

GMHB EXHIBIT 76



BUSINESS OF THE CITY COUNCIL CITY OF MERCER ISLAND

AB 6385
January 2, 2024
Regular Business

AGENDA BILL INFORMATION

TITLE:	AB 6385: 2024 Comprehensive Plan Periodic Update, Housing Element – HB 1220 Implementation	<input checked="" type="checkbox"/> Discussion Only <input type="checkbox"/> Action Needed: <input type="checkbox"/> Motion <input type="checkbox"/> Ordinance <input type="checkbox"/> Resolution
RECOMMENDED ACTION:	Receive report. No action necessary.	

DEPARTMENT:	Community Planning and Development
STAFF:	Jeff Thomas, Community Planning and Development Director Adam Zack, Senior Planner
COUNCIL LIAISON:	n/a
EXHIBITS:	1. Land Capacity Analysis Supplement 2. Racially Disparate Impacts Report
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 brief the City Council on two reports related to the Housing Element of the Comprehensive Plan.

- In 2021, the WA Legislature enacted [Engrossed Second Substitute House Bill 1220 \(HB 1220\)](#), which amended the Growth Management Act (GMA) to add new requirements for cities and counties to provide sufficient capacity of land to address housing needs across income segments and to identify and begin to undo racially disparate impacts, displacement and exclusion in housing.
- In 2023, the WA Department of Commerce (Commerce) issued [guidance for complying with HB 1220](#).
- In August 2023, the King County Council adopted [Ordinance No. 19660](#), which amended the Countywide Planning Policies (CPPs) to establish the number of dwelling units needed to accommodate moderate, low, very low, and extremely low-income households for cities throughout the county.
- Following the Commerce guidance, The Land Capacity Analysis Supplement evaluated whether the City has sufficient land capacity to accommodate the assigned housing need (Exhibit 1). The analysis identified a small capacity deficit of 143 dwelling units in multifamily and mixed-use zones (Exhibit 1).
- To address this deficit, the City will need to increase mixed-use and/or multifamily development capacity during the Comprehensive Plan Periodic Review. Staff has prepared three possible alternatives, each of which can address this deficit, for the City Council to consider (Exhibit 1).

- The staff will receive feedback from the City Council on the preferred alternative to address the housing capacity deficit. This information will be incorporated into a final recommendation that will be presented to the Council for review and approval at the January 16, 2024 meeting.
- Staff prepared the attached Racially Disparate Impacts (RDI) report based on the Commerce guidance (Exhibit 2).
- The RDI report identifies existing housing policies that may need to be revised during the Comprehensive Plan update, however, no direction on the RDI report is required at this time. The information is presented to the City Council for awareness only.

BACKGROUND

The City is in the process of conducting a periodic update of the Comprehensive Plan. The update is required by the Growth Management Act (GMA) and must be completed by December 31, 2024. As part of the periodic update, the City is required to update the Housing Element to incorporate the new requirements established by [HB 1220](#), including the following:

- Establish the number of dwelling units needed to accommodate moderate, low, very low, and extremely low-income households;
- Identify sufficient capacity of land for housing for moderate, low, very low, and extremely low-income households;
- Identify and implement policies and regulations to address and begin to undo racially disparate impacts, displacement, and exclusion in housing caused by local policies, plans, and actions; and
- Establish antidisplacement policies.

The attached Land Capacity Analysis Supplement (Exhibit 1) and Racially Disparate Impacts (RDI) Report (Exhibit 2) are required to satisfy the housing element requirements added by HB 1220. The Land Capacity Analysis Supplement is a report to analyze capacity needed to accommodate the housing need by income segment. The RDI report evaluates policies for potential racially disparate impacts, identifies policies in need of amendment, and identifies areas with increased risk of displacement. Both reports were drafted based on the [Commerce guidance for updating housing elements](#) issued earlier this year.

Drafting both the Land Capacity Analysis Supplement and RDI Report was added to the Comprehensive Plan Periodic Review Scope of Work in 2023 by [Resolution No. 1646](#). Staff prepared both reports following approval of that resolution. Once the initial drafts were prepared, peer review was provided by consultants from BERK Consulting Inc., the consultants that assisted Commerce in developing its guidance documents.

ISSUE/DISCUSSION

On January 2, the City Council will be briefed on both reports. Similar to the Economic Development Report and Housing Needs Assessment presented in September 2022 ([AB6107](#)), the Council does not need to take formal action on either report.

Land Capacity Analysis Supplement

The Land Capacity Analysis Supplement evaluates whether the City has adequate development capacity to accommodate its housing needs, as determined by the State and King County, at various income levels. This analysis was conducted based on the [Commerce guidance to for evaluating land capacity](#). The Commerce guidance details a process by which cities would assume that higher density development will accommodate lower-income households. In high-cost communities like Mercer Island, the guidance assumes that nearly all of the housing needs below 120 percent of the area median income (AMI) would be accommodated in

multifamily and mixed-use zones. Within that framework, the attached Land Capacity Analysis Supplement finds a 143-unit capacity deficit in multifamily and mixed-use zones (Exhibit 1). HB 1220 and the Commerce Guidance require the City to address this deficit during the Comprehensive Plan Periodic Review by increasing mixed-use and/or multifamily development capacity.

Options for Addressing Capacity Deficit

The Land Capacity Analysis Supplement provides analysis of three alternatives for addressing the 143-unit multifamily and mixed-use capacity deficit (Exhibit 1). A full analysis of each option is provided in the report. The three options analyzed are listed and summarized below:

- A. Increase maximum height to permit one additional residential story in Town Center;
- B. Allow multifamily residential use in the Commercial Office Zone; and
- C. Increase maximum density from 26 to 30 dwellings per acre in the MF-3 Zone.

Option A: Increase Maximum Height to Permit One Additional Residential Story in Town Center

To address the capacity deficit in multifamily and mixed-use zones, Mercer Island may amend the development regulations in the Town Center. The Town Center is currently divided into six subareas: TC-5, TC-4 Plus, TC-4, TCMF-4, TC-3, and TCMF-3. Each of the subareas has a different height limit established in [Mercer Island City Code \(MICC\) 19.11.030 – Bulk Regulations](#). The maximum height in the TC-5 and TC-4 Plus subareas is 63 feet (5 stories), in TC-4 and TCMF-4 the maximum height is 51 feet (4 stories), and in TC-3 and TCMF-3 maximum height is 39 feet (3 stories). Increasing the maximum building height by one story in Town Center would increase development capacity by 153 dwelling units, enough to overcome the 143-unit capacity deficit.

Option B: Allow Multifamily Residential Use in the Commercial Office Zone

Another option for addressing the capacity shortfall identified in this report is to amend the Commercial Office (C-O) zone to permit multifamily residential uses. Given that there is currently no residential capacity in the C-O zone, the relative age of the improvements in this area, and the low development intensity, allowing multifamily residential development in the C-O zone would add the most residential capacity of the options considered. Allowing multifamily residential uses in the C-O zone could add capacity for as much as 895 more dwellings units, although once development standards are adopted and implemented, it is likely the net capacity would be somewhere in the range of 143 dwelling units (minimum needed) to 895 dwelling units (maximum yield from the analysis).

Option C: Increase Maximum Density From 26 to 30 Dwellings per Acre in the MF-3 Zone

Another approach to addressing the multifamily and mixed-use capacity deficit is to amend the development regulations in the multifamily zones to allow more development within the existing areas zoned MF-2, MF-2L, and MF-3. Development standards for the multifamily zones are established in Chapter 19.03 MICC. The simplest way to increase capacity in the multifamily zones is to amend the maximum density. Increasing the maximum allowed density in the MF-3 zone from 26 dwellings per acre to 30 dwellings per acre would add capacity for 174 more dwelling units, which would satisfy the 143 dwelling unit shortfall.

Racially Disparate Impacts (RDI) Report

The RDI Report evaluates existing policies in the 2016 Comprehensive Plan for potential racially disparate impacts, evaluates which policies may need amendment during the periodic update, and identifies areas with increased risk of displacement (Exhibit 2). This report was prepared based on the [Commerce guidance for addressing racially disparate impacts](#) to satisfy the Housing Element requirements established in [RCW](#)

[36.70A.070\(2\)\(e\)-\(h\)](#). The findings of this report will be provided to the Housing Work Group for consideration as they prepare an updated draft of the Housing Element. No council action is required on this report.

NEXT STEPS

The staff will receive feedback from the City Council on the preferred alternative to address the housing capacity deficit. This information will be incorporated into a final recommendation that will be presented to the Council for review and approval at the January 16, 2024 meeting.

RECOMMENDED ACTION

Receive report. No action necessary.



Land Capacity Analysis Supplement

**CITY OF MERCER ISLAND 2024 COMPREHENSIVE PLAN PERIODIC REVIEW
HB 1220 IMPLEMENTATION**

COMMUNITY PLANNING AND DEVELOPMENT DEPARTMENT



City of Mercer Island, WA
Community Planning and Development Department
December 15, 2023

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I. Introduction

Under the WA Growth Management Act (GMA) cities and counties must plan for housing and employment growth targets every time they update their comprehensive plans. The growth targets are expressed as a total number of new dwelling units for housing and jobs for employment. The growth targets are based on the population forecast the WA Office of Financial Management (OFM) prepares. Countywide growth targets are allocated to the cities within the county, so each city's growth target is a share of the overall county need. The Mercer Island housing growth target of 1,239 dwelling units was adopted in 2022.

In 2021, the WA State Legislature adopted House Bill 1220 (HB 1220), which required cities to specifically plan for housing that is affordable for every income segment. HB 1220 directs the WA Department of Commerce (Commerce) to develop housing need for each county broken up by income segment. The income-segment-based housing need developed by Commerce is still based on the OFM population forecast but disaggregates this single growth target into a number of dwelling units needed at each income level relative to the area median income (AMI). In summary:

- Mercer Island housing growth target is 1,239 dwelling units.
 - The housing growth target total was adopted by King County in 2022 by [Ordinance 19384](#).
 - The housing growth target total (1,239) has not changed since it was adopted.
- Under HB 1220, the housing growth target total is broken out into affordable housing need at different income levels (Table 1).
 - The emergency housing need is a number separate from the other housing needs. The unit of measure for emergency housing is beds rather than dwelling units. Emergency housing, unlike affordable housing or permanent supportive housing, is housing that provides temporary accommodations for individuals or families at immediate risk of being homeless.

In 2023, Commerce issued guidance on how cities and counties can update their housing elements to address the new requirements from HB 1220. Chapter three of the guidebook, "[Guidance for Updating Your Housing Element](#)" outlines the steps for conducting a land capacity analysis to evaluate capacity for housing need at varying income segments. The methodology in Appendix A, which outlines the steps taken to prepare this report, was developed based on Commerce guidance. The methodology was developed using guidance from the Commerce.

A. Background

The purpose of this report is to analyze land capacity for housing disaggregated by affordability for all income ranges and compare the capacity and housing need at each income range.

1. Housing Need

Under the GMA, counties and cities are required to plan for adequate housing to accommodate the projected housing needs for each income segment (RCW 36.70A.070(2)(a)-(d)). HB 1220 requires Commerce to establish the level of housing need by income level for counties. In 2023, Commerce published the Housing For All Planning Tool (HAPT), which details the housing need for counties throughout Washington, including King County. After receiving the county-level housing need projection, King County then allocated the total need by income level to its cities.

In 2023, King County allocated housing need to its cities by amending the countywide planning policies (CPPs) with [Ordinance 19660](#). The allocated housing need was based on each city’s housing growth target, disaggregated by income level. Mercer Island’s housing growth target is 1,239 additional dwelling units by the year 2044. Those 1,239 additional dwelling units are broken out into the following income levels relative to the King County area median income (AMI):

- Emergency Housing
- Permanent Supportive Housing
- Extremely low income (less than 30% of the AMI)
- Very Low Income (between 30 and 50% of the AMI)
- Low Income (50 to 80% of the AMI)
- Moderate Income (80 to 120% of the AMI)
- High Income (greater than 120% of the AMI)

The housing need assigned to the City of Mercer Island under King County Countywide Planning Policy H-1 is shown in Table 1 below.

Table 1. Mercer Island Housing Need.

	Total	≤30%		>30 to ≤50 %	>50 to ≤80 %	>80 to ≤100 %	>100 to ≤120 %	>120 %	Emergency Housing ²
		Non - PSH ¹	PSH ¹						
New Units Needed 2019-2044	1,239	339	178	202	488	4	5	23	237

Source: King County Ordinance 19660.

Notes:

1. Permanent Supportive Housing (PSH)
2. Emergency Housing need is its own metric and not part of the housing need or housing growth target.

Mercer Island will need to plan for accommodating its housing need as listed in Table 1 through 2044. A key component of planning for accommodating the housing need is to determine whether there is adequate development capacity in the zones that can accommodate housing units that tend to be affordable at various income levels.

2. Land Capacity

Land Capacity is an estimate of the number of dwelling units possible given existing development, zoning and development regulations, market factors, land available for development, and environmental constraints. RCW 36.70A.070(2)(c) requires cities and counties to adopt a housing element that:

Identifies sufficient capacity of land for housing including, but not limited to, government-assisted housing, housing for moderate, low, very low, and extremely low-income households, manufactured housing, multifamily housing, group homes, foster care facilities, emergency housing, emergency shelters, permanent supportive housing, and within an urban growth area boundary, consideration of duplexes, triplexes, and townhomes;

In 2021, King County prepared the Urban Growth Capacity Report (UGC Report), which analyzed land capacity in King County urban growth areas. The UGC Report did not consider the capacity for housing at affordable at different income levels. Further analysis is needed to determine whether there is adequate capacity to accommodate the housing need at each affordability level. The analysis that follows will make that determination and identify potential alternatives for addressing any capacity deficits at a given affordability level.

3. Permanent Supportive Housing

The housing need for Mercer Island differentiates two types of housing need at the extremely low-income level: permanent supportive housing (PSH) and non-permanent supportive housing. Housing need for extremely low-income housing is split into these two categories because these are two distinct housing types. One, PSH, is intended to house people who need support services whereas non-PSH extremely low-income housing is meant for people at the lowest income level that do not necessarily need additional services. For reference, PSH is defined in RCW 36.70A.030(31), which states:

"Permanent supportive housing" is subsidized, leased housing with no limit on length of stay that prioritizes people who need comprehensive support services to retain tenancy and utilizes admissions practices designed to use lower barriers to entry than would be typical for other subsidized or unsubsidized rental housing, especially related to rental history, criminal history, and personal behaviors. Permanent supportive housing is paired with on-site or off-site voluntary services designed to support a person living with a complex and disabling behavioral health or physical health condition who was experiencing homelessness or was at imminent risk of homelessness prior to moving into housing to retain their housing and be a successful tenant in a housing arrangement, improve the resident's health status, and connect the resident of the housing with community-based health care, treatment, or employment services. Permanent supportive housing is subject to all of the rights and responsibilities defined in chapter 59.18 RCW.

4. Emergency Housing

The housing need for Mercer Island includes emergency housing. Emergency Housing is defined in RCW 36.70A.030(14), which states:

"Emergency housing" means temporary indoor accommodations for individuals or families who are homeless or at imminent risk of becoming homeless that is intended to address the basic health, food, clothing, and personal hygiene needs of individuals or families. Emergency housing may or may not require occupants to enter into a lease or an occupancy agreement.

This is a housing type that is different from housing for extremely low-income households and PSH in that it is intended to be shorter-term accommodations. Emergency housing is fundamentally different from other housing types because it is not always made up of dwelling units (complete housing units with kitchen, bathroom, and living area) and can include shelter space.

According to the Commerce guidance, cities are not required to analyze land capacity for emergency housing if they can provide supporting documentation demonstrating both of the following conditions:

- Emergency housing is allowed in all zones that allow hotels. Alternatively, this condition may be met by demonstrating that emergency housing is allowed in a majority of zones within a one-mile proximity to transit, per RCW 35A.21.430 and RCW 35.21.683 (sections 3 and 4 of HB 1220, laws of 2021); and
- The jurisdiction has no regulations that limit the occupancy, spacing or intensity of emergency housing.

In 2021, Mercer Island adopted interim regulations to address this requirement in response to HB 1220 (Ord. No. 21C-23, renewed by 22C-14 and 23C-11). The interim regulations amended the definition of "social service transitional housing" to clarify that this use includes emergency housing as defined in state law. Social service transitional housing is a land use that is allowed by conditional use permit in a majority of zones within one mile of transit. If those interim regulations are made permanent during the Comprehensive Plan periodic review and the regulations are reviewed to ensure that they do not limit occupancy, spacing, or intensity of emergency housing, Mercer Island will not be required to further analyze whether there is sufficient capacity of land to accommodate its emergency housing need.

B. Data Sources

Conducting the supplemental land capacity analysis will include analysis of several data sources. The City will use the following data sources.

1. King County Urban Growth Capacity Report

In 2021, King County issued the [Urban Growth Capacity Report](#) (UGC Report). This report provides the development capacity for all cities within the County, including Mercer Island. The UGC Report was prepared based on the land capacity analysis

requirements prior to HB 1220. The capacity detailed in this report will be the foundation of the additional analysis of the land capacity analysis supplement.

2. Washington Center for Real Estate Research Housing Market Data Toolkit

The Washington Center for Real Estate Research (WCRER) provides data on housing, including average housing costs. The WCRER website is:

<https://wcrer.be.uw.edu/housing-market-data-toolkit/>

C. Assumptions

Assumptions form the basis of extrapolating meaning from data. They are a key component of any data analysis. The City will make the following assumptions related to housing capacity.

1. An Affordable Home Does Not Cost More Than 30 Percent of Household Income

The crux of this supplemental land capacity analysis is analyzing housing affordability for all income segments. Housing affordability is defined in the Growth Management Act (GMA) as housing with a cost that does not exceed thirty percent of a household's income ([RCW 36.70A.030\(2\)](#)). As the City analyzes housing data to determine capacity for all income segments, it will be assumed that the affordable cost is roughly equal to thirty percent of household income.

2. Existing Residential Capacity

This methodology will use the residential capacity shown in the 2021 UGC Report as the existing capacity.

3. Higher Density Housing is More Likely To Be Affordable

It is assumed that higher-density housing is more likely to be affordable to lower-income households. The assumption here is that a two-bedroom apartment home is generally less expensive than a two-bedroom detached single-family home.

4. Permanent Supportive Housing Is Only Likely in High-Density Zones That Include an Incentive

Permanent supportive housing (PSH) is subsidized, leased housing with no limit on length of stay that prioritizes people who need comprehensive support services to retain tenancy and utilizes admissions practices designed to use lower barriers to entry than would be typical for other subsidized or unsubsidized rental housing, especially related to rental history, criminal history, and personal behaviors ([RCW 36.70A.030\(19\)](#)). HB 1220 requires cities to determine capacity for PSH as part of their housing need. Given the high cost of construction, reduced return on investment, and need for support services, this analysis will assume the following:

- PSH will only be produced in higher density zones where dwelling units can be smaller;
- PSH in Mercer Island requires subsidies; and
- PSH will only be feasible in zones that provide an affordable housing incentive such as the height bonus in Town Center zones.

5. The City Will Adopt Permanent Regulations to Allow Emergency Housing in The Majority of Zones Within One Mile of Transit and Ensure that Emergency Housing is Not Subject to Occupancy, Spacing, or Intensity Regulations

Cities are required by HB 1220 to allow emergency housing in any zone that allows hotels or in a majority of zones within one mile of transit. The City currently includes the GMA definition of ‘emergency housing’ in its definition of ‘social service transitional housing’ through an interim amendment made by Ordinance 21C-23. Social service transitional housing is allowed in a majority of zones within one mile of transit. This analysis assumes that through the Comprehensive Plan update, this amendment will be made permanent to comply with HB 1220 and ensure that emergency housing is not subject to occupancy, spacing, and intensity requirements. If these two conditions are met, further analysis of capacity for emergency housing is not required per the Commerce guidance.

II. Land Capacity Analysis

A. Land Capacity By Zone and Zone Category

The analysis began by gathering the land capacity that was already calculated in the UGC report. In the UGC Report, the zones in Mercer Island were divided into categories based on the allowed density in each zone. For example, the R-15 zone was categorized as a low-density residential zone because it only allows single-family homes and has a minimum lot size of 15,000 square feet (slightly less than three dwellings per acre). During this step, staff gathered the housing capacity provided in the UGC Report for reference as the existing capacity as shown in Table 2.

Table 2. Housing Capacity By Zone Category.

Zone Category	Density Range	Corresponding Zones	Net Residential Capacity
Very Low Density	2.6-3.3 dwellings/acre	R-15 and R-12	120
Low Density	4.6-6.1 dwellings/acre	R-9.6 and R-8.4	235
Medium-Low Density	22.7 dwellings/acre	MF-2L	10
Medium-High Density	26 dwellings/acre	MF-2 and MF-3	535
High Density	100.6-167 dwellings/acre	TC Zones	528
Total	-	-	1,428

Source: 2021 UGC Report.

B. Zone Categories and Income Levels

After gathering the residential capacity information from the UGC Report, information on the price of housing in each category was analyzed. Price data from the Washington Center for Real Estate Research (WCRER) provided the home prices in each zone category. According to the WCRER data, the median sale price for a single-family dwelling in the fourth quarter of 2022 was \$2,950,000. In the same quarter, the median condominium sale price was \$566,000.

Table 3 shows Mercer island home sales and median sale price by dwelling type from 2021 to 2022, the most recent years available. The price data shows home prices and the number of sales fluctuated from quarter to quarter in 2022. To smooth out this variation, staff calculated an average of median sale price, weighted by the number of sales in each quarter. Using a weighted average splits the difference between the higher and lower sale prices in a given quarter while accounting for quarters with a higher number of sales. In 2022, the average sale price weighted by number of sales was \$2,620,986 for single-family home and \$662,179 for condos.

Table 3. Mercer Island Home Sales and Median Sale Price by Dwelling Type 2021-2022.

Total Sales			Sales by Dwelling Type		Median Price by Dwelling Type	
Quarter	Count	Median price	Condo	Single-Family	Condo	Single-Family
2022 Q1	49	\$2,420,000	10	39	\$680,250	\$2,530,000
2022 Q2	100	\$2,450,000	16	84	\$765,000	\$2,710,000
2022 Q3	69	\$2,298,000	7	62	\$525,000	\$2,382,500
2022 Q4	42	\$2,200,000	9	33	\$566,000	\$2,950,000
Weighted Average		\$2,363,623	Weighted Average		\$662,179	\$2,620,986

Source: Washington Center for Real Estate Research (WCRER).

Table 4 combines the 2022 weighted average sale price for condos and single-family homes and the average monthly rent. The average monthly rent is another statistic provided by the WCRER. The mean monthly rent is a simple average of each quarterly monthly rent in 2022.

Table 4. Average Price by Housing Type.

Type	Average Cost	Notes
Single-Family Home	\$2,620,986	Average of Median Single-Family Home Sale Price Q1-Q4 2022, weighted by number of sales
Townhomes and Condos	\$662,179	Average of Median Condo Sale Prices Q1-Q4 2022, rounded to nearest dollar, weighted by number of sales
Apartments	\$2,528/Month	Mean Monthly Rent Q1-Q4 2022

Source: WCRER.

C. Affordability Levels

After finding the average price for each housing type, the level of household income required to afford each housing type was determined. First, the median sale price for owner-occupied housing and the mean rent for apartments, both listed in Table 4, were analyzed to determine an average monthly payment for each zone category. The average monthly payment for owner-occupied housing (single-family homes and condos) was calculated using the Fannie Mae mortgage calculator. The mortgage calculator details are shown in Appendix B. These details show the assumptions used to calculate the monthly payment for single-family home and condo purchase. Table 5 shows average price and monthly payment for each zone category.

Table 5. Average Monthly Housing Cost by Zone Category.

Zone Category	Typical Home Type	Average Price ¹	Average Monthly Cost ²
Very Low Density	Detached Single-Family	\$2,620,986	\$15,867
Low Density	Detached Single-Family	\$2,620,986	\$15,867
Medium-Low Density	Condominium	\$662,179	\$4,085
Medium-High Density	Multifamily – Rental	\$2,528/Month	\$2,528
High Density	Multifamily – Rental	\$2,528/Month	\$2,528

Sources:

1. Average price comes from the WCRER, see Table 4.
2. Monthly cost for single-family homes and condominiums was calculated using the Fannie Mae Mortgage Calculator at <https://yourhome.fanniemae.com/calculators-tools/mortgage-calculator>

The average monthly payment for each zone category was then used to calculate the approximate annual household income needed to afford a home in each zone category. The annual housing income needed was then compared with the area median income (AMI) to determine the affordability of each zone category relative to the AMI. This analysis uses the King County AMI. The following formulas were used to calculate annual household income needed and income level as a percent of AMI as shown in Table 6.

$$\text{Annual Household Income Needed} = (\text{Monthly payment} / 0.3) * 12.$$

$$\text{Income level as percent of AMI} = \text{Annual household income needed} / \text{Area Median Income (AMI)}.$$

Table 6 shows the affordability without subsidies for each zone category based on the average housing cost shown in Table 5. The table shows that single-family homes on Mercer Island typically require a household income of 433 percent of the AMI. Condos and townhouses usually require a household income of 112 percent of the AMI. Rental housing is more affordable, the average rent requiring a household income of 69 percent of the AMI.

Table 6. Income Level Without Subsidies by Housing Type.

Housing Type	Average Cost Without Subsidies	Annual Household Income Needed	Annual Income Level as a Percent of AMI ^{1, 2}
Single-Family	\$15,867 /month	$(15,867 / 0.3) * 12 = 634,680$	$634,680 / 146,500 = 433\%$
Condos and Townhomes	\$4,085/month	$(4,085 / 0.3) * 12 = 163,400$	$163,400 / 146,500 = 112\%$
Apartments	\$2,528/month	$(2,528 / 0.3) * 12 = 101,120$	$101,120 / 146,500 = 69\%$

Note:

1. Area Median Income (AMI) used is the King County AMI which was \$146,500 in 2022 according to the U.S. Department of Housing and Urban Development (HUD). Source: https://www.huduser.gov/portal/datasets/il/il2023/2023summary.odn?STATES=53.0&INPUTNAME=METRO42660MM7600*5303399999*2BKing+County&statelist=&stname=Washington&where

[from=%24wherefrom%24&statefp=53&year=2023&ne_flag=&selection_type=county&incpath=%24incpath%24&data=2023&SubmitButton=View+County+Calculations.](#)

- Annual income level needed to afford each housing type without subsidy.

D. Capacity by Zone Category and Affordability Level

Table 7 combines these pieces of information from other tables in this report. Table 7 shows the housing capacity from Table 2, the average cost from Table 4, and the income level as a percent of AMI from Table 6.

Table 7. Housing Capacity by Zone Category and Affordability Level.

Zone Category	Capacity ¹	Average Cost ²	Affordability Level Without Subsidy ³
Very Low Density	120	\$2,620,986	433%
Low Density	235	\$2,620,986	433%
Medium-Low Density	10	\$662,179 (Condos) and \$2,528/Month (apartments)	69 - 112%
Medium-High Density	535	\$662,179 (Condos) and \$2,528/Month (apartments)	69 - 112%
High Density	528	\$662,179 (Condos) and \$2,528/Month (apartments)	69 - 112%
Total	1,428	-	-

Notes:

- Capacity for each zone category comes from Table 2.
- Average Cost comes from Table 4.
- Affordability level without subsidy comes from Table 6.

Table 8 compares the zone categories, the housing types allowed in those zones, and the income levels served by the typical housing in each zone both with and without subsidies. Comparison of these factors allows the City to determine the affordability level for housing in each of the zone categories, linking capacity to affordability level. Single-family housing in Mercer island is typically high cost with the average sale price necessitating more than four times the AMI (Table 7). Given the cost of housing in these zones, subsidies to support housing affordable to households earning below 120 percent of the AMI is not feasible at the city scale. Single-family zones are assumed to only provide capacity for households earning more than 120 percent of the AMI. Though single-family zones tend to only be affordable at the upper end of the income distribution, multifamily zones have more variation.

Without subsidies, multifamily and mixed-use zones in Mercer Island are more affordable for families earning moderate income (80-120 percent of the AMI). The average sale price of owner-occupied multifamily housing, condominiums, and townhomes, is affordable to households earning 112 percent of the AMI (Table 7). The average monthly rent is affordable to households earning around 70 percent of the AMI (Table 7).

Multifamily zones are also the most likely to produce affordable units if a subsidy is provided. For the purpose of Table 8, subsidies can include affordability requirements

like the height bonus in Town Center zones. Currently, the base building height in Town Center zones is two stories ([MICC 19.11.030\(A\)\(1\) – Bulk Regulations](#)). Buildings are allowed to exceed the base building height for residential buildings if at least ten percent of dwelling units are reserved for households earning 70 percent of the AMI for rental housing and 90 percent of the AMI for owner-occupied housing ([MICC 19.11.040 - Affordable Housing](#)). Because multifamily units, including owner-occupied units, tend to be lower-cost on a per-unit basis, subsidies and incentives can produce more affordable units at scale in zones that allow multifamily and mixed-use housing.

Table 8 shows that multifamily and mixed-use zones are the zones that can accommodate the City’s housing need for households earning below 120 percent of the AMI. It lists the capacity for each zone category in the column on the right side of the table, taken from Table 2. In the analysis that follows Table 8, that capacity and the housing need from Table 1 will be compared.

Table 8. Zone Categories, Housing Types, and Income Levels Served.

Zone Category	Typical Housing Types Allowed	Assumed Density Range	Lowest Potential Income Level Served		Assumed Affordability Level for Capacity Analysis	Capacity
			Without Subsidies	With Subsidies		
Very Low Density	Single-Family Residences	2.6-3.3 dwellings per acre	High income (>120%)	Not feasible at scale	>120% AMI	120
Low Density	Single-Family Residences	4.6-6.1 dwellings per acre	High income (>120%)	Not feasible at scale	>120% AMI	235
Medium-Low Density	Apartments and Owner-Occupied Multifamily	22.7 dwellings per acre	Moderate Income ¹ (>80-≤120% AMI)	PSH, Extremely Low, Very Low, and Low-Income (0-≤80% AMI)	0-120% AMI and PSH	10
Medium-High Density	Apartments and Owner-Occupied Multifamily	26 dwellings per acre	Moderate Income ¹ (>80-≤120% AMI)	PSH, Extremely Low, Very Low, and Low-Income (0-≤80% AMI)	0-120% AMI and PSH	535
High Density	Apartments and Owner-Occupied Multifamily	>100 dwellings per acre	Moderate Income ¹ (>80-≤120% AMI)	PSH, Extremely Low, Very Low, and Low-Income (0-≤80% AMI)	0-120% AMI and PSH	528

Note:

1. Owner-occupied multifamily housing tends to be affordable to households earning about 112% of the AMI. On the other hand, the average monthly rent in renter-occupied multifamily housing is affordable to households earning around 70% of the AMI. Though the average rent is affordable at 70% of AMI, housing need allocated from the County is split into 50-80% and 80-100% of AMI categories. To avoid overestimating the affordability of apartments, it is assumed in this table that without subsidies, apartments are affordable to households earning at least 80% of the AMI. See Table 6 for more information about affordability levels without subsidies.
2. Subsidies include income restricted units created by incentives such as height bonuses or other required affordable units.

E. Comparison of Projected Housing Needs To Capacity

To determine whether the City has adequate capacity to accommodate its growth targets by income segment, the zone categories and housing costs determined in previous steps were compared with land capacity and housing targets. Housing need was subtracted from housing capacity for each zone category as assigned based on the affordability level of each housing type. The difference between housing need and housing capacity gives the City a capacity surplus or deficit. Because all housing need for households earning below 120 percent of the AMI can only be accommodated in the multifamily and mixed-use zone categories, the capacity for those zone categories and the housing need in those income ranges were aggregated together. In other words, the total housing need below 120 percent of the AMI will be accommodated in all of the multifamily and mixed-use zones (Tables 7 and 8).

For the purposes of this analysis, any zone that fits into the medium-low, medium-high, and high density categories will be considered a multifamily or mixed-use zone. These zones are characterized by densities from around 22 units per acre and higher. That density range (greater than 22 units per acre) is typically made up of apartment buildings, mixed-use buildings, townhomes, and condominiums.

Table 9 shows the capacity surplus or deficit in each zone category based on the affordability levels determined earlier in the analysis. Though there is enough total capacity (1,428 units) to accommodate the overall growth target (1,239 units), there is a capacity deficit for accommodating households earning less than 120 percent of the AMI in multifamily and mixed-use zones. In multifamily and mixed-use zones there is capacity for 1,073 additional units and the housing need for households earning less than 120 percent of the AMI is 1,216 additional units. This means there is a capacity deficit of 143 units in multifamily and mixed-use zones. In the very low and low density zone categories, typified by single-family homes, there is capacity for 355 additional units. Very low and low density zones can accommodate households earning more than 120 percent of the AMI, of which the City has a need for 23 additional units. There is a capacity surplus of 332 units in the very low and low density zone categories.

Table 9. Capacity Surplus or Deficit by Zone Category and Affordability.

Zone Category	Income Level as a Percent of AMI ¹	Capacity ² in Number of Dwellings	Housing Need at Income Level ³ in Number of Households	Surplus/Deficit
Emergency Housing	N/A	N/A	237	N/A ⁵
Very-Low and Low Density	>120%	355	23	332
Medium-Low, Medium-High, and High Density	0-≤120%	1,073	1,216	(- 143)

A capacity deficit means Mercer Island will need to increase the capacity in those zone categories enough to allow additional dwelling units. Because there is a capacity deficit in multifamily and mixed-use zones of 143 units, the City will need to find ways to increase the total number of dwellings allowed in those zones by at least 143. This can include amending building bulk and intensity to allow more use on the land already zoned for multifamily or mixed-use. For example, increasing the building height to allow bigger apartment buildings would increase capacity because more apartments could be built in the larger buildings. Alternatives for addressing the capacity deficit are discussed later in this report.

A capacity surplus means that Mercer Island has enough capacity in that zone category to accommodate its projected need at the related income level. Cities are not required to reduce capacity to account for a capacity surplus. Page 39 of the Commerce guidance states, “as long as jurisdictions have sufficient capacity to meet their housing needs at all income levels, there is no requirement that jurisdictions need to downzone other areas if capacity exceeds housing needs.” No changes to single-family zones are expected to result from the capacity surplus found in Table 9.

F. Emergency Housing Capacity

According to the Commerce guidance, cities are not required to analyze land capacity for emergency housing if they can provide supporting documentation demonstrating both of the following conditions:

- Emergency housing is allowed in all zones that allow hotels. Alternatively, this condition may be met by demonstrating that emergency housing is allowed in a majority of zones within a one-mile proximity to transit, per RCW 35A.21.430 and RCW 35.21.683 (sections 3 and 4 of HB 1220, laws of 2021); and
- The jurisdiction has no regulations that limit the occupancy, spacing or intensity of emergency housing.

In 2021, Mercer Island adopted interim regulations to address this requirement in response to HB 1220 (Ord. No. 21C-23, renewed by 22C-14 and 23C-11). The interim regulations amended the definition of “social service transitional housing” to clarify that this use includes emergency housing as defined in state law. Social service transitional housing is a land use that is allowed by conditional use permit in a majority of zones within one mile of transit. If those interim regulations are made permanent during the Comprehensive Plan periodic review and the regulations are reviewed to ensure that they do not limit occupancy, spacing, or intensity of emergency housing, Mercer Island is not required to further analyze whether there is sufficient capacity of land to accommodate its emergency housing need.

III. Summary and Conclusions

Under the current conditions, single-family home ownership is mostly limited to households making more than four times the AMI. Condo ownership will only be affordable to households slightly more than the AMI. Households earning less than 120 percent AMI are most likely to be accommodated in multifamily and mixed-use

zones. Without affordable housing subsidies and incentives, households making less than 70 percent of the AMI will be at risk of either being cost-burdened or priced out of Mercer Island altogether.

Summary of Analysis

- Mercer Island must plan to accommodate 1,239 new dwelling units by 2044. This housing growth target is disaggregated by income level as follows:
 - Emergency Housing – 237 Units;
 - Extremely Low ($\leq 30\%$ AMI) – 517 Units (178 PSH, 339 non-PSH);
 - Very Low ($>30 - \leq 50\%$ AMI) – 202;
 - Low Income ($>50 - \leq 80\%$ AMI) – 488;
 - Moderate Income ($>80 - \leq 120\%$ AMI) – 9;
 - High Income ($>120\%$ AMI) – 23 (Table 1);
- Mercer Island has capacity for 1,428 dwelling units as follows
 - Very low density – 120 units;
 - Low density – 235 units;
 - Medium low density – 10 units;
 - Medium high density – 535 units;
 - High density – 528 units (Table 2);
- The average home sale price in 2022 was:
 - Single-Family Home – \$2,620,986;
 - Condominium – \$662,179 (Table 3);
- The average monthly cost by housing type in 2022 was:
 - Single-Family Home – \$15,867;
 - Condominium – \$4,085;
 - Apartment – \$2,528 (Table 5);
- Based on the average monthly cost and without subsidies, different types of housing are affordable to households with in the following income ranges:
 - Single-Family Home – 433% of AMI;
 - Condominium – 112% of AMI;
 - Apartment – 69% of AMI (Table 6);
- Single-family homes are generally affordable to only the highest income households and do not contribute to accommodating housing needs for households earning below 120 percent of the AMI;
- Without subsidies, the cost of multifamily housing varies by tenure.
 - Owner-occupied multifamily housing such as condominiums and townhomes is affordable to households earning around 112 percent of the AMI, on average;
 - On average, renter-occupied multifamily housing is affordable to households earning around 70 percent of the AMI (Table 6);
- Subsidies and incentives are needed to provide housing that is affordable to households earning less than 70 percent of the AMI. Multifamily and mixed-use zones are the most likely to provide affordable units with subsidies and incentives (Tables 6 through 8);
 - Subsidies and incentives can include strategies such as height bonuses, density bonuses, or multifamily tax exemptions (MFTE) in exchange for construction of income-restricted units;

- Multifamily and mixed-use zones need 143 additional units of capacity to accommodate the projected need for households earning less than 120 percent of the AMI:
 - Multifamily housing is the primary type of housing affordable to households earning below 120 percent of the AMI;
 - Mercer Island must plan to accommodate 1,216 households earning up-to and below 120 percent of the AMI; and
 - Mercer Island has capacity for 1,073 dwelling units in multifamily and mixed-use zones (Table 9).

A. Capacity Needs by Household Income Segment

1. Households With Income Greater Than 120 Percent of the AMI

Housing Need: 23 units (Table 1)

Accommodating Zone Type: Very-Low to Low Density (Single-Family Zones) (Table 8)

Capacity: 355 units (Table 2)

Capacity Surplus/Deficit: +332 units (Table 9)

2. Households Earning Below 120 Percent of the AMI

Housing Need: 1,216 units (Table 1)

Accommodating Zone Type: Medium-Low to High Density (Multifamily and Mixed-Use Zones) (Table 8)

Capacity: 1,073 units (Table 2)

Capacity Surplus/Deficit: (-)143 units (Table 9)

In general, all households that earn less than 120 percent of the AMI will be accommodated by capacity in multifamily and mixed-use zones, in a mix of condominiums and apartments. The total capacity in multifamily and mixed-use zones will need to increase by 143 units to ensure that there is enough capacity to accommodate the City's housing need for households earning below 120 percent of the AMI. As part of its Comprehensive Plan update, Mercer Island will also need to examine its incentives and subsidies for affordable housing to ensure that it is planning for its projected housing need. This review of incentives and subsidies will be conducted in a separate report addressing the 'adequate provisions' guidance provided by Commerce. Each income range below 120 percent of the AMI is discussed below.

a. Households With Income More than 100 and Less Than or Equal to 120 Percent of the AMI

The City must plan for 5 new households earning between 100 and 120 percent of the AMI through the planning period (Table 1). The housing types affordable to these households are single-family dwellings priced below the average, owner-occupied multifamily (i.e., condominiums and town homes), and higher-cost apartments.

Middle housing forms also increase opportunities for home ownership at a lower price than detached single-family homes because they are smaller units on smaller lots compared to detached single-family homes. These characteristics make middle housing more affordable than larger single-family homes. In responding to HB 1110 during the Comprehensive Plan Update, the City will add more middle-housing capacity that will contribute to accommodating households in this income range.

b. Households With Income More than 80 and Less Than or Equal to 100 Percent of the AMI

According to the City's allocated housing need, the City must plan for an additional 4 households earning between 80 and 100 percent of the AMI. Based on the analysis in Table 6, market-rate condominiums and apartments are typically affordable at this income range. The City has over capacity for 1,073 higher density dwelling units (apartments and condos). Though there is a high-density housing capacity shortfall per the analysis in Table 9, the deficit is primarily in the number units affordable below market rate.

c. Households With Income More than 50 and Less Than or Equal to 80 Percent of the AMI

The City must plan to accommodate 488 additional households that earn between 50 and 80 percent of the AMI. Some households in this income segment can afford market-rate rental housing, which on average is affordable to households earning around 70 percent of the AMI (Table 6). Households earning below 69 percent of the AMI are likely to begin to be cost-burdened in market-rate rentals. Without subsidies, incentives, income-restricted units, and/or other housing cost mitigation measures, households at the lower-end of this income segment are at risk of becoming severely cost-burdened or potentially priced out of Mercer Island altogether. This income segment is expected to be accommodated in higher-density, lower-cost, housing.

d. Households With Income More than 30 and Less Than or Equal to 50 Percent of the AMI

The City must plan to accommodate 202 additional households that earn between 30 and 50 percent of the AMI. The average owner-occupied and renter-occupied market rate housing in Mercer Island is priced beyond what a household in this income segment can afford. Subsidies and/or incentives will be required to accommodate this income segment.

e. Households With Income Less Than or Equal to 30 Percent of the AMI

The City must plan to accommodate 339 additional households that earn below 30 percent of the AMI. The average owner-occupied and renter-occupied market rate housing in Mercer Island is priced beyond what a household in this income segment can afford. Subsidies and/or incentives will be required to accommodate this income segment because the market is not providing affordable units at this income level.

f. Permanent Supportive Housing

The City must plan to accommodate 178 units of permanent supportive housing (PSH). Subsidies and/or incentives will be required to accommodate PSH because the market is not providing affordable units at this income level.

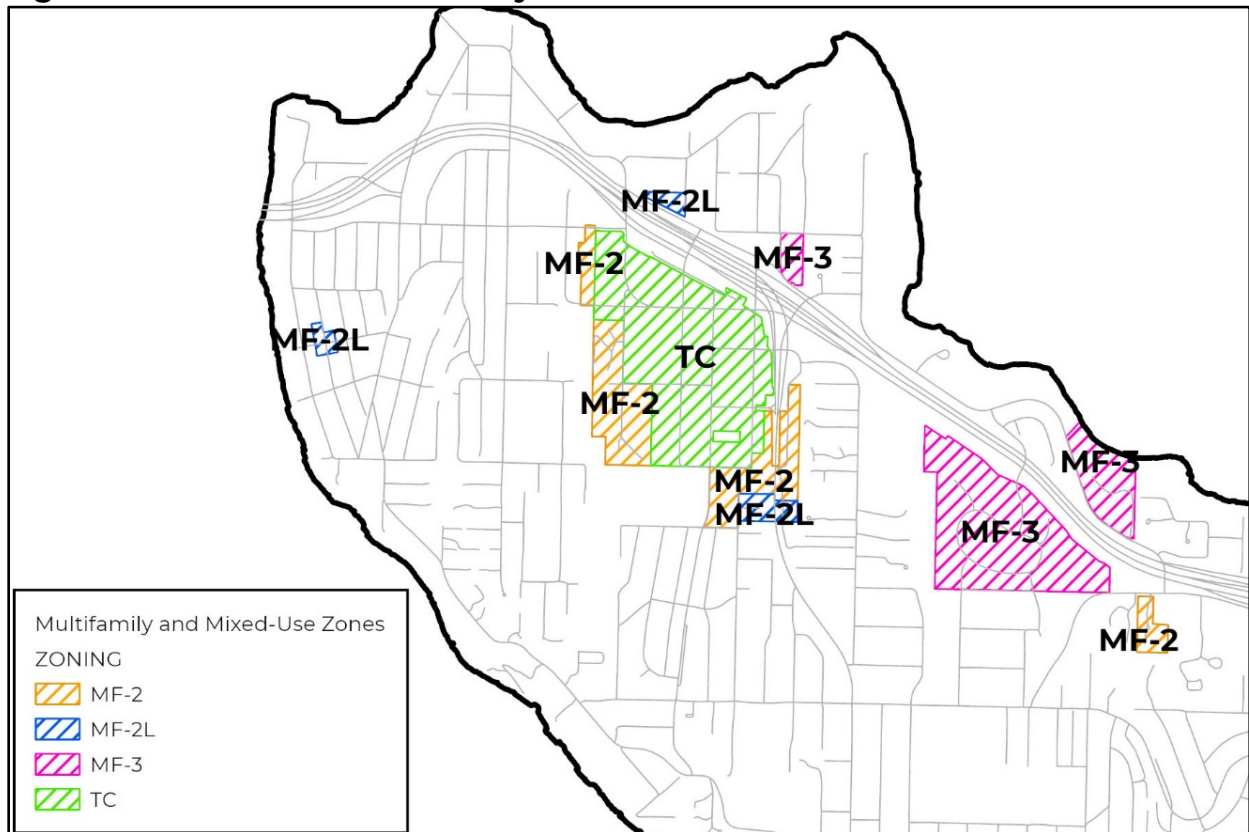
3. Emergency Housing

The City must plan to accommodate 237 units of emergency housing. Emergency housing units are sometimes referred to as beds because these units are not full dwelling units (a unit with living, cooking, and sanitation facilities). As stated elsewhere, additional capacity analysis for emergency housing is not necessary if the City makes interim regulations for emergency housing permanent and review those regulations for spacing requirements.

B. Multifamily and Mixed-Use Zones

Multifamily and mixed-use zones provide capacity to accommodate households earning less than 120 percent of the AMI (Table 8). Relative to the projected housing need, there is a 143-unit capacity deficit in multifamily and mixed-use zones (Table 9). This deficit is small enough that it can be addressed by changes to the regulations in multifamily and mixed-use zones without amending the existing zoning boundaries. Figure 1 shows a map of the multifamily (MF-2, MF-2L, and MF-3) and mixed-use (TC) zones in Mercer Island.

Figure 1. Mercer Island Multifamily and Mixed-Use Zones.



Source: Mercer Island Zoning Map, current through Ordinance 18C-14, Mercer Island City Code (MICC) Appendix D.

Mercer Island has three multifamily zones: MF-2, MF-2L, and MF-3. The development regulations for the multifamily zones are established in Chapter 19.03 Mercer Island City Code (MICC). The last amendment to the multifamily zone development regulations that affected development capacity was made in 2006 by Ordinance 06C-04. In the current Comprehensive Plan, only Land Use Element Policy 15.3 specifically addresses multifamily zones. Table D.1 in Appendix C details the Comprehensive Plan policies and development regulations that apply to multifamily zones.

Mercer Island's mixed-use Town Center zone (TC) has six subareas: TCMF-3, TCMF-4, TC-3, TC-4, TC-4 Plus, and TC-5. The development regulations for the Town Center are established in Chapter 19.11 MICC. The Town Center policies and development regulations were updated during the previous comprehensive plan periodic review that concluded in 2017. Land Use Element Goals 1 through 14 and their associated policies address development in TC zones. Table C.2 in Appendix C details the Comprehensive Plan policies and development regulations that apply to the Town Center.

IV. Addressing Capacity

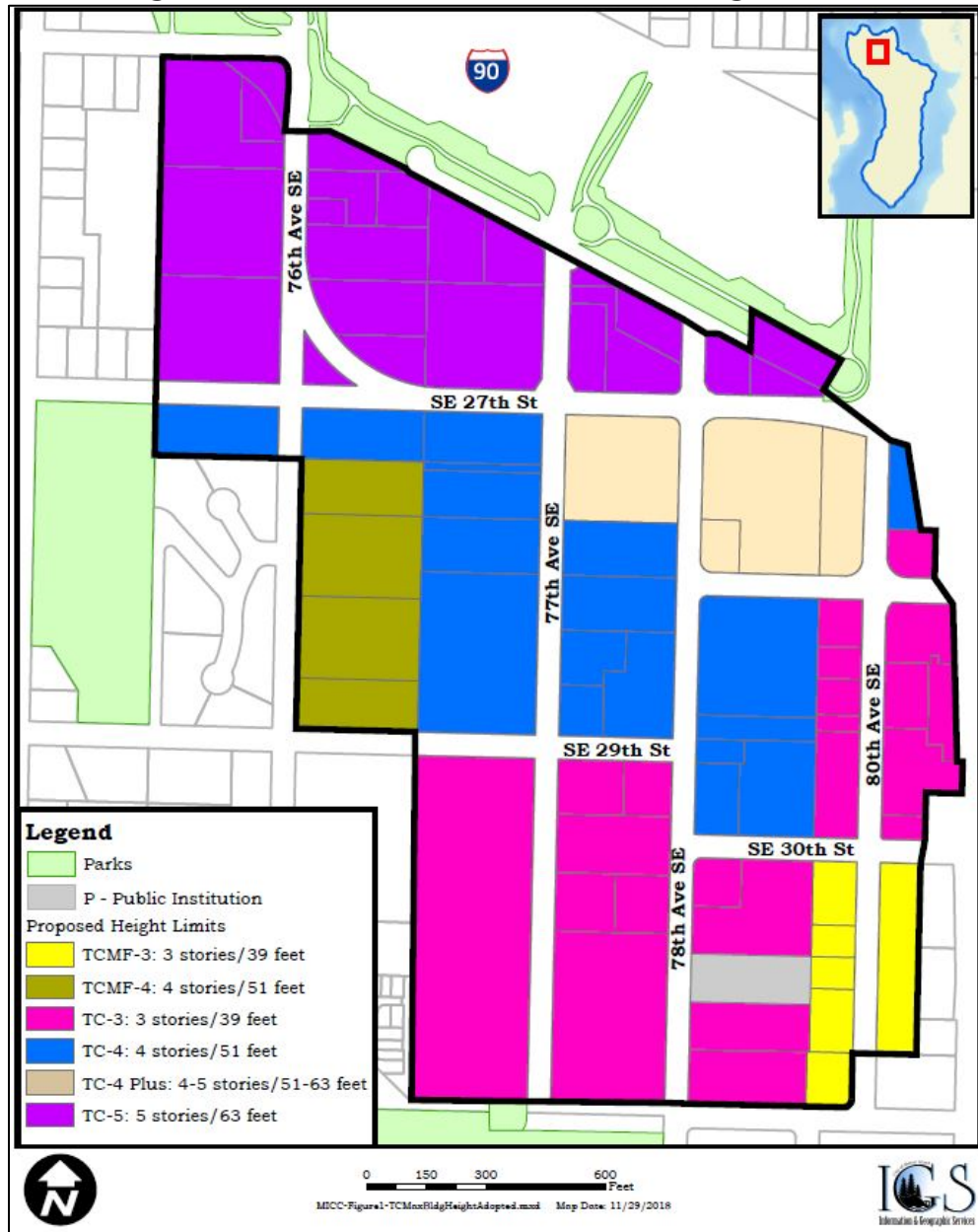
The capacity shortfall identified in Table 9 can be addressed in many ways. Three options for addressing the capacity shortfall are analyzed in this report:

- A. Increase Maximum Height to Permit One Additional Residential Story in Town Center;
- B. Allow Multifamily Residential Use in the Commercial Office Zone; and
- C. Increase Maximum Density From 26 to 30 Dwellings per Acre in the MF-3 Zone.

A. Increase Maximum Height to Permit One Additional Residential Story in Town Center

Figure 2 shows the six Town Center subareas and their corresponding height limit.

Figure 2. Town Center Subareas and Height Limit.



Source: Mercer Island City Code (MICC) 19.11.015 – Town Center Subareas.

Increasing the building height by one story in the Town Center subareas would increase mixed-use development capacity. The maximum building height in the subareas can be increased as follows:

- TC-3 and TCMF-3 from three to four stories;
- TCMF-4, and TC-4 from four to five stories; and
- TC-5 and TC-4 plus from five stories to six.

The UGC Report lists the total capacity in the Town Center as 528 dwelling units. To analyze the effect of increasing the maximum building height in Town Center, staff

developed the analysis detailed in Table 10. The formula to determine capacity has five steps:

1. **Redevelopable area**, in square feet, from the UGC Report is reduced by 13.5 percent. This is the market and public purpose factor used in the UGC Report. The result is the **gross developable area**;
2. The gross developable area does not consider the other development regulations that apply such as maximum lot coverage and building bulk requirements. After reviewing the development standards, roughly 75 percent of lot area is developable after regulations are applied. A 0.75 assumed building coverage factor was applied to the gross building square footage to arrive at a **net developable area**;
3. Next, the net developable area is multiplied by the expected number of residential stories in each Town Center subarea. This analysis assumes that the first floor will be used for commercial uses, so the expected number of residential stories is the total allowed minus one. The result of this step is the **residential building square footage**;
4. To convert the residential building square footage to a number of dwelling units, the residential building square footage was divided by an assumed unit size of 925 square feet. Since the year 2000, the average unit size permitted in Town Center was 928 square feet. The average unit size was rounded down to 925 because unit sizes have been trending smaller in recent years. The result is the **gross dwelling unit capacity**;
5. The final step is subtracting the existing dwelling units on redevelopable lots from the gross dwelling unit capacity. The result is the **net dwelling unit capacity (proposed)**.

The net dwelling unit capacity formula is:

$$\text{((Redevelopable Square Footage X (1 - Market Factor) X Building Coverage X Stories Allowed)/Assumed Unit Size) - Existing Dwelling Units}$$

Table 10 shows the development capacity in Town Center after an additional story is allowed. Increasing the maximum building height as proposed would increase development capacity from 528 dwellings to 681 dwellings; adding capacity for 153 additional dwelling units, enough to accommodate the capacity shortfall identified in this report.

Table 10. Town Center Capacity With Proposed Height Increase.

Subarea	A Total Redevelopable Area ²	B Proposed Stories Allowed	C Assumed Building Coverage	D Assumed Unit Size ³	E Market Factor ⁴	F Existing Dwelling Units on Redevelopable Parcels	G Net Dwelling Unit Capacity (Proposed) ¹
	From UGC Report		MICC 19.11.030	MICC 19.11.070		UGC Report	
TCMF-3	41,382.00	4	0.75	925	0.135	94	0 ⁵
TCMF-4	-	5	0.75	925	0.135	0	0
TC-3	612,889.20	4	0.75	925	0.135	841	449
TC-4	337,590.00	5	0.75	925	0.135	896	52
TC-4 Plus	75,794.40	6	0.75	925	0.135	233	33
TC-5	141,570.00	6	0.75	925	0.135	350	147
TOTAL CAPACITY							681

Notes:

- 1 Proposed capacity formula for Column G: $((A * E) (B-1) C) / D - F$. Note, most of Town Center requires commercial development on the first floor. The height term in the equation is column B minus 1 to account for first floor commercial, assuming new development will be mixed-use.
- 2 Total redevelopable area is shown in square footage.
- 3 Between 2000 and 2023, ten mixed-use developments were permitted in Town Center. The total residential square footage in those ten developments was 1,135,212 for 1,223 dwelling units, a rate of 928 square feet per dwelling. A table of the permitted mixed-use development in Town Center is provided in Appendix D.
- 4 The market factor is a reduction of 13.5%. This reduction in capacity is included to represent that some property will not be developed or redeveloped during the planning period. The UGC Report reduced capacity by 10% for a market factor and 3.5% for a public purposes factor. The 0.865 market factor in Column E is used to allow multiplication to show capacity is reduced by 13.5%.
- 5 Per guidance from the County when preparing data for the UGC Report, in zones where capacity is less than existing dwelling units, the final capacity is zeroed out.

Benefits, Drawbacks, and Future Considerations For This Alternative

Benefits

- Would focus additional development capacity in Mercer Island's most intensely developed area, limiting potential impacts to surrounding lower-intensity residential areas;
- Would place additional development capacity near the light rail station and I-90 onramps, providing ample transportation connections. Additional households accommodated in this capacity would be within walking distance to key transportation infrastructure;
- Would locate additional development capacity in an area with existing employment opportunities and services, reducing the need to travel elsewhere. Locating additional residential capacity near the City's largest commercial area could also further economic development goals by increasing the customer base; and
- In addition to increasing capacity by adding another story to maximum building height, this would also give the City the opportunity to explore adjusting its affordability requirements in the Town Center to leverage the additional height allow for more affordable housing units.

Drawbacks

- Keeping the majority of residential development capacity focused in Town Center does not address the lack of affordable places to live throughout the City;
- Would increase capacity in an area with some displacement risks. The southern area of the Town Center is has older residential development and increasing the capacity in that area might spur redevelopment of older, lower-priced units; and
- Increased development activity in Town Center could displace some small businesses in the areas where redevelopment occurs. In general, redevelopment is more likely to occur after development capacity is increased. Care would be needed to address potential displacement of existing businesses and avoid a net reduction in commercial capacity so local businesses have room to start and grow.

Future Considerations

- As a mixed-use zone, the Town Center is a residential *and* commercial center for the City. As the core redevelops and has more intense land use, the Town Center Subarea Plan may need some updates to reflect the changing circumstances, and
 - If this change does not add enough capacity in Town Center to spur redevelopment and increase the amount of affordable housing supplied, the City will need to explore additional ways to increase development capacity before the next periodic review.
-

Conclusion

Increasing the maximum building height as proposed would increase development capacity from 528 dwellings to 681 dwellings; adding capacity for 153 additional dwelling units, enough to accommodate the capacity shortfall identified in Table 9.

B. Allow Multifamily Residential Use in the Commercial Office Zone

An option for addressing the capacity shortfall identified in this report is amending the Commercial Office (C-O) zone regulations from allowing primarily commercial and office type uses to a mixed-use zone through the addition of higher density multifamily residential uses.

The C-O zone is shown in Figure 3.

Figure 3. Commercial Office Zone.



Source: Mercer Island Zoning Map, current through Ordinance 18C-14, Mercer Island City Code (MICC) Appendix D.

The Commercial Office (C-O) zone is located at the north end of the island, immediately south of I-90 between East Mercer Way and 93rd Avenue Southeast. There are currently 10 lots in the C-O Zone. There is a single lot zoned C-O that is west of North Mercer Way which is part of the Gallagher Hill open space. This open space lot is expected to be rezoned with parks/open space designation during the Comprehensive Plan update. The remaining nine lots are developed primarily for commercial and institutional uses. The majority of buildings in this area were constructed between 1957 and 1981. Development in this area is typically composed

of one- and two-story buildings surrounded by surface parking lots. The commercial land uses in this area are offices for professional services and services such as daycares and private schools. City hall is located in this area. The intersection of E Mercer Way, SE 36th Street and eastbound I-90 ramps is located in the eastern portion of this area. As a major entrance and exit to the interstate, this intersection experiences significant traffic levels during peak travel hours.

Residential Capacity

Given that there is no residential capacity in the C-O zone, the relative age of the improvements in this area, and the low development intensity, allowing multifamily residential development in the C-O zone would add residential capacity in the densities needed to address Mercer Island's housing need. To analyze the potential capacity increase allowing multifamily development in the C-O zone, staff used the following steps:

1. Parcels were analyzed for whether they are vacant or redevelopable using the same method deployed in the UGC Report. In that report commercial and mixed-use parcels were considered redevelopable if the ratio of improvement value to land value was less than 0.5 ($\text{Improvement Value} \div \text{Land Value} < 0.5$). Then, all parcels with a ratio below 0.5 were combined to determine the **gross developable area**.
2. The gross redevelopable area, was then reduced by two factors to arrive at the **net developable area**. The two factors were:
 - a. Public use and market factors: 13.5 percent. This is the market and public purpose factor used in the UGC Report.
 - b. Critical areas and their buffers were removed.
3. The net developable area is then multiplied by the expected stories of residential development. The result of this step is the **gross residential building square footage**. This analysis assumes the following:
 - a. The maximum building height will allow four stories total, and
 - b. The first floor will be used for commercial uses, so three stories of residential development are expected.
4. The gross residential building square footage does not take into account the other development regulations that apply such as maximum lot coverage and building bulk requirements. After reviewing the development standards, roughly 75 percent of lot area is developable after regulations are applied. A 0.75 assumed building coverage factor was applied to the gross building square footage to arrive at a **net building residential square footage**;
5. To convert the net residential building square footage to a number of dwelling units, the net residential building square footage was divided by an assumed unit size of 925 square feet. Since the year 2000, the average unit size permitted in Town Center was 928 square feet. The average unit size was rounded down to 925 because unit sizes have been trending smaller in recent years. The result is the **gross dwelling unit capacity**;
6. The final step is subtracting the existing dwelling units on redevelopable lots from the gross dwelling unit capacity. The result is the **net dwelling unit capacity**.

Gross Developable Area

Six of the ten parcels in the C-O zone have an improvement value to land value ratio less than 0.5, meaning they are developable. One of the parcels is part of the Gallagher Hill open space and is expected to be rezoned to the parks zone during the Comp Plan update and so, for the purposes of calculating capacity, it will be excluded from the developable land totals. The remaining 5 redevelopable parcels make up a total of 11.38 acres (495,856.65 square feet). Figure 4 shows the gross developable area in the C-O zone.

Figure 4. Commercial Office Zone Gross Developable Area.



Source: Mercer Island Zoning Map, current through Ordinance 18C-14, Mercer Island City Code (MICC) Appendix D, and King County Assessor's Data.

Net Developable Area

Once the redevelopable parcels have been identified, any critical areas and their buffers must be removed because development is limited or prohibited in those areas. Critical areas and buffers were removed from the gross developable area. Figure 5 shows the gross developable area with the critical areas removed. This reduced the developable land to 9.77 acres (425,625.08 square feet).

Figure 5. Commercial Office Zone Gross Developable Area Minus Critical Areas and Their Buffers.



Source: Mercer Island Zoning Map, current through Ordinance 18C-14, Mercer Island City Code (MICC) Appendix D, Mercer Island Critical Area Maps, and King County Assessor's Data.

Next, the 425,625.08 square feet of gross developable area minus the critical areas was reduced by the public purpose (3.5%) and market (10%) factors for a total reduction of 13.5 percent. The resultant metric is the net developable area: 368,165.69 square feet.

Residential Capacity

Table 11 shows the residential development capacity if the C-O zone allowed up to 4 story mixed-use development. For calculating the development capacity, staff used the same assumptions used for calculating capacity in the Town Center subarea TC-4. The assumptions are as follows:

- The parcel data, including land area, values, and improvement values, was gathered from the King County Assessor's website.
- It is assumed that the first floor of buildings will be used for commercial land uses.
- Only 75 percent of the site will be covered by new buildings to meet open space requirements and to account for building design constraints in Chapter 19.11 MICC.
- The average size of a dwelling unit in a multi-family building is 925 square feet. This is based on the average unit size in permitted development in Town Center from 2000 to 2023. During that time period, the average unit size was 928 square feet (1,135,212 residential square feet of development, 1,223 dwelling

units). The average unit size was rounded down to 925 because unit sizes have been trending smaller in recent years.

- Parcel 4139300250 is excluded because it is an open space parcel and is expected to be rezoned to match the rest of the Gallagher Hill open space.
- Buildings exceeding 2 stories in TC-4 must include at least ten percent of units as affordable housing units (MICC 19.11.140(B)). A similar requirement is expected to be included in some capacity in a mixed-use zone in this area.
- The calculations for mixed-use zone capacity in the UGC Report used an assumed density to determine residential capacity. The assumed density was based on the rate of dwelling units per acre previously achieved in the zone. Because mixed-use development has not been allowed in the C-O zone, there is no achieved density to determine capacity. Instead of using the assumed density, staff developed a formula to account for the development standards' effects on maximum building size.
- In Town Center zones, the UGC Report reduced capacity by a market factor of 10 percent and a public purposes factor of 3.5 percent for a total reduction of 13.5 percent. This means that net capacity after the market and public purposes reduction is 86.5 percent of the gross capacity.

Table 11. Residential Capacity in the C-O Zone if Rezoned to Mixed-Use (TC-4).

Redevelopable Square Footage	Stories Allowed	Assumed Building Coverage	Assumed Unit Size	Market Factor	Capacity	Affordable Units
425,625.08	4	0.75	925	0.135	895	90

Residential Capacity formula:

(redevelopable square footage X (1 - market factor) X 3 stories X building coverage)/assumed unit size

$$(425,625.08 \times 0.75 \times 0.865 \times 3) / 925 = 895$$

Developable Square Footage	X	1 - Market Factor	X	Residential Stories	X	Building Coverage	/	Unit Size	=	Residential Capacity
425,625.08		0.865		3		0.75		925		895

Additional Development Standards

If multifamily residential land uses are allowed in the C-O zone, the City would likely also adopt new development standards to ensure that new development would be compatible with the lower-intensity residential land uses in neighboring zones. This could include dimensional and bulk standards that might affect residential capacity in the zone. The 895-unit capacity found above could be reduced by development standards, but given the amount of developable land in the C-O zone, development standards are not expected to reduce the residential capacity below the 143-unit level needed to address the capacity shortfall.

Commercial Capacity

In addition to residential development, allowing mixed-use development in the C-O zone would allow commercial development. Table 12 shows the commercial development capacity on the developable parcels in the C-O zone should mixed-use be allowed. To estimate the employment capacity impacts of allowing mixed-use development in this area, staff used the following assumptions:

- Commercial development capacity in this zone will increase because this analysis considers the former City Hall lot to be redevelopable whereas the UGC Report considered this lot as fully developed;
- Jobs will occur at a rate of 200 square feet per job, the same assumption used in the UGC Report;
- There is 55,520 square feet of existing commercial square footage pre the UGC Report; and
- The assumed density of commercial development will be a floor area ratio (FAR) or 0.50, the same assumed FAR used for TC-4 in the UGC Report.

Table 12. Commercial Capacity in the C-O Zone if Rezoned to Mixed-Use (TC-4).

Developable Square Footage	Market Factor	Assumed FAR	Existing Commercial Square Footage	Square Feet Per Job	Job Capacity
425,625.08	0.865	0.50	55,520	200	643

Commercial Capacity Formula:

$$\text{(Redevelopable Square Footage X (1 - Market Factor) X Assumed FAR - Existing Commercial Square Footage) / 200 Square Feet Per Job}$$

Developable Square Footage	X	1-Market Factor	X	Assumed FAR	-	Existing Commercial Square Footage	/	Square Feet Per Job	=	Jobs Capacity
425,625.08		0.865		0.50		55,520		200		643

The UGC Report estimates the C-O zone has 177 jobs worth of existing commercial development capacity. Increasing the commercial development capacity to 643 jobs would add capacity for 466 jobs.

Benefits, Drawbacks, and Future Considerations Summary For This Alternative

Benefits	<ul style="list-style-type: none"> • Would produce the largest increase in development capacity of the three alternatives considered in this report. A larger capacity increase gives more latitude for accommodating the City’s housing needs; • Adding another mixed-use area in the City would add employment capacity in addition to residential capacity. This will help to ensure that the City continues to have adequate capacity to accommodate employment growth; and • Overshooting the capacity needs today can help the City prepare for growth that will occur in the years following the planning period.
Drawbacks	<ul style="list-style-type: none"> • The additional traffic generated by mixed-use development in this area will only be able to move through a few intersections, concentrating traffic impacts, and • The risk of displacement of existing businesses in this area may increase as increasing development capacity makes redevelopment more likely.
Future Considerations	<ul style="list-style-type: none"> • Increased traffic could necessitate infrastructure improvements to intersections in the area; • Additional development regulations to address compatibility with the neighboring zones could be required. These development regulations could include upper-story step backs and dimensional standards; and • Amendments to allow multifamily residential in the C-O zone should include an affordable housing incentive similar to the height bonus in Town Center to help ensure that new development in this zone adds to City’s the affordable housing stock.
Conclusion	<ul style="list-style-type: none"> • Allowing multifamily residential uses in the C-O zone would add capacity for up to 895 more dwellings. This is enough to address the 143 dwelling unit shortfall identified in Table 9. • If the C-O zone developed with mixed-use development, there would be capacity for around 643 jobs, a 466 job increase.

C. Increase Maximum Density From 26 to 30 Dwellings per Acre in the MF-3 Zone

Another approach to addressing the multifamily and mixed-use capacity deficit is to amend the development regulations in the multifamily zones to allow more development within the existing area zoned MF-2, MF-2L, and MF-3. Development standards for the multifamily zones are established in Chapter 19.03 MICC. The simplest way to increase capacity in the multifamily zones is to amend the maximum density.

According to the UGC Report, 56.92 acres zoned multifamily provide development capacity for 535 dwelling units. All of the development capacity in multifamily zones is in the MF-3 zone. All of this development capacity is in redevelopable land rather than vacant land, meaning that development is only expected on land with existing development. At the time the UGC Report was prepared there were 597 existing dwelling units on the MF-3 zoned land that was considered redevelopable. Of the 56.92 acres that are redevelopable, about 45 come from a single parcel. That parcel has an existing multifamily development called Shorewood.

The UGC Report method for calculating development capacity does not allow for considering the effect of amending any development regulations other than the maximum density. Table 13 shows the development capacity in multifamily zones and the factors used to calculate capacity. The UGC Report capacity formula is:

$$\text{(Developable Acreage X (1 - (Market Factor + Public Purpose Factor))) X Assumed Density} - \text{Existing Dwelling Units}$$

Table 13. Multifamily Zone Development Capacity.

Zone	Developable Acreage	Market Factor	Public Purpose Factor	Assumed Density ¹	Existing Dwelling Units ²	Final Capacity
MF-2L	0.21	0.20	0.035	26	5	0 ³
MF-2	2.07	0.20	0.035	38	101	0 ³
MF-3	56.92	0.20	0.035	26	597	535 ⁴

Notes:

1. Maximum density in multifamily zones is established in MICC 19.03.010(F).
2. Existing dwelling units from UGC Report source data.
3. Capacity is zeroed out in cases where the capacity formula yields a negative number because there are more existing dwelling units than the product of developable acreage times the sum of market factor and public purpose factor times the allowed density.
4. Due to a difference in rounding, the final capacity for multifamily zones was listed as 535 in the UGC Report though running the calculations with the figures above produces a result of 536.

Increasing the assumed density would increase development capacity. Increasing the maximum allowed density in the MF-3 zone from 26 dwellings per acre to 30 dwellings per acre would add capacity for 174 more dwellings. This is enough to address the 143 dwelling unit shortfall identified in Table 9. Table 14 shows the capacity that would result from increasing density to 30 dwellings per acre in the MF-3 zone.

Table 14. Multifamily Zone Development Capacity With Increased Density.

Zone	Developable Acreage	Market Factor	Public Purpose Factor	Proposed Density ¹	Existing Dwelling Units ²	Final Capacity
MF-2L	0.21	0.20	0.035	30	5	0 ³
MF-2	2.07	0.20	0.035	38	101	0 ³
MF-3	56.92	0.20	0.035	30	597	709

Notes:

1. Maximum density in multifamily zones is established in MICC 19.03.010(F). This table examines how increasing the maximum density in MF-2L and MF-3 from 26 to 30 dwelling units per acre would affect development capacity. In the table, MF-2L and MF-3 are linked because the maximum density for both zones is set in the same line of development code. The City could decide to only amend the maximum density in the MF-3 zone and the capacity increase would be the same.
2. Existing dwelling units from UGC Report source data.
3. Capacity is zeroed out in cases where the capacity formula yields a negative number because there are more existing dwelling units than the product of developable acreage times the sum of market factor and public purpose factor times the allowed density.

Benefits, Drawbacks, and Future Considerations For This Alternative

- Benefits**
- Simple development code amendment to add enough development capacity in multifamily zones to address the shortfall identified in Table 9;
 - Would focus increased capacity in a zone that already allows multifamily development;
 - Increase of density from 26 to 30 dwelling units per acre is only a minor increase in the allowed development intensity in the MF-3 zone; and
 - Other development regulations will help mitigate the effects of increasing the maximum density.

- Drawbacks**
- Would not address the other development regulations that might make affordable housing development more challenging;
 - Other regulations such as maximum lot coverage and parking standards might still need amendments to support affordable housing;
 - For example, the cost of providing parking spaces typically increases per-unit construction costs and residential development in the multifamily zones is required to include two parking spaces per dwelling unit (MICC 19.03.020(B)(1)). Requiring two parking spaces per unit adds to the cost of construction for any potential affordable housing in this zone; and
 - Would increase capacity in an area with some displacement risks. About 80 percent of the developable land in the MF-3 zone is found in the parcel containing the Shorewood apartment complex. These apartment homes are older and can be more affordable than newer apartments. Increasing development capacity in this area could incentivize redevelopment that would replace more-affordable existing homes in this area with more-expensive new homes.

- Future Considerations**
- Comprehensive Plan needs policies that address multifamily zones, and
 - Multifamily development regulations should be analyzed in the near future for potential amendments to ensure that multifamily zones can accommodate affordable housing needs.

Conclusion

Increasing the maximum allowed density in the MF-3 zone from 26 dwellings per acre to 30 dwellings per acre would add capacity for 174 more dwellings. This is enough to address the 143 dwelling unit shortfall identified in Table 9.

D. Other Housing Element Amendments

In addition to addressing the housing capacity for projected affordable housing needs, the City will be required to amend housing policies to address other topics. This includes:

- Make adequate provisions for the existing and projected needs of all economic segments of the community as required by RCW 36.70A.070(2)(d);
- Anti-displacement policies and amendments to address racially disparate impacts as required by RCW 36.70A.070(2)(e)-(h); and
- Address middle housing and accessory dwelling units to comply with recent statewide legislation.

1. Adequate Provisions

To make adequate provisions for the existing and projected needs of all economic segments of the community the City will identify barriers to housing production and adopt policies to address those barriers. Commerce has provided guidance for identifying barriers to housing production. The Commerce guidance outlines a process of listing barriers such as high cost of land and preparing a list of potential policies to address that barrier such as making surplus city-owned land available for affordable housing development. Prior to drafting the Housing Element, staff will identify barriers to housing production and develop policy options for addressing barriers that can be considered with the draft of the element. The policy options added to the Housing Element that address the identified barriers will constitute adequate provisions for existing and projected housing needs.

2. Racially Disparate Impacts and Anti-Displacement Policies

One of the requirements added by HB 1220 is that cities and counties must analyze housing policies for potential racially disparate impacts, identify areas at risk of displacement as development occurs, and establish anti-displacement policies. A report based on the Commerce guidance will be prepared that identifies existing policies that might need to be amended to address potential impacts. That report will also provide anti-displacement policies that can be considered during the Comprehensive Plan periodic review.

3. Middle Housing and Accessory Dwelling Units (ADUs)

In 2023, the WA State Legislature enacted House Bills 1110 and 1337. House Bill 1110 requires development code amendments to allow middle housing types in zones that allow single-family residences. House Bill 1337 establishes required development standards for ADUs. Policy amendments may be required by these two bills. The

Housing Element will be reviewed during the drafting process to ensure that it is consistent with state law.

Middle housing and ADUs tend to be more affordable dwelling units because they are smaller and carry lower land costs. Because they tend to be more affordable, middle housing units and ADUs can also be considered part of the City's strategy for accommodating housing needs.

Appendix A - Land Capacity Analysis Supplement Methodology

Methodology Introduction

The City of Mercer Island (City) is in the process of completing a periodic review of its Comprehensive Plan. The periodic review must be completed by December 31, 2024 (RCW 36.70A.130). RCW 36.70A.070(2) requires that that Comprehensive Plan include a Housing Element. The requirements for the Housing Element were amended in 2021 by Engrossed Second Substitute House Bill 1220 (HB 1220). These amendments require cities to analyze development capacity and make adequate provisions to accommodate housing for households throughout the income distribution. In 2023, the WA Department of Commerce (Commerce) issued [guidance for meeting the new planning requirements](#) added by HB 1220. The guidance recommends cities conduct additional analysis of development capacity to identify existing capacity affordable at varying income levels and inform the process of making adequate provisions to accommodate housing for all income levels. This methodology outlines the steps the City will undertake to perform that additional land capacity analysis.

Existing Land Capacity Analysis

The City completed a land capacity analysis in 2020, at the same time as other cities in King County in preparation for the periodic review. The 2020 land capacity analysis looked at development capacity under the previous planning framework, subject to standards that predated the enactment of HB 1220. HB 1220 added requirements to the previous planning framework, which means the land capacity analysis can be used as a foundation for the additional analysis now required under HB 1220. For that reason, the methodology provided in this document details an analysis that will supplement the 2021 land capacity analysis. This supplement is necessary to comply with the new requirements in RCW 36.70A.070(2)(c).

RCW 36.70A.070(2)

The Growth Management Act (GMA) requirements for what must be included in a Housing Element are established in [RCW 36.70A.070\(2\)](#). Specifically, RCW 36.70A.070(2)(c) states:

(2) A housing element ensuring the vitality and character of established residential neighborhoods that: [...]

(c) Identifies sufficient capacity of land for housing including, but not limited to, government-assisted housing, housing for moderate, low, very low, and extremely low-income households, manufactured housing, multifamily housing, group homes, foster care facilities, emergency housing, emergency shelters, permanent supportive housing, and within an urban growth area boundary, consideration of duplexes, triplexes, and townhomes; [...]

This requirement was amended by HB 1220 to include identification of housing capacity for moderate, low, very low, and extremely low-income households. HB 1220 also amendment RCW 36.70A.070(2)(c) to require cities and counties to determine the development capacity for emergency housing, emergency shelters, permanent

supportive housing, and within an urban growth area boundary, consideration of duplexes, triplexes, and townhomes.

The identification of land capacity for housing affordable at varying income levels is directly related to another GMA requirement that cities make adequate provisions to accommodate housing for all economic segments. That requirement is established in RCW 36.70A.070(2)(d), which states:

(2) A housing element ensuring the vitality and character of established residential neighborhoods that: [...]

(d) Makes adequate provisions for existing and projected needs of all economic segments of the community, including:

(i) Incorporating consideration for low, very low, extremely low, and moderate-income households;

(ii) Documenting programs and actions needed to achieve housing availability including gaps in local funding, barriers such as development regulations, and other limitations;

(iii) Consideration of housing locations in relation to employment location; and

(iv) Consideration of the role of accessory dwelling units in meeting housing needs; [...]

The purpose of the land capacity analysis supplement, the methodology for which is detailed in this document, is to identify land capacity for all income segments as required by RCW 36.70A.070(2)(c). That analysis will then inform the decision-making process to ensure the City makes adequate provisions for projected housing needs as required by RCW 36.70A.070(2)(d). Commerce has provided cities with guidance for satisfying these requirements.

Commerce Guidance

Commerce has issued guidance for compliance with the updated Housing Element requirements established by HB 1220. The steps and tasks detailed in this methodology are adapted from the Commerce guidance.

Data Sources

Conducting the supplemental land capacity analysis will include analysis of several data sources. The City will use the following data sources.

King County Urban Growth Capacity Report

In 2021, King County issued the [Urban Growth Capacity Report](#) (UGC Report). This report provides the development capacity for all cities within the County, including Mercer Island. The UGC Report was prepared based on the land capacity analysis

requirements prior to HB 1220. The capacity detailed in this report will be the foundation of the additional analysis of the land capacity analysis supplement.

King County Assessor's Parcel Data

The King County Assessor maintains a data set of parcel-level data. This data shows the size of lots throughout the City, the assessed value of the land and improvements, and when the lot was developed. This information is central to determining whether a lot is fully developed or has potential development capacity.

Mercer Island Zoning Map

The Mercer Island Zoning Map shows the location of the different zones throughout the City. This is integral to determining development capacity because zoning sets the maximum density and performance standards that shape the type of development allowed in each zone.

Critical Area Maps

The City of Mercer Island maintains maps of the possible location of critical areas such as wetlands and watercourses. Critical areas and their buffers are parts of the City where development capacity can be limited by environmental regulations. For example, wetlands have buffers within which additional lot coverage and hardscape are prohibited which limits the developability of that area. The critical area maps will be used in this analysis to identify those areas of the City where capacity is constrained by environmental regulations.

Mercer Island Permit Data

The City of Mercer Island maintains data on permitted activity. This data provides a record of what development has occurred and will inform assumptions about achieved housing density. Understanding achieved development is vital to understanding what development is likely in the near future.

King County Housing Need Projection

King County has allocated housing needs to cities based on the Housing For All Planning Tool (HAPT) provided by Commerce. The housing need assigned to the City of Mercer Island is shown in Table 1 below.

Table 1. Mercer Island Housing Need.

	Total	<30%		>30 to >50%	>50 to <80%	>80 to <100%	>100 to >120%	>120%	Emergency Housing
		Non- PSH ¹	PSH ¹						
Future Need (2044)	11,808	613	178	487	674	1,510	1,239	7,107	237
Baseline Supply (2019)	10,569	274	N/A ²	285	186	1,506	1,234	7,084	N/A ²
Net New Need: 2019- 2044	1,239	339	178	202	488	4	5	23	237

Source: King County Growth Management Planning Council Motion 23-1.

Notes:

3. Permanent Supportive Housing (PSH)
4. There was no PSH or emergency housing supply in the City in 2019.

Washington Center for Real Estate Research Housing Market Data Toolkit

The Washington Center for Real Estate Research (WCRER) provides data on housing, including average housing costs. The WCRER website is: <https://wcrer.be.uw.edu/housing-market-data-toolkit/>

Assumptions

Assumptions form the basis of extrapolating meaning from data. They are a key component of any data analysis. The City will make the following assumptions related to housing capacity.

An Affordable Home Does Not Cost More Than 30 Percent of Household Income

The crux of this supplemental land capacity analysis is analyzing housing affordability for all income segments. Housing affordability is defined in the Growth Management Act (GMA) as housing with a cost that does not exceed thirty percent of a household's income ([RCW 36.70A.030\(2\)](#)). As the City analyzes housing data to determine capacity for all income segments, it will be assumed that the affordable cost is roughly equal to thirty percent of household income.

Existing Residential Capacity

This methodology will use the residential capacity shown in the 2021 UGC Report as the existing capacity. Though a few years old at the time this Land Capacity Analysis Supplement will be performed, the UGC Report is the documentation of capacity the City should use during the current periodic review to ensure the Mercer Island Comprehensive Plan is using assumptions about capacity that are consistent with the comprehensive plans in all King County jurisdictions.

Higher Density is More Likely To Be Affordable

It is assumed that higher-density residential development is more likely to be affordable to lower-income households. The assumption here is that a two-bedroom apartment home is generally less expensive than a two-bedroom detached single-family home.

Permanent Supportive Housing Is Only Likely in High-Density Zones That Include an Incentive

Permanent supportive housing (PSH) is subsidized, leased housing with no limit on length of stay that prioritizes people who need comprehensive support services to retain tenancy and utilizes admissions practices designed to use lower barriers to entry than would be typical for other subsidized or unsubsidized rental housing, especially related to rental history, criminal history, and personal behaviors ([RCW 36.70A.030\(19\)](#)). HB 1220 requires cities to determine capacity for PSH as part of their housing need. Given the high cost of construction, reduced return on investment, and need for support services, this analysis will assume the following:

- PSH is only likely to be developed in higher density zones where dwelling units can be smaller and economies of scale are possible;
- PSH in Mercer Island likely requires substantial subsidies or land grants; and
- PSH is more likely in zones that provide an affordable housing incentive such as the height bonus in Town Center zones.

Based on these assumptions, this analysis will group PSH capacity with the 0 – 30% AMI capacity to determine the capacity as a number of units. Then, when analyzing alternatives in Step Five, policy changes to support PSH will be analyzed for the degree to which they affect PSH capacity. This analysis will be documented in the Land Capacity Analysis Supplemental Report to ensure that zoning allows sufficient capacity for the 178 units of PSH as allocated by the City's share of housing need.

The City Will Adopt Permanent Regulations to Allow Emergency Housing in The Majority of Zones Within One Mile of Transit

Cities are required by HB 1220 to allow emergency housing in any zone that allows hotels or in a majority of zones within one mile of transit. The City currently includes the GMA definition of 'emergency housing' in its definition of 'social service transitional housing' through an interim amendment made by Ordinance 21C-23. Social service transitional housing is allowed in a majority of zones within one mile of transit. This analysis assumes that during the Comprehensive Plan update, this amendment will be made permanent to comply with HB 1220. What this means is that further analysis of capacity for emergency housing is not required per the Commerce HB 1220 Guidance Book 2.

Steps

1. Gather Land Capacity By Zone and Zone Category
2. Relate Zone Categories To Potential Income Levels And Housing Types Served
3. Summarize Capacity By Zone Category

4. Compare Projected Housing Needs To Capacity
5. Develop and Analyze Alternatives as Needed

Step One: Gather Land Capacity By Zone and Zone Category

The analysis begins with gathering the land capacity that has already been calculated. The City prepared a land capacity analysis and provided the results to King County in 2021. The results of that land capacity analysis are provided in the UGC Report. During this step, staff will gather the housing capacity provided in the UGC Report and use this as the existing capacity. In preparing this report, the zones in the City were divided into categories based on the allowed density and housing types in each zone. For example, the R-15 zone was categorized as a low-density residential zone because it only allows single-family homes and has a minimum lot size of 15,000 square feet (roughly three dwellings per acre). The Housing Capacity on Mercer Island by zone and zone category from Chapter 7 of the UGC Report are shown in Table 2.

Table 2. Housing Capacity By Zone Category.

Zone Category	Density Range	Corresponding Zones	Net Residential Capacity
Very Low Density	2.6-3.3 dwellings/acre	R-15 and R-12	120
Low Density	4.6-6.1 dwellings/acre	R-9.6 and R-8.4	235
Medium-Low Density	22.7 dwellings/acre	MF-2L	10
Medium-High Density	26 dwellings/acre	MF-2 and MF-3	535
High Density	100.6-167 dwellings/acre	TC Zones	528
Total	-	-	1,429

Source: 2021 UGC Report.

Step Two: Relate Zone Categories to Income Levels

During Step Two the housing capacity by zone category summarized in Step One will be analyzed to determine which income levels may be accommodated in the existing capacity. The goal of this step is to answer, based on local market conditions, the following questions:

- Which income levels are likely to be served by new market-rate housing production in each zone category?
- In which zone categories is it feasible for affordable housing developers to produce new income-qualified affordable housing projects, assuming typical sources of funding and financing are available?
- In which zone categories is it feasible to produce new permanent supportive housing (PSH), assuming typical sources of funding and financing are available?

Task 2.A – Gather and Summarize Data on Housing Prices

During this task, staff will gather data on the cost of housing types in the City. This task’s purpose is to determine the income level each housing type is affordable to relative to AMI.

Task 2.A – Deliverables

This task will result in a completed version of Table 3.

Table 3. Average Cost by Housing Type.

Typical Housing Type	Average Cost	Notes
Single-Family Home	WCRER Data Toolkit Median Home Sale Price	
Townhomes and Condos	WCRER Data Toolkit Median Condo Sale Price	
Apartments	WCRER Data Toolkit Average Monthly Rent	

Task 2.B – Calculate Affordability Levels

During this task, each housing type will be analyzed to determine which income segments they are affordable to. For this step, it will be necessary to gather the monthly cost for housing types. Data on average home prices and rents are available from the WCRER. To calculate the monthly cost, the median sale price for each housing type will be used. The WCRER median sale price data is from the fourth quarter of 2022. For medium-low density zones, the median condominium sale price will be used. In medium-high and high-density zones, the mean rent will be used. Mean rents from the WCRER are from the first quarter of 2023.

For ownership housing, the Fannie Mae Mortgage Calculator will be used to determine a monthly payment. Using this calculator, the analysis will assume that the average buyer has a twenty percent down payment and a 30-year fixed-rate mortgage. Once the monthly payment is calculated, the formula to convert a monthly payment to household income needed is: **Annual Household Income Needed = (Monthly payment / 0.3) * 12**. Then, the income level as a percentage of AMI will be calculated as follows: **Income level as percent of AMI = Annual household income needed / Area Median Income (AMI)**.

Task 2.B – Deliverables

Task 2.B will result in a completed version of Tables 4 and 5.

Table 4. Average Housing Cost and Monthly Payment by Zone Category.

Typical Home Type	Average Price	Average Monthly Payment
Detached Single-Family	WCRER Q4 2022 Median Sale Price	From Fannie Mae Mortgage Calculator
Condominium	WCRER Q4 2022 Median Sale Price	From Fannie Mae Mortgage Calculator
Multifamily – Rental	WCRER Q1 2023 Average Rent	WCRER Q1 2023 Average Rent

Table 5. Affordability Without Subsidies by Zone Category.

Zone Category	Average Cost Without Subsidies	Annual Household Income Needed	Income Level as a Percent of AMI
Very Low Density	From Table 3	(Average Monthly payment / 0.3) * 12	Annual household income needed / Area Median Income (AMI)
Low Density	From Table 3	(Average Monthly payment / 0.3) * 12	Annual household income needed / Area Median Income (AMI)
Medium-Low Density	From Table 3	(Monthly payment / 0.3) * 12	Annual household income needed / Area Median Income (AMI)
Medium-High Density	From Table 3	(Monthly rent / 0.3) * 12	Annual household income needed / Area Median Income (AMI)
High Density	From Table 3	(Monthly rent / 0.3) * 12	Annual household income needed / Area Median Income (AMI)

Step Three: Summarize Capacity

During Step Three the results from Steps One and Two will be collated so that capacity and need can be compared in a later step.

Task 3.A – Summarize Capacity by Zone Category and Affordability Level

The results from previous steps will be placed in a single table that will allow the determination of where there may be a capacity surplus or deficit.

Task 3.A – Deliverable

A completed Table 6.

Table 6. Zone Capacity by Zone Category and Affordability Level.

Zone Category	Capacity	Average Cost	Income Level as a Percent of AMI
Very Low Density	From Table 2	From Table 3	From Table 5
Low Density	From Table 2	From Table 3	From Table 5
Medium-Low Density	From Table 2	From Table 3	From Table 5
Medium-High Density	From Table 2	From Table 3	From Table 5
High Density	From Table 2	From Table 3	From Table 5

Step Four: Compare Projected Housing Needs To Capacity

This is the final step in the process prior to developing and analyzing alternatives. Step Four will analyze zone categories where there may be surplus or deficient capacity based on the City’s allocated housing need. Zone categories with capacity deficits will require policy interventions during the Comprehensive Plan update. Those policy interventions will be developed and analyzed during Step Five.

Task 4.A – Determine Capacity Surplus or Deficit by Zone Category and Affordability

During this task, the results from Steps One, Two, and Three are compared to determine which zone categories have adequate capacity based on the projected need at each affordability level.

Task 4.A – Deliverable

A completed Table 7.

Table 7. Capacity Surplus or Deficit by Zone Category and Affordability.

Zone Category	Income Level as a Percent of AMI	Capacity	Housing Need at Income Level	Surplus/Deficit
Emergency Housing	N/A	From Table 6	From Table 1	Capacity – Need = Surplus or Deficit
Very Low Density	From Table 5	From Table 2	From Table 1	Capacity – Need = Surplus or Deficit
Low Density	From Table 5	From Table 2	From Table 1	Capacity – Need = Surplus or Deficit
Medium-Low Density	From Table 5	From Table 2	From Table 1	Capacity – Need = Surplus or Deficit
Medium-High Density	From Table 5	From Table 2	From Table 1	Capacity – Need = Surplus or Deficit
High Density	From Table 5	From Table 2	From Table 1	Capacity – Need = Surplus or Deficit
Total	N/A			

Step Five: Develop and Analyze Alternatives as Needed

After completing Steps One through Four the City will know which zone categories have a capacity surplus or deficit relative to the projected level of need. During Step Five alternatives to address deficits will be developed and analyzed. These alternatives will be presented to the City Council for their direction on the preferred method to address capacity deficits.

Task 5.A – Prepare a List of Zones In Categories With A Capacity Deficit

In earlier tasks zones were aggregated into categories. During this task the zones will be disaggregated. This will allow staff to analyze related policies and zoning regulations that might need to be amended to address capacity deficits.

Task 5.A – Deliverable

A completed Table 8.

Table 8. Zoning Categories by Zone and Deficit.

Zone Category	Zones	Capacity Deficit
Emergency Housing		From Table 7
Very Low Density	R-15 and R-12	From Table 7
Low Density	R-9.6 and R-8.4	From Table 7
Medium-Low Density	MF-2L	From Table 7
Medium-High Density	MF-2 and MF-3	From Table 7
High Density	TC Zones	From Table 7

Task 5.B – Map Policies and Regulations to Zones With A Capacity Deficit

During this step of developing alternatives, the related policies and regulations for each zone will be listed for each zone. Those policies will also be categorized by whether they have an effect on housing capacity.

Task 5.B – Deliverable

A completed Table 9 for each zone with a capacity deficit.

Table 9. Policy and Regulation Map for Zones With A Capacity Deficit.

Zone Name		
Comprehensive Plan Policy Number or Zoning Code Section		Related To Capacity? (Y or N)
Policies	Comprehensive Plan Policy Number	
	Comprehensive Plan Policy Number	
	Comprehensive Plan Policy Number	
	Comprehensive Plan Policy Number	
Regulations	City Code Section	
	City Code Section	
	City Code Section	
	City Code Section	
	City Code Section	

Task 5.C – Prepare Alternatives and Analyze Potential Impact On Capacity

After mapping policies and regulations to each zone with a capacity deficit and determining which policies and regulations relate to capacity, staff will prepare at least two alternatives to address capacity deficits. Each alternative will be analyzed for the degree to which that alternative will increase capacity. In general, potential capacity increases will be estimates. Each alternative should be analyzed using the framework in Table 10. That framework will be shared with the City Council for their consideration when providing guidance on the preferred alternative.

Table 10. Alternative Analysis Framework.

ALTERNATIVE A			
Amendment	Location	Expected Additional Capacity Type	Expected Additional Capacity
Policy or Code Amendment Description	Policy number or code section	Very Low, Low, Med-Low, Med-High, or High	
Policy or Code Amendment Description	Policy number or code section	Very Low, Low, Med-Low, Med-High, or High	
Policy or Code Amendment Description	Policy number or code section	Very Low, Low, Med-Low, Med-High, or High	
Total Expected Additional Capacity			
Sufficient to Address Deficit (Y/N)			

Task 5.C – Deliverable

A minimum of two alternatives that include:

- An analysis of alternatives using the framework in Table 10, and
- Supporting documentation detailing how expected additional capacity was calculated.

Glossary of Terms

Accessory Dwelling Unit (ADU) – A habitable dwelling unit added to, created within, or detached from a single-family dwelling that provides basic requirements for living, sleeping, eating, cooking and sanitation (see [MICC 19.16.010](#)).

Affordable Housing – means, unless the context clearly indicates otherwise, residential housing whose monthly costs, including utilities other than telephone, do not exceed thirty percent of the monthly income of a household whose income is:

- (a) For rental housing, sixty percent of the median household income adjusted for household size, for the county where the household is located, as reported by the United States department of housing and urban development; or
- (b) For owner-occupied housing, eighty percent of the median household income adjusted for household size, for the county where the household is located, as reported by the United States department of housing and urban development (see [RCW 36.70A.030\(2\)](#)).

Capacity Surplus and Deficit – Based on the level of housing need and available capacity in each zone category, some zone categories may either provide more capacity than needed or not enough capacity to accommodate the projected need. Those zone categories with a capacity surplus will not necessarily require changes. On

the other hand, zone categories with a deficit will require policy interventions to expand capacity to accommodate the projected need.

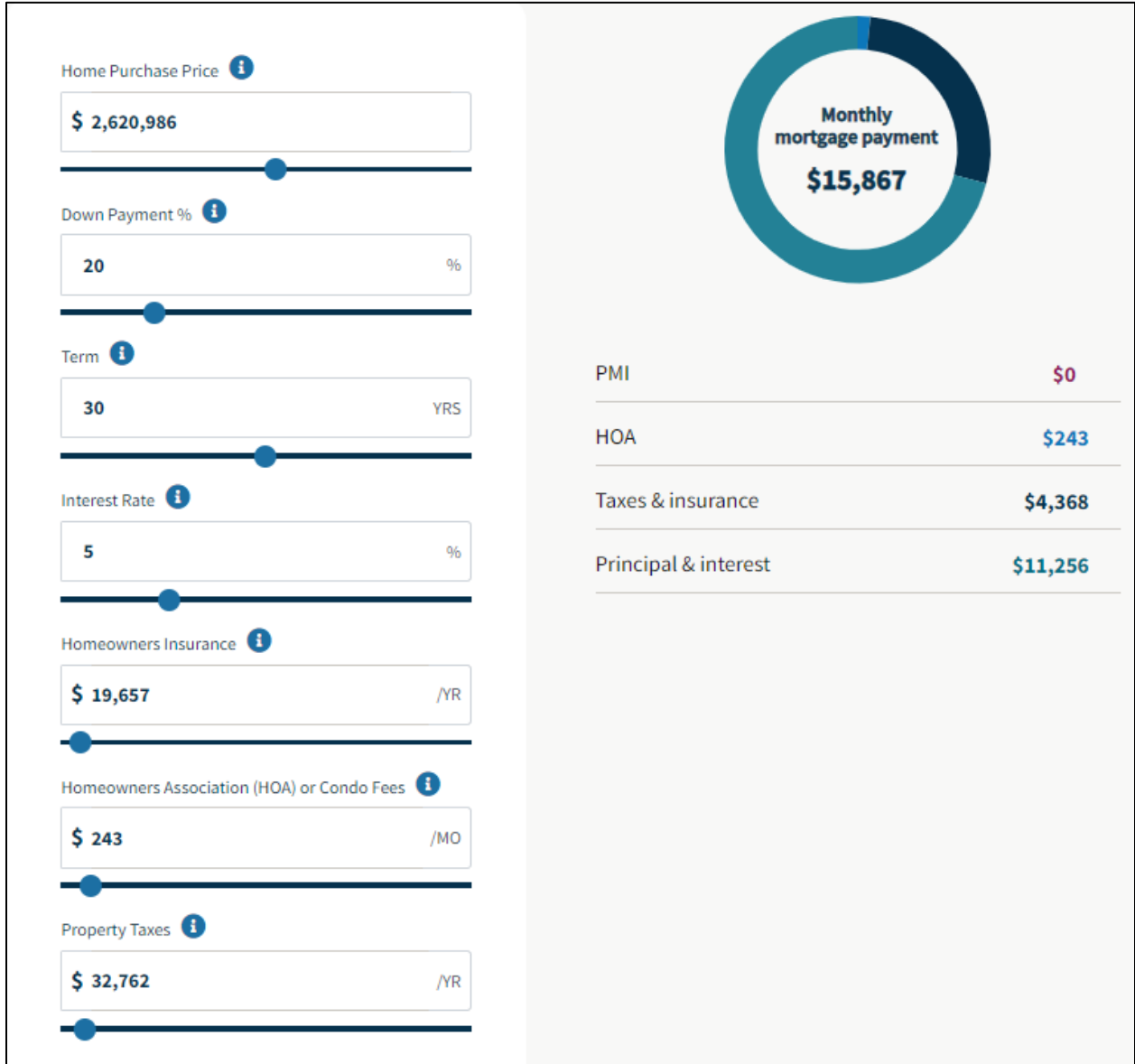
Emergency Housing – temporary indoor accommodations for individuals or families who are homeless or at imminent risk of becoming homeless that is intended to address the basic health, food, clothing, and personal hygiene needs of individuals or families. Emergency housing may or may not require occupants to enter into a lease or an occupancy agreement ([RCW 36.70A.030\(9\)](#)).

Major Transit Stop – (a) A stop on a high capacity transportation system funded or expanded under the provisions of chapter 81.104 RCW; (b) Commuter rail stops; (c) Stops on rail or fixed guideway systems; or (d) Stops on bus rapid transit routes (See House Bill 1110 Section 1).

Permanent Supportive Housing – subsidized, leased housing with no limit on length of stay that prioritizes people who need comprehensive support services to retain tenancy and utilizes admissions practices designed to use lower barriers to entry than would be typical for other subsidized or unsubsidized rental housing, especially related to rental history, criminal history, and personal behaviors. Permanent supportive housing is paired with on-site or off-site voluntary services designed to support a person living with a complex and disabling behavioral health or physical health condition who was experiencing homelessness or was at imminent risk of homelessness prior to moving into housing to retain their housing and be a successful tenant in a housing arrangement, improve the resident's health status, and connect the resident of the housing with community-based health care, treatment, or employment services (see [RCW 36.70A.030\(19\)](#)).

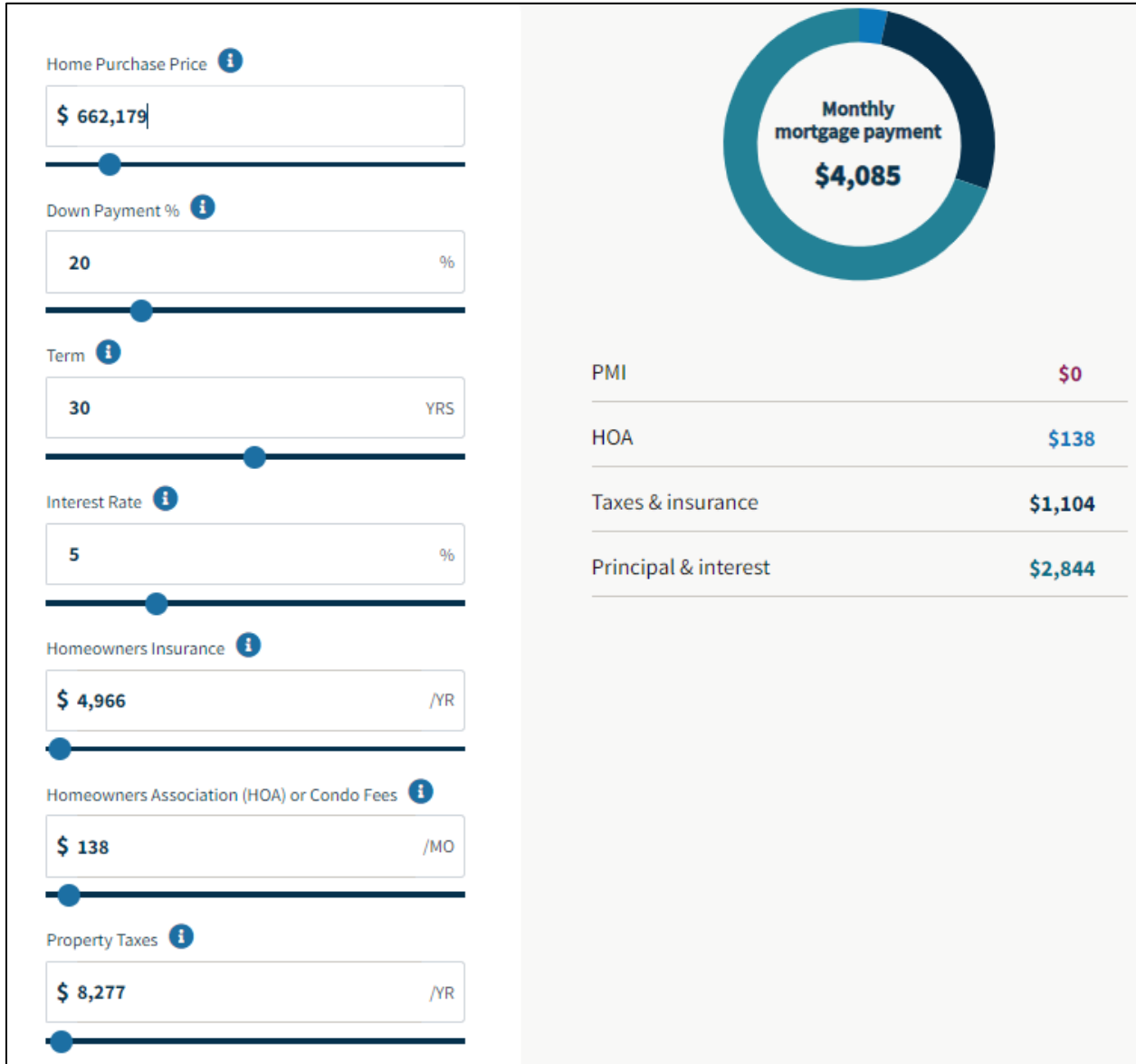
Appendix B – Mortgage Calculator Detail

Figure B.1. Mortgage Calculation for Single-Family Home Costing \$2,620,986.



Source: Fannie Mae Mortgage Calculator <https://yourhome.fanniemae.com/calculators-tools/mortgage-calculator>

Figure B.2. Mortgage Calculator for Condo Costing \$662,179.



Source: Fannie Mae Mortgage Calculator <https://yourhome.fanniemae.com/calculators-tools/mortgage-calculator>

The HOA fees (\$243/month or \$2,916/year) for the mortgage calculator are based on the 2021 average for the Seattle Metropolitan Area as determined by the U.S. Census Bureau’s American Housing Survey (https://www.census.gov/programs-surveys/ahs/data/interactive/ahstablecreator.html?s_areas=42660&s_year=2021&s_table=TABLE10&s_bygroup1=2&s_bygroup2=1&s_filtergroup1=1&s_filtergroup2=1):

Appendix C – Policy Maps

Table C.1. Multifamily Zone Policy and Development Regulation Map.

MF-2 and MF-3			
Comprehensive Plan Goal/Policy Number or Zoning Code Section		Related To Capacity? (Y or N)	Notes
Policies	Land Use Goal 15	N	Land Use Goal 15 states: “Mercer Island should remain principally a low density, single family residential community.” This goal does not specifically address multifamily or mixed-use development. Mixed-use development is addressed in the Town Center goals and policies because that is the zone where mixed-use is allowed. Ideally, the Land Use Element would have at least one specific goal and associated policies that address multifamily development.
	Land Use Policy 15.3	Y	Land Use Policy 15.3 is the only Land Use Element policy specifically directed at multifamily zones, it states: “Multi-family areas will continue to be low rise apartments and condos and duplex/triplex designs, and with the addition of the Commercial/Office (CO) zone, will be confined to those areas already designated as multi-family zones.” This is related to capacity because it directs two things: (1) that MF zones should be primarily low-rise apartments, condos, and duplex/triplex designs, and (2) that multifamily should be limited to only those areas already designated multifamily. The second direction constrains multifamily capacity to existing areas, which in turn constrains multifamily capacity.
	Figure 1 – Land Use Map	Y	The Land Use Map designates specific areas of the City for multifamily housing, defining what areas can be zoned for multifamily.
	Housing Goal 1	N	Housing Goal 1 states: “Ensure that single family and multi-family neighborhoods provide safe and attractive living environments, and are compatible in quality, design and intensity with surrounding land uses, traffic patterns, public facilities and sensitive environmental features.”

MF-2 and MF-3		
Comprehensive Plan Goal/Policy Number or Zoning Code Section	Related To Capacity? (Y or N)	Notes
Housing Policy 1.1	N	Housing Policy 1.1 states: “Ensure that zoning and City code provisions protect residential areas from incompatible uses and promote bulk and scale consistent with the existing neighborhood character.” Protecting residential areas from incompatible uses should be better defined in policy so as to avoid excluding building types that might help the City achieve its housing targets.
Regulations	MICC 19.03.010 – Multiple Family	Height, bulk, density, yard, and lot coverage requirements constrain the types of buildings allowed in the MF-2 zone. This also limits the total development capacity.
	MICC 19.03.020 – Parking requirements	Parking requirements can make new multifamily development more difficult. This is particularly true on smaller lots because space is limited. Parking requirements also add cost to new multifamily development. The cost of parking is typically bundled with the housing cost and gets passed on to buyers and renters. Specifically, MICC 19.03.020(B)(1) requires a minimum of two parking spaces per dwelling. Considering the height and density limits in MICC 19.03.010, the cost of providing parking combined with limits on the size of multifamily development likely makes many multifamily housing forms too expensive for developers.
	MICC 19.12.010 – General	MICC 19.12.010 establishes the general requirements for design standards outside of Town Center. Specifically, the design vision in MICC 19.12.010(B) relates to building size and scale the MF-2 zone, both of which can affect capacity.

MF-2 and MF-3			
Comprehensive Plan Goal/Policy Number or Zoning Code Section		Related To Capacity? (Y or N)	Notes
	MICC 19.12.020 – Site features and context	Y	This code section refers to building height and size that can affect capacity.
	MICC 19.12.030 – Building design and visual interest	Y	The code section establishes design standards for building height and size that can affect capacity.
	MICC 19.12.040 – Landscape design and outdoor spaces.	Y	This code section requires landscaping on at least 40 percent of each lot developed in the MF-2 zone. This can limit development capacity on each MF-2 lot.

Table C.2. Town Center Zone Policy and Development Regulations Map.

Town Center Zones			
Comprehensive Plan Goal/Policy Number or Zoning Code Section		Related To Capacity? (Y or N)	Notes
Policies	Land Use Goal 1	N	Goal 1 states: “Create a mixed-use Town Center with pedestrian scale and connections.”
	Land Use Policy 1.1	Y	Policy 1.1 states: “A walkable mixed-use core should be located adjacent to a regional transit facility and be of sufficient size and intensity to create a focus for Mercer Island.” Referring to sufficient size and intensity for Town Center to be a focus for Mercer Island indicates that the Comprehensive Plan envisions a Town Center that is the primary source for the City’s development capacity.
	Land Use Goal 2	Y	Goal 2 states: “Create a policy and regulatory structure that will result in a diversity of uses that meets Islanders’ daily needs and helps create a

Town Center Zones		
Comprehensive Plan Goal/Policy Number or Zoning Code Section	Related To Capacity? (Y or N)	Notes
		vibrant, healthy Town Center serving as the City's business, social, cultural and entertainment center."
Land Use Policy 2.1	Y	Policy 2.1 states: "Use a variety of creative approaches to organize various land uses, building types and heights in different portions of the Town Center."
Land Use Goal 3	Y	Goal 3 states: "Have a mixture of building types, styles and ages that reflects the evolution of the Town Center over time, with human-scaled buildings, varied height, setbacks and step-backs and attractive facades."
Land Use Policy 3.1	Y	Policy 3.1 states: "Buildings taller than two stories may be permitted if appropriate public amenities and enhanced design features are provided."
Land Use Policy 3.2	Y	Policy 3.2 states: "Locate taller buildings on the north end of the Town Center and step down building height through the center to lower heights on the south end, bordering Mercerdale Park."
Land Use Policy 3.3	Y	Policy 3.3 states: "Calculate building height on sloping sites by measuring height on the lowest side of the building."
Land Use Policy 3.4	Y	Policy 3.4 states: "Mitigate the "canyon" effect of straight building facades along streets through use of upper floor step-backs, façade articulation, and similar techniques."
Land Use Policy 3.5	Y	Policy 3.5 states: "Buildings on larger parcels or with longer frontage should provide more variation of the building face, to allow for more light and create the appearance of a smaller scale, more organic, village-like development pattern. Building mass and long frontages resulting

Town Center Zones		
Comprehensive Plan Goal/Policy Number or Zoning Code Section	Related To Capacity? (Y or N)	Notes
		from a single user should be broken up by techniques such as creating a series of smaller buildings (like Island Square), providing public pedestrian connections within and through a parcel, and use of different but consistent architectural styles to create smaller building patterns.”
Land Use Policy 3.6	Y	Policy 3.6 states: “Building facades should provide visual interest to pedestrians. Street level windows, minimum building set-backs, on-street entrances, landscaping, and articulated walls should be encouraged.”
Land Use Goal 4	N	Goal 4 states: “Create an active, pedestrian-friendly, and accessible retail core.”
Land Use Policy 4.1	N	Policy 4.1 states: “Street-level retail, office, and service uses should reinforce the pedestrian-oriented circulation system.”
Land Use Policy 4.2	N	Policy 4.2 states: “Retail street frontages should be the area where the majority of retail activity is focused. Retail shops and restaurants should be the dominant use, with personal services also encouraged to a more limited extent.”
Land Use Goal 5	Y	Goal 5 states: “Encourage a variety of housing forms for all life stages, including townhomes, apartments and live-work units attractive to families, singles, and seniors at a range of price points.”
Land Use Policy 5.1	Y	Land Use Policy 5.1 states: “Land uses and architectural standards should provide for the development of a variety of housing types, sizes and styles.”

Town Center Zones		
Comprehensive Plan Goal/Policy Number or Zoning Code Section	Related To Capacity? (Y or N)	Notes
Land Use Policy 5.2	Y	Land Use Policy 5.2 states: “Encourage development of low-rise multi-family housing in the TCMF subareas of the Town Center.”
Land Use Policy 5.3	Y	Policy 5.3 states: “Encourage the development of affordable housing within the Town Center.”
Land Use Policy 5.4	Y	Policy 5.4 states: “Encourage the development of accessible and visitable housing within the Town Center.”
Land Use Policy 5.5	Y	Policy 5.5 states: “Encourage options for ownership housing within the Town Center.”
Land Use Goal 6	N	Goal 6 states: “Be convenient and accessible to people of all ages and abilities, including pedestrians, bicyclists, transit users and motorists.”
Land Use Goal 7	N	<p>Goal 7 states: “Town Center streets should be viewed as multiple-use facilities, providing for the following needs:</p> <ul style="list-style-type: none"> • Access to local businesses and residences. • Access for emergency vehicles. • Routes for through traffic. • Transit routes and stops. • On-street parking. • Pedestrian and bicycle travel. • Sidewalk activities, including limited advertising and merchandising and restaurant seating. • Occasional special events and outdoor entertainment.”

Town Center Zones		
Comprehensive Plan Goal/Policy Number or Zoning Code Section	Related To Capacity? (Y or N)	Notes
Land Use Goal 8	N	Goal 8 states: “Be pedestrian-friendly, with amenities, tree-lined streetscapes, wide sidewalks, storefronts with canopies, and cross-block connections that make it easy to walk around.”
Land Use Goal 9	Y	Goal 9 states: “Have ample parking, both on-street and off, and the ability to park once and walk to a variety of retail shops.”
Land Use Policy 9.1	Y	Policy 9.1 states: “Reduce the land area devoted to parking by encouraging structured and underground parking. If open-air, parking lots should be behind buildings.”
Land Use Policy 9.2	N	Policy 9.2 states: “Encourage improved access to transit, bicycle, pedestrian and shared parking facilities to reduce trip generation and provide transportation alternatives, particularly for secondary trips once users reach the Town Center.”
Land Use Policy 9.3	Y	Policy 9.3 states: “Consider a range of regulatory and incentive approaches that can increase the supply of public parking in conjunction with development proposals.”
Land Use Policy 9.4	N	Policy 9.4 states: “On and off-street parking should be well-lit, convenient and well-signed so that drivers can easily find and use parking.”
Land Use Policy 9.5	N	Policy 9.5 states: “Develop long-range plans for the development of additional commuter parking to serve Mercer Island residents.”
Land Use Policy 9.6	N	Policy 9.6 states: “Prioritize parking for Mercer Island residents within the Town Center.”

Town Center Zones		
Comprehensive Plan Goal/Policy Number or Zoning Code Section	Related To Capacity? (Y or N)	Notes
Land Use Goal 10	N	Goal 10 states: “Prioritize Town Center transportation investments that promote multi-modal access to regional transit facilities.”
Land Use Goal 11	N	Goal 11 states: “Promote the development of pedestrian linkages between public and private development and transit in and adjacent to the Town Center.”
Land Use Goal 12	N	Goal 12 states: “Have inviting, accessible outdoor spaces with seating, greenery, water features, and art that offer settings for outdoor entertainment and special events as well as for quiet contemplation.”
Land Use Policy 12.1	N	Policy 12.1 states: “Outdoor public spaces of various sizes in Town Center are important and should be encouraged.”
Land Use Goal 13	N	Land Use Goal 13 states: “Town Center buildings should meet a high standard of energy efficiency and sustainable construction practices as well as exhibiting other innovative green features, above and beyond what is required by the existing Construction Code.”
Land Use Goal 14	N	Land Use Goal 14 states: “Support the further economic development of Mercer Island, particularly in the Town Center.”
Land Use Goal 15	N	Land Use Goal 15 states: “Mercer Island should remain principally a low density, single family residential community.” This goal does not address multifamily or mixed-use development. For the most part, mixed-use development is addressed in the Town Center goals and policies because that is the primary zone where mixed-use is allowed. Ideally, the Land Use Element would have at least one specific goal and associated policies that address multifamily development.

Town Center Zones		
Comprehensive Plan Goal/Policy Number or Zoning Code Section	Related To Capacity? (Y or N)	Notes
Regulations	Land Use Policy 15.3	Y Land Use Policy 15.5 is the only Land Use Element policy specifically directed at multifamily zones, it states: “Multi-family areas will continue to be low rise apartments and condos and duplex/triplex designs, and with the addition of the Commercial/Office (CO) zone, will be confined to those areas already designated as multi-family zones.” This is related to capacity because it directs two things: (1) that MF zones should be primarily low-rise apartments, condos, and duplex/triplex designs, and (2) that multifamily should be limited to only those areas already designated multifamily. The second direction constrains multifamily capacity to existing areas, which in turn constrains multifamily capacity.
	Housing Goal 1	N Housing Goal 1 states: “Ensure that single family and multi-family neighborhoods provide safe and attractive living environments, and are compatible in quality, design and intensity with surrounding land uses, traffic patterns, public facilities and sensitive environmental features.”
	Housing Policy 1.1	N Housing Policy 1.1 states: “Ensure that zoning and City code provisions protect residential areas from incompatible uses and promote bulk and scale consistent with the existing neighborhood character.” Protecting residential areas from incompatible uses should be better defined in policy so as to avoid excluding building types that might help the City achieve its housing targets.

Appendix D – Town Center Mixed-Use Development Since 2000

Table D.1. Town Center Mixed-Use Development Since 2000.

Building Nickname	Address	Building Permit	Year Finaled	Total Square Footage	Units	Average Unit Size	Methodology
Hadley	2615 76th Ave SE	1306-156	2017	148,293	209	709	Added up the listed area for residential units in the tables on sheets G0021 through G0023 of the (1)1306-156-APPR-GEN file (review dated 10-8-2014), then divided by the number of units.
Aviara	2441 76th Ave SE	0812-076	2013	141,323	166	851	The value for the total residential square footage was taken from sheet G0.03 of the permit set dated reviewed 1-20-2011. The total residential square footage was divided by the total number of units.
The Mercer I	7650 SE 27th St	0406-277	2010	145,930	159	918	The value for total square footage was taken from the Building Data table on sheet GEN-1 of the plan set review dated 7-20-2005. The total square footage was divided by the total number of units.
The Mercer II	2558 76th Ave SE	1111-126	2014	67,518	85	794	Measured the area of the building used for housing based on the plans from 7-12-2012 and divided by the number of units.
7800 Condos	7800 SE 27th St	0512-211	2011	39,199	24	1,633	Added up the area of each unit found on sheet A005 of the plan set (review dated 8-20-2007), then divided by the number of units.
77 Central	2630 77th Ave SE	0701-074	2009	164,507	171	962	The values for unit number and total residential area were taken from the tables on sheet G1.03 of the permit set dated reviewed 10-16-2007.
Aljoya	2430 76th Ave SE	0512-206	2008	131,284	112	1,172	The values for unit number and total residential area were taken from the tables on sheet A0.2 of the permit set dated received 6-28-2008 (dated 7-24-2006 in Onbase).
Island Square	2758 78th Ave SE	Multiple	2006	216,711	234	926	Added up the size of the units shown on sheets E2.10 through E2.23 on the plan set dated 12-6-2004 in Onbase. See the Island Market Square tab in this spreadsheet for more information.
Avellino	2836 78th Ave SE	0201-095	2005	41,169	23	1,790	The values for unit number and total residential area were taken from the table on sheet A0.1 on the permit set dated in Onbase 2-2-2005.
Average				113,521	122	1,073	The median unit size is 944 square feet.
Total				1,135,212	1,223	928.22	



Racially Disparate Impacts Evaluation

**CITY OF MERCER ISLAND 2024 COMPREHENSIVE PLAN PERIODIC REVIEW
HB 1220 IMPLEMENTATION**

COMMUNITY PLANNING AND DEVELOPMENT DEPARTMENT



City of Mercer Island, WA
Community Planning and Development Department
December 15, 2023

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Introduction

In 2021, the Washington State Legislature adopted House Bill 1220 (HB 1220). This bill requires cities and counties to begin analyzing housing policies to identify racially disparate impacts that housing policies might have had and adopt amendments to begin undoing those impacts.

Purpose

The purpose of this report is to analyze housing policies to identify those that might have resulted in racially disparate outcomes and identify areas at a higher risk of displacement. Evaluation, identification, and amendment of policies that result in racially disparate outcomes is required by the WA Growth Management Act (GMA) in RCW 36.70A.070(2)(e-h). The analysis in this report is for planning purposes to highlight potential amendments. Specific policy amendment proposals will be developed later in the Comprehensive Plan periodic review.

Report Organization

This report is organized into four main sections:

1. Introduction;
2. Population Data;
3. Displacement Risk; and
4. Conclusions.

The Introduction summarizes the purpose and background for this report. The Population Data section provides demographic information and analysis to describe the current population in Mercer Island. Displacement risk is evaluated in the third section of this report, highlighting areas and populations that might be displaced as development occurs in Mercer Island. Finally, the Conclusions section provides a summary of the analysis and highlights housing policies that Mercer Island can consider amending to address the requirements of HB 1220 during its Comprehensive Plan periodic review.

Background

In 1990, the WA Legislature adopted the GMA. This act requires cities and counties to adopt comprehensive plans. The GMA requirements are established in [Chapter 36.70A RCW](#). The GMA specifically tasks cities and counties with planning for their share of population growth, ensuring that comprehensive plans and development regulations provide adequate development capacity to accommodate the growth projected for the twenty-year planning period ([RCW 36.70A.115](#)). The GMA also requires that cities and counties periodically review and update their comprehensive plans on a set schedule. Cities in King County, including Mercer Island, are required to complete their next periodic review by December 31, 2024 ([RCW 36.70A.130](#)).

RCW 36.70A.020 – Planning Goals

The GMA establishes fifteen statewide planning goals. The planning goals can be found in [RCW 36.70A.020 – Planning Goals](#). The statewide planning goal for housing (Goal 4) is established in RCW 36.70A.020(4), which states:

Housing. Plan for and accommodate housing affordable to all economic segments of the population of this state, promote a variety of residential densities and housing types, and encourage preservation of existing housing stock.

RCW 36.70A.070 – Mandatory Elements

The GMA requires cities and counties to adopt comprehensive plans with specific mandatory elements. The mandatory elements are established in [RCW 36.70A.070 – Mandatory Elements](#). One of the mandatory elements addresses housing. The housing element requirements are codified in RCW 36.70A.070(2). HB 1220 added new requirements for planning for housing that cities and counties must identify and begin to address policies that have resulted in racially disparate impacts. These requirements are established in RCW 36.70A.070(2)(e)-(h), which states:

(2) A housing element ensuring the vitality and character of established residential neighborhoods that: [...]

(e) Identifies local policies and regulations that result in racially disparate impacts, displacement, and exclusion in housing, including:

(i) Zoning that may have a discriminatory effect;

(ii) Disinvestment; and

(iii) Infrastructure availability;

(f) Identifies and implements policies and regulations to address and begin to undo racially disparate impacts, displacement, and exclusion in housing caused by local policies, plans, and actions;

(g) Identifies areas that may be at higher risk of displacement from market forces that occur with changes to zoning development regulations and capital investments; and

(h) Establishes antidisplacement policies, with consideration given to the preservation of historical and cultural communities as well as investments in low, very low, extremely low, and moderate-income housing; equitable development initiatives; inclusionary zoning; community planning requirements; tenant protections; land disposition policies; and consideration of land that may be used for affordable housing. [...]

House Bill 1220

In 2021, the WA State Legislature passed Engrossed Second Substitute House Bill 1220 (HB 1220). HB 1220 enacted new requirements for counties and cities planning under the GMA to identify and make amendments that will begin to undo policies that have resulted in racially disparate impacts, displacement, and exclusion in housing (RCW 36.70A.070(2)(e-h)). These new requirements must be addressed during the comprehensive plan periodic review that cities in King County must complete by December 31, 2024. This report is a review of housing policies to address the new requirements of HB 1220, based on the WA Department of Commerce (Commerce) guidance.

What is a Racially Disparate Impact?

The WA Department of Commerce Guidance for complying with HB 1220 defines the “racially disparate impacts” as:

Racially disparate impacts:

When policies, practices, rules, or other systems result in a disproportionate impact on one or more racial groups.

Commerce Guidance

In 2023, Commerce issued guidance for how cities and counties can evaluate policies for racially disparate impacts and meet the requirements of HB 1220. This report is based on the Commerce publication “[Guidance to Address Racially Disparate Impacts](#)” dated April 2023. The first step detailed in the guidance is a data analysis to understand the demographics of who lives in the City and who does not, resulting in a population profile. Next, the guidance recommends an evaluation of displacement risk in the City to identify which households and which areas of the City are vulnerable to displacement as development occurs. Finally, the guidance provides a framework for analyzing housing policies based on the analysis in the first two steps. The policy evaluation provided in Appendix A and summarized in the Conclusions section of this report is based on the Commerce framework. This framework will help Mercer Island identify policies that may need to be amended during the Comprehensive Plan periodic review to satisfy the new requirements established by HB 1220.

Defining Race and Other Terms

This report reviews data to better understand race and ethnicity in Mercer Island. There are many different ways to define the concepts of race and ethnicity. The American Psychological Association (APA) Dictionary of Psychology provides a comprehensive definition of the concept of race. The APA Dictionary of Psychology defines race as:

“the social construction and categorization of people based on perceived shared physical traits that result in the maintenance of a sociopolitical hierarchy. The term is also loosely applied to geographic, cultural, religious, or national groups. [...]” Source: APA Dictionary <https://dictionary.apa.org/>

The most common source of racial data in this report is the U.S. Census Bureau. The U.S. Census Bureau describes how it collects data on race as follows:

The data on race were derived from answers to the question on race. The U.S. Census Bureau collects race data in accordance with guidelines provided by the U.S. Office of Management and Budget (OMB), and these data are based on self-identification. The racial categories included in the census questionnaire generally reflect a social definition of race recognized in this country and not an attempt to define race biologically, anthropologically, or genetically. In addition, it is recognized that the categories of the race question include race and national origin or sociocultural groups. OMB requires that race data be collected for a minimum of five groups: White, Black or African American, American Indian or Alaska Native, Asian, and Native Hawaiian or other Pacific Islander. OMB permits the Census Bureau to also use a sixth category – Some Other Race. Respondents may report more than one race.

The U.S. Census Bureau also defines each of the racial categories as follows:

White – A person having origins in any of the original peoples of Europe, the Middle East, or North Africa.

Black or African American – A person having origins in any of the Black racial groups of Africa.

American Indian or Alaska Native – A person having origins in any of the original peoples of North and South America (including Central America) and who maintains tribal affiliation or community attachment.

Asian – A person having origins in any of the original peoples of the Far East, Southeast Asia, or the Indian subcontinent including, for example, Cambodia, China, India, Japan, Korea, Malaysia, Pakistan, the Philippine Islands, Thailand, and Vietnam.

Native Hawaiian or Other Pacific Islander – A person having origins in any of the original peoples of Hawaii, Guam, Samoa, or other Pacific Islands.

Sometimes in this report, a racial group will be referred to as a race alone (i.e., White alone). This terminology comes from the U.S. Census Bureau, which describes “race alone” as follows:

People who responded to the question on race by indicating only one race are referred to as the race alone population, or the group who reported only one race. For example, respondents who reported a single detailed Asian group, such as "Asian Indian," would be included in the Asian alone population. Respondents who reported more than one detailed Asian group, such as "Asian Indian" and "Korean" would also be included in the Asian alone population. This is because the detailed groups in the example combination are part of the larger Asian race category.

Source: U.S. Census Bureau [Glossary](#) and “[About the Topic of Race](#)” webpage.

Ethnicity and Race

Ethnicity and race are two different concepts. Race is a social construction based on perceived shared physical traits whereas ethnicity refers to a shared cultural heritage. The APA Dictionary of Psychology definition of ethnicity provides a contrasting definition of ethnicity compared to its definition of race provided above. The APA Dictionary of Psychology defines ethnicity as follows:

“a characterization of people based on having a shared culture (e.g., language, food, music, dress, values, and beliefs) related to common ancestry and shared history.” Source: APA Dictionary <https://dictionary.apa.org/>

Hispanic and Latino are generally considered an ethnic rather than a racial identity. When racial data are provided throughout this report, ethnicity is typically not included because of the distinction from race. This is primarily because data tables tend to focus on either ethnicity or race and persons from a given ethnicity may have one or more racial identities. The U.S. Census Bureau categorizes Hispanic or Latino as an ethnicity rather than a race explained as follows in their glossary:

The U.S. Census Bureau adheres to the U.S. Office of Management and Budget's (OMB) definition of ethnicity. There are two minimum categories for ethnicity: Hispanic or Latino and Not Hispanic or Latino. OMB considers race and Hispanic origin to be two separate and distinct concepts. Hispanics and Latinos may be of any race. Source: U.S. Census Bureau [Glossary](#).

Population Data Review

To begin with, population data was gathered and reviewed to develop a profile of the Mercer Island population and which demographics are underrepresented compared to the larger area around the City. This data review will help to identify if specific groups might be disproportionately affected by housing policies. The population profile at the end of this section will provide a description of the Mercer Island population and those groups that are underrepresented.

Population

The WA Office of Financial Management estimated that the City of Mercer Island's population was 25,780 as of April 1, 2022 (Office of Financial Management (OFM), 2022). The population in King County in 2022 was estimated to be 2,317,700 people (OFM, 2022). The majority of the King County population lives in incorporated cities. There are 26 incorporated cities within fifteen miles of Mercer Island. These cities range from large metropolitan center, Seattle at 762,500 people, and very small community, Beaux Arts Village at 315 people. Of those cities, Mercer Island at 25,780 people is the fourteenth largest by population.

Exhibit 1. King County and Selected Cities Population.

Jurisdiction	2020 Population	2021 Population Estimate	2022 Population Estimate	2023 Population Estimate
King County	2,269,675	2,287,050	2,317,700	1,347,800
Incorporated King County	2,023,409	2,039,665	2,069,540	2,098,740
Unincorporated King County	246,266	247,385	248,160	249,060
Seattle	737,015	742,400	762,500	779,200
Bellevue	151,854	152,600	153,900	154,600
Kent	136,588	137,700	137,900	139,100
Renton	106,785	107,100	107,500	107,900
Kirkland	92,175	92,900	93,570	96,920
Redmond	73,256	73,910	75,270	77,490
Sammamish	67,455	67,940	68,150	68,280
Shoreline	58,608	59,260	60,320	61,120
Burien	52,066	52,430	52,490	52,560
Issaquah	40,051	40,640	40,950	41,290
Des Moines	32,888	33,100	33,160	33,260
SeaTac	31,454	32,000	31,910	31,740
Bothell (part)	28,956	28,930	29,210	29,280
Mercer Island	25,748	25,790	25,780	25,800
Kenmore	23,914	24,050	24,090	24,230
Tukwila	21,798	22,000	22,620	22,780
Covington	20,777	20,890	21,200	21,600
Lake Forest Park	13,630	13,630	13,620	13,660
Newcastle	13,017	13,310	13,560	13,610
Woodinville	13,069	13,100	13,450	13,830
Normandy Park	6,771	6,785	6,790	6,840
Clyde Hill	3,126	3,110	3,110	3,115
Medina	2,915	2,920	2,915	2,925
Yarrow Point	1,134	1,125	1,125	1,135
Hunts Point	457	455	460	460
Beaux Arts Village	317	315	315	351

Source: OFM April 1, 2022, Population Estimates (OFM, 2022)

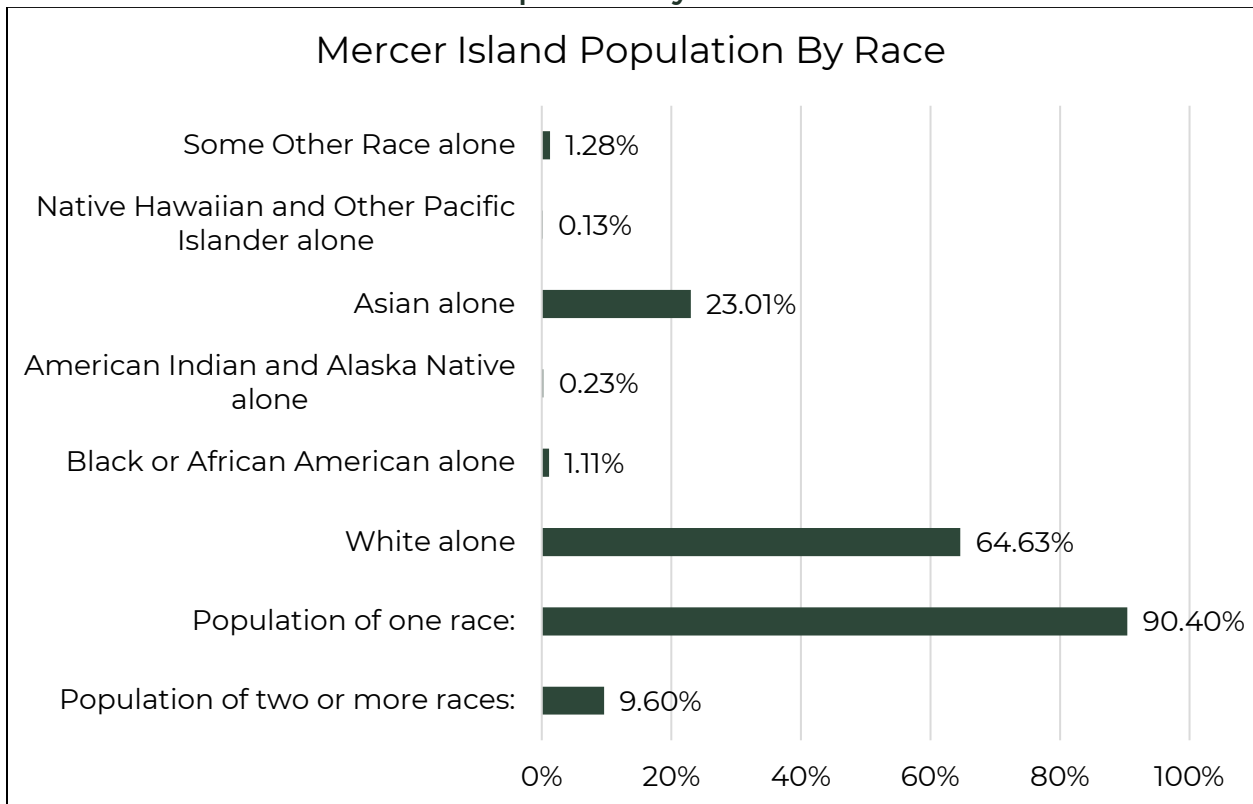
According to the 2020 Decennial Census, roughly 35 percent of the Mercer Island population are black, indigenous, and people of color (BIPOC) whereas about 65 percent of the population is white. Asian people are the second largest racial group in the City, accounting for approximately 23 percent of the City population. The next largest racial group in the City are multiracial people, making up slightly less than ten percent of the population. Black or African American people compose a little more than one percent of the Mercer Island population. American Indian and Alaska Native (AIAN) people make up less than one quarter of one percent of the population. The distribution of population by race in Mercer Island from the 2020 Decennial Census is shown in Exhibit 2.A and 2.B.

Exhibit 2.A. 2020 Mercer Island Population by Race.

	Mercer Island Population	Percent of Total Population
Total:	25,748	100.00%
Population of one race:	23,275	90.40%
White alone	16,642	64.63%
Black or African American alone	287	1.11%
American Indian and Alaska Native alone	59	0.23%
Asian alone	5,924	23.01%
Native Hawaiian and Other Pacific Islander alone	34	0.13%
Some Other Race alone	329	1.28%
Population of two or more races:	2,473	9.60%

Source: 2020 U.S. Decennial Census, U.S. Census Bureau, Table P1
<https://data.census.gov/table?t=Populations+and+People&q=1600000US5345005&tid=DECENNIALPL2020.P1>

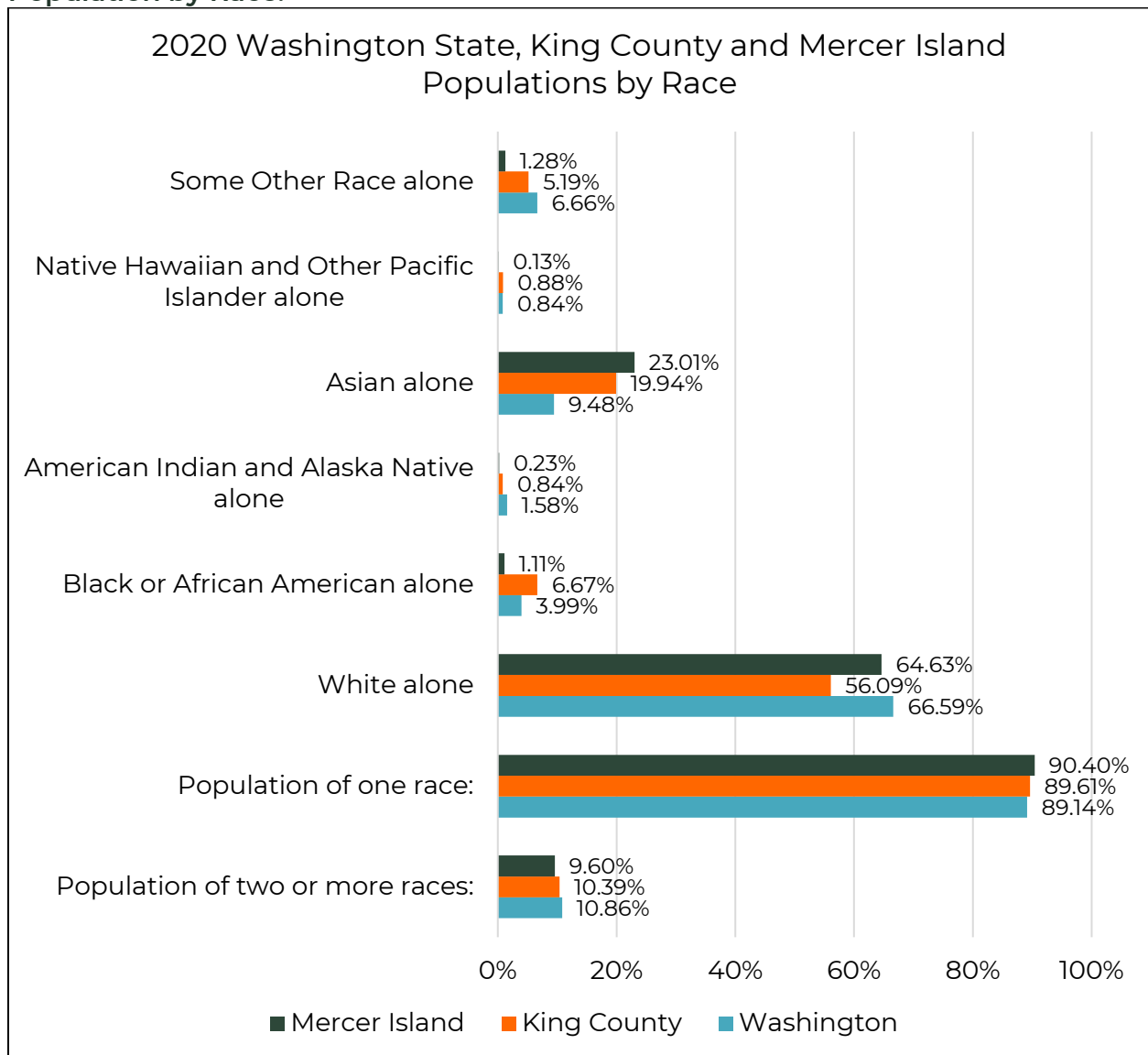
Exhibit 2.B. 2020 Mercer Island Population by Race.



Source: 2020 U.S. Decennial Census, U.S. Census Bureau, Table P1
<https://data.census.gov/table?t=Populations+and+People&q=1600000US5345005&tid=DECENNIALPL2020.P1>

Exhibit 2.C shows the Washington State, King County, and Mercer Island populations by race. Compared with King County the Mercer Island population has a higher share of white and Asian residents. The 64 percent of Mercer Island residents who are white is eight percentage points higher than King County's 56 percent. Asian residents make up 23 percent of the Mercer Island population, around three percentage points higher than the share of Asian King County residents at 20 percent. Conversely, Mercer Island has a lower share of Black or African American, American Indian and Alaskan Native, other races, and multi-racial residents. The 1.11 percent share of Mercer Island residents who are Black or African American is five percentage points lower than King County's at 6.67 percent.

Exhibit 2.C. Comparison of Washington State, King County, and Mercer Island Population by Race.



Source: 2020 U.S. Decennial Census, U.S. Census Bureau, Table P1
<https://data.census.gov/table?t=Populations+and+People&g=1600000US5345005&tid=DECENNIALPL20.P1>

Educational Attainment

Exhibit 3 shows the educational attainment for both Mercer Island and King County according to the 2021 ACS. The Mercer Island population has a higher degree of educational attainment than King County. Nearly 83 percent of the Mercer Island population has earned an Associate’s degree or higher. This is nearly twenty percentage points higher than the King County rate of almost 64 percent. The share of people in Mercer Island with a post-graduate degree, 38 percent, is fourteen percentage points higher than King County at about 24 percent.

Exhibit 3. Educational Attainment for the Mercer Island and King County Population 25 Years and Over.

Educational Attainment	Mercer Island Estimate	Mercer Island Percent Share	King County Estimate	King County Percent Share
Less than high school diploma	308	1.70%	99,593	6.11%
Regular high school diploma	1,034	5.71%	193,659	11.88%
GED or alternative credential	84	0.46%	37,151	2.28%
Some college, less than 1 year	316	1.74%	75,175	4.61%
Some college, 1 or more years, no degree	1,379	7.61%	184,284	11.30%
Associate’s degree	952	5.25%	122,216	7.50%
Bachelor’s degree	7,118	39.29%	530,777	32.55%
Master’s degree	3,781	20.87%	285,184	17.49%
Professional school degree	1,791	9.89%	53,863	3.30%
Doctorate degree	1,354	7.47%	48,598	2.98%
Total	18,117	100%	1,630,500	100%

Source: 2021 American Community Survey, Table B15003.

Households

In 2020, the average number of people per household in Mercer Island was 2.54 according to the U.S. Census Bureau Decennial Census. The average Mercer Island household is slightly larger than the average King County household, which was 2.43 persons in 2020. The U.S. Census Bureau defines a household as:

A household includes all the people who occupy a housing unit (such as a house or apartment) as their usual place of residence.

A household includes the related family members and all the unrelated people, if any, such as lodgers, foster children, wards, or employees who share the housing unit. A person living alone in a housing unit, or a group of unrelated people sharing a housing unit such as partners or roomers, is also counted as a household. The count of households excludes group

quarters. There are two major categories of households, "family" and "nonfamily."

Household is a standard item in Census Bureau population tables.

Exhibit 4 shows selected household characteristics for Mercer Island and King County from the U.S. Census Bureau American Community Survey (ACS). Mercer Island household characteristics differ from King County in some key categories. The City has a higher share of households with children compared to King County overall, this helps explain why the City has a larger average household size. At 14 percent compared with nine percent, Mercer Island has a greater proportion of households with persons over 65 than King County. King County has a larger share of one person households. The City and King County have similar proportions of households with a person living with a disability.

Exhibit 4. Select Household Demographics, Mercer Island, 2010 and 2020.

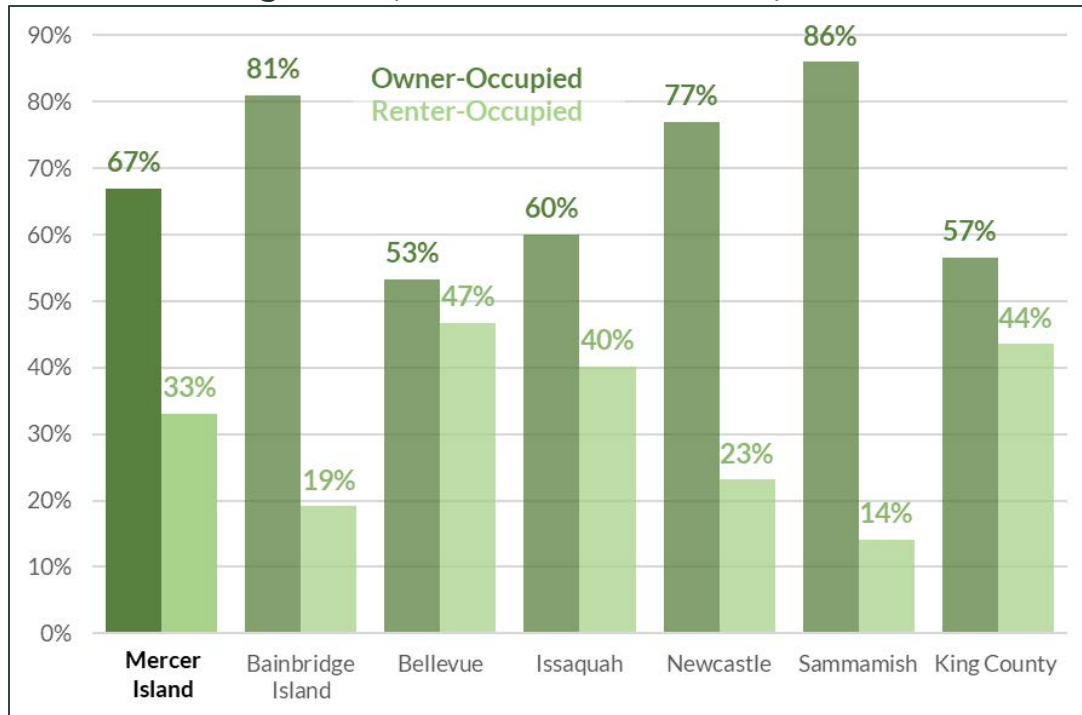
Household Characteristics	Mercer Island		King County
	2010	2020	2020
Households with Children	31%	35%	27%
One Person Household	26%	23%	30%
Persons Over 65	14%	14%	9%
Persons Living with a Disability*	8%	11%	10%

*Data on persons living with a disability is available only as early as 2012. All other data shown is from 2010. Source: U.S. Census Bureau, American Community Survey, 2010, 2012, 2020; CAI, 2022.

Housing Tenure

Housing tenure is the arrangement by which a housing unit is occupied. Exhibit 5 shows the owner and renter occupancy rates for Mercer Island, peer cities, and King County from the 2020 ACS. Sixty-seven percent of homes in Mercer Island are owner occupied (CAI, 2022). The City's owner-occupancy rate is higher than Bellevue, Issaquah, and King County. Sammamish, Bainbridge Island, and Newcastle have higher owner-occupancy rates than Mercer Island.

Exhibit 5. Housing Tenure, Mercer Island and Peers, 2020.



Source: CAI, 2022

Exhibit 6 shows housing tenure disaggregated by race. Homeownership rates across races range from 62 percent to 85 percent. The lone exception are American Indian or Alaska Native households (AIAN). Exhibit 1 shows that there are 59 people in Mercer Island of AIAN descent based on the 2020 Decennial Census, a direct count of the population. The 2021 ACS, an estimate, approximates that there are no AIAN households. The likely explanation is that many of these individuals live in a household with two or more races and that the low number of individuals in that category require a level of detail to estimate characteristics of that is beyond what the ACS can produce.

Exhibit 6. Mercer Island Housing Tenure by Race or Ethnicity, 2021 ACS.

Race or Ethnicity	Homeownership Rate	Tenure	Households	Percent of Total
Black or African American	71%	Total	52	0.5%
		Owner-Occupied	37	0.3%
		Renter-Occupied	15	0.1%
American Indian or Alaska Native	0%	Total	0	0%
		Owner-Occupied	0	0%
		Renter-Occupied	0	0%
Asian	64%	Total	1907	19%
		Owner-Occupied	1227	12%
		Renter-Occupied	680	6%
Native Hawaiian or Pacific Islander	0%	Total	27	0.2%
		Owner-Occupied	0	0%
		Renter-Occupied	27	0.2%
Other Race	64%	Total	87	0.8%
		Owner-Occupied	56	0.5%
		Renter-Occupied	31	0.3%
Two or More Races	66%	Total	244	2%
		Owner-Occupied	162	1%
		Renter-Occupied	82	0.8%
White	68%	Total	7318	74%
		Owner-Occupied	5024	50%
		Renter-Occupied	2294	23%
Hispanic or Latino ¹	85%	Total	256	2%
		Owner-Occupied	219	2%
		Renter-Occupied	37	0.3%

Source: U.S. Census Bureau 2021 American Community Survey, Tables B25003, B25003B, B25003C, B25003D, B25003E, B25003F, B25003G, B25003H, B25003I.

Note:

1. The U.S. Census Bureau considers Hispanic or Latino to be an ethnicity rather than a race. Hispanic or Latino households may be of any race, see glossary of terms in this report for more information.

The ACS estimates the number of housing units by tenure and number of units in the structure. This data provides some information about the types of structures owner occupied and renter occupied housing units are in. Exhibit 7 provides the ACS estimate of the number of housing units by tenure and number of units in the structure. Overall, the City has an owner occupancy rate of 68 percent. Nearly 90 percent of owner-occupied housing units are detached single-family homes. Conversely, only about fifteen percent of renter-occupied housing units are single-family homes (1 unit, detached).

Exhibit 7. Estimated Housing Units by Tenure and Number of Units in Structure.

	Number of Units	Percent in Tenure Category	Percent of Total
Total:	9,758	100%	100%
Owner-occupied housing units:	6,607	100%	68%
1 unit, detached	5,882	89%	60%
1 unit, attached	81	1.2%	0.8%
2 units	10	0.1%	0.1%
3 or 4 units	10	0.1%	0.1%
5 to 9 units	100	1.5%	1%
10 to 19 units	35	0.5%	0.3%
20 to 49 units	321	5%	3%
50 or more units	132	2%	1.3%
Mobile home	36	0.5%	0.3%
Boat, RV, van, etc.	0	0%	0%
Renter-occupied housing units:	3,151	100%	32%
1 unit, detached	768	15%	8%
1 unit, attached	7	0.2%	0.1%
2 units	47	1.5%	0.4%
3 or 4 units	0	0%	0%
5 to 9 units	394	12.5%	4%
10 to 19 units	348	11%	3.6%
20 to 49 units	513	16%	5%
50 or more units	1,074	34%	11%
Mobile home	0	0%	0%
Boat, RV, van, etc.	0	0%	0%

Source: U.S. Census Bureau, 2021 ACS, Table B25032.

Income

King County median household annual income in 2021 was estimated to be \$110,586. The median annual income in King County is more than \$26,000 higher than the state median. Of the other counties in the PSRC, King County has the highest median annual income. Mercer Island’s median annual income is \$60,000 higher than King County’s. Mercer Island is a high-income city in a high-income county by comparison to other PSRC counties and Washington state. Exhibit 8 shows the median household income for Washington state and the PSRC counties.

The U.S. Census Bureau describes household income as follows:

Household Income – The sum of the income of all people 15 years and older living in the household. A household includes related family members and all the unrelated people, if any, such as lodgers, foster children, wards, or employees who share the housing unit. A person living

alone in a housing unit, or a group of unrelated people sharing a housing unit, is also counted as a household.

Exhibit 8. Estimated 2021 Median Household Income in the Last 12 Months, Washington State and PSRC Counties.

Location	Median Income (Dollars)
Washington State	\$84,247
King	\$110,586
Kitsap	\$87,314
Pierce	\$85,866
Snohomish	\$100,042

Source: 2021 American Community Survey Table S1903.

Mercer Island households have higher income on average when compared with King County. Exhibit 9 shows the mean and median household income in Mercer Island and King County along with the distribution of household income. The King County median household income in 2021 was \$110,586. At \$170,000, the median household income in Mercer Island was nearly \$60,000 greater than King County's. There is an even greater gap between Mercer Island and King County's mean household income. In 2021, the county's mean household income was \$154,122 and the Mercer Island mean household income was \$261,417; a difference of over \$107,000.

Exhibit 9. King County and Mercer Island Households by Income, 2021.

Household Income	King County Households	Mercer Island Households
Total	924,763	9,758
Less than \$10,000	4.7%	3.3%
\$10,000 to \$14,999	2.4%	0.5%
\$15,000 to \$24,999	4.3%	4.0%
\$25,000 to \$34,999	4.2%	5.1%
\$35,000 to \$49,999	7.4%	4.3%
\$50,000 to \$74,999	12.2%	8.3%
\$75,000 to \$99,999	10.3%	6.1%
\$100,000 to \$149,999	18.1%	14.3%
\$150,000 to \$199,999	12.1%	8.8%
\$200,000 or more	24.4%	45.3%
Median income (dollars)	110,586	170,000
Mean income (dollars)	154,122	261,417

Source: U.S. Census Bureau, 2021 ACS, Table S1901.

Household income can be disaggregated by race. According to the 2021 ACS, approximately 52 percent of white households in Mercer Island have an annual income of \$150,000 or more. This means about 48 percent of white households have an annual income below the median. For Asian households, the share of households earning \$150,000 or more is 48 percent. Approximately 52 percent of Asian households earn below the median income. Forty percent of Hispanic or Latino

households have an annual income of \$150,000 or more and about 60 percent earn below the median. Sixty percent of households with two or more races have an annual income at or above \$150,000 and only about 40 percent earn below the median income. Fourteen percent of black households have an annual income at or above the median. This means that about 86 percent of black households have a household income below \$150,000. Exhibit 10 shows household income by race in Mercer Island from the 2020 American Community Survey.

Exhibit 10. Estimated 2021 Median Household Income in the Last 12 Months By Race or Ethnicity, Mercer Island.

	Mercer Island			King County		
	Estimated Households	Estimated Share	Estimated Median Income	Estimated Households	Estimated Share	Estimated Median Income
All Households	9,758	100%	\$170,000	924,763	100%	\$110,586
White	7,441	76.3%	\$167,031	575,186	62.2%	\$113,731
Black or African American	52	0.5%	\$100,417	56,101	6.1%	\$57,437
American Indian and Alaska Native	0	0.0%	No Data	4,824	0.5%	\$62,905
Asian	1,907	19.5%	\$203,466	170,772	18.5%	\$145,800
Native Hawaiian and Other Pacific Islander	27	0.3%	No Data	No Data	No Data	\$73,531
Some other race	87	0.9%	\$63,185	32,575	3.5%	\$65,055
Two or more races	244	2.5%	\$215,417	80,411	8.7%	\$96,684
Hispanic or Latino origin (of any race) ¹	256	2.6%	No Data	72,028	7.8%	\$74,357
White alone, not Hispanic or Latino	7,318	75.0%	\$166,899	561,906	60.8%	\$114,054

Source: U.S. Census Bureau, 2021 ACS, Table S1903.

Workforce

The preceding sections have evaluated the Mercer Island resident population figures. Many workers employed in Mercer Island commute from outside the City. These workers are an important part of the Mercer Island community. They include City employees, teachers, first responders, and essential workers. Ninety percent of workers employed in Mercer Island commute from off-island. Only about 10 percent

of workers employed in Mercer Island both live and work on-island. On the other hand, 93 percent of workers living in Mercer Island are employed off-island. Exhibit 11 shows the worker inflow and outflow of Mercer Island workers as tracked by the U.S. Census Bureau in 2020.

Exhibit 11. Worker Inflow and Outflow, 2020.

	Count	Share
Workers Employed in Mercer Island		
Employed in Mercer Island	6,926	100%
Employed in Mercer Island but living outside Mercer Island (inflow)	6,234	90%
Employed and living in Mercer Island	692	10%
Workers Living in Mercer Island		
Workers living in Mercer Island	10,482	100%
Living in Mercer Island but employed outside Mercer Island (outflow)	9,790	93.4%
Living and employed in Mercer Island	692	6.6%

Source: U.S. Census Bureau On the Map, 2020.

Exhibit 12 shows the race of workers employed on Mercer Island in 2020. Comparing the share of workers and the share of population by race from Exhibit 2 shows that White and Black, or African American workers are overrepresented in the Mercer Island workforce. At the same time, other racial groups are underrepresented in the Mercer Island workforce. The share of White workers is ten percentage points higher than the share of White people in the general population. The share of Black or African American workers in the work force is about five percentage points greater than share of Black or African American people in the general population. At 13.9 percent, the Asian share of workers is nearly ten percentage points fewer than the share of Asian people in the general population.

Exhibit 12. Mercer Island Jobs by Worker Race, 2020.

Worker Race	Count	Share
White Alone	5,149	74.3%
Black or African American Alone	458	6.6%
American Indian or Alaska Native Alone	35	0.5%
Asian Alone	961	13.9%
Native Hawaiian or Other Pacific Islander Alone	39	0.6%
Two or More Race Groups	284	4.1%
Total	6,926	100%

Source: U.S. Census Bureau On the Map, 2020.

The U.S. Census Bureau provides data on the monthly earnings for jobs and income range by inflow and outflow. The monthly earnings for inflow and outflow jobs are shown in Exhibit 13. Inflow jobs are those filled by people that live outside of Mercer Island that commute to the City for work. Outflow jobs are filled by people that live in Mercer Island but commute outside of the City for work. Nearly half (49.7%) of inflow jobs in Mercer Island pay less than \$3,333 a month or \$40,000 a year. This means that

many of the 6,234 workers commuting to Mercer Island for work, do so for relatively low-wage jobs. On the other hand, only 22 percent of outflow jobs pay less than \$3,333 a month or \$40,000 a year. Of note, Exhibit 9 also shows that about 45 percent of Mercer Island households earn more than \$200,000 a year, highlighting a significant difference between the income of workers that commute to Mercer Island (49 percent below \$40,000 a year) and the Mercer Island population,

Exhibit 13. Mercer Island Jobs by Earnings, 2020.

Earning Range	Inflow Jobs ¹		Outflow Jobs ²	
	Count	Share	Count	Share
\$1,250 per month or less (\$15,000 or less annually)	1,572	25.2%	1,117	11.4%
\$1,251 to \$3,333 per month (\$15,012 to \$39,996 annually)	1,526	24.5%	1,038	10.6%
More than \$3,333 per month (more than \$39,996 annually)	3,136	50.3%	7,635	78%
Total	6,234	100%	9,790	100%

Source: U.S. Census Bureau On the Map, 2020.

Notes:

1. Inflow jobs are those filled by workers that commute to the City for work.
2. Outflow jobs are those filled by workers that commute from the City to work elsewhere.

Demographic Change

The demographics of the Mercer Island population have changed over time. In general, between 2010 and 2020, the share of persons of color in Mercer Island has risen at the same time that the share of white residents has decreased. Even as the Mercer Island population is diversifying, white people have historically been and remain the largest single racial group in the City by a wide margin. Exhibit 14 shows the changes in demographics in Mercer Island between 2010 and 2020.

Exhibit 14. Mercer Island Demographic Change 2010 to 2020.

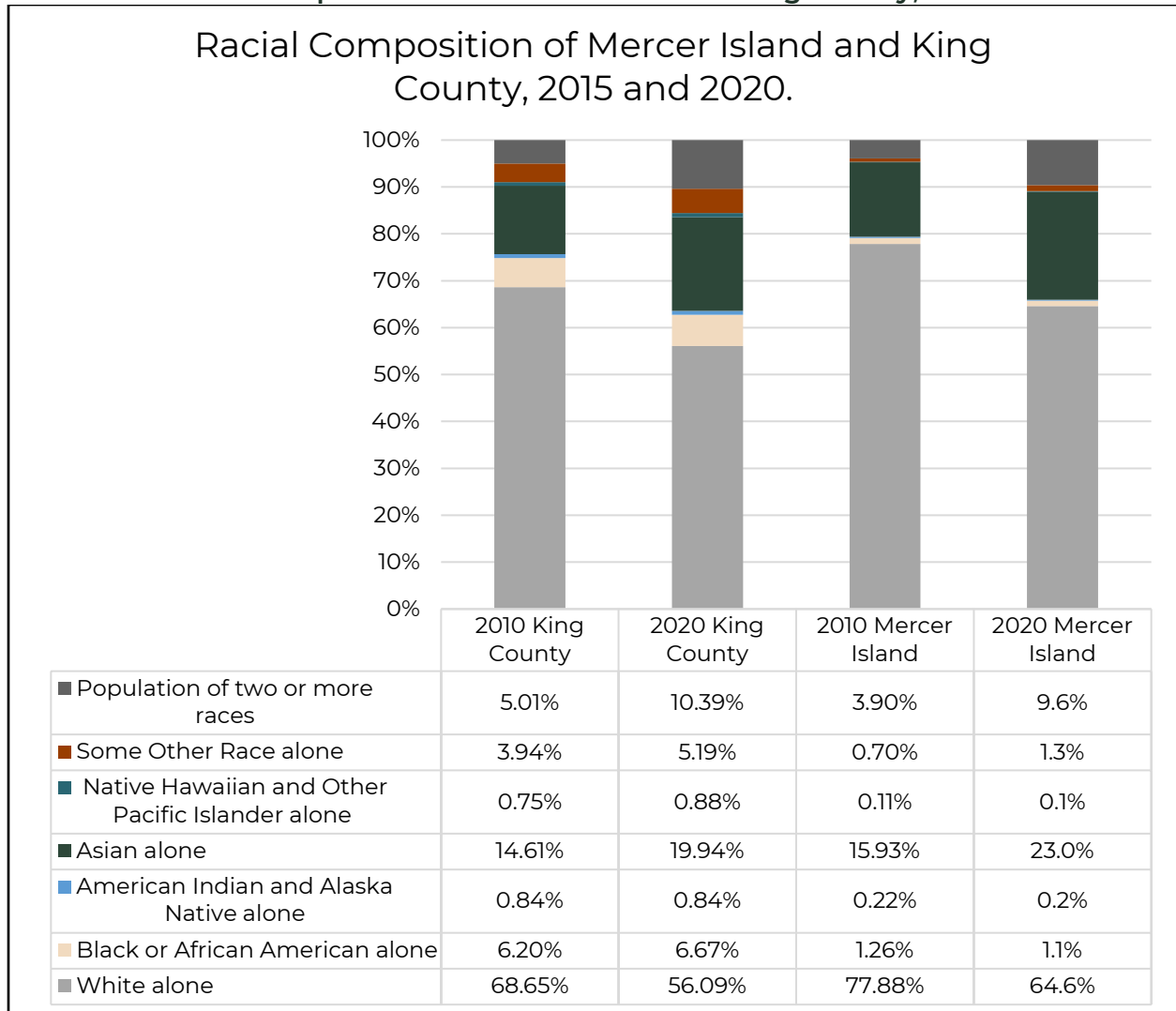
Label	2020 Pop.	% of 2020 Total	2010 Pop.	% of 2010 Total	Net Change	% Change in Total	% Point Change in Share
Total:	25,748	100.00%	22,699	100.00%	3,049	13.43%	0.00
Population of one race:	23,275	90.40%	21,813	96.10%	1,462	6.70%	-5.70
White alone	16,642	64.63%	17,677	77.88%	-1,035	-5.86%	-13.24
Black or African American alone	287	1.11%	286	1.26%	1	0.35%	-0.15
American Indian and Alaska Native alone	59	0.23%	51	0.22%	8	15.69%	0.00
Asian alone	5,924	23.01%	3,615	15.93%	2,309	63.87%	7.08
Native Hawaiian and Other Pacific Islander alone	34	0.13%	26	0.11%	8	30.77%	0.02
Some Other Race alone	329	1.28%	158	0.70%	171	108.23%	0.58
Population of two or more races	2,473	9.60%	886	3.90%	1,587	179.12%	5.70

Source: U.S. Census Bureau, 2010 and 2020 Decennial Censuses, Table P1.

Exhibit 15 compares changes in racial composition of the Mercer Island and King County populations between 2010 and 2020. The graph shows the following relative changes between King County and Mercer Island racial demographics between 2010 and 2020:

- Two or more races – King County +5.38 percentage points, Mercer Island +5.7 percentage points;
- Some other race alone – King County +1.25 percentage points, Mercer Island +0.6 percentage points;
- Native Hawaiian and other Pacific Islander alone – King County +0.13 percentage points, Mercer Island (-)0.01 percentage points;
- Asian alone – King County +5.33 percentage points, Mercer Island +7 percentage points;
- American Indian or Alaska Native alone – King County no change, Mercer Island no change;
- Black or African American alone – King County +0.47 percentage points, Mercer Island (-)0.16;
- White alone – King County (-)12.56 percentage points, Mercer Island (-)13.28 percentage points; and
- In both years the Mercer Island population had a higher share of White people by around 10 percentage points and a lower share of Black or African American people by about five percentage points compared to King County.

Exhibit 15. Racial Composition of Mercer Island and King County, 2015 and 2020.



Source: U.S. Census Bureau, 2010 and 2020 Decennial Censuses, Table P1.

Summary

The Mercer Island population has the following characteristics:

- There were an estimated 25,780 people living in Mercer Island as of 2022 (Exhibit 1);
 - 65 percent of the population is White;
 - A little more than 1 percent of the population is Black or African American;
 - 23 percent of the population is Asian;
 - A little more than 9 percent of the population is two or more races; and

- Native Hawaiian or Pacific Islander and American Indian or Alaska Native people make up less than 1 percent of the population (Exhibit 2.A);
- The following races are underrepresented in the Mercer Island population compared to King County:
 - Black or African American (6% in King County, 1% in Mercer Island);
 - American Indian or Alaska Native (0.8% in King County, 0.2% in Mercer Island);
 - Native Hawaiian or Pacific Islander (0.9% in King County, 0.1% in Mercer Island);
 - Other race alone (5% in King County, 1% in Mercer Island); and
 - Two or more races (10.4% in King County, 9.6% in Mercer Island)(Exhibit 2.C);
- The majority of the population over 25 has a college degree (Exhibit 3);
- Mercer Island has a higher share of households with children and households with people over 65 than King County (Exhibit 4);
- 68 percent of housing is owner-occupied, and 32 percent of housing is renter occupied (Exhibit 5);
- Most racial and ethnic groups have roughly the same rate of home ownership. Hispanic or Latino households have the highest rate of home ownership at 85 percent (Exhibit 6);
- Nearly 90 percent of owner-occupied housing units are detached single-family homes (Exhibit 7);
- About 83 percent of renter-occupied housing is in structures with 5 or more dwelling units (Exhibit 7);
- The median household income in King County is higher than other PSRC counties and Washington as a whole (Exhibit 8);
- Compared with King County households:
 - The median household income in Mercer Island was roughly \$60,000 more than King County's in 2022;
 - Households earning less than \$100,000 annually are a lower share of the population compared to King County (Exhibit 9);
 - Mercer Island has roughly the same proportion of households with income below \$35,000 annually; and
 - Mercer Island has a higher share of households earning more than \$200,000 by a margin of 20 percentage points (Exhibit 9 and 10);
- Most (90%) Mercer Island Residents are employed outside of the City (Exhibit 11);

- Compared with King County, Mercer Island has a smaller proportion of households with income between \$35,000 and \$200,000;
 - The share of households with annual income less than \$100,000 annually in Mercer Island (31.6%) is nearly 14 percentage points lower than the share of households in King County (45.5%) (Exhibit 9); and
- In 2020, nearly half of the jobs on Mercer Island paid less than \$40,000 a year (Exhibits 13).
- The Mercer Island population is becoming more diverse, the share of people of color in the City rose by about five percentage points between 2010 and 2020 (Exhibits 14 and 15); and
- Racial demographics in Mercer Island are changing in roughly the same proportion as King County overall (Exhibit 15).

Displacement Risk

During the comprehensive plan periodic review, Mercer Island is required to adopt policies to begin to undo displacement and identify areas at risk of displacement (RCW 36.70A.070(2)I-(h)). According to the Commerce guidance for assessing displacement, “Displacement is when a household is forced or pressured to move from their community by factors outside of their control (Commerce, 2023).” The Commerce guidance further articulates three types of displacement:

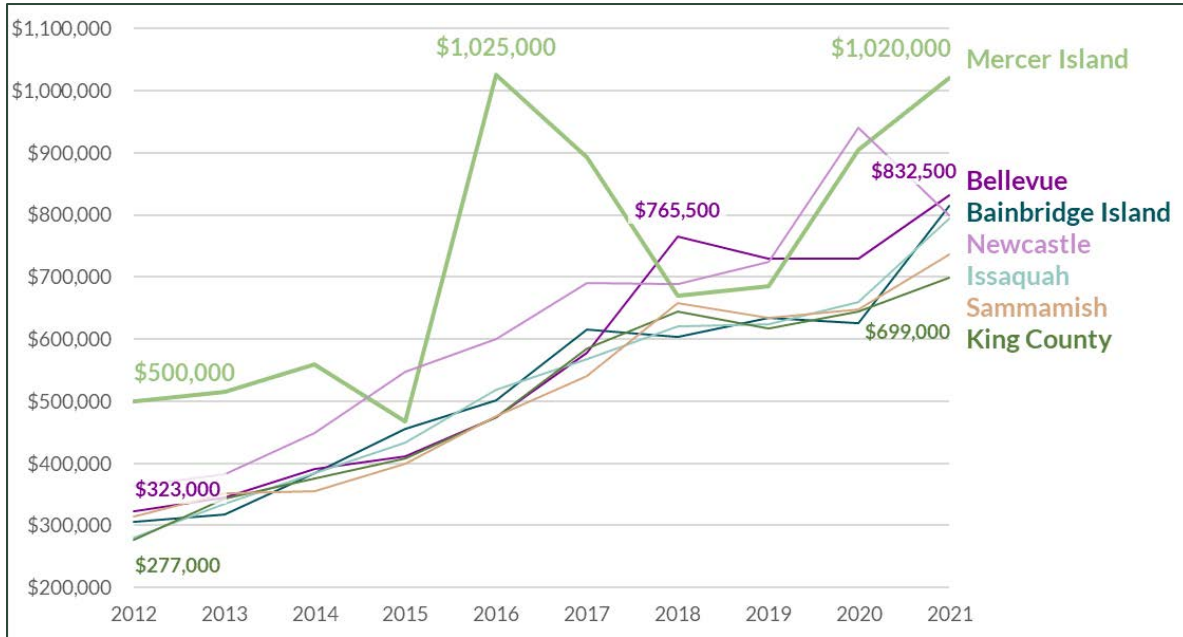
- **Economic:** Displacement due to inability to afford rising rents or costs of homeownership like property taxes;
- **Physical:** Displacement resulting from eviction, acquisition, rehabilitation or demolition of property, or the expiration of covenants on rent-or income-restricted housing; and
- **Cultural:** Residents are compelled to move because the people and institutions that make up their cultural community have left the area (Commerce, 2023).

The Comprehensive Plan and its attendant housing policies affect economic and physical displacement. The twin forces of market pressure to redevelop an area and household financial constraints can increase displacement risk. To assess displacement risk, this report will begin with evaluating which households might be at risk of displacement due to rising costs. Then, this report will analyze areas of Mercer Island more likely to have higher displacement risk due to market pressure to redevelop. The result will be profiles of households and areas of Mercer Island at risk of displacement.

Housing Prices

The median home price in Mercer Island was greater than \$1 million in 2021. The median home price more than doubled between 2012 and 2021. Exhibit 16 shows the median home price in Mercer Island and peer cities between 2012 and 2021. Of the cities sampled, Mercer Island typically has one of the highest median home sale prices over the last nine years.

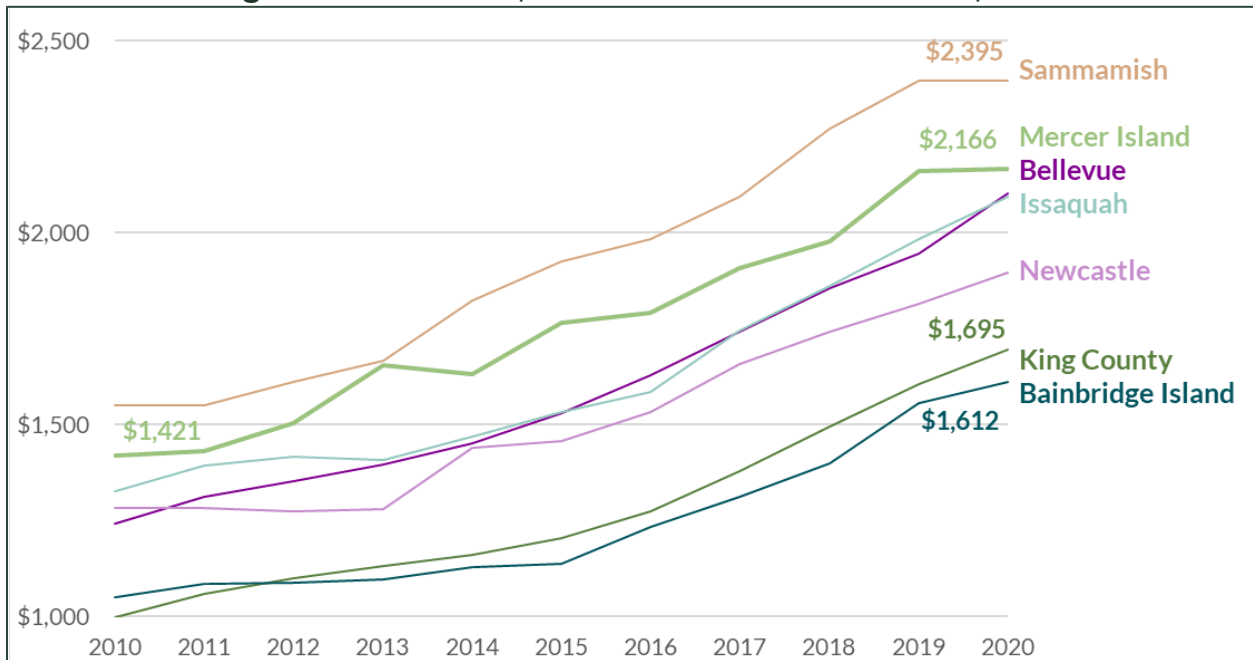
Exhibit 16. Median Home Sale Price, Mercer Island and Peer Cities, 2012 to 2021.



Source: Redfin, 2022; CAI, 2022.

The median cost of a rental home in Mercer Island is nearly the highest among peer cities. Exhibit 17 shows the median rental price in Mercer Island and peer cities from 2010 to 2020.

Exhibit 17. Change in Median Rent, Mercer Island and Peer Cities, 2010 to 2020.



Source: American Community Survey, 2010 to 2020; CAI, 2022.

Another way to track housing costs is to look at monthly housing costs. Where sale price and monthly rent gives the cost for housing on the market, it does not track the housing costs for housing that has not been on the market for some time. For example, a home that was purchased several years ago will have a different cost because it was likely bought at a different price and interest rate because these two cost factors fluctuate with the market. Monthly housing cost provides a more complete picture of housing costs across the City.

Exhibit 18 shows the estimated 2021 monthly housing costs by tenure according to the 2021 ACS. Slightly more than half (50.9%) of the 9,758 occupied housing units in Mercer Island had monthly costs greater than \$2,500 in 2021. Assuming housing costs are affordable when they are one third of household income, this means that nearly half of housing units had a monthly cost that was affordable to households earning \$90,000 annually. In 2021, the median monthly housing cost for all housing units was \$2,630. Owner-occupied housing units had a higher median monthly cost at \$3,191. Renter-occupied housing units had a median monthly cost of \$2,244.

Exhibit 18. Mercer Island Monthly Housing Costs by Tenure, 2021.

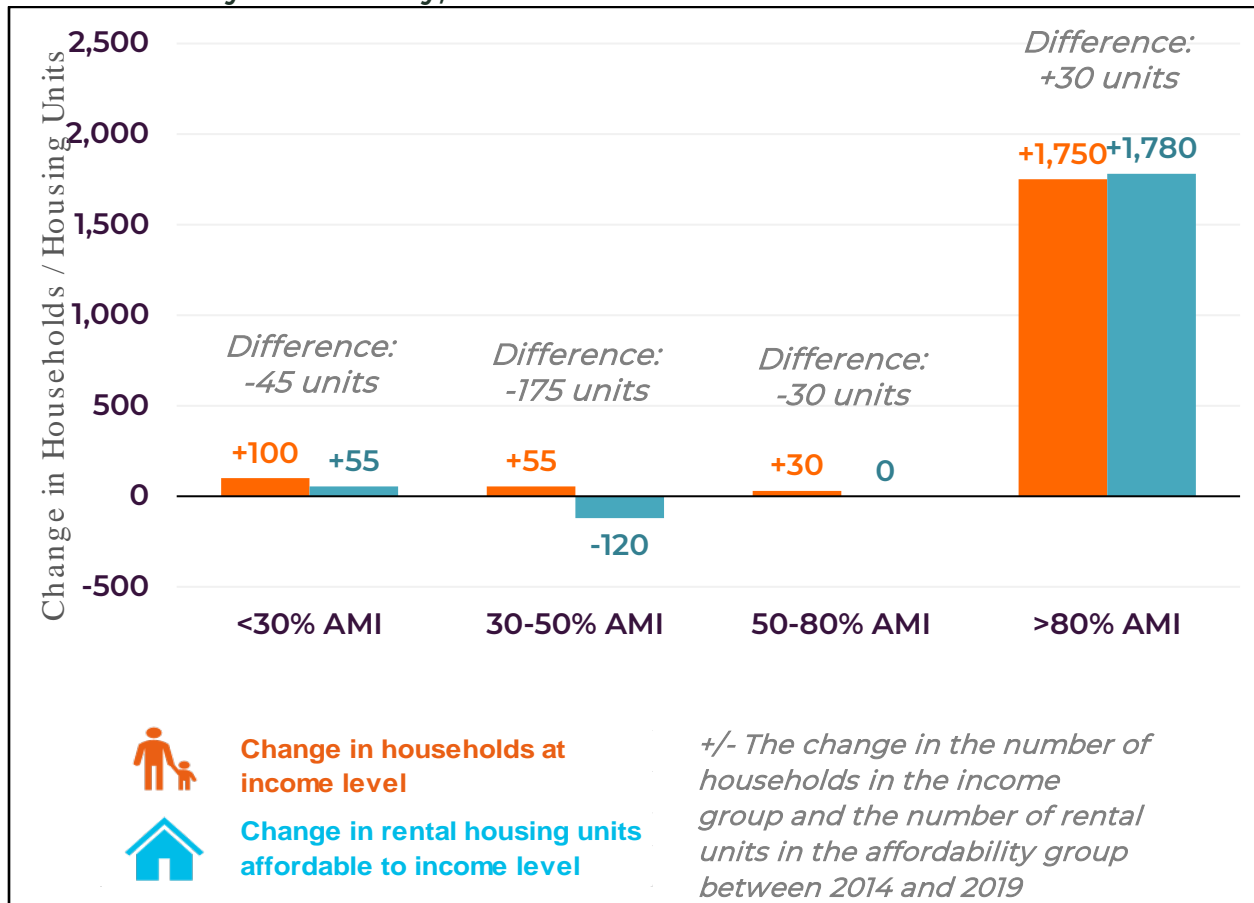
Monthly Housing Costs	Occupied housing units	Percent occupied housing units	Owner-occupied housing units	Percent owner-occupied housing units	Renter-occupied housing units	Percent renter-occupied housing units
All	9,758	100%	6,607	100%	3,151	100%
Less than \$300	62	0.6%	62	0.9%	0	0.0%
\$300 to \$499	15	0.2%	15	0.2%	0	0.0%
\$500 to \$799	145	1.5%	132	2.0%	13	0.4%
\$800 to \$999	226	2.3%	215	3.3%	11	0.3%
\$1,000 to \$1,499	1,196	12.3%	1,089	16.5%	107	3.4%
\$1,500 to \$1,999	1,684	17.3%	698	10.6%	986	31.3%
\$2,000 to \$2,499	1,235	12.7%	528	8.0%	707	22.4%
\$2,500 to \$2,999	778	8.0%	366	5.5%	412	13.1%
\$3,000 or more	4,189	42.9%	3,502	53.0%	687	21.8%
No cash rent	228	2.3%	N/A	N/A	228	7.2%
Median (dollars)	\$2,630	N/A	\$3,191	N/A	\$2,244	N/A

Source: U.S. Census Bureau, 2021 ACS, Table S2503.

Exhibit 19 shows the change in affordable rental units and households at varying income levels between 2014 and 2019 as tracked by the U.S. Department of Housing and Urban Development (HUD) in their Comprehensive Housing Affordability Strategy (CHAS). The number of housing units tracked is broken out into different affordability levels by household income relative to the area median income (AMI).

Households are divided into the same income levels. The chart shows the difference between the change in households and the change in number of units to highlight the housing unit production shortfall at each income level. During the years tracked, households earning less than 30 percent of the AMI increased by 100 households and at the same time the number of housing units affordable at that income level only increased by 55 units resulting in a shortfall of 45 units during the study period. Households earning between 30 and 50 percent of the AMI increased by 55 but the number of affordable units at that income level decreased by 120; a shortfall of 175 units. Households earning between 50 and 80 percent of the AMI increased by 30 and there was not change in units affordable at that income level. On the other hand, households earning more than 80 percent of the AMI increased by 1,750 at the same time that 1,780 affordable units were added, a production surplus of 30 units. Exhibit 19 illustrates that production of affordable units for households earning less than 80 percent of the AMI has fallen below the increase in households at that income level during the study period.

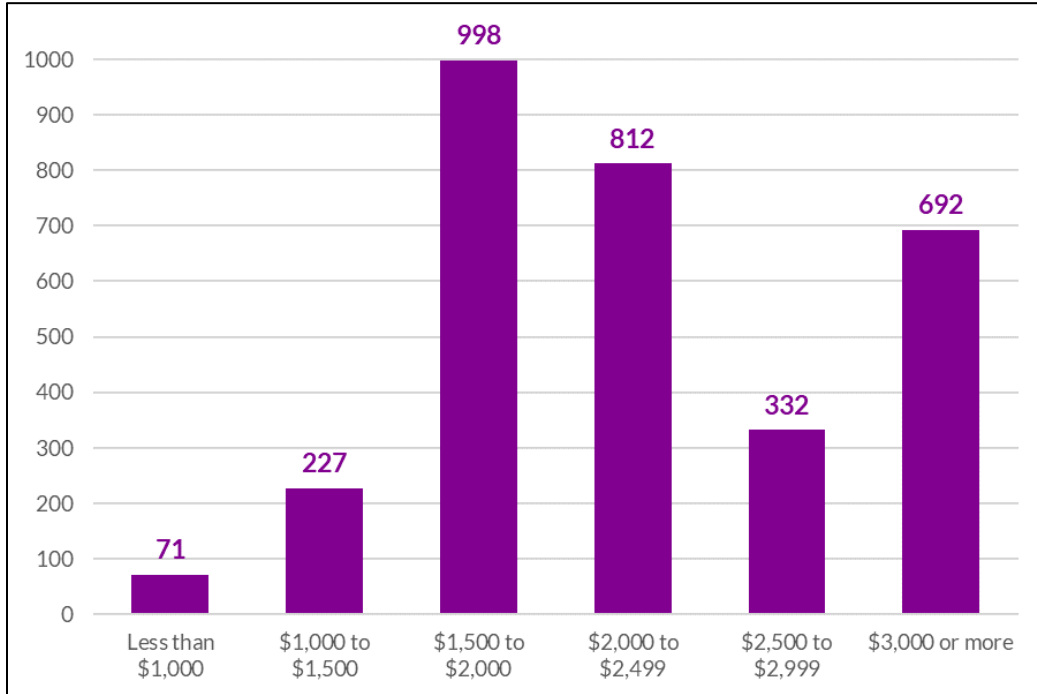
Exhibit 19. Mercer Island Five Year Change In Renter Households By Income and Rental Units By Affordability, 2014 – 2019.



Sources: US HUD, 2015-2019 Comprehensive Housing Affordability Strategy (CHAS) (Table 15C) & US HUD, 2015-2019 Comprehensive Housing Affordability Strategy (CHAS) (Table 14B) & US HUD, 2010-2014 Comprehensive Housing Affordability Strategy (CHAS) (Table 15C) & US HUD, 2010-2014 Comprehensive Housing Affordability Strategy (CHAS) (Table 14B).

Exhibit 20 shows the number of rental units by monthly rent in 2020. In that year, there were 3,132 rental units and nearly one third (31%) of them were priced between \$1,500 and \$2,000 a month. Rent in this range is affordable to households earning between \$54,000 and \$72,000. 298 rental units, a little less than ten percent, were priced below \$1,500 a month. On the highest end of the scale, 697 units or 22 percent of rentals, were priced \$3,000 and above. Households would need to earn around \$110,000 annually to afford a rental that costs \$3,000 a month without becoming cost burdened.

Exhibit 20. Rental Units by Monthly Rent, Mercer Island, 2020.



Source: U.S. Census Bureau 2020 American Community Survey; CAI, 2022.

Housing Cost Burden

Housing cost burden is a figure that illustrates how many households are spending a higher proportion of their income on housing. It is calculated by comparing income and housing costs. Households are generally considered cost burdened if housing, including utilities, costs more than 30 percent of their income. Severe cost burden is when a household's housing costs are greater than 50 percent of their income. Both homeowners and renters can be cost burdened when their housing cost is disproportionately high relative to their income. Cost-burdened households have a greater displacement risk because they are already spending a higher share of their income on housing than other households.

Exhibit 21 shows the 2021 cost burden rate in Mercer Island by household income and housing tenure. Out of the 9,758 households in Mercer Island, 2,538 (26 percent) are either cost burdened or severely cost burdened. Out of the 2,538 cost-burdened households, 1,469 are severely cost burdened. In general, home owning households tend to have a lower cost-burden rate at 10 percent, compared to renting households,

of which 39 percent are cost-burdened. Renting households with income below \$75,000 annually have the highest rate of cost burden. Households earning between \$75,000 and \$100,000 annually have the highest rate of cost-burden among home-owning households at 45 percent.

Exhibit 21. Estimated Housing Cost as a Percent of Household Income by Housing Tenure, 2021.

		Cost Burdened		Severely Cost Burdened		
Income Range	Total Households	Households Paying $\geq 35\%$ to $< 50\%$ of Income for Housing	Percent of Households In Income Range Paying $\geq 35\%$ to $< 50\%$ of Income for Housing	Households Paying $\geq 50\%$ of Income for Housing	Percent of Households In Income Range Paying $\geq 50\%$ of Income for Housing	
Owner-Occupied	<\$35,000	509	144	28%	290	57%
	\$35,000 - \$49,999	248	79	32%	104	42%
	\$50,000 - \$74,999	419	62	15%	72	17%
	\$75,000 - \$99,999	239	108	45%	35	15%
	\$100,000 - \$149,999	795	107	13%	110	14%
	>\$150,000	4,397	118	3%	86	2%
	Total Owner-Occupied	6,607	618	9%	697	10%
Renter-Occupied	<\$35,000	753	0	0	617	82%
	\$35,000 - \$49,999	173	20	11.56%	101	58%
	\$50,000 - \$74,999	392	289	73%	43	11%
	\$75,000 - \$99,999	357	141	39%	0	0
	\$>100,000	1,476	46	3%	11	0.75%
	Total Renter-Occupied	3,151	469	15%	772	24.5%
Total Households	9,758	1,114	11.4%	1,469	15%	

Source: U.S. Census Bureau, 2021 ACS, Tables B25095 and Table B25074.

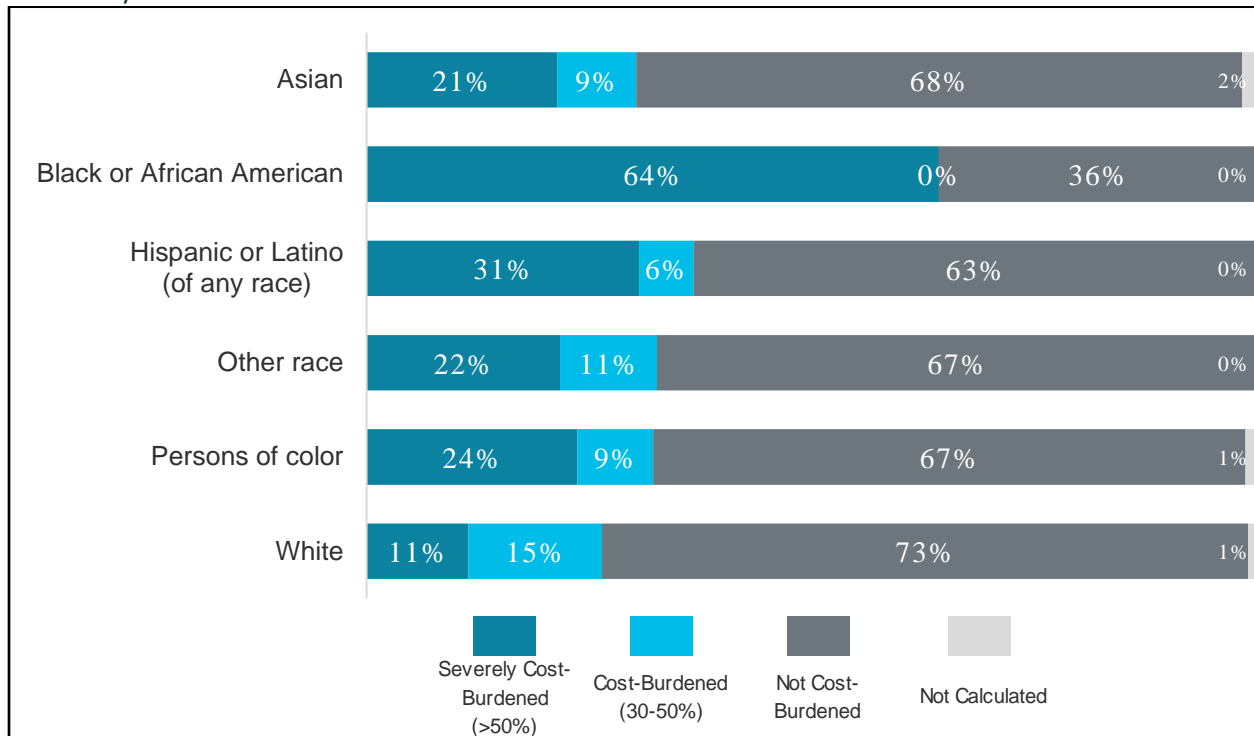
Exhibit 22 shows the housing cost-burden rate for households by race and housing tenure. This data on cost burden comes from the U.S. Department of Housing and

Urban Development (HUD) 2019 Comprehensive Housing Action Strategy (CHAS). Households of color are cost burdened at a seven-percentage point higher rate than white households (33 percent to 26 percent). The difference in severe cost-burden rate between white households and households of color is wider by almost six percentage points: 24 percent of households of color are severely cost burdened compared to 11 percent of white households.

Other observations from Exhibit 22:

- 30 percent of Asian households were cost burdened;
- 64 percent of Black or African American households were severely cost burdened. Black or African American households are cost burdened at a much higher rate than other racial groups;
- 37 percent of Hispanic or Latino households are cost burdened;
- 33 percent of households categorized as other race are cost burdened;
- 26 percent of White households are cost burdened. White households are cost burdened at the lowest rate of the groups considered in Exhibit 22;
- A majority of cost-burdened households are severely cost burdened; and
- A majority of cost-burdened households are severely cost burdened in all racial groups except for White households.

Exhibit 22. Mercer Island Percent of all Households Experiencing Housing Cost Burden, 2019.



Source: US HUD, 2015-2019 Comprehensive Housing Affordability Strategy (CHAS) (Table 9); Washington Department of Commerce, 2023.

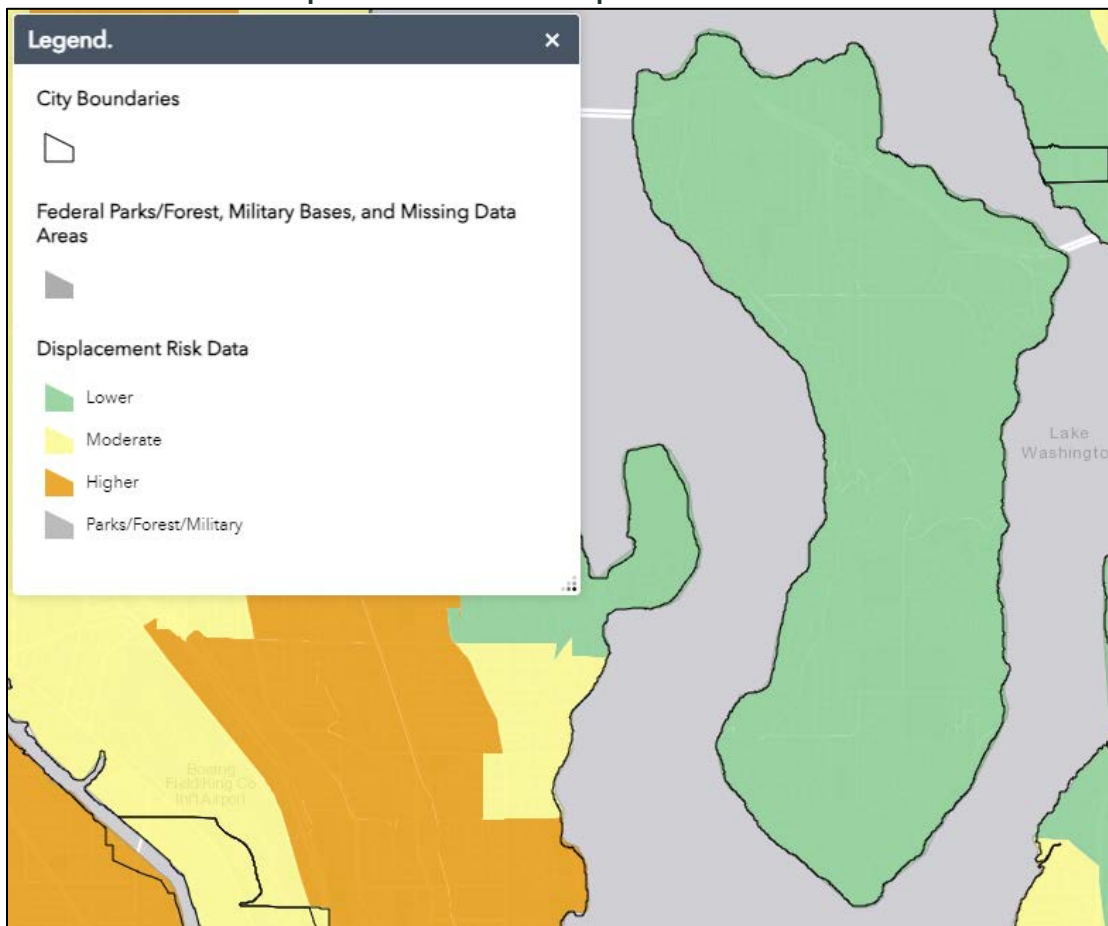
Displacement Risk Mapping Tool

The PSRC provides a Displacement Risk Mapping Tool that identifies areas where residents and businesses are at greater risk of displacement. In the PSRC Displacement Risk Mapping Tool, risk is a composite of indicators representing five elements of neighborhood displacement risks: socio-demographics, transportation qualities, neighborhood characteristics, housing, and civic engagement. PSRC analyzed data for these five displacement indicators and compiled a comprehensive index of displacement risk for all census tracts in PSRC counties. Areas were placed into three categories:

- Lower Risk – Tracts in the bottom 50 percent of the risk score range;
- Moderate Risk – Tracts with a score in the top 50 to 90 percent range; and
- Greater Risk – Tracts with a score in the top 10 percent range.

Exhibit 23 shows the PSRC displacement risk mapping for Mercer Island census tracts. All tracts on Mercer Island were in the lower risk category, suggesting that most of Mercer Island in general has a lower risk of displacement occurring compared to other census tracts in King, Pierce, Snohomish, and Kitsap counties.

Exhibit 23. PSRC Displacement Risk Map.



Source: Puget Sound Regional Council (PSRC) Displacement Risk Mapping. <https://www.psrc.org/our-work/displacement-risk-mapping>.

Housing Choice Vouchers

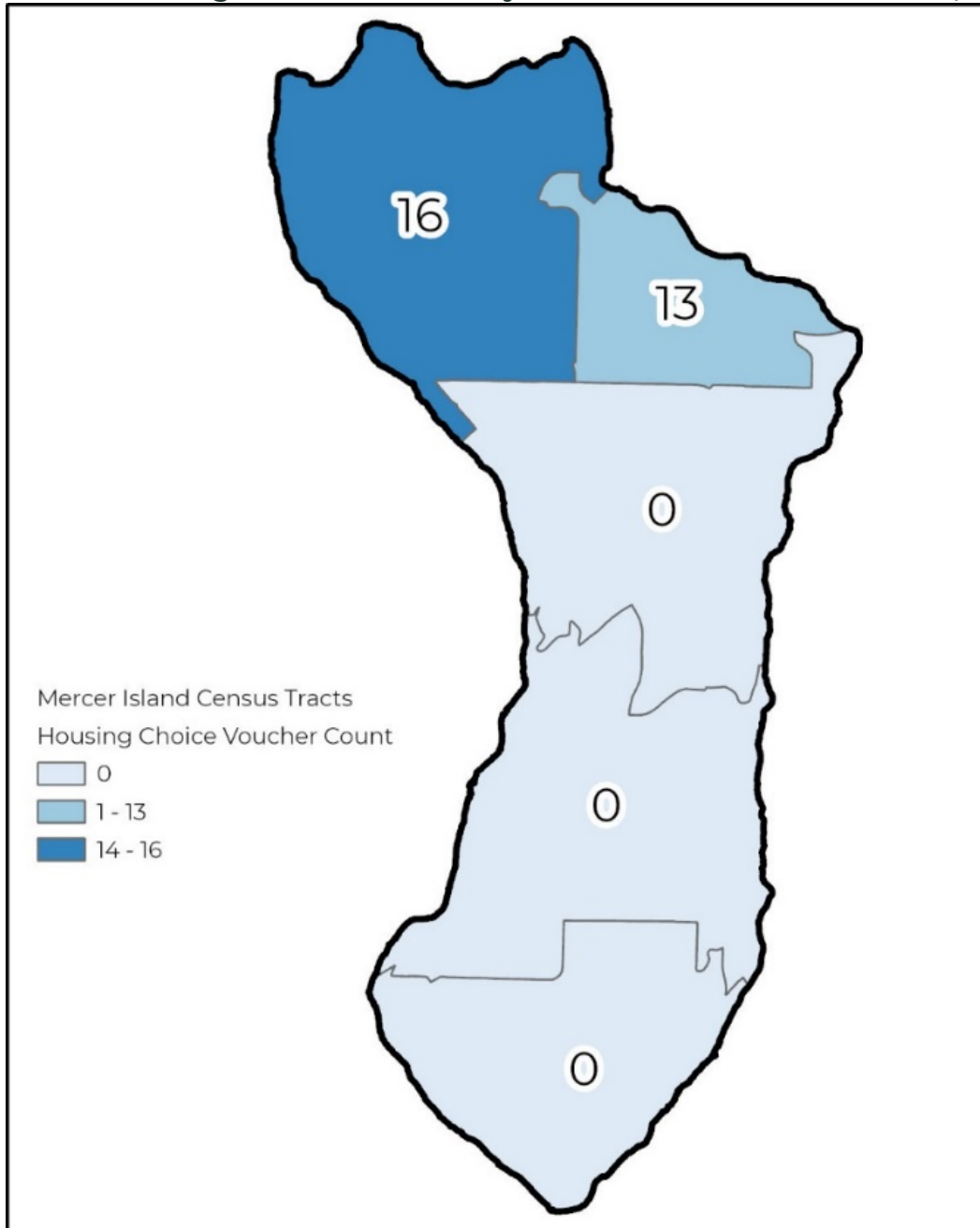
The U.S. Department of Housing and Urban Development (HUD) operates the Housing Choice Voucher program. The housing choice voucher program is sometimes referred to as 'Section 8' housing. The HUD website describes the housing choice voucher program as follows.

The housing choice voucher program is the federal government's major program for assisting very low-income families, the elderly, and the disabled to afford decent, safe, and sanitary housing in the private market. Since housing assistance is provided on behalf of the family or individual, participants are able to find their own housing, including single-family homes, townhouses and apartments. The participant is free to choose any housing that meets the requirements of the program and is not limited to units located in subsidized housing projects. Housing choice vouchers are administered locally by public housing agencies (PHAs). The PHAs receive federal funds from the U.S. Department of Housing and Urban Development (HUD) to administer the voucher program (Housing and Urban Development, 2022).

Information on where housing choice vouchers are used within the City is provided by HUD through their open data website. According to that data, there were 29 housing choice vouchers used on Mercer Island in 2022. HUD provides data on how many vouchers are used in each census tract. Exhibit 24 shows a map of the census tracts in the City and the quantity of housing choice vouchers used in each during 2022.

All 29 of the housing choice vouchers used in the City in 2022 are in the north of the island. Housing choice vouchers are only available for rental housing and the majority of multifamily housing is located in and around Town Center. There are no housing choice vouchers used in the south end of the island where the vast majority of housing is single-family residences.

Exhibit 24. Housing Choice Vouchers by Census Tract on Mercer Island, 2022.



Source: HUD Housing Choice Vouchers by Census Tract, 2022.

Existing Zoning

The City's zoning regulations are the primary tool with which the City affects the size, scale, density, and type of housing development that occurs in the City. Residential development is allowed in most zones in the City. There are three general residential categories City zones can be divided into: single-family residential, multifamily residential, and mixed-use. Exhibit 25 shows the single-family, multifamily, and mixed-use zones in the City.

Exhibit 25. Single-Family, Multifamily, and Mixed-Use Zones.



Source: Mercer Island Zoning Map, current through Ordinance 18C-14, Mercer Island City Code (MICC) Appendix D.

Single-family residential zones establish regulations to limit most new residential development to single-family homes and accessory dwelling units (ADUs). These zones are typified by minimum lot sizes and land use controls that preclude denser residential development. Most of the land in the City is zoned for single-family residential development, with minimum lot sizes ranging from 8,400 to 15,000 square feet. These minimum lot sizes translate to densities between around five- and three-dwellings per acre.

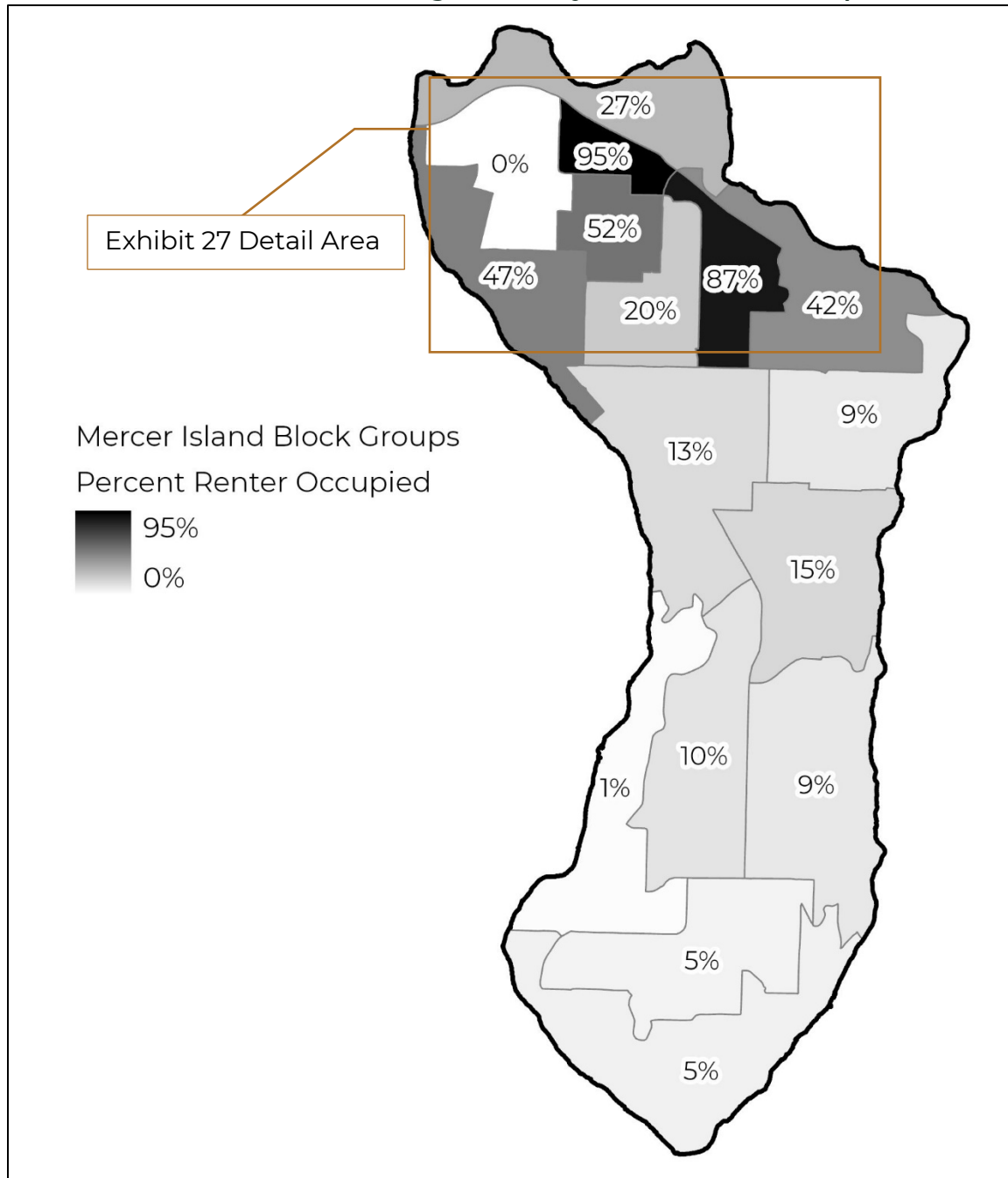
Multifamily residential zones are those that allow for denser development, including mid- and low-rise apartment buildings. All multifamily residential zones are located at the north end of the Island on the outskirts of mixed-use and commercial zones. Low- and mid-rise apartment buildings characterize most of the existing residential development in the multifamily zones. Most of the land zoned multifamily is already developed. Because the multifamily zones are largely developed, there are very few developable lots in these zones.

Mixed-use zones allow a combination of commercial and residential development. Mixed-use zones are only found in the Town Center at the north end of the island. Residential development in mixed-use zones is typically mid-rise mixed-use development with four or five stories of residential development over ground floor commercial space. Mixed-use zones allow a height bonus whereby developers are granted additional building height in exchange for a percentage of the new units being income-restricted affordable housing units. Due to this height bonus, all of the income-restricted affordable units that have been developed in recent years have been in Town Center.

Location of Rental Housing

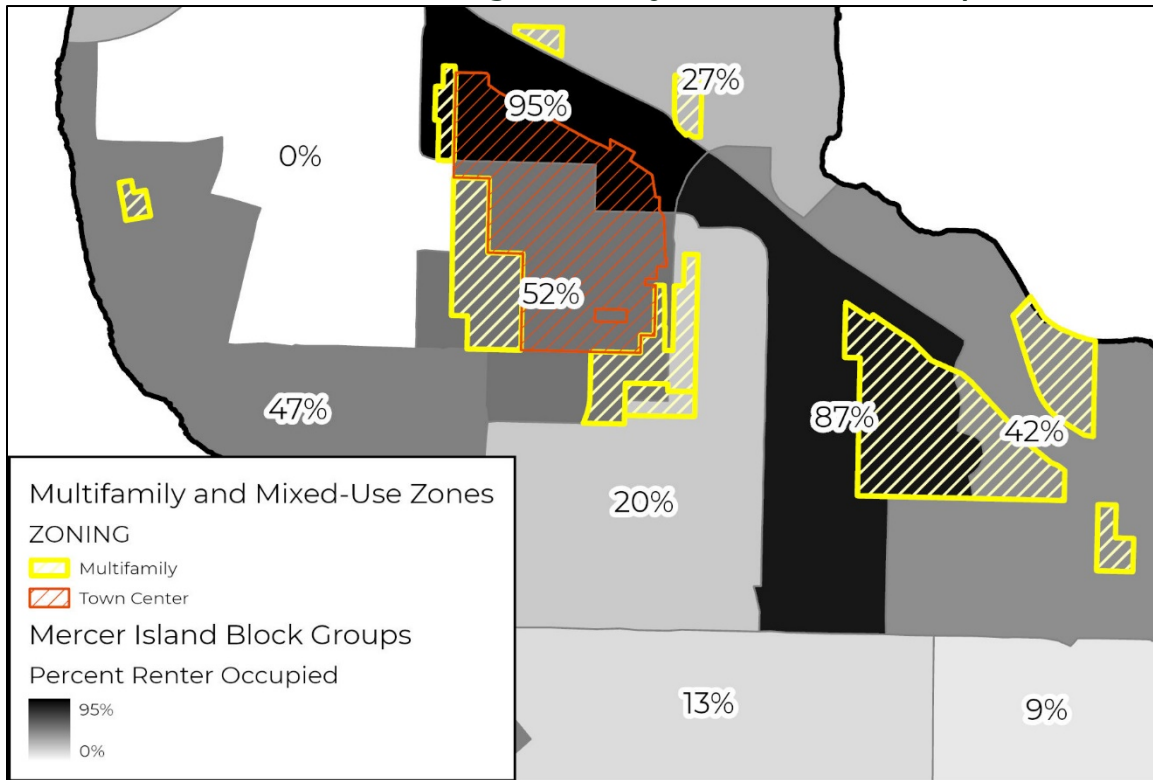
Exhibits 26 and 27 Mercer Island census block groups by housing tenure. Exhibit 27 includes an overlay showing where the multifamily and mixed-use zones are in the City. It should be noted that renter-occupied housing in this instance is not limited to apartments, it includes detached single-family homes that are rented or for rent. In general, renter-occupied housing is more prevalent in the north end of the City, where the multifamily and mixed-use zones are located. Interestingly, the only tract with no renter occupied housing is the tract immediately west of the City's densest area, Town Center.

Exhibit 26. Mercer Island Housing Tenure by Census Block Group.



Source: U.S. Census Bureau, 2021 ACS, Table B25003.

Exhibit 27. Mercer island Housing Tenure by Census Block Group.



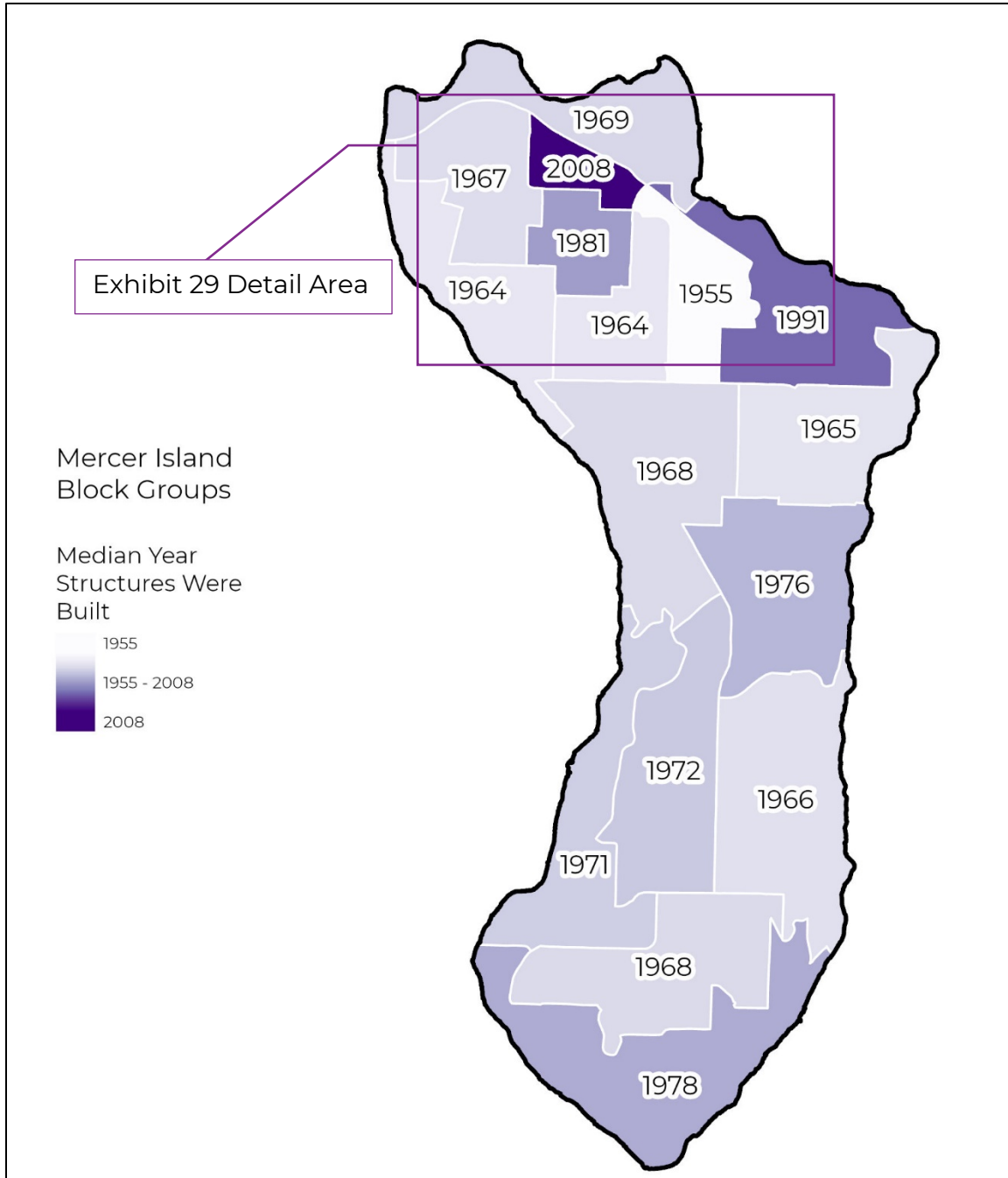
Source: U.S. Census Bureau, 2021 ACS, Table B25003 and Mercer Island Zoning Map, current through Ordinance 18C-14, Mercer Island City Code (MICC) Appendix D.

Age of Structures

Areas with older structures are more likely to redevelop. The likelihood of redevelopment of areas with older structures increases when zoning is changed to increase development capacity above what it was when the area was originally developed. Renting households are more likely than homeownership households to be displaced as areas redevelop because they are physically displaced during construction and can be economically displaced by higher rents in newer structures.

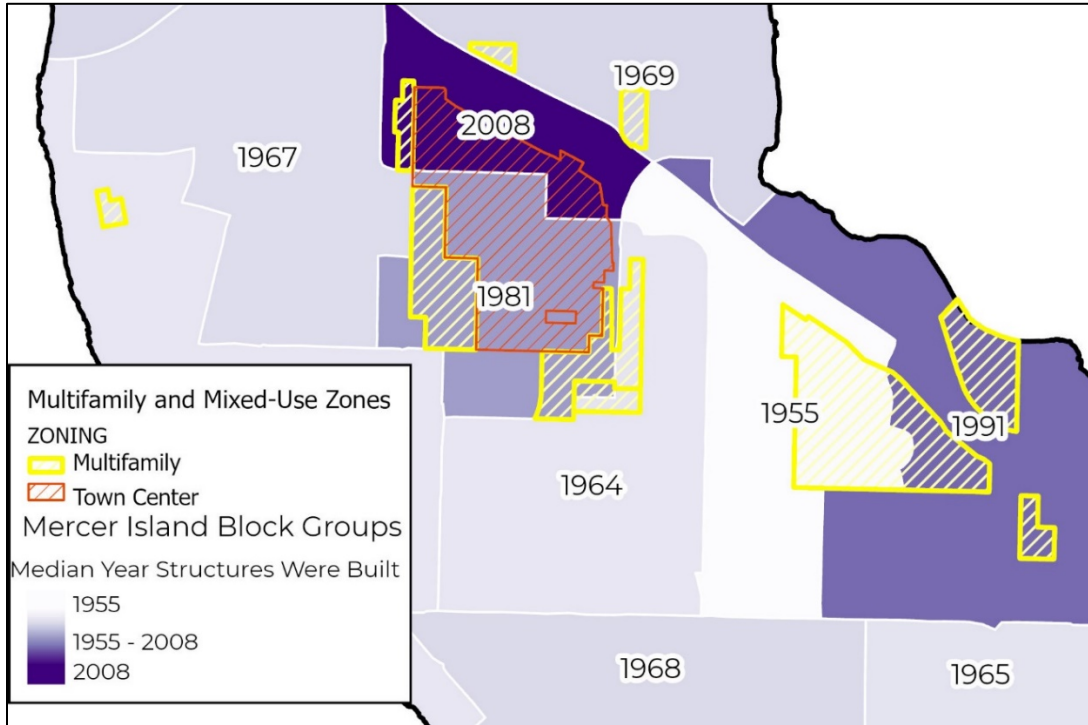
Exhibit 28 shows the median year structures were built in each census block group island wide. Exhibit 29 shows the median year structures were built in each census block group with multifamily and mixed-use zones overlaid. Note that Exhibit 29 shows the same data as Exhibit 28 but is zoomed to the multifamily areas in the north of the island.

Exhibit 28. Median Year Structures Built by Block Group.



Source: U.S. Census Bureau, 2021 American Community Survey, Table B25037.

Exhibit 29. Median Year Structure Built by Block Group With Multifamily and Mixed-Use Zones.



Source: U.S. Census Bureau, 2021 American Community Survey, Table B25037 and Mercer Island Zoning Map, current through Ordinance 18C-14, Mercer Island City Code (MICC) Appendix D.

Development Capacity

In 2021, King County prepared an Urban Growth Capacity Report (UGC Report) which analyzed the development capacity in urban growth areas throughout the County. Exhibit 30 shows Mercer Island’s housing capacity from the UGC Report. The report finds that 1,073 of Mercer Island’s 1,428 units of housing development capacity are in multifamily and mixed-use zones. This means that the majority of the possible residential development in the City through the planning period is focused in higher-density areas.

Exhibit 30. Mercer Island Housing Capacity.

Zone Category	Density Range	Corresponding Zones	Net Residential Capacity
Very Low Density	2.6-3.3 dwellings/acre	R-15 and R-12	120
Low Density	4.6-6.1 dwellings/acre	R-9.6 and R-8.4	235
Medium-Low Density	22.7 dwellings/acre	MF-2L	10
Medium-High Density	26 dwellings/acre	MF-2 and MF-3	535
High Density	100.6-167 dwellings/acre	Town Center Zones	528
Total	-	-	1,428

Source: 2021 UGC Report.

Summary

Exhibits 16 through 30 can be summarized as follows:

- Mercer Island housing prices are higher than most neighboring cities and rising for both owner- and renter-occupied housing (Exhibits 16 and 17);
- Most housing units in Mercer Island require an annual household income greater than \$100,000 to be affordable (Exhibit 18);
- Between 2014 and 2019, the supply of units affordable to households earning less than 80 percent of the AMI did not keep up with the increase in number of households in that income range. Housing affordable to households earning between 30 and 50 percent of the AMI had the widest gap in this time period (Exhibit 19);
- 1,296 rental housing units are priced at \$2,000 a month or less, this is a little more than 40 percent of all rental units. Monthly rent at \$2,000 a month would be affordable to households earning \$72,000 a year. (Exhibit 20);
- Around 26 percent of households are housing cost burdened. More renting households are cost burdened than home-owning households. Households earning less than \$75,000 a year are cost burdened at a higher rate than other households (Exhibit 21);
- Households of color are cost burdened at a higher rate than White households (Exhibit 22);
- Black or African American households are severely cost burdened at a much higher rate than other racial groups (Exhibit 22);
- A cost-burdened household is more likely to be severely cost burdened, paying more than 50 percent of its income for housing (Exhibits 21 and 22);
- The PSRC Displacement Risk Mapping Tool categorizes all census tracts in Mercer Island have lower displacement risks compared to tracts throughout the PSRC region (King, Pierce, Snohomish, and Kitsap Counties) (Exhibit 23);

- All of the 29 HUD Housing Choice Vouchers are used in two census tracts on the north end of the island that include Town Center and the area to the east along I-90 (Exhibit 24);
- The majority of Mercer Island is zoned for single-family residential, with mixed-use and multifamily residential zones concentrated near I-90 (Exhibit 25);
- The census tracts surrounding Town Center have the highest percentage of owner-occupied housing in the City, coinciding with the areas zoned for multifamily and mixed-uses (Exhibits 26 and 27);
- The census tract that contains the north end of Town Center has the newest average building age: 2008 (Exhibit 28 and 29);
- Several of the census tracts around Town Center have both a high percentage of renter-occupied housing (Exhibit 27) and average building ages between 42 and 68 years old (Exhibit 28 and 29); and
- Most of the residential development capacity in Mercer Island is provided by the multifamily and Town Center zones (Exhibit 30).

Areas at Risk of Displacement

RCW 36.70A.070(2)(g) requires cities and counties to adopt housing elements that:

“Identifies areas that may be at higher risk of displacement from market forces that occur with changes to zoning development regulations and capital investments”.

Displacement occurs when an area redevelops, and existing residents do not return to the area. Displacement typically results from existing residents not being able to afford to stay in the area following redevelopment due to rising costs. Though the overall risk of displacement in Mercer Island is lower than other areas in Puget Sound (Exhibit 23), some households in the City still face displacement risk. Lower-income families are at risk of displacement because the data shows that many households earning less than \$75,000 a year are cost burdened (Exhibit 21). Given their proportionally higher cost-burden rate, households of color in general and Black or African American households in particular, are also at risk of displacement as redevelopment occurs (Exhibit 22). As new development supplants older multifamily, housing costs can rise as new units tend to command higher rent. This market force can make it harder for already cost-burdened households to afford new units, driving displacement. Areas with multifamily or mixed-use development and older buildings, are more likely to redevelop and contribute to displacement.

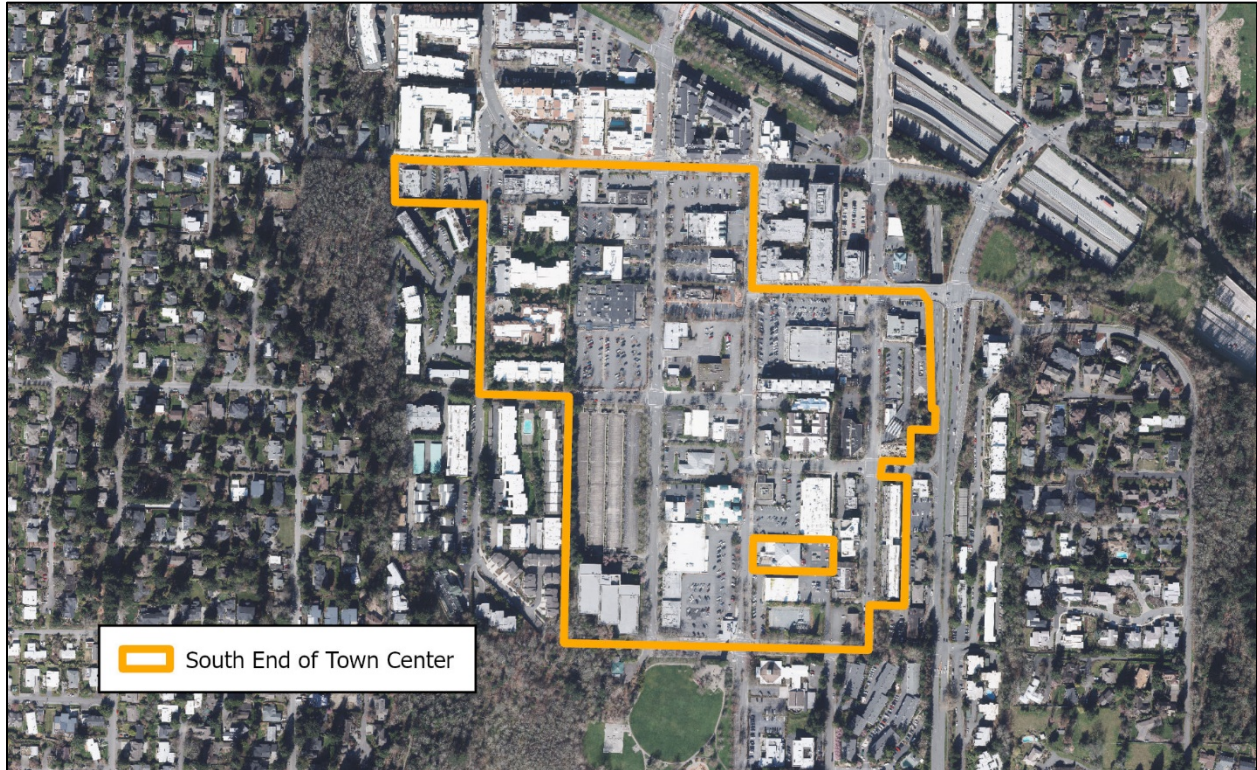
The following areas might be at a higher risk of displacement from market forces that occur with changes to zoning development regulations and capital investments:

- The south end of Town Center;
- Multifamily zones adjacent to Town Center; and
- Multifamily zones east of Town Center.

Area 1: South End of Town Center

Figure 1 shows Area 1.

Figure 1. South End of Town Center.



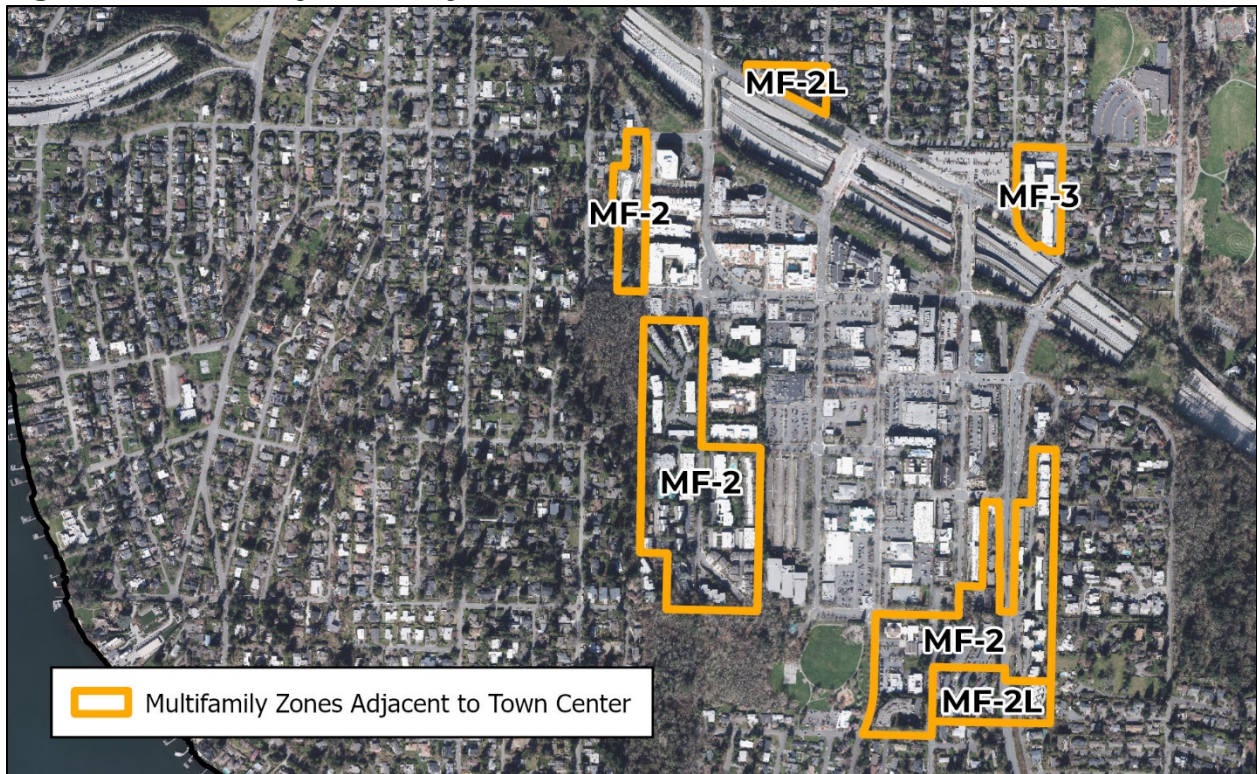
The south end of Town Center has the following characteristics:

- This area is characterized by a mix of commercial buildings and multifamily development;
- Most of this area is in a census tract where 52 percent of dwellings are renter-occupied (Exhibit 27);
- The average age of structures in this census tract is 42 years old (Exhibit 28); and
- Town Center accounts for about 37 percent of all development capacity in the City (Exhibit 30).

Area 2: Multifamily Zones Adjacent to Town Center

Figure 2 shows Area 2.

Figure 2. Multifamily Ones Adjacent to Town Center.



The multifamily zones adjacent to Town Center have the following characteristics:

- These zones are next to the City's primary employment center, an Interstate 90 onramp, and the East Link Light Rail Station;
- Owner-occupied units in this area are likely to be condominiums, a lower-cost option for home ownership;
- These zones are in areas with more renter-occupied dwelling units (Exhibit 27);
- Most of these zones are in census tracts where the average building age ranges between 42 and 59 years old (Exhibit 29); and
- Multifamily zones provide a little less than 40 percent of the development capacity in the City (Exhibit 30).

Area 3: Multifamily Zones East of Town Center

Figure 3 shows Area 3.

Figure 3. Multifamily Zones East of Town Center.



The multifamily zones east of Town Center have the following characteristics:

- These zones are near Interstate 90 and surrounded by single-family zones;
- These zones are partially separated from Town Center by a large hill and, for those areas in the northeast, Interstate 90;
- The largest multifamily development in these zones is Shorewood;
 - Shorewood is located in a census tract where the average building age is 68 years old (Exhibit 29);
 - King County Assessor's records indicate that most of the buildings at Shorewood are more than 60 years old; and
 - Shorewood is likely the reason that 87 percent of dwelling units in its census tract are multifamily units (Exhibit 27).

Conclusions

Review of the data highlights the following impacts:

- More renting households are cost-burdened than homeownership households by a margin of 20 percentage points (Exhibit 21);
- Households of color are eight percentage points more likely than White households to be housing cost-burdened (Exhibit 22); and

- Black or African American households in Mercer Island are severely housing cost-burdened at more than double the rate of any other racial group (Exhibit 22).

Some of the likely causes of the identified impacts within the City's capacity to influence are:

- Limited housing supply;
- Access to employment:
 - On-island employment tends to be lower-paying jobs, and
 - Most households commute off-island for work, increasing transportation costs.

Housing Supply

The housing cost-burden rate for households of color in Mercer Island can be partially explained by the limited supply of lower-cost rental housing, indication that policies which constrain the supply of housing might be causing racially disparate impacts. Exhibit 20 shows that only 297 or about 10 percent of rental units are affordable to households earning around \$54,000 or less annually. At the same time, Exhibit 21 shows that there are about 926 renting households earning below \$50,000 annually, roughly 629 more households than rental units in that price range. The lack of units affordable to households in this income range means they must choose units outside of their affordable price range or move to a lower cost area. This is likely the reason nearly 70 percent of these households are housing cost burdened.

Another disconnect between housing supplied and housing need is highlighted by Exhibits 20 and 21. In 2020, there were 998 rental units priced between \$1,500 to \$2,000 a month (Exhibit 20). These units were priced within a range affordable to households earning between \$54,000 and \$72,000 annually. In 2021, there were 392 renting households earning between \$50,000 and \$75,000 (Exhibit 21). Of those 392 households, 84 percent were housing cost burdened. This suggests that, despite there being enough total units affordable to these households, they are crowded out of that price range. The crowding highlighted by Exhibits 20 and 21 indicates that there are not enough rental housing units to allow households to find housing that can fit their budget.

During the review of housing policies, those that might limit the supply of multifamily and mixed-use housing should be considered for possible amendments. There are a few ways existing policies and their resultant development regulations can affect housing supply. First, maximum density can limit the amount of residential development possible on developable land. Maximum density is set explicitly as a maximum rate of dwellings per acre or implicitly through a minimum lot size and limiting residential uses to single-family development. Other land use regulations such as those that limit building coverage, require landscaped areas, and design standards can also limit the amount of development possible in a given area. Land

use regulations that restrict where higher-density housing is allowed can also limit how many dwelling units are possible in a given area.

Access to Employment

People that work on Mercer Island do not live there by a wide margin. Nearly half of workers on Mercer Island earn less than \$40,000 annually and households in that income range are housing cost-burdened at the highest rates (Exhibits 11, 13, and 21). It is reasonable to assume that some of those workers are precluded from living on Mercer Island by the lack of housing available at their income level. Finding ways to increase supply of housing affordable to households employed on Mercer Island will begin to address the impacts identified in this report. Increasing housing affordable to on-island workers would also help to reduce the barriers to living on Mercer Island for workers already employed on-island.

At the same time, over 90 percent of workers living on Mercer Island commute to jobs outside of the City (Exhibit 11). Though these off-island jobs tend to pay more per Exhibit 13, and housing cost-burden rates reduce for higher-income households, access to transportation infrastructure is an important consideration for these workers. For lower-income households that rely on off-island employment, transportation costs can make it harder to afford increasing housing costs. Development capacity directed at boosting affordable housing supply should be located in areas with access to transportation infrastructure. Policies directed at increasing the supply of more affordable rental housing should aim to place capacity increases in areas with easy access to transportation infrastructure. This can help working people afford to continue living on Mercer Island because it can help mitigate the transportation costs that result from commuting to work.

Policy Review

Cities are required to implement policies and regulations to address and begin to undo racially disparate impacts, displacement, and exclusion in housing (RCW 36.70A.070(2)(f)). The policy evaluation in Appendix A analyzes the existing housing policies in the Comprehensive Plan, in light of the data in this report, to identify policies that may need amendments to begin to undo the impacts identified in this report. The evaluation is based on the recommendations in the Commerce guidance.

The policy evaluation in Appendix A is a review of all housing policies in the Housing Element and Land Use Element. In this evaluation, goals and policies are placed into one of three categories. The “Supportive” category are policies that support achieving the GMA goal for housing. There is a need for the policy and/or it addresses identified racially disparate impacts, displacement, and exclusion in housing. The “Approaching” category is for policies that can help achieve the GMA goal for housing but may be insufficient or do not specifically address racially disparate impacts, displacement, and exclusion in housing. Approaching policies will need review and, in some instances, amendment. Finally, the “Challenging” category is for policies that may challenge the City’s ability to achieve the GMA goal for housing. Challenging policies are those that need amendment to address racially disparate impacts, displacement, and/or exclusion.

Based on the evaluation in Appendix A, the following policies will need to be reviewed and potentially amended during the Comprehensive Plan update:

Housing Element – Policies 1.1, 1.2, 1.4, 2.5, 2.7

Land Use Element – Goal 15, Policies 15.1, 15.2, 15.3, 15.4, 16.5, 30.6

Next Steps

In addition to making amendments to begin addressing racially disparate impacts, the City will be required to amend housing policies to address other topics. This includes:

- Make adequate provisions for the existing and projected needs of all economic segments of the community as required by RCW 36.70A.070(2)(d), and
- Address middle housing and accessory dwelling units to comply with recent statewide legislation.

1. Adequate Provisions

To make adequate provisions for the existing and projected needs of all economic segments of the community the City will identify barriers to housing production and adopt policies to address those barriers. Commerce has provided guidance for identifying barriers to housing production. The Commerce guidance outlines a process of listing barriers such as high cost of land and preparing a list of potential policies to address that barrier such as making surplus city-owned land available for affordable housing development. Prior to drafting the Housing Element, staff will identify barriers to housing production and develop policy options for addressing barriers that can be considered with the draft of the element. The policy options added to the Housing Element that address the identified barriers will constitute adequate provisions for existing and projected housing needs.

2. Middle Housing and Accessory Dwelling Units (ADUs)

In 2023, the WA State Legislature enacted House Bills 1110 and 1337. House Bill 1110 requires development code amendments to allow middle housing types in zones that allow single-family residences. House Bill 1337 establishes required development standards for ADUs. Policy amendments may be required by these two bills. The Housing Element will be reviewed during the drafting process to ensure that it is consistent with state law.

Middle housing and ADUs tend to be more affordable dwelling units because they are smaller and carry lower land costs. Because they tend to be more affordable, middle housing units and ADUs can also be considered part of the City's strategy for accommodating housing needs.

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Appendix A: Policy Evaluation

Policy Evaluation Framework

The policy evaluation in this appendix is a review of all current housing policies in the existing Housing Element and Land Use Element of the adopted 2016 Comprehensive Plan. In this evaluation, goals and policies are placed into one of three categories. The “Supportive” category are policies that support achieving the GMA goal for housing. There is a need for the policy and/or it addresses identified racially disparate impacts, displacement, and exclusion in housing. The “Approaching” category is for policies that can help achieve the GMA goal for housing but may be insufficient or do not specifically address racially disparate impacts, displacement, and exclusion in housing. Approaching policies will need review and, in some instances, amendment. Finally, the “Challenging” category is for policies that may challenge the City’s ability to achieve the GMA goal for housing. Challenging policies are those that need amendment to address racially disparate impacts, displacement, and/or exclusion. This evaluation framework comes directly from the WA Department of Commerce Guidance on HB 1220 implementation for evaluating racially disparate impacts.

The purpose of this policy evaluation is to identify potential policy amendments. The policies labeled approaching or challenging in this policy evaluation will be considered as candidates for amendment during the current Comprehensive Plan periodic review due for completion no later than December 31, 2024.

Table A.1. Policy Evaluation Framework.

Evaluation	Criteria
S: Supportive	The policy supports achieving the GMA goal for housing. There is a need for the policy and/or it addresses identified racially disparate impacts, displacement, and exclusion in housing.
A: Approaching	The policy can help achieve the GMA goal for housing but may be insufficient or does not specifically address racially disparate impacts, displacement, and exclusion in housing.
C: Challenging	The policy may challenge the jurisdiction’s ability to achieve the GMA goal for housing. The policy’s benefits and burdens should be reviewed to optimize the ability to meet the policy’s objectives while improving the equitable distribution of benefits and burdens imposed by the policy.
N/A: Not Applicable	The policy does not affect the jurisdiction’s ability to achieve the GMA housing goal and has no influence or impact on racially disparate impacts, displacement or exclusion.

Table A.2. Housing Element Policy Evaluation.

Goal or Policy	Evaluation	Explanation
Goal 1. Ensure that single family and multi-family neighborhoods provide safe and attractive living environments, and are compatible in quality, design and intensity with surrounding land uses, traffic patterns, public facilities and sensitive environmental features.		
Policy 1.1 Ensure that zoning and City code provisions protect residential areas from incompatible uses and promote bulk and scale consistent with the existing neighborhood character.	A	The lack of defined terms in this policy can be problematic. If this policy is retained in future drafts of the Housing Element, it should avoid using undefined terms.
Policy 1.2 Promote single family residential development that is sensitive to the quality, design, scale and character of existing neighborhoods.	A	The City does not require single family design review, but rather relies on adopted development standards in MICC, Chapter 19. Design review for single-family development can be an unnecessary burden on residential development and can increase total housing costs. Existing development standards control the scale and quality of development without additional design review. If this policy is retained in future drafts of the Housing Element, it should be reworked to be non-suggestive of single-family design review.
Policy 1.3 Promote quality, community friendly Town Center, CO and PBZ district residential development through features such as pedestrian and transit connectivity, and enhanced public spaces.	N/A	N/A
Policy 1.4 Preserve the quality of existing residential areas by encouraging maintenance and revitalization of existing housing stock.	A	Preservation, maintenance, and revitalization of existing housing stock can serve existing residents, some of whom may be at risk of displacement.

Goal or Policy	Evaluation	Explanation
		Preservation of the existing housing stock may need to be tempered by the need to diversify housing types available to accommodate populations historically excluded from Mercer Island. If this policy is retained in future draft of the Housing Element, it should be reworked to reflect such.
Policy 1.5 Foster public notification and participation in decisions affecting neighborhoods.	S	
Policy 1.6 Provide for roads, utilities, facilities and other public and human services to meet the needs of all residential areas.	N/A	N/A
Goal 2. Provide a variety of housing types and densities to address the current and future needs of all Mercer Island residents.	S	
Policy 2.1 Through zoning and land use regulations, provide adequate development capacity to accommodate Mercer Island's projected share of the King County population growth over the next 20 years.	S	
Policy 2.2 Promote a range of housing opportunities to meet the needs of people who work and desire to live in Mercer Island.	S	
Policy 2.3 Emphasize housing opportunities, including mixed-use development, affordable housing, accessible housing, and aging in place, in the Town Center.	S	
Policy 2.4 Encourage residential development in mixed use zones through regulatory tools, infrastructure	N/A	N/A

Goal or Policy	Evaluation	Explanation
improvements and incentives. Track residential development over time to ensure policies are effective.		
Policy 2.5 Use the addition of housing in the Town Center, PBZ and CO zones to create new, vibrant neighborhoods that complement the character of existing development. Consider allowing additional types of multifamily housing in the CO zone.	A	The lack of defined terms in this policy can be problematic. Additionally, this policy is suggestive of two conflicting ideals – new, vibrant neighborhoods and character of existing development. If this policy is retained in future drafts of the Housing Element it should avoid using undefined terms, be reworked to confirm the addition of housing in the PBZ and CO zones as well as the conveyance of the preferred ideal.
Policy 2.6 Promote accessory dwelling units in single-family zones subject to specific development and owner occupancy standards.	S	
Policy 2.7 Encourage infill development on vacant or under-utilized sites that are outside of critical areas and ensure that the infill is compatible with the scale and character of the surrounding neighborhoods.	A	The lack of defined terms in this policy can be problematic. If this policy is retained in future drafts of the Housing Element, it should avoid using undefined terms.
Policy 2.8 Promote the continued use of existing affordable apartments as a community asset which provides a substantial portion of affordable housing.	S	
Policy 2.9 Through a mix of new construction and the preservation of existing units, strive to meet Mercer Island's proportionate amount of the countywide need for housing affordable to households with moderate, low, and very low incomes, including those with special needs.	S	
Goal 3. Support the adequate preservation, improvement, and development of housing for the	S	

Goal or Policy	Evaluation	Explanation
diverse economic and social segments of the Mercer Island community.		
Policy 3.1 Work cooperatively with King County, "A Regional Coalition for Housing," (ARCH) and other Eastside jurisdictions to assess the need for and to create affordable housing.	S	
Policy 3.2 Continue membership in ARCH or similar programs to assist in the provision of affordable housing on the Eastside.	S	
Policy 3.3 City housing goals and policies should be coordinated with regional growth, transit and employment policies.	N/A	
Policy 3.4 Work cooperatively with and support efforts of private and not-for-profit developers, and social and health service agencies to address local housing needs.	S	
Policy 3.5 Work to increase the base of both public and private dollars available on a regional level for affordable and accessible housing, especially for housing affordable to very low income households, and accessible to people with disabilities.	S	
Policy 3.6 Consider supporting housing legislation at the county, state and federal levels which would promote the goals and policies of the Housing Element.	S	
Policy 3.7 Continue to explore ways to reform regulations that would either provide incentives or reduce the cost to produce affordable and accessible housing.	S	

Goal or Policy	Evaluation	Explanation
Policy 3.8 Use local resources to leverage other public and private funding when possible to build or preserve affordable housing on Mercer Island and in other Eastside cities, including housing for very low income households.	S	
Policy 3.9 Use regulatory and financial incentives in the Town Center and PBZ/CO districts such as density bonuses, fee waivers, and property tax reductions to encourage residential development for a range of household and ownership types and income levels.	S	
Policy 3.10 Provide incentives for first-time and more affordable ownership housing opportunities to meet local needs, such as condominiums and compact courtyard homes.	S	
Policy 3.11 Consider allowing the development of one innovative housing project, e.g., compact courtyard housing, attached single family housing or smaller lot housing, to examine the feasibility and desirability of additional housing options to address the changing demographics on Mercer Island. The demonstration project should include smaller single family units, accessible housing and barrier-free entries for visitability, common open space and other amenities, and be subject to strict design review. Following completion of the project, the City will engage in a policy discussion about expanding innovative housing opportunities.	S	
Policy 3.12 Consider establishing a means to provide non-cash subsidies such as credit enhancements and	S	

Goal or Policy	Evaluation	Explanation
City bonding to support development of affordable housing.		
Policy 3.13 If City-owned property is no longer required for its purposes, it shall be evaluated for its suitability for affordable housing.	S	
Policy 3.14 Waive, defer, or reduce building, planning, or mitigation fees in exchange for a contractual commitment to affordable housing.	S	
Policy 3.15 Continue to provide Community Development Block Grant (CDBG) funds for housing projects which serve low and moderate income households.	S	
Policy 3.16 Maintain housing developed or preserved using local public resources as affordable for the longest term possible.	S	
Policy 3.17 Encourage self-help and volunteer programs which provide housing rehabilitation and development.	S	
Policy 3.18 Support housing options, programs and services that allow seniors to stay in their homes or neighborhoods. Promote awareness of Universal Design improvements that increase housing accessibility.	S	
Policy 3.19 Encourage energy efficiency and other measures of sustainability in new and preserved housing.	S	
Policy 3.20 Mercer Island shall periodically review and revise policies and regulations to assure the Zoning	S	

Goal or Policy	Evaluation	Explanation
Code meets the requirements of the Federal Fair Housing Act and the State of Washington Fair Housing Law to provide equal access for people with special needs and recognized protected classes (race, color, national origin, religion, sex, family status, disability).		
Policy 3.21 Zoning should provide appropriate opportunities for special needs housing. Support should be given to organizations that offer services and facilities to those who have special housing needs.	S	
Policy 3.22 Support and plan for special needs housing using federal or state aid and private resources.	S	
Policy 3.23 Encourage development of emergency, transitional, and permanent supportive housing with appropriate on site services for special needs populations.	S	
Policy 3.24 Identify regulatory methods and coordinated assistance for improving housing opportunities for frail elderly and other special needs populations in Mercer Island.	S	
Policy 3.25 Explore innovative ways to remove barriers to, and provide incentives for, the creation and modification of residential housing that is wholly or partially accessible to people with disabilities.	S	
Goal 4. Adopt and implement specific strategies designed to achieve the housing goals outlined in this Housing Element. Continue to monitor how well Mercer Island resident's housing needs are being met.	S	

Goal or Policy	Evaluation	Explanation
Policy 4.1 Every five years, adopt a Strategy Plan and Work Program identifying strategies and implementation measures that increase the City's achievement of housing goals, including the provision of adequate accessible and affordable housing.	S	
Policy 4.2 Track key indicators of housing supply, accessibility, affordability and diversity. Key indicators include but are not limited to housing production, demolition, conversion and rezones, in addition to units affordable to moderate, low and very low income households.	S	
Policy 4.3 The City of Mercer Island shall cooperate with regional efforts to do an ongoing analysis of the regional housing market.	S	
Policy 4.4 Periodically review land use regulations to assure that regulations and permit processing requirements are reasonable.	S	
Policy 4.5 At least once every five years, the City shall evaluate the achievements of its housing goals and policies and present the findings to the City Council. This evaluation will be done in cooperation with Countywide evaluations done by the Growth Management Planning Council (GMPC), or its successor organization, and coordinated with the development of the biannual budget.	S	

Table A.3. Land Use Element Housing Related Policy Evaluation.

Goal or Policy	Evaluation	Explanation
Goal 5 Encourage a variety of housing forms for all life stages, including townhomes, apartments and live-work units attractive to families, singles, and seniors at a range of price points.	S	
Policy 5.1 Land uses and architectural standards should provide for the development of a variety of housing types, sizes and styles.	S	
Policy 5.2 Encourage development of low-rise multi-family housing in the TCMF subareas of the Town Center.	S	
Policy 5.3 Encourage the development of affordable housing within the Town Center.	S	
Policy 5.4 Encourage the development of accessible and visitable housing within the Town Center.	S	
Policy 5.5 Encourage options for ownership housing within the Town Center.	S	
Goal 15 Mercer Island should remain principally a low density, single family residential community.	C	Having a goal to maintain lower residential densities may make it more difficult to comply with current and future GMA requirements for higher residential densities and the accommodation of affordable housing needs. If this goal is retained in future drafts of the Housing Element, it should be reworked appropriately to reflect GMA direction.

Goal or Policy	Evaluation	Explanation
<p>Policy 15.1 Existing land use policies, which strongly support the preservation of existing conditions in the single family residential zones, will continue to apply. Changes to the zoning code or development standards will be accomplished through code amendments.</p>	<p>C</p>	<p>This policy will likely require amendments to address the changes in the state law from House Bills 1110 and 1337, both enacted in 2023.</p>
<p>Policy 15.2 Residential densities in single family areas will generally continue to occur at three to five units per acre, commensurate with current zoning. However, some adjustments may be made to allow the development of innovative housing types, such as accessory dwelling units and compact courtyard homes at slightly higher densities as outlined in the Housing Element.</p>	<p>C</p>	<p>This policy will likely require amendments to address the changes in the state law from House Bills 1110 and 1337, both enacted in 2023. These bills require cities to permit residential development that will exceed three to five units per acre.</p>
<p>Policy 15.3 Multi-family areas will continue to be low rise apartments and condos and duplex/triplex designs, and with the addition of the Commercial/Office (CO) zone, will be confined to those areas already designated as multi-family zones.</p>	<p>A</p>	<p>The WA Department of Commerce guidance on HB 1220 implementation indicates that higher-density residential zoning is the primary type to accommodate affordable housing needs. Additional areas may need to be considered for multifamily development as the City continues to plan for its assigned affordable housing needs. If this policy is retained in future drafts of the Housing Element, it should be reworked appropriately to reflect GMA direction.</p>
<p>Policy 15.4 As a primarily single family residential community with a high percentage of developed land, the community cannot provide for all types of land uses. Certain activities will be considered incompatible with present uses. Incompatible uses include landfills, correctional facilities, zoos and airports. Compatible permitted uses such as education, recreation, open</p>	<p>A</p>	<p>If this policy is retained in future drafts of the Housing Element, the 'single-family' could be dropped and the policy would have the same effect.</p>

Goal or Policy	Evaluation	Explanation
spaces, government social services and religious activities will be encouraged.		
Goal 16 Achieve additional residential capacity in single family zones through flexible land use techniques and land use entitlement regulations.	S	
Policy 16.1 Use existing housing stock to address changing population needs and aging in place. Accessory housing units and shared housing opportunities should be considered in order to provide accessible and affordable housing, relieve tax burdens, and maintain existing, stable neighborhoods.	S	
Policy 16.2 Through zoning and land use regulations provide adequate development capacity to accommodate Mercer Island's projected share of the King County population growth over the next 20 years.	S	
Policy 16.3 Promote a range of housing opportunities to meet the needs of people who work and desire to live in Mercer Island.	S	
Policy 16.4 Promote accessory dwelling units in single-family districts subject to specific development and owner occupancy standards.	S	
Policy 16.5 Infill development on vacant or under-utilized sites should occur outside of critical areas and ensure that the infill is compatible with the surrounding neighborhoods.	A	The lack of defined terms in this policy can be problematic. If this policy is retained in future drafts of the Housing Element, it should avoid using undefined terms.
Policy 16.6 Explore flexible residential development regulations and entitlement processes that support, and	S	

Goal or Policy	Evaluation	Explanation
<p>create incentives for, subdivisions that incorporate public amenities through the use of a pilot program. The use of flexible residential development standards should be used to encourage public amenities such as wildlife habitat, accessible homes, and sustainable development.</p>		
<p>Goal 17 With the exception of allowing residential development, commercial designations and permitted uses under current zoning will not change.</p>	S	
<p>Policy 17.3 Inclusion of a range of residential densities should be allowed when compatible in the Commercial Office (CO) zones. Through rezones or changes in zoning district regulations, multi-family residences should be allowed in all commercial zones where adverse impacts to surrounding areas can be minimized. Housing should be used to create new, vibrant neighborhoods.</p>	S	
<p>Policy 17.4 Social and recreation clubs, schools, and religious institutions are predominantly located in single family residential areas of the Island. Development regulation should reflect the desire to retain viable and healthy social, recreational, educational, and religious organizations as community assets which are essential for the mental, physical and spiritual health of Mercer Island.</p>	S	
<p>Goal 30 To implement land use development and capital improvement projects consistent with the policies of the comprehensive plan.</p>	S	
<p>Policy 30.1 To focus implementation of the Comprehensive Plan on those issues of highest priority</p>	S	

Goal or Policy	Evaluation	Explanation
to the City Council and community: Town Center development, storm drainage, critical lands protection, and a diversity of housing needs including affordable housing.		
Policy 30.2 To create opportunities for housing, multi-modal transportation, and development consistent with the City's share of regional needs.	S	
Policy 30.3 To make effective land use and capital facilities decisions by improving public notice and citizen involvement process.	S	
Policy 30.4 To continue to improve the development review process through partnership relationships with project proponents, early public involvement, reduction in processing time, and more efficient use of staff resources.	S	
Policy 30.5 To continue to improve the usability of the "Development Code" by simplifying information and Code format; eliminating repetitious, overlapping and conflicting provisions; and consolidating various regulatory provisions into one document.	N/A	N/A

Goal or Policy	Evaluation	Explanation
<p>Policy 30.6 Mercer Island has consistently accepted and planned for its fair share of regional growth, as determined by the GMPC and the King County CPPs. However, build out of the City is approaching, and could occur before 2035 or shortly thereafter. In the future, the City will advocate for future growth allocations from the GMPC which will be consistent with its community vision, as reflected in the Comprehensive Plan and development regulations; environmental constraints; infrastructure and utility limitations; and its remaining supply of developable land.</p>	<p>C</p>	<p>The GMA requires the City of Mercer Island, like all GMA planning jurisdictions, to plan for assigned housing and employment targets. This policy, with its focus on build out, will prove challenging when the City plans for required future housing needs.</p>