing Need Allocation Options:
    - **Option 1 is Mercer Island's preferred alternative.** This option is the most realistic and achievable and is the most consistent with market realities. Option 1 sets a reasonable balance of affordable housing and market-rate housing units.
    - **Option 2 is not supported by Mercer Island.** Option 2 is unrealistic and will not be successful. It would require acquisition and conversion of approximately one quarter of the existing market rate housing stock to affordable housing.
    - **Option 3 has significant concerns as currently presented.** This option severely limits production of market rate housing in exchange for production of affordable housing. This is a lofty goal that is not achievable without substantial additional resources.
  3. Funding for Affordable Housing:
    - Further analysis is needed to understand the economics and resource needs of increasing the supply of affordable housing.
    - Substantial public investment will be required, far beyond the reach of cities like Mercer Island.
    - Cities have steadily contributed to affordable housing production through existing local tools – these incentives must be maintained.
  4. Reconsider Methodology:
    - Stakeholder input should be fully considered before the AHC or GMPC recommend a preferred alternative.
    - Should the GMPC move forward with Option 3, Mercer Island strongly urges reconsideration of the weighting methodology.
    - Housing needs should be assessed at the jurisdictional level, along with other local factors. Housing need should be scaled to include a reasonable amount of market rate housing in the allocation for each jurisdiction.

## NEXT STEPS

With City Council approval, the City will transmit a comment letter to the GMPC in advance of the November 30 meeting. The GMPC is expected to make a formal decision on the affordable housing allocation method in early 2023.

The King County Council will adopt the final allocation in the second quarter of 2023, and cities in King County will be asked to ratify the allocation in late 2023. The affordable housing units allocated to Mercer Island will be incorporated into the Housing Element as targets as part of the periodic update to the Comprehensive Plan, which is currently required by GMA to be adopted by December 31, 2024.

## RECOMMENDED ACTION

Review and authorize the Mayor to sign a comment letter to the King County Growth Management Planning Council (GMPC).



November 15, 2022

King County Growth Management Planning Council  
201 S. Jackson St.  
Seattle, WA 98104

**RE: Comments on the King County housing needs allocation options**

Dear Growth Management Planning Council,

The City of Mercer Island is actively participating in the process to implement E2SHB 1220 and we appreciate the opportunity to comment on the King County housing needs allocation options that are currently under consideration by the Growth Management Planning Council (GMPC).

The City supports a proactive, collaborative, and flexible approach to address housing needs at all income levels. We believe the right approach creates new tools, incentives, and revenues that cities can use to help increase regional housing supply and address affordability. We also support solutions that enhance already successful regional programs, such as *A Regional Coalition for Housing (ARCH)*, which has delivered affordable housing solutions in east King County since 1992.

*Implementation*

The City has been carefully considering the implementation of E2SHB 1220 and we are concerned that the result will be an extensive and expensive planning exercise that does not ultimately achieve the desired results. E2SHB 1220 sets a high bar, asking local jurisdictions to engage in a “moonshot” exercise to achieve the important and very difficult objective of solving the affordable housing crisis in our region over the next 20 years. It asks cities to become policy laboratories to formulate and test new approaches to plan for affordable housing.

The City of Mercer Island is not interested in becoming a policy laboratory, we are interested in effective solutions. We encourage the GMPC to carefully consider the housing need allocation methodology to ensure that final allocations are realistic and achievable. Likewise, additional tools, resources and revenues are necessary to supplement the limited resources currently available to cities.

We also encourage the GMPC to maintain local flexibility in determining how affordable housing targets are achieved. Each jurisdiction should be afforded the

opportunity to plan for its unique circumstances and to utilize the most effective tools that are available. Proven strategies such as the ARCH Housing Trust Fund must be included in the achievement of affordable housing targets. ARCH has a 30-year track record of success and will be a key player in the achievement of housing targets in East King County.

Preferred Housing Need Allocation Option

Mercer Island has followed the GMPC and Affordable Housing Committee (AHC) work related to implementation of E2SHB 1220 closely over the last several months. We commend the substantial effort that County staff have put into analyzing the guidance and countywide housing need numbers from the State Department of Commerce and developing the three housing need allocation options for consideration. While it still presents significant challenges in achieving the goal, Option 1 is the most realistic and achievable for Mercer Island, (see Table 1).

**Table 1: Mercer Island Housing Needs Allocations Options**

Income Segment	Option 1	Option 2	Option 3
0-30% AMI	520	1,288	542
31-50% AMI	194	1,015	200
51-80% AMI	87	1,459	489
81-100% AMI	58	311	1
101-120% AMI	65	25	1
120+% AMI	315	(2,858)	6
<b>Total</b>	<b>1,239</b>	<b>1,240</b>	<b>1,239</b>

Option 1 is the only option that allocates a reasonable number of market-rate units (> 100% AMI) to cities like Mercer Island. In addition, this option includes the most achievable targets for affordable housing in the lower income brackets (0-80% AMI) as compared to the other options. The City remains concerned, however, about achieving these results without substantial economic support, which is covered later in this letter.

Mercer Island does not support Option 2. This option would require 2,858 units of existing market rate housing to be converted to affordable housing in the 0-80% AMI income brackets, which represents approximately one quarter of the existing housing stock on Mercer Island. Acquiring and converting units at this scale would be impossible to achieve, especially given current housing costs.

While Option 3 is less objectionable than Option 2, there remain significant concerns. The primary issue with Option 3 is that it limits market-rate housing to a mere 7 units over the next 20 years. This is nonsensical and without millions (potentially billions) in resources, this strategy is simply not achievable.

Affordable Housing Committee Recommendation was Premature

On November 3, 2022, the Affordable Housing Committee of the GMPC (AHC) selected Option 3 as the preferred alternative. It was premature for the AHC to prepare this recommendation considering that the Department of Commerce is accepting comments on the housing need projections through November 11 and the

GMPC is taking feedback from its members on the three housing need allocation options through November 30. We believe a good process is informed by comprehensive outreach. Stakeholder input should be fully considered ahead of the committee recommendations.

### Reconsider Methodology

The City of Mercer Island encourages the GMPC to reexamine the assumptions and methodology used by Commerce before recommending the jurisdictional allocations. Commerce's draft *Housing for All Planning Tool* aggregates housing needs at the county level and redistributes that need among cities. Redistributing housing needs across the County in broad strokes does not account for the existing unique housing needs in each individual jurisdiction and could prove very ineffective.

In addition, the GMPC must consider a reasonable allocation of market rate housing before finalizing the affordable housing targets.

### Funding for Affordable Housing

Missing from this policy discussion is the economics of increasing the supply of affordable housing in Washington State. What will it take financially to achieve Statewide affordable housing goals? What are the economic factors that are the key to success? We don't know. This has not been studied yet on a statewide scale, but we can say for certain that the level of public investment required to subsidize production of affordable units is far beyond the reach of cities like Mercer Island.

The Mercer Island real estate market, like many areas in the Puget Sound, is experiencing record high property values. Affordable housing will not be built and sustained without a considerable investment in these programs. The City of Mercer Island simply does not have the resources to deliver affordable housing at the scale described in any of the options above.

Cities like Mercer Island have steadily contributed to affordable housing production through existing local tools such as height bonuses and multifamily tax exemptions. We need to maintain the leverage created by increased housing demand to ensure that affordable housing incentives continue to produce affordable housing units. Reducing the number of market rate housing units for which cities can plan runs the risk of limiting or eliminating the effectiveness of these incentives already proven to produce affordable housing units. We are very concerned this creates a plan with no realistic strategies for implementation.

### Conclusion

Mercer Island's analysis of the E2SHB 1220 legislation is that it is deeply flawed. It lacks a comprehensive economic analysis and is not backed by the resources needed to achieve success. The City of Mercer Island urges the GMPC to engage State partners to avoid a multi-million-dollar planning exercise that fails to deliver on affordable housing and stops market-rate housing construction over the twenty-year planning horizon. Likewise, we also ask the GMPC to put further consideration into adopting Option 1 or in preparing a more balanced weighting methodology for

Option 3 to ensure that achievable targets are established for local planning and implementation.

We look forward to the continued engagement and thank you for considering our comments and feedback.

Sincerely,

Salim Nice  
Mayor

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