

GMHB EXHIBIT 81



BUSINESS OF THE CITY COUNCIL CITY OF MERCER ISLAND

AB 6393
January 16, 2024
Regular Business

AGENDA BILL INFORMATION

TITLE:	AB 6393: 2024 Comprehensive Plan Periodic Update, Housing Element – Housing Capacity Direction	<input type="checkbox"/> Discussion Only <input checked="" type="checkbox"/> Action Needed: <input checked="" type="checkbox"/> Motion <input type="checkbox"/> Ordinance <input type="checkbox"/> Resolution
RECOMMENDED ACTION:	Direct staff on the preferred option(s) for addressing the housing capacity deficit identified in the Land Capacity Analysis Supplement.	

DEPARTMENT:	Community Planning and Development
STAFF:	Jeff Thomas, Community Planning and Development Director Adam Zack, Senior Planner
COUNCIL LIAISON:	n/a
EXHIBITS:	1. Staff Presentation dated January 2, 2024 (AB 6385). 2. City Council Question/Comment Matrix Dated January 2, 2024 (AB 6385).
CITY COUNCIL PRIORITY:	n/a

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

EXECUTIVE SUMMARY

At the January 2, 2024, City Council Meeting staff presented analysis of three options as part of the Land Capacity Analysis (LCA) Supplement to address a land capacity shortfall of 143 multifamily or mixed-use dwelling units ([AB 6385](#)). At the January 16, Meeting staff is requesting City Council direction on the preferred option(s) to address the housing capacity deficit, allowing for the Housing Work Group to resume its work on the Housing Element update of the 2024 Comprehensive Plan periodic update.

- The WA Growth Management Act (GMA) obligates most cities and counties in Washington State to adopt a comprehensive plan, which must include a housing element that satisfies specific planning requirements for housing.
- In 2022, the WA State Legislature adopted 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 LCA Supplement evaluated whether the City has sufficient land capacity to accommodate the assigned housing need. The analysis identified a small capacity deficit of 143 dwelling units in multifamily and mixed-use zones (AB 6385, 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 (AB 6385, Exhibit 1).

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 anti displacement policies.

At the January 2, 2024 City Council meeting, staff presented the Land Capacity Analysis (LCA) Supplement ([AB 6385, Exhibit 1](#)). That report, based on the guidance from Commerce, found a 143-unit land capacity shortfall. The LCA Supplement analyzed three options for addressing this capacity shortfall:

- 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.

ISSUE/DISCUSSION

At the January 2, 2024, meeting, the City Council requested more information on four items to be brought back at the January 16, 2024 Meeting:

1. Area Median Income (AMI) and government transfer payments;
2. Additional accessory dwelling unit (ADU) data;
3. Planned Business Zone (PBZ) Residential Capacity Analysis; and
4. Racially Disparate Impacts (RDI) Evaluation Exhibit 22.

1. AMI and Government Transfer Payments

City Council requested staff to provide more information on whether AMI includes government transfer payments. The LCA Supplement evaluates the City's capacity to accommodate its housing needs at varying income segments relative to the AMI. The [Oxford Reference](#) defines government transfer payments as, "Payments of income by the government which are not made in return for current services rendered. This includes payment of state pensions and unemployment and other social security benefits, by the

government itself or the National Insurance Fund. While the state provides most transfer payments, some are also made by charities and individuals.”

The AMI is the midpoint of a specific area’s income distribution and is calculated on an annual basis by the Department of Housing and Urban Development (HUD). On [its website](#), HUD provides [documentation of how the AMI is calculated](#) for every county. To calculate the AMI, HUD uses the median household income for each area as estimated by the U.S. Census Bureau American Community Survey (ACS). The [ACS Subject Definitions](#) defines income as follows:

The data on income were derived from answers to Questions 43 and 44 in the 2021 American Community Survey (ACS), which were asked of the population 15 years old and over. “Total income” is the sum of the amounts reported separately for wage or salary income; net self-employment income; interest, dividends, or net rental or royalty income or income from estates and trusts; Social Security or Railroad Retirement income; Supplemental Security Income (SSI); public assistance or welfare payments; retirement, survivor, or disability pensions; and all other income.

Receipts from the following sources are not included as income: capital gains, money received from the sale of property (unless the recipient was engaged in the business of selling such property); the value of income “in kind” from food stamps, public housing subsidies, medical care, employer contributions for individuals, etc.; withdrawal of bank deposits; money borrowed; tax refunds; exchange of money between relatives living in the same household; gifts and lump-sum inheritances, insurance payments, and other types of lumpsum receipts.

In short, most government transfer payments are factored into AMI and “in kind” transfers (i.e., food stamps and housing subsidies) are not.

2. Additional ADU Data

Responsive to the City Council discussion regarding ADU’s, Table 1, at the top of Page 4, shows the permitted dwelling units by type from 2006 to 2022. There were 104 ADUs permitted in the years provided. Approximately 9 percent of the 1,150 new dwelling units permitted from 2006 to 2022 were ADUs.

Table 1. Permitted Dwelling Units by Type, 2006 – 2022.

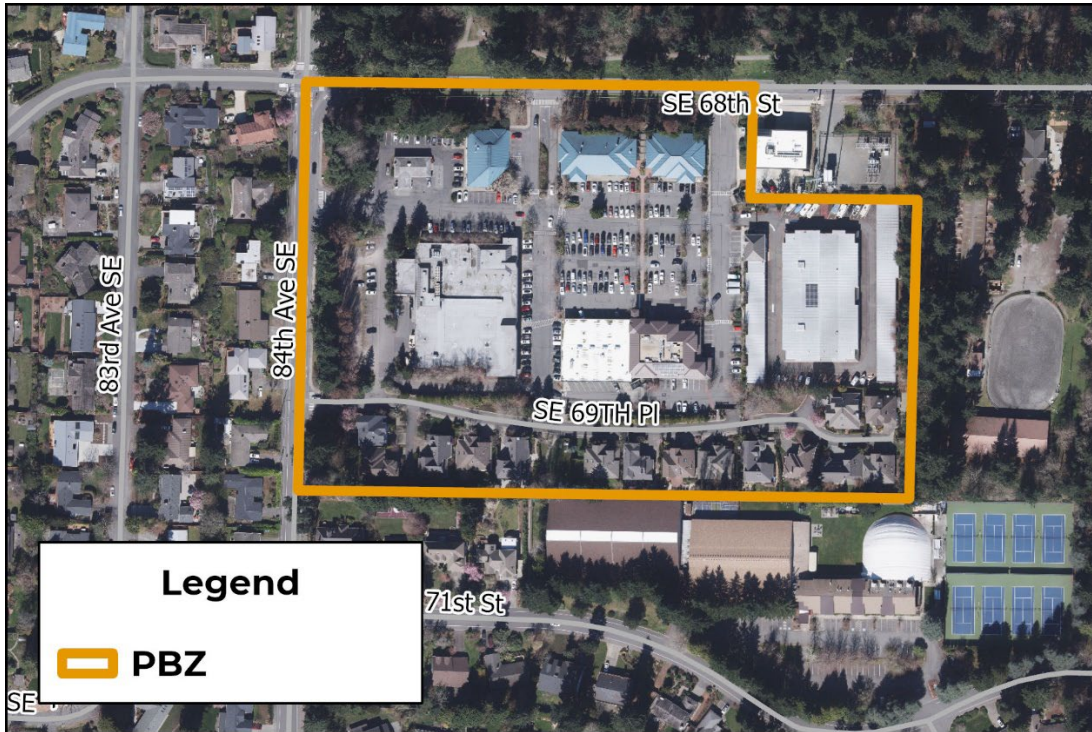
Year	New Single-Family	Single-Family Demo	Single-Family Net	New Multifamily	Multifamily Demo	Multifamily Net	Town Center Units	ADU	Total
2006	59	-46	13	0	0	0	112	4	129
2007	58	-50	8	0	0	0	194	7	209
2008	34	-25	9	3	-5	-2	0	4	11
2009	14	-13	1	0	0	0	0	4	5
2010	20	-21	-1	0	0	0	0	1	0
2011	25	-24	1	0	0	0	166	9	176
2012	25	-20	5	6	0	6	86	5	102
2013	57	-45	12	0	0	0	0	3	15
2014	61	-43	18	0	0	0	209	2	229
2015	60	-40	20	18	0	18	0	5	43
2016	73	-52	21	0	0	0	0	3	24
2017	81	-54	27	89	0	89	0	6	122
2018	47	-40	7	0	0	0	0	9	16
2019	35	-21	14	0	0	0	0	10	24
2020	18	-19	-1	0	0	0	0	12	11
2021	27	-14	13	0	0	0	0	12	25
2022	21	-20	1	0	0	0	0	8	9
TOTAL	715	-547	168	116	-5	111	767	104	1150

Source: Permit counts from 2006-2014 from Puget Sound Regional Council, permit counts 2014-2022 from the City of Mercer Island permit database Trakt.

3. PBZ Residential Capacity Analysis

City Council requested staff to analyze how much residential capacity might be added if multifamily residential uses were allowed in the Planned Business Zone (PBZ). This zone is located south of SE 68th Street, west of Island Crest Way, and East of 84th Ave SE. At just less than 14 acres, the PBZ is the City’s smallest commercial zone by area. Most of the zone is developed with commercial uses including retail, restaurants, and self-storage. Existing residential development in the zone is located along SE 69th Place and is primarily composed of single-family homes. Figure 1, at the top of Page 5, shows the boundary of the PBZ highlighted in orange.

Figure 1. Planned Business Zone Boundary.



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

The allowed land uses in the PBZ are established in [MICC 19.04.010](#). The only residential use currently allowed in the PBZ is “Single-family dwellings limited to single-family detached, single-family semi-detached, townhouses, and patio homes (MICC 19.04.010(B)14).” For reference, patio home is defined in [MICC 19.16.010](#) as “A single-family dwelling on a separate parcel with open spaces on three sides and with a court.” Multifamily and mixed-use development are currently not allowed in the PBZ.

Residential development standards in the PBZ are established in MICC 19.04.010(F). Two of these development standards, F(2) and (6), would need to be amended to allow multifamily and/or mixed-use development in the PBZ. To analyze the potential capacity increase allowing multifamily development in the PBZ, staff used the following steps consistent with that already used in the LCA Supplement to evaluate the effect of allowing multifamily residential development in the Commercial Office Zone:

1. Parcels were analyzed for whether they are vacant or redevelopable using the same method deployed in the Urban Growth Capacity (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**.
 - a. Note: one of the lots in the PBZ with a ratio below 0.5 is a platted open space tract. This parcel was subtracted from the gross developable area because existing development restrictions preclude residential development on that lot.
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. 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. 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**.

Table 2. PBZ Land Capacity.

Gross Developable Area	Net Developable Area	Gross Residential Building Square Footage	Net Building Square Footage	Gross Dwelling Unit Capacity	Net Dwelling Unit Capacity
0.81 acres	0.701 acres	91,673.98 Square Feet	68,755.48 Square Feet	74 Dwelling Units	74 Dwelling Units

4. RDI Evaluation Exhibit 22

City Council requested staff to provide more information about Exhibit 22 from the RDI Evaluation (AB 6385, Exhibit 2). The exhibit shows the percentage of all Mercer Island households experiencing housing cost burden by race. An additional request was also made to see the same information displayed by count rather than percentage. Table 3 shows the count of Mercer Island households experiencing housing cost burden by race.

Table 3. Count of Mercer Island Households Experiencing Housing Cost Burden By Race.

	Asian	Black or African American	Hispanic or Latino (of any race)	Other Race	Persons of Color	White	Total
Not Cost Burdened	1,225	25	155	155	1,560	5,705	7,265
Cost-Burdened (30-50% income on housing)	160	0	15	25	200	1,180	1,380
Severely Cost-Burdened (>50% income on housing)	385	45	75	50	555	900	1,455
Not Calculated	30	0	0	0	30	80	110
Total	1,800	70	245	230	2,345	7,865	10,200

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

NEXT STEPS

Staff is requesting direction from City Council on the preferred option(s) for addressing the housing capacity deficit identified in the LCA Supplement (AB 6385, Exhibit 1). The three options for addressing this capacity shortfall presented are:

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

The options presented are not mutually exclusive and may be modified and/or combined if desired.

Following the receipt of direction from City Council, the Housing Work Group will resume its work on updating the Housing Element of the 2024 Comprehensive Plan periodic update.

RECOMMENDED ACTION

Direct staff on the preferred option(s) for addressing the housing capacity deficit identified in the Land Capacity Analysis Supplement.



Comprehensive Plan Periodic Review
AB 6385

Housing Element – HB 1220 Implementation


January 2, 2024
Adam Zack, Senior Planner
Department of Community Planning and
Development

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Purpose

To provide an overview of two reports needed to implement House Bill 1220 (HB 1220):

- Land Capacity Analysis Supplement (AB 6385 Ex. 1)
- Racially Disparate Impacts Evaluation (AB 6385 Ex. 2)

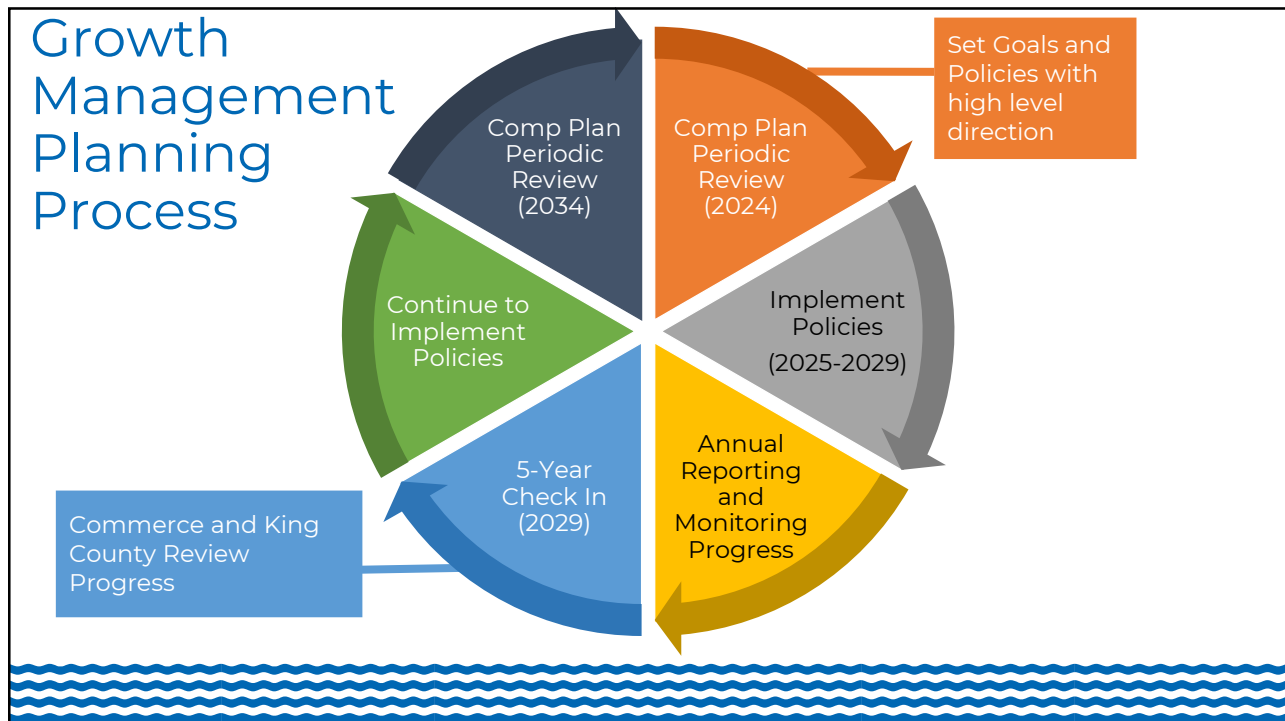


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Agenda

- Background
- Racially Disparate Impacts (RDI) Evaluation
- Land Capacity Analysis (LCA) Supplement
- Overview of Options for Addressing Capacity Deficit
- Next Steps

3



4

House Bill 1220

- In 2021, the WA State Legislature enacted House Bill 1220 (HB 1220)
- HB 1220 amended the Growth Management Act (GMA) requirements for housing:
 - Must accommodate projected housing need at different income levels;
 - Housing policies must be reviewed for potential racially disparate impacts; and
 - New regulatory requirements for emergency housing and accessory dwelling units.

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Commerce Guidance

- In 2023, Commerce issued guidance for addressing HB 1220;
- The guidance recommends two reports:
 - An evaluation of data and policies to examine racially disparate impacts, displacement, and exclusion in housing policies, and
 - A land capacity analysis to determine if there is adequate capacity for housing needs.

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Scope of Work

- Comprehensive Plan Update scope of work set by Council in March 2022 ([Resolution No. 1621](#));
- Council approved supplemental scope of work July 2023 to include Housing Element work to account for new statewide requirements ([Resolution No. 1646](#)):
 - Evaluating racially disparate impacts (RDI), and
 - Supplemental Land Capacity Analysis (LCA) to evaluate capacity at different affordability levels.

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What is a Racially Disparate Impact?

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

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

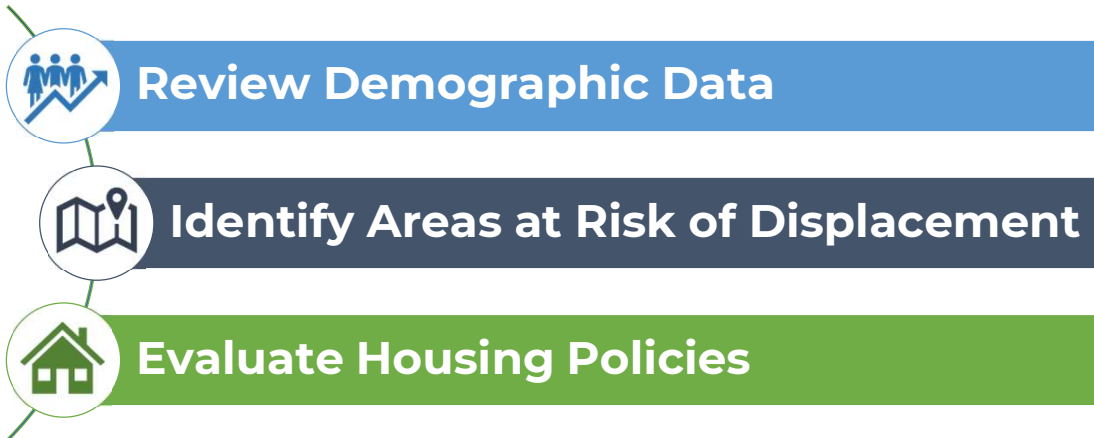
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What is the Racially Disparate Impacts (RDI) Evaluation?

- Identifies policies that might have resulted in racially disparate impacts;
- Identifies potential policy amendments to address and begin to undo racially disparate impacts; and
- Identifies areas that may be at higher risk of displacement from market forces.

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RDI Evaluation, 3 Steps:



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Review Demographic Data

- The following racial groups are underrepresented by around one percentage point or more compared to King County:
 - Black or African American (6% in King County, 1% in Mercer Island);
 - Another 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).

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Review Demographic Data

- 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).

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Identify Areas at Risk of Displacement

Displacement: When a household is forced or pressured to move from their community by factors outside of their control.

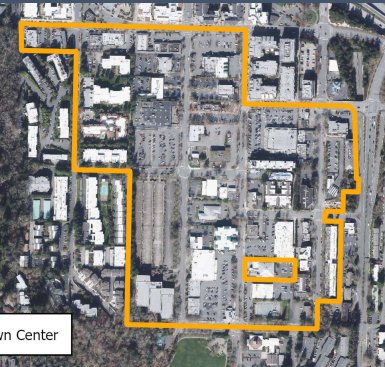
- Overall displacement risk is low (Exhibit 23).
- Characteristics of areas with displacement risk:
 - Higher proportion of renting households;
 - Greater share of older buildings; and
 - Multifamily and mixed-use zones.

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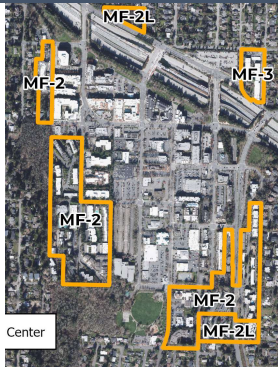
Identify Areas at Risk of Displacement

South End of Town Center



South End of Town Center

Multifamily Zones Surrounding Town Center



Multifamily Zones Surrounding Town Center

Multifamily Zones East of Town Center



Multifamily Zones East of Town Center

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Evaluate Housing Policies

Based on 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

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RDI Evaluation – Next Steps

- Evaluation to be provided to Housing Work Group (HWG) for consideration as they work on the Housing Element.
- Public outreach:
 - Targeted survey of renting households;
 - Public can comment to PC throughout review of the draft Housing Element; and
 - Final draft Housing Element will be presented to the public during the Comprehensive Plan open house.

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What is the LCA Supplement?

- The **LCA Supplement evaluates housing capacity at different affordability levels** based on Commerce guidance.
- Supplements the land capacity analysis in the King County Urban Growth Capacity (UGC) Report to determine whether the City needs to create additional residential capacity to accommodate affordable housing targets as established by HB 1220.
- Documentation that the Comprehensive Plan satisfies the Growth Management Act (GMA) housing element requirements.

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Housing Need by Income Level

Table 1. Mercer Island Housing Need.

	Total	Income Level Relative To AMI							Emergency Housing ³
		<30%		>30 to >50%	>50 to <80%	>80 to <100%	>100 to >120%	>120%	
		Non-PSH ¹	PSH ¹						
New Units Needed	1,239	339	178	202	488	4	5	23	237

Source: [King County Ordinance 19660](#).

Notes:

1. Permanent Supportive Housing (PSH)
2. There was no PSH or emergency housing supply in the City in 2019.
3. Emergency Housing need is its own metric separate from the other housing need.

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Housing Capacity: UGC Report

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.

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Housing Affordability Without Subsidy

Housing Type	2022 Average Sale Price (Table 4) ¹	Average Monthly Cost (Table 5) ²	Affordability Level As A Percent of AMI (Table 6) ³
Single-Family Home	\$2,620,986	\$15,867	433%
Townhomes and Condos	\$662,179	\$4,085	112%
Apartments	N/A	\$2,528	69%

Notes:

1. Average sale price is based on sales data from the Washington Center for Real Estate Research (WCER), see Table 4.
2. Average monthly cost for owner-occupied housing was calculated using the Fannie Mae mortgage calculator, see Appendix B for more details. The average rent as tracked by the WCER was used for the monthly costs of renter-occupied apartments.
3. Affordability level is based on the Area Median Income (AMI). The 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).

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Housing Affordability Without Subsidy

- Households earning below 120% of the AMI can be accommodated in denser housing types:
 - Condominiums (112% AMI);
 - Townhomes (112% AMI); and
 - Apartments (69% AMI).
- Housing need below 120% of the AMI can be compared with capacity in zones where these denser housing types are allowed (Medium-Low-, Medium-High-, and High-Density zones).
- Planning for denser housing to accommodate lower income households is consistent with the Commerce guidance.

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

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

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The Bottom Line

Mercer Island needs to add **143 more units** of residential capacity in **multifamily and mixed-use zones** to accommodate the housing need for households earning below 120% of the AMI.

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Three Options for Addressing Capacity Deficit

-  **Increase Height in Town Center**
 -  **Allow Multifamily in C-O**
 -  **Increase Density in MF-3**
- Options are discussed in detail beginning on Page 23 of the Report.

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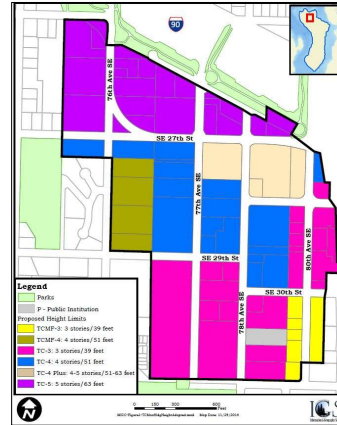


Increase Height in Town Center

Allowing **an additional story of height** in each Town Center subarea could **add 153 units of capacity**.

- TC-3 (pink) and TCMF-3 (yellow) from three to four stories;
 - TCMF-4 (blue), and TC-4 (olive) from four to five stories; and
 - TC-5 (purple) and TC-4 (tan) plus from five stories to six.
- Discussion of this option begins on page 23.

Figure 2. Town Center Subareas and Height Limit.



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

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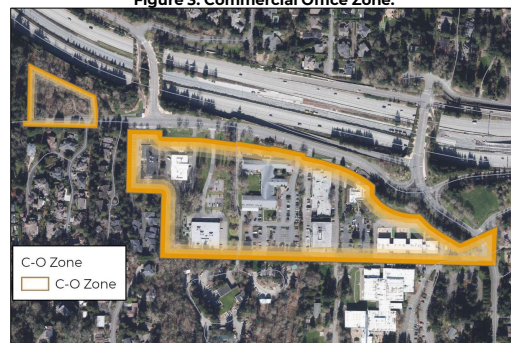


Allow Multifamily in C-O

Allowing **multifamily residential uses in Commercial-Office (C-O) zone** could **add between 143 and 895 units of capacity**.

- Development standards could modulate the total capacity increase.
 - Standards could regulate how multifamily uses would interface with nearby single-family zones.
- Discussion of this option begins on page 28.

Figure 3. Commercial Office Zone.



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

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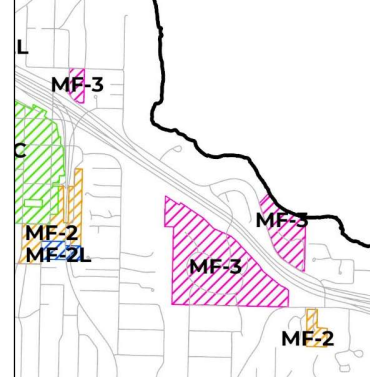


Increase Density in MF-3

Increasing **maximum density in the MF-3 zone from 26 to 30 units/acre** could **add 174 units of capacity**.

- Relatively simple code amendment.
- Small increase of maximum density.
- Would increase capacity in an area with some displacement risks.
- Discussion of this option begins on page 34.

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.

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Next Steps

- Return for Council direction regarding capacity options on January 16.
- Housing Work Group to resume meeting the week of January 22.
- Housing Element draft to Planning Commission by March.

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Log #	Received From	Comment/Question	Staff Response
1	Ted Weinberg	<p>I'm noticing that none of the 3 options for increasing housing talks about satisfying any portion of Mercer Island's affordable housing requirements through contributions to ARCH-funded housing projects located on more affordable land off-island. Did we determine that the number of dwelling units MI could be credited for its share of such projects would be so small as to be not worth calculating and pursuing?</p>	<p>ARCH contributions will be considered as part of Mercer Island's overall response to affordable housing needs but do not count toward the City's capacity to accommodate its affordable housing needs.</p> <p>The need for additional capacity is a separate topic from the City's ARCH contributions. Under the Growth Management Act (GMA), the City is tasked with determining whether it has sufficient land capacity to accommodate its housing need (RCW 36.70A.070(2)(c)). This requires a 'Land Capacity Analysis'. From the Washington Administrative Code (WAC): "The Land Capacity Analysis is a comparison between the collective effects of all development regulations operating on development and the assumed densities established in the land use element. In order to achieve sufficiency, the development regulations must allow at least the low end of the range of assumed densities established in the land use element. This assures a city or county can meet its obligation to accommodate the growth allocated through the countywide population allocation process (WAC 365-196-325(2)(a))."</p> <p>The purpose of the Land Capacity Analysis Supplement (AB 6385 Ex. 1) is to complete the additional land capacity analysis steps required to satisfy the new requirements of HB 1220, based on the Commerce guidance. This means looking at whether the City's zoning allows for enough dwelling units of the appropriate housing type to accommodate its affordable housing needs. The Commerce guidance connects affordability with higher density housing, assuming that denser apartments will be more affordable than lower-density single-family homes.</p>
2	Ted Weinberg	<p>Do I presume correctly that HB 1220 only requires that we *allow* the construction of affordable housing by 2044?</p>	<p>Yes, you are correct. The City is not obligated to construct affordable units.</p>

Log #	Received From	Comment/Question	Staff Response
		That is, it does not require that we actually *achieve* the construction of affordable housing. Correct?	The GMA establishes more planning requirements for housing beyond capacity requirements. You can see the GMA requirements for the Housing Element in RCW 36.70A.070(2) .
3	Ted Weinberg	Do any zones on Mercer Island currently allow the construction of hotels?	Yes. Hotels are an allowed use in the MF-2, B, and Town Center zones.
4	Ted Weinberg	<p>When we say in the 7th paragraph on page 9 of the Land Capacity Analysis Supplement that “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”:</p> <p>a. Does that mean within 1 mile of any metro bus stop on the island, or does it mean within 1 mile of a transit stop which receives service at or above a certain frequency (e.g. high enough to limit it to the North Mercer Park & Ride station)?</p>	<p>a. RCW 35.21.683 establishes this particular provision does not specify whether this means a bus stop or a larger facility. Prior to HB 1220, the City allowed “special needs group housing” and “social service transitional housing” in nearly every zone. As the City defines it in Chapter 19.16 Mercer Island City Code (MICC), special needs group housing includes permanent supportive housing and social service transitional housing includes emergency housing. Interim ordinances have amended the definition of each of these land uses to clarify that these definitions include special the special housing types as defined in state law.</p>
		<p>b. Has anyone ever applied for a CUP to develop social service transitional housing on the island?</p>	<p>b. Staff are unaware of any applications for a CUP to develop social service transitional housing on Mercer Island.</p>

Log #	Received From	Comment/Question	Staff Response
		<p>i. If so, what were some of the conditions placed on the use?</p>	<p>i. The development code requires specific conditions for social service transitional housing. Please see Mercer Island City Code (MICC) 19.06.080 – Siting of group housing for the required conditions.</p>
		<p>ii. Are the conditions defined on a case-by-case basis for each CUP application by the permitting official with some discretion involved, or are the conditions defined by a fixed set of rules with little room for discretion?</p>	<p>ii. Any conditional use permit can include case-by-case conditions of approval. All conditional use permits are reviewed by the Hearing Examiner who makes the decision to approve or deny the application. City staff makes a recommendation to the Hearing Examiner, which includes proposed conditions of approval. The Hearing Examiner may condition approval.</p>
5	Ted Weinberg	<p>Regarding Table 2.</p> <p>a. The second column of this table describes a “Density Range” measured in dwellings/acre. Do the numbers in this column reflect the state requirement assume the maximum usage of ADUs and DADUs per lot per HB 1110?</p>	<p>a. The density ranges in the second column of Table 2 come from the original UGC Report that King County prepared in 2021, prior to the adoption of House Bills 1110 and 1337, which were enacted in 2023. These density ranges do not include accessory dwelling units (ADUs).</p>
		<p>b. Is the formula for determining if a lot is “redevelopable” defined as:</p>	<p>b. The ratio is improvement value divided by land value. The underlying assumption is that when the land is more valuable than the improvements, the land is more likely to be redeveloped.</p>

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		<p>[(improvement value / total property value) < 0.5]</p> <p>or is it:</p> <p>[(improvement value / land value) < 0.5]?</p>	
		<p>c. Do you know where that 0.5 figure comes from? Is that a figure that land developers generally use when deciding whether a property can be redeveloped at a profit? For a decision as financially crucial as whether or not to redevelop, I found it a bit surprising that the factor is as simple as 0.5.</p>	<p>c. The source of the ratio used is the King County UGC Report. King County used that ratio in their guidance for cities to conduct their land capacity analyses.</p>
		<p>d. Does our analysis assume that those who choose to construct ADUs and DADUs in low and very low density zones would not rent them at rates affordable to renters below 100% of AMI?</p>	<p>d. The assumption is that ADUs would be offered at market rates when they are available for rent. The market rate for these units may or may not be affordable to households earning below 100% of the AMI. There is not data on average rents for ADUs in Mercer Island.</p>
		<p>e. Table 10. Why is TC subarea TCMF-4 showing as having no Redevelopable Area? Is the County's UGC Report essentially saying that the improvements on the Walgreens + Pogacha property is greater than 50%</p>	<p>e. According to the UGC Report, TCMF-4 does not have vacant or redevelopable land. Of note, the lots referenced in the question are in the TC-4 subarea, which does have 7.8 acres of redevelopable land per the UGC Report.</p>

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		of the land value? Somehow that seems unlikely to me.	
6	Ted Weinberg	Regarding Table 10. a. Is footnote 5 essentially saying that if all the property in subarea TCMF-3 were torn down and redeveloped, the maximum number of dwellings that could be permitted there would be less than the 94 that currently exist there?	a. Yes.
		b. I presume the second factor in the formula in footnote 1 should be (1-E) rather than E. That is, you're multiplying the total square footage in column A times 0.865, not 0.135. Correct?	b. You are correct, the factor in the formula was (1-E).
7	Ted Weinberg	Regarding Table 12, the last bullet point above this table says: "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." Do I presume correctly that the word "or" half-way through the sentence (bold & underline added) is a typo	Yes, this is a typo.

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		and that the word “of” was intended?	
8	Ted Weinberg	Is option B to add multi-family residential use to the existing C-O zone, or is it to rezone C-O to be TC-4? The latter seems to be a larger change than the former.	Option B is to allow multifamily in the C-O zone. To analyze the potential effect on capacity, the same set of assumptions used to analyze capacity in TC-4 was used. Before amending the code to allow multifamily in the C-O zone, the City would need to establish development standards like maximum building height, maximum lot coverage, etc. for the use in that zone. These development standards would likely modulate the capacity effects (i.e., allowing taller buildings could allow more dwelling units or a smaller maximum building coverage could reduce the number of dwelling units possible).

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9	Craig Reynolds	<p>1. I am puzzled by the basic goal of the 143 unit target. When we had discussed this issue earlier in 2023, as I recall the GMPC was considering three allocation methodologies, and I thought I remembered that ALL of them got us a lot more than 143 units. Is my memory flawed? What changed to get us to only 143?</p>	<p>The 143-unit figure is the shortfall between the City’s current capacity in denser zones and the City’s housing need for households earning below 120 percent of the AMI. The findings of the Land Capacity Analysis (LCA) Supplement suggest that the only housing types that will be affordable to households earning less than 120 percent of the AMI will be denser options like townhouses, condominiums, and apartments. These housing types are only allowed in multifamily and mixed-use zones.</p> <p>The City’s housing need for households earning below 120 percent of the AMI is 1,216. This means the City needs to allow at least 1,216 units of denser housing (i.e., townhouses, condos, and apartments) to accommodate its housing need. The City currently has capacity in its multifamily and mixed-use zones for 1,073 more units of denser housing. The difference between need (1,216) and capacity (1,073) is the 143-unit deficit. This means the City needs to add capacity multifamily and mixed-use zones to, at minimum, cover the 143 additional units of denser housing needed to address its need.</p> <p>The King County Growth Management Planning Council (GMPC) did consider three different allocations of housing need. The alternatives they considered would have potentially changed the amount of need in the different income segments. When staff briefed the City Council on the potential allocations being considered by the GMPC, the analysis in the LCA Supplement had yet to be done so we did not know what kind of deficit would have resulted from each allocation. One of the allocation options the GMPC considered would have probably had a much larger deficit, but that options was ultimately not adopted. In the end, King County adopted the housing need allocation shown in Table 1 of the report and used throughout to arrive at the 143-unit capacity deficit.</p>

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10	Craig Reynolds	2. Do we have any zones that allow hotels? If so, where are they? I would have thought that allowing emergency housing there would be easier than the “within one mile of transit” option. No?	Hotels are an allowed use in the MF-2, B, and Town Center zones. This is fewer zones than the number of zones within one mile of transit because nearly every zone in the City is within one mile of transit. Prior to HB 1220, the City allowed “special needs group housing” and “social service transitional housing” in nearly every zone. As the City defines it in Chapter 19.16 Mercer Island City Code (MICC), special needs group housing includes permanent supportive housing and social service transitional housing includes emergency housing. Interim ordinances have amended the definition of each of these land uses to clarify that these definitions include special the special housing types as defined in state law.
11	Craig Reynolds	3. Does “one mile from transit” refer to light rail? Or to any bus stop?	The ‘one mile from transit’ phrase comes from RCW 35.21.683 , which states: A city shall not prohibit transitional housing or permanent supportive housing in any zones in which residential dwelling units or hotels are allowed. Effective September 30, 2021, a city shall not prohibit indoor emergency shelters and indoor emergency housing in any zones in which hotels are allowed, except in such cities that have adopted an ordinance authorizing indoor emergency shelters and indoor emergency housing in a majority of zones within a one-mile proximity to transit. [...] Chapter 35.21 RCW does not define transit.
12	Craig Reynolds	4. In paragraph I.B.4 you state three numbered assumptions, one is that PSH requires incentives and one is that PSH requires subsidy.	4. Yes, it is safe to assume that both a subsidy and incentive would be needed for any Permanent Supportive Housing (PSH) to be constructed. In theory, a subsidy or incentive could be large enough to reduce the need for the other, but that scenario seems unlikely given the cost of developing PSH.

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		<p>Is it your assumption that BOTH are required? Or could a sufficient incentive obviate the need for a subsidy? (And also, I guess a subsidy IS an incentive, right?)</p> <p>a. More generally, elsewhere in the paper you refer to height incentives as a subsidy. I think of all subsidies as a type of incentive, but it sounds like this is at least one type of incentive that is a subsidy. I guess I need an explanation of what defines a subsidy vs an incentive. I would have thought a subsidy was an actual cash transfer from the city to a builder or customer—but maybe not?</p>	<p>a. Subsidy is a term used in the Commerce guidance, which was the guiding document for the LCA Supplement. For the purposes of this report, subsidies should be read as including incentives though they are similar. Where “subsidy” appears in the LCA Supplement, it could be understood as “subsidies and/or incentives”.</p>
13	Craig Reynolds	<p>5. Do I correctly understand in table II.A that this is the capacity with current zoning? I am just amazed that there are that many R15 lots that are open? Where are they? In this table, are ADUs counted? If not, how much additional capacity do we have?</p>	<p>Yes, Table 2 shows capacity with current zoning as determined in the King County UGC Report. Keep in mind that developable land does not necessarily mean vacant lots. Per the UGC Report, there were 118 developable acres in the R-12 and R-15 zones after removing critical areas and subtracting market and public use factors. The developable acreage was multiplied by the assumed density in that zone and the existing dwellings on developable land were subtracted to arrive at the capacity in the zone. The number of ADUs permitted each year is relatively low (Citywide, roughly 5-10 ADUs are permitted each year), meaning there are not enough permitted each year to increase the assumed density in single-family zones.</p>

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			<p>Because so few ADUs have been permitted and there is little data on how those ADUs are used, it is difficult to determine the affect of ADUs on capacity to accommodate affordable housing needs.</p>
14	Craig Reynolds	<p>6. How, if at all, are we considering the impact of duplexes in single family zones to create affordable housing. Isn't it possible that this would create some?</p>	<p>Enacted in 2023, House Bill (HB) 1110 requires cities to allow middle housing types in all residential zones. HB 1110 also includes some requirements that cities allow a density bonus in exchange for affordable housing units and allow additional dwellings in proximity to major transit stops.</p> <p>It is possible that HB 1110 will create some amount of less-expensive housing, some of which will be affordable, but because this is new legislation it is difficult to determine what impact it might have on affordable housing at this time.</p>
15	Craig Reynolds	<p>7. Why does it make sense to use median housing prices to determine affordability? For example, if there are some homes selling for 1.5 MM and some selling for 3.5, with a median of 2.5, why isn't affordability determined by the 1.5, since SOME houses are available at that price? (I realize we can't always go for the literal bottom, since only one house is typically available at that price, but is it possible to look at 25th percentile or something rather than median?)</p>	<p>The LCA Supplement (AB 6385 Ex. 1) was prepared based on the Commerce guidance, which recommended using the median home price for determining the affordability level of different housing types. Because the median home sale price is the point at which half of homes sold for more and half sold for less, it is the price at which the most homes are likely to be selling. If the 25th percentile (or 75th percentile for that matter) were used, it would not be a representative sample of the most common home sale price, instead looking at the lower quartile of the sale price distribution.</p>

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16	Craig Reynolds	8. How is “redevelopable area” defined. Does the extra capacity we are creating with the proposed additional floor effectively assume that EVERY building in town center could have one floor added to it, even recently built housing?	Developable area was determined during the preparation of the UGC Report. In Town Center, parcels were considered developable if their ratio of improvement value to land value was less than 0.5 (meaning the land was more valuable than the improvements). More recent development is unlikely to be considered developable because the newer improvement values would be higher. The analysis in Section IV.A of the LCA Supplement analyzes the effect of allowing one additional story on developable lots.
17	Craig Reynolds	9. How would the proposed TC additional floor impact with the minimum % for retail defined in our last TC moratorium? Does adding more floors create more floor 2+ retail requirements?	The analysis assumed that the additional story allowed would be dwelling units. The ground floor commercial requirements in Town Center would not affect the additional stories (MICC 19.11.020(B)).
18	Craig Reynolds	10. Footnote 4 in table 10 refers to a factor of .865 in column E. I do not know what that factor is and do not see it in column E	The combined market factor and public purpose reduction for Town Center used in the UGC Report was 13.5 percent (10% market factor, 3.5% public purpose). Developable land was multiplied by 0.865 to represent a 13.5 percent reduction for market factor and public purpose factor (1 - 0.135).
19	Craig Reynolds	11. If we decide on a TC solution, what other options are available ? For example, could we add two floors to TC-5 , one to TC-4, and none to TC-3? Would this meet the need and with what implications?	Alternative scenarios in Town Center could be analyzed if the City Council provides direction to prepare an alternative. The direction needed on January 16 is about which specific approach is favored. The Council can direct the formulation of the described alternative for the Housing Work Group to consider if desired. If directed to consider alternatives, staff can analyze what the capacity implications of a defined alternative Town Center scenario might be and provide that analysis to the Housing Work Group.
20	Craig Reynolds	12. In the CO option, what specific properties / facilities	Figures 4 and 5 in the LCA Supplement show the developable area in the C-O zone. The Stroum Jewish Community Center (SJCC) and Herzl Ner Tamid Synagogue are not currently zoned

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		are impacted. City Hall? JCCC? Herzl?	C-O. The SJCC is currently split-zoned R-8.4 and R-9.6. Herzle Ner Tamid Synagogue is currently split-zoned Business (B) and R-9.6. The SJCC owns one parcel within the C-O zone, the site of the French American School. The City Hall property is zoned C-O and the Public Works maintenance facility is zoned R-8.4.
21	Craig Reynolds	13. I am not understanding at all how we are allowing for PSH?	<p>“Special needs group housing” is a permitted use in the R-8.4, R-9.6, R-12, R-15, MF-2L, MF-2, MF-3, PBZ, C-O, B, and all Town Center zones. Special needs group housing is subject to the development standards in MICC 19.06.080 – Siting of group housing. Special needs group housing is defined in MICC 19.16.010 as follows:</p> <p>Noninstitutional group housing that primarily supports unrelated persons with handicaps or persons protected by familial status within the meaning of the FHAA, but not including individuals whose tenancy would constitute a direct threat to the health and safety of other individuals or whose tenancy would result in substantial physical damage to the property of others. Special needs group housing includes, but is not limited to, foster family homes, adult family homes and residential care facilities as provided in RCW Chapter 70.128, but excludes facilities such as hospitals, nursing homes, assisted living facilities and detention centers. Further, the term shall include "permanent supportive housing" as defined in RCW 36.70A.030 or as hereafter amended. [Emphasis Added]</p>
22	Craig Reynolds	14. Once we pick an option, what is the process for planning to produce housing of the right affordability in the selected zone? For example, if we add a floor in TC, how do we know	The LCA Supplement is only analyzing capacity to make sure that there is enough <i>total</i> capacity to accommodate housing needs. The balance of market rate units and affordable units can be set by other housing policies, if desired. The City has some discretion setting these kinds of policies. This could include amending the affordable housing height bonus in Town Center once the 2024 Comprehensive Plan periodic update is

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		this will produce the right number of affordable units at each tier?	<p>completed. The Housing Work Group will work on the initial draft of housing policies in the next phase of the Comprehensive Plan periodic review.</p> <p><u>Next Steps</u> In addition to addressing the capacity needed to accommodate housing needs at various income levels, the City is also required by the GMA to make “adequate provisions” to accommodate its housing needs (RCW 36.70A.070(2)(d)). Making adequate provisions includes actions to address barriers to development. Determining which policies are needed to make adequate provisions for accommodating housing needs is the next step in updating the Housing Element. The Housing Work Group will work on the “adequate provisions” step as it works on updates the Housing Element. Commerce has provided guidance for making adequate provisions. Staff will brief the Housing Work Group on the Commerce guidance.</p>
23	Craig Reynolds	15. What is the rationale for assuming 5% mortgage interest? Isn't that about 2% low right now?	The 5% interest rate was the default rate in the Fannie Mae mortgage calculator. Many factors can influence a mortgage interest rate, so the default value used by the mortgage calculator was used in this analysis.
24	Craig Reynolds	16. Are there many neighborhoods on MI that actually have HOA fees?	Staff does not know how many home owners' associations (HOAs) collect fees on Mercer Island. The HOA fees used in 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_tablename=TABLE10&s_bygroup1=2&s_bygroup2=1&s_filtergroup1=1&s_filtergroup2=1)
25	Craig Reynolds	[Begin Racially Disparate Impacts Evaluation questions]	

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		<p>1. I was surprised to see (Exhibit 7) that there are 36 mobile homes on MI. I can only think of one I have ever seen. Are they allowed by code?</p>	<p>The number of mobile homes shown in Exhibit 7 comes from the U.S. Census Bureau 2021 American Community Survey (ACS). For the purpose of land use regulations, a single mobile or manufactured home is permitted the same as a stick-built single-family home.</p>
26	Craig Reynolds	<p>2. I am really confused by the analysis at the bottom of page 14. You are reporting racial distributions of income relative to 150K, and imputing a conclusion about what share are below the median. I don't think that works unless the median is 150. And it is not. Please explain.</p>	<p>This section needs to be corrected because the text is referring to an Exhibit that has since been removed. It appears that the text is from an earlier version of the Racially Disparate Impacts (RDI) Evaluation. This paragraph will be corrected to refer to the data in Exhibit 10.</p>
27	Craig Reynolds	<p>3. Please help me to reconcile the median home price in 2021 of 1.02 MM in Exhibit 16 to the 2.62 MM in table 4 of the capacity report. Part of the difference is that the latter is 2022 and the former is 2021, but that must be small and might even go the other way. Does the former include condos? It does not seem intuitive that these could explain the large gap.</p>	<p>Exhibit 16 in the RDI Evaluation shows the 2021 median home sale price, which includes condominiums and detached single-family homes. The source of this data was Redfin sales data. The 2022 median home sale price used in the LCA Supplement comes from the Washington Center for Real Estate Research (WCRER). The WCRER data differentiates the sale prices for condominiums and detached single-family homes. In 2022, according to the WCRER, the average home sale price for a detached single-family home was \$2,620,986 and the average sale price for a condo was \$662,179. The gap between single-family and condo sale prices combined with the later year and different data source are the reasons the average sale prices in each report are different.</p>
28	Craig Reynolds	<p>4. How are housing costs defined for homes sold many years ago in exhibit 18? Is it based on an assumed</p>	<p>The housing costs shown in Exhibit 18 come from the 2021 American Community Survey (ACS) conducted by the U.S. Census Bureau. The ACS provides estimates for a range of statistics based on survey data collected. On its website, the</p>

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		mortgage payment reflective of the price and interest rates when sold?	<p>U.S. Census Bureau describes the survey questions about housing cost as follows:</p> <p style="padding-left: 40px;">We ask questions about the use and cost of common utilities, any applicable condominium and mobile home fees, taxes, insurance, mortgages and home loans to produce statistics about selected monthly owner costs.</p> <p>The housing cost reflects how households have responded to these survey questions. Housing costs reflect what households are paying, regardless of time of purchase.</p>
29	Craig Reynolds	5. In exhibit 22, how is it possible that there are NO black households that are cost burdened but not severely cost burdened. This just does not seem plausible given what we see for other races.	This data comes from the Department of Housing and Urban Development (HUD) 2015-2019 Comprehensive Housing Affordability Strategy (CHAS) compiled and distributed by WA Department of Commerce.
30			