

GMHB EXHIBIT 65



BUSINESS OF THE CITY COUNCIL CITY OF MERCER ISLAND

AB 6302
July 18, 2023
Consent Agenda

AGENDA BILL INFORMATION

TITLE:	AB 6302: Comprehensive Plan Periodic Review - Housing Element Update Supplemental Scope and Schedule	<input type="checkbox"/> Discussion Only <input checked="" type="checkbox"/> Action Needed: <input type="checkbox"/> Motion <input type="checkbox"/> Ordinance <input checked="" type="checkbox"/> Resolution
RECOMMENDED ACTION:	Approve Resolution No. 1646, a Supplemental Scope of Work for the 2024 Comprehensive Plan Periodic Review.	

DEPARTMENT:	Community Planning and Development
STAFF:	Jeff Thomas, Community Planning and Development Director Adam Zack, Senior Planner
COUNCIL LIAISON:	n/a
EXHIBITS:	1. Resolution No. 1646
CITY COUNCIL PRIORITY:	n/a

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

EXECUTIVE SUMMARY

The purpose of this agenda bill is to present a resolution to approve a supplemental scope of work for the 2024 Periodic Update of the Comprehensive Plan. The City of Mercer Island is required to review and update its Comprehensive Plan by December 31, 2024. The supplemental scope of work will add tasks to the scope of work, to be completed by this deadline.

- In 2021, the Washington (WA) State Legislature enacted Engrossed Second Substitute House Bill 1220 (HB 1220) requiring changes to the Comprehensive Plan to address potential racially disparate impacts of housing policies and affordable housing for all income ranges (see [AB 6156](#) for more information).
- On March 15, 2022, the City Council approved [Resolution No. 1621](#), which established a scope of work for the Comprehensive Plan periodic review.
- In late 2022 and early 2023, the WA Department of Commerce (“Commerce”) issued guidance for complying with HB 1220. This guidance necessitates additional tasks for the comprehensive plan periodic review that were not included in the scope approved by Resolution No. 1621.
- In 2023, the WA State Legislature enacted House Bills 1110 (“HB 1110”) and 1337 (“HB 1337”) setting new requirements for residential densities in cities and amending the requirements for accessory

dwelling units (ADU). The changes enacted by both bills will require Comprehensive Plan amendments.

- Given the changes made by HB 1110 and HB 1337, and the Commerce guidance for complying with HB 1220, the scope approved by Resolution No. 1621 must be supplemented with additional tasks.
- The City Council was initially briefed on the supplemental scope of work on July 5, 2023, see [AB 6290](#).
- Resolution No. 1646 (Exhibit 1) would approve the supplemental scope of work that establishes tasks and the schedule needed to comply with recent changes in state law and Commerce guidance.

BACKGROUND

Cities and counties planning under the WA Growth Management Act (GMA) are required to periodically review and, if necessary, update their comprehensive plans. Cities in King County are required to complete periodic reviews and updates by December 31, 2024. The City Council approved a scope of work, public participation plan, and master schedule for the Mercer Island Comprehensive Plan periodic review with [Resolution No. 1621](#) on March 15, 2022.

The approved scope of work, public participation plan, and master schedule set the planned tasks for completing the comprehensive plan periodic review. Based on the minor changes to the City's housing and employment growth targets at that time, the periodic review was planned to be a 'surgical' update. While most of the Comprehensive Plan still only needs targeted updates, recent statewide legislation and guidance from Commerce indicate that the update to housing policies in the Housing Element will require additional tasks not included in the scope, public participation plan, and master schedule.

House Bill 1220 and Commerce Guidance

In 2021, the WA State Legislature enacted [HB 1220](#), which amended the planning requirements for cities. Complying with HB 1220 will necessitate additional tasks during the Comprehensive Plan periodic review. A requirement established in HB 1220 is that the City must adopt affordable housing unit targets and demonstrate that the Comprehensive Plan can accommodate the targets ([RCW 36.70A.070\(2\)](#)). Another requirement is that the City must identify policies and regulations that result in racially disparate impacts, displacement, and exclusion in housing ([RCW 36.70A.070\(2\)\(e\)](#)) and policies to address those that may be caused by local policies, plans, and actions ([RCW 36.70A.070\(2\)\(f\)](#)). In late 2022 and early 2023, [Commerce issued guidance](#) for complying with these requirements. Based on the Commerce guidance, the City will need to add new tasks to the scope of work approved in 2022.

Recent Statewide Legislation

The WA State Legislature enacted [HB 1110](#) and [HB 1337](#) during the 2023 session. HB 1110 and HB 1337 both require regulatory changes that must be adopted within six months of the completion of the periodic review (by June 30, 2025). Those regulatory changes will also require policy amendments in the Comprehensive Plan to ensure they are consistent with each other. The policy changes that precede the development code amendments can be made during the Comprehensive Plan periodic review and can be rolled into the tasks detailed in the supplemental scope of work. Work on the regulatory changes will begin in 2024, following the completion of the Comprehensive Plan periodic review.

ISSUE/DISCUSSION

The requirements added to the Comprehensive Plan periodic review by HB 1220, HB 1110, HB 1337, and the guidance provided by Commerce requires expanding the scope of work for the Housing Element. The initial

scope of work for this element was planned to be a heavy touch of the existing element but did not contemplate the additional planning requirements the legislature has since added. Given the additional planning needed for affordable housing, racially disparate impacts, middle housing, and ADUs, the Housing Element will need an in-depth overhaul. The Land Use Element will also need some further policy amendments to correspond with the overhaul of the Housing Element.

Supplemental Scope of Work

The supplemental scope of work in Exhibit 1 details the additional tasks necessary to comply with changes to State law and the Commerce guidance. This document outlines the additional steps the City will take to respond to these changes and finish the Comprehensive Plan periodic review. The additional tasks will be undertaken between July 2023 and February 2024, when the Planning Commission is scheduled to begin the legislative review of the draft Comprehensive Plan Amendment.

Key tasks and milestones in the supplemental scope of work include:

- **July – October 2023:** Staff will conduct the additional land capacity and racially disparate impacts analyses outlined in the Commerce guidance.
- **November 2023:** City Council briefing on the outcomes of the additional land capacity and the racially disparate impacts analyses.
- **December 2023:** City Council will provide direction on preferred housing alternative to address land capacity and racially disparate impacts.
- **January 2024:** Housing Work Group will review the draft of Comprehensive Plan amendments related to housing.
- **February/March 2024:** Planning Commission begins its legislative review.

The supplemental scope of work aims to get the additional work to the Planning Commission in time to wrap up the periodic review by the end of June 2024, the date the periodic review is set to conclude in the scope of work adopted by [Resolution No. 1621](#). However, in 2022, the WA Legislature pushed back the deadline for cities in King County to finish their periodic review from June 30, 2024, to December 31, 2024. Thus, additional time in the second half of 2024 is available if one or more tasks in the supplemental scope take longer than expected and the City chooses to extend the timeline.

NEXT STEPS

Staff will begin working on the tasks in the supplemental scope of work.

RECOMMENDED ACTION

Approve Resolution No. 1646 approving a Supplemental Scope of Work for the 2024 Comprehensive Plan Periodic Review.

**CITY OF MERCER ISLAND
RESOLUTION NO. 1646**

**A RESOLUTION OF THE CITY OF MERCER ISLAND, WASHINGTON
APPROVING A SUPPLEMENTAL SCOPE OF WORK FOR THE 2024
COMPREHENSIVE PLAN PERIODIC REVIEW.**

WHEREAS, the Growth Management Act (GMA) was adopted by the WA State Legislature; and

WHEREAS, the GMA requires counties and cities in Washington State to adopt and periodically review comprehensive plans; and

WHEREAS, the last periodic review of the Mercer Island Comprehensive Plan was adopted by Ordinance 16-07 on June 6, 2016; and

WHEREAS, the next periodic review of the Mercer Island Comprehensive Plan must be completed by December 31, 2024; and

WHEREAS, on March 15, 2022, the City Council approved Resolution 1621 approving the 2024 Comprehensive Plan Periodic Review Scope of Work, Master Schedule, and Public Participation Plan; and

WHEREAS, guidance from the WA Department of Commerce (Commerce) regarding compliance with Engrossed Second Substitute House Bill 1220 combined with the WA Legislature enacting House Bill 1110 and House Bill 1337 will require additional tasks not included in the Comprehensive Plan Periodic Review Scope of Work, Master Schedule, and Public Participation Plan approved with Resolution 1621; and

WHEREAS, on July 5, 2023, the Mercer Island City Council was briefed on the proposed 2024 Comprehensive Plan Periodic Review Supplemental Scope of Work, Master Schedule and Public Participation Plan, which includes the tasks necessary to address compliance with House Bills 1110 and 1337 and Commerce guidance regarding compliance with Engrossed Second Substitute House Bill 1220; and

WHEREAS, the Mercer Island City Council provided comments and requests to amend the 2024 Comprehensive Plan Periodic Review Supplemental Scope of Work, Master Schedule and Public Participation Plan by July 11, 2023; and

WHEREAS, the Mercer Island City Council requests to amend the 2024 Comprehensive Plan Periodic Review Supplemental Scope of Work, Master Schedule and Public Participation Plan were logged and provided to the City Council with Agenda Bill 6290; and

WHEREAS, the Mercer Island City Council considered comments and requests to amend the 2024 Comprehensive Plan Periodic Review Supplemental Scope of Work, Master Schedule and Public Participation Plan on July 18, 2023; and

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF MERCER ISLAND, WASHINGTON, AS FOLLOWS:

The 2024 Comprehensive Plan Periodic Review Supplemental Scope of Work in Exhibit A is hereby approved.

PASSED BY THE CITY COUNCIL OF THE CITY OF MERCER ISLAND, WASHINGTON, AT ITS MEETING ON THE 18TH DAY OF JULY 2023.

CITY OF MERCER ISLAND

Salim Nice, Mayor

ATTEST:

Andrea Larson, City Clerk

EXHIBITS

- A. 2044 Comprehensive Plan Periodic Review Supplemental Scope of Work



Housing Element Supplement Scope of Work

CITY OF MERCER ISLAND COMPREHENSIVE PLAN PERIODIC REVIEW

Housing Element Supplemental Scope of Work

In 2022, the City Council approved a scope of work, master schedule, and public participation plan for the Comprehensive Plan update with Resolution 1621. Several months after the approval of Resolution 1621, The WA Department of Commerce began issuing guidance for changes to Growth Management Act (GMA) requirements for housing elements enacted by the WA Legislature in 2021 (E2SHB 1220). The guidance outlined new required steps cities should use when updating their housing elements. These new steps were beyond the work initially scoped and scheduled by Resolution 1621. In order to comply with state requirements, the City needs to supplement the scope and schedule for the Housing Element update.

The original scope of work and master schedule for the Comprehensive Plan update targeted April 2024 for adoption of the Comprehensive Plan update. This supplemental scope of work and schedule for updating the housing element is expected to delay adoption of the Comprehensive Plan update to a few months later than initially scoped and scheduled by Resolution 1621. The GMA requires cities in King County to complete their comprehensive plan updates by December 31, 2024. This supplemental scope of work details the tasks and schedule needed to update the Housing Element, amend other Comprehensive Plan policies to maintain internal consistency, and prepare an implementation plan to address the GMA requirements.

Engrossed Second Substitute House Bill 1220 (E2SHB 1220)

The WA State Legislature adopted E2SHB 1220 in 2021. This bill amended the GMA adding new housing element requirements. The Bill also requires the WA Department of Commerce (Commerce) to provide counties and cities with guidance for meeting the new requirements. The initial guidance from Commerce has indicated that the City will be required to undertake additional tasks not included in the scope of work and schedule approved with Resolution 1621. The new housing element requirements that will require additional tasks are summarized below.

Racially Disparate Impacts

A key change enacted by E2SHB 1220 is that cities and counties must identify housing policies that have resulted in racially disparate impacts, displacement, and exclusion. It must also include policies and regulations that address and begin to undo racially disparate impacts, displacement, and exclusion in housing. These requirements are established in [RCW 36.70A.070\(2\)\(e\)-\(h\)](#).

Housing Affordability

E2SHB 1220 added a new requirement that counties and cities planning under the GMA must inventory and analyze housing needs for households of all income levels (moderate, low, very low, and extremely low-income households as well as emergency housing, emergency shelters, and permanent supportive housing). The City must also demonstrate that “adequate provisions” are made for the existing and projected needs of all economic segments of the community. These requirements are established in [RCW 36.70A.070\(2\)\(a\)-\(d\)](#).

House Bill 1110 (HB 1110)

Adopted in 2023, HB 1110 requires cities to allow middle housing types in zones where single-family homes are allowed. A city the size of Mercer Island must allow the following densities:

- At least two units per lot unless the zone allows a greater density or intensity.
- At least four units per lot within one quarter mile walking distance of a major transit stop. Major transit stop is defined as any one of the following:

- A stop on a high-capacity transportation system;
- Commuter rail stops;
- Stops on rail or fixed guideway systems; or
- Stops on bus rapid transit routes.
- At least four units per lot on any lot zoned for single-family residential provided one of the units is affordable housing.

Another feature of HB 1110 is that within single-family zones, cities must allow six of the nine middle housing types defined in the bill. The nine middle housing types defined in the bill are: duplexes, triplexes, fourplexes, fiveplexes, sixplexes, townhouses, stacked flats, courtyard apartments, and cottage housing. The combination of allowing more diverse housing and amending density throughout the City will require changes to housing and land use policies in the Comprehensive Plan in addition to code amendments to implement those changes.

The required housing and land use policy amendments will be included in the 2024 Comprehensive Plan periodic update. The development code amendments required by HB 1110 will be adopted following the Comprehensive Plan update. The tasks associated with amending the Mercer Island City Code are not included in this scope of work.

House Bill 1337 (HB 1337)

In 2023, the WA Legislature also passed HB 1337 which changes how cities can regulate accessory dwelling units (ADUs). HB 1337 will require amendments to policies in the housing and land use elements during the Comprehensive Plan update. In addition to policy changes, many of the requirements of HB 1337 will be met through amending the Mercer Island City Code following the Comprehensive Plan update. The tasks associated with amending the Mercer Island City Code are not included in this scope of work.

Expanding the Scope of Work for the Housing Element

The requirements added to the Housing Element periodic review by E2SHB 1220, HB 1110, HB 1337, and the guidance provided by Commerce will require expanding the scope of work for the Housing Element. The initial scope of work for this element was planned to be a heavy touch of the existing element but did not contemplate the additional planning requirements the legislature has since added. Given the additional planning needed for affordable housing, racially disparate impacts, middle housing, and ADUs, the Housing Element will need an in-depth overhaul. The Land Use Element will need some policy amendments to correspond with the overhaul of the Housing Element.

This supplemental scope of work details a project to substantially rework the existing Housing Element as needed to account for the new requirements set in state law. The Housing Element will be reshaped by the new requirements. The existing goals and policies will be used as a point of reference, and many will be recycled into the rewritten element, but substantive changes are expected. Additional refinement of other Comprehensive Plan Policies will also be needed to maintain internal consistency. The bulk of additional policy amendments in other elements are expected to be made in the Land Use Element because those policies directly interface with developable land supply, moderate density, and housing affordability. An internal consistency review to ensure that other Comprehensive Plan policies are consistent with updated housing policies will be included in this project.

Supplemental Public Participation

HB 1220 requires evaluation of policies to determine whether they have had impacts to specific communities. A major component of HB 1220 is that the City must identify policies that may have had racially disparate impacts, displacement, and exclusion. After identifying the policies, the City must make amendments to begin undoing the legacy of those policies. After reviewing the guidance for complying with this requirement, targeted community engagement will be needed during the process of identifying those policies and developing alternatives that will help counter their effects. This will be conducted as a roundtable discussion with community leaders focused on potential racially disparate impacts analysis. The HWG can assist in selecting and reaching out to community leaders. The intent of the roundtable discussion is to collect input on the policy alternatives the City will consider during the Comprehensive Plan update.

Tasks

Task List

1. Racially Disparate Impacts Report
2. Housing Policy Evaluation
3. Prepare Housing For All Land Capacity Analysis Methodology
4. Conduct Housing For All Land Capacity Analysis
5. Targeted Community Engagement: Roundtable Discussion
6. Identify Adequate Provisions and Draft Alternatives
7. Initial City Council Briefing on Adequate Provisions and Draft Alternatives
8. Housing Work Group Check In
9. City Council Selects Desired Alternative
10. Prepare Housing Element Draft and Implementation Plan
11. Comprehensive Plan internal consistency review
12. HWG Reviews Draft
13. Initiate Legislative Review

Task Descriptions

Task 1 – Racially Disparate Impacts Report

July – September 2023

To begin addressing the changes from HB 1220 is to identify and measure potential racially disparate impacts. The first task is to prepare a report that details and quantifies disparate impacts.

Deliverable: A report summarizing the disparate impacts housing policies may have had. The report should identify, where applicable:

- Racially disparate outcomes;

- Displacement risks; and
- Possible exclusion resulting from housing policies.

Task 2 – Housing Policy Evaluation

July – September 2023

A policy framework will be prepared that analyzes existing policies for whether they have contributed to the outcomes identified in the Racially Disparate Impacts Report. Policy evaluation should include land use and policies in other Comprehensive Plan elements that relate to housing.

Deliverable: A policy framework describing which policies may have resulted in racially disparate impacts, increased displacement risk, or exclusion in housing.

Task 3 – Prepare Housing For All Land Capacity Analysis Methodology

July – September 2023

Prior to conducting the Housing For All Land Capacity Analysis, staff will prepare a methodology for the analysis. Preparing the methodology will provide an opportunity for the City Council to provide comments on the assumptions about growth to be used in the analysis. Following the guidance from Commerce, assumptions about growth are central to the Housing For All Land Capacity Analysis. These assumptions will articulate how the City expects growth to occur through the planning period. Essentially, the assumptions about growth are an estimate of how much development is expected to occur; tempering total capacity with the likelihood that full buildout will not happen in 10 or 20 years. This task will include a round of review and feedback on the draft methodology with the City Council.

Deliverable: A Housing For All Land Capacity Analysis Methodology.

Task 4 – Conduct Housing For All Land Capacity Analysis

July – September 2023

New GMA requirements adopted by E2SHB 1220 stipulate that the City must accommodate housing affordable to all income ranges. The City will need to demonstrate that the Comprehensive Plan and City zoning allow sufficient development capacity to accommodate the housing targets by income range. This will require analysis of the City’s land capacity to identify how much housing can be developed in each affordability range. Affordability roughly correlates to density ranges per the Commerce guidance. This means that more dense housing capacity can accommodate lower income ranges. Additional analysis will be needed to identify the gaps between capacity and the housing targets and barriers for developing housing affordable for each affordability range.

Deliverable: Analysis of development capacity disaggregated by income band and potential barriers to housing development.

Task 5 – Targeted Community Engagement: Roundtable Discussion

September – October 2023

After identifying communities that may have been impacted by policies with racially disparate impacts, City staff will reach out to those communities to get more information about their lived experience. This qualitative input will be combined with the quantitative analysis and integrated into the Racially Disparate Impacts report. This information should provide valuable insight into the policies that may have had an impact and what amendments could help begin undoing that legacy.

Deliverable: Round of interviews and outreach to affected communities.

Task 6 – Identify Adequate Provisions and Draft Alternatives

August – October 2023

After Tasks 4 and 5, the City will prepare policy alternatives that include adequate provisions for housing needs and addressing racially disparate impacts. During this task, potential policy, zoning map, and code amendments will be identified, and alternatives will be prepared. The draft of housing policy alternatives should include policy, development code, and zoning alternatives for consideration during the latter tasks of this project. These alternatives might include targeted development code amendments to necessary to increase housing capacity to accommodate the housing need allocated to the City by the state and County.

Deliverable: initial Draft of Housing Alternatives

Task 7 – Initial City Council Briefing on Adequate Provisions and Draft Alternatives

November 2023

After concluding the land capacity and racially disparate impacts analyses, staff will brief the City Council on the results and draft alternatives. The City Council can consider the information and ask questions during the briefing. Initial feedback on the draft alternatives can also be provided during this meeting.

Deliverable: Initial City Council Direction on Draft Housing Alternatives

Task 8 – Housing Work Group Check In

October – December 2023

The Housing Work Group will be briefed on the work completed during the previous tasks and provide input on the proposed alternatives. This can include more than one briefing.

Deliverable: Housing Work Group input on draft housing alternatives and preparation for involvement in the planned public participation.

Task 9 – City Council Selects Preferred Alternative

December 2023

The City Council will review the analysis conducted earlier in the project and consider the alternatives provided. During this review, the City Council will take action to give staff direction on which alternative is preferred. This direction will inform the drafting of a draft Housing Element and Implementation Plan in Task 10.

Deliverable: City Council direction regarding the preferred housing alternative.

Task 10 – Prepare Housing Element Draft and Implementation Plan

January – March 2024

After getting feedback from the Housing Work Group on the housing alternatives, staff will prepare an initial draft of the Housing Element amendments and implementation plan to address housing needs and racially disparate impacts identified in previous tasks. The initial draft will incorporate the public input gathered. The initial Housing Element draft is expected to be a substantial reworking of the element.

An initial draft of the housing implementation plan will be prepared at the same time as the Housing Element draft so that implementation can be concurrently considered. The City is not required to implement all of the changes to the Housing Element at the time the Comprehensive Plan update is adopted. The GMA requires Cities to report on implementation within five years of the Comprehensive Plan update adoption. The implementation plan should detail the implementation actions the City will take in the five years following adoption. Establishing this implementation plan at the same time amendments are made to the Housing Element will enable the City to track its progress toward achieving its housing goals and satisfy the GMA requirements.

Deliverable: Initial draft of the Housing Element and Implementation Plan

Task 11 – Comprehensive Plan Internal Consistency Review **February – March 2024**

Prior to initiating the legislative review with the Planning Commission, staff will evaluate review and propose policy updates for other Comprehensive Plan elements to ensure that they are consistent with the amendments to Housing Element goals and policies. This will likely focus on the Land Use Element because that element and the Housing Element are closely linked.

Deliverable: Public Review Draft of the Comprehensive Plan Update

Task 12 – HWG Reviews Draft **January – February 2024**

The Housing Work Group will review the draft Housing Element and implementation plan prior to making a recommendation to the Planning Commission. This will give the work group an opportunity to give staff direction on preparing the first draft Housing Element draft and implementation plan that will be presented to the Planning Commission.

Deliverable: Housing Work Group Feedback on Housing Element and implementation plan draft.

Task 13 – Initiate Legislative Review **February – April 2024**

Initiating the legislative review with the Planning Commission will complete this project. At this point, the review of housing goals and policies will connect back with the overall Comprehensive Plan update process and proceed according to that scope and schedule.

Deliverables: First Housing Work Group meeting to review the initial draft of the Housing Element and other related policies.

Supplemental Schedule

Table 1. Housing Element Supplemental Scope of Work Master Schedule.

Task #	Task Description	2023							2024				
		J	J	A	S	O	N	D	J	F	M	A	M
1	Racially Disparate Impacts Report	J	J	A	S	O	N	D	J	F	M	A	M
2	Housing Policy Evaluation	J	J	A	S	O	N	D	J	F	M	A	M
3	Prepare Housing For All Land Capacity Analysis Methodology	J	J	A	S	O	N	D	J	F	M	A	M
4	Conduct Housing For All Land Capacity Analysis	J	J	A	S	O	N	D	J	F	M	A	M
5	Targeted Community Engagement: Roundtable Discussion	J	J	A	S	O	N	D	J	F	M	A	M
6	Identify Adequate Provisions and Draft Alternatives	J	J	A	S	O	N	D	J	F	M	A	M
7	Initial City Council Briefing on Adequate Provisions and Draft Alternatives	J	J	A	S	O	N	D	J	F	M	A	M
8	Housing Work Group Check In	J	J	A	S	O	N	D	J	F	M	A	M
9	City Council Selects Desired Alternative	J	J	A	S	O	N	D	J	F	M	A	M
10	HWG Updates Alternatives	J	J	A	S	O	N	D	J	F	M	A	M
11	Prepare Housing Element Draft and Implementation Plan	J	J	A	S	O	N	D	J	F	M	A	M
12	Comprehensive Plan internal consistency review	J	J	A	S	O	N	D	J	F	M	A	M
13	Initiate Legislative Review with Planning Commission	J	J	A	S	O	N	D	J	F	M	A	M