CITY OF MERCER ISLAND
ORDINANCE NO. 26C-07

AN ORDINANCE OF THE CITY OF MERCER ISLAND, WASHINGTON, AMENDING TITLE 5 OF THE MERCER ISLAND CITY CODE TO IMPLEMENT ANTI-DISPLACEMENT MEASURES PURSUANT TO THE GROWTH MANAGEMENT ACT; PROVIDING FOR SEVERABILITY; AND ESTABLISHING AN EFFECTIVE DATE.

WHEREAS, on August 1, 2025, The Western Washington Growth Management Hearings Board (GMHB) issued a Final Decision and Order (Order) for Case No. 25-3-0003; and

WHEREAS, the GMHB Order requires the City to take several actions to comply with the Growth Management Act (GMA), including the establishment of anti-displacement measures; and

WHEREAS, compliance with the GMHB Order will include zoning changes to increase development capacity for multifamily and mixed-use development, triggering a requirement in the City's Comprehensive Plan to evaluate potential displacement risk associated with increasing residential development capacity; and

WHEREAS, as required by the Comprehensive Plan, the City prepared a Displacement Risk Evaluation considering how proposed zoning changes affect displacement risk; and

WHEREAS, the Displacement Risk Evaluation identified renting households earning at or below eighty percent of the area median income, paying more than thirty (30) percent of their income for housing to be at the greatest risk of displacement following the proposed zoning changes; and

WHEREAS, the Comprehensive Plan highlights three strategies for addressing displacement risk: advance notice of rent increases, relocation assistance, and right of first refusal; and

WHEREAS, the Residential Landlord-Tenant Act (Chapter 59.18 RCW) establishes specific requirements for advance notice of rent increases and relocation assistance; and

WHEREAS, the Residential Landlord-Tenant Act requires a minimum ninety (90) days' notice of rent increase (RCW 59.18.140(3)); and

WHEREAS, the Residential Landlord-Tenant Act authorizes cities to require relocation assistance subject to specific requirements (RCW 59.18.440); and

WHEREAS, the Condominium Act (Chapter 64.34 RCW) requires the right of first refusal for tenants in a building proposed for conversion to a condominium, so no local amendment is required to establish this anti-displacement measure; and

WHEREAS, Chapter 35.90 RCW authorizes cities to require a business license for any person that engages in business activities; and

WHEREAS, Title 5 of the Mercer Island City Code (MICC) establishes business license requirements; and

WHEREAS, landlords must obtain a Mercer Island business license per MICC 5.01.035(C); and

WHEREAS, amendments to Title 5 of the MICC can establish requirements that landlords provide advance notice of rent increase and relocation assistance; and

WHEREAS, establishing requirements for advance notice of rent increase and relocation assistance would establish anti-displacement measures consistent with the Displacement Risk Evaluation and satisfy the anti-displacement requirements in the GMHB Order; and

WHEREAS, On June 2, 2026, the City Council held a first reading and public hearing on the proposed amendments to Title 5 MICC.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF MERCER ISLAND, WASHINGTON, DO ORDAIN AS FOLLOWS:

Section 1. **Whereas Clauses Adopted.** The "Whereas Clauses" set forth in the recital of this Ordinance are hereby adopted as the findings and conclusions of the City Council for passing this ordinance.

Section 2. **Established.** A new chapter in Title 5 of the MICC is established as shown in Exhibit A.

Section 3. **Severability.** If any section, sentence, clause, or phrase of this ordinance should be held to be invalid or unconstitutional by a court of competent jurisdiction, or its application held inapplicable to any person, property, or circumstance, such invalidity or unconstitutionality shall not affect the validity of any other section, sentence, clause, or phrase of this ordinance or its application to any other person, property, or circumstance.

Section 4. **Publication and Effective Date.** A summary of this ordinance consisting of its title shall be published in the official newspaper of the City. This ordinance shall take effect and be in full force five (5) days after the date of publication.

PASSED BY THE CITY COUNCIL OF THE CITY OF MERCER ISLAND, WASHINGTON, AT ITS MEETING ON JUNE 16, 2026.

CITY OF MERCER ISLAND



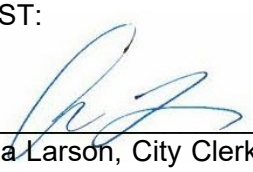
David Rosenbaum, Mayor

Approved as to Form:

/s/ Bio Park

Bio Park, City Attorney

ATTEST:



Andrea Larson, City Clerk

Date of Publication: June 24, 2026

EXHIBITS

A. Chapter 5.XX – Rental Property

Exhibit A

Chapter 5.XX Rental Property

5.XX.010 – Definitions Applicable for Chapter 5.XX

Change of use: Conversion of any rental property from a residential use to a nonresidential use that results in the displacement of an existing tenant; conversion from one type of residential use to another type of residential use that results in the displacement of an existing tenant, such as conversion to a retirement home, emergency shelter, or transient hotel; or conversion following removal of use restrictions from an assisted housing development that results in the displacement of an existing tenant: Provided, however, that displacement of an existing tenant in order that the owner or a member of the owner's immediate family may occupy the premises does not constitute a change of use.

Dwelling Unit: A building or a contiguous portion of a building providing complete independent living facilities for one or more persons including permanent provisions for living, sleeping, eating, cooking, and sanitation

Landlord: the owner, lessor, or sublessor of the dwelling unit or the property of which it is a part, and in addition means any person designated as representative of the owner, lessor, or sublessor including, but not limited to, an agent, a resident manager, or a designated property manager.

Low-income Tenant: Tenants whose combined total income per dwelling unit is at or below eighty (80) percent of the median income, adjusted for family size, in the county where the tenants reside.

Rent: recurring and periodic charges identified in the rental agreement for the use and occupancy of the premises, which may include charges for utilities. Except as provided in RCW 59.18.283(3), these terms do not include nonrecurring charges for costs incurred due to late payment, damages, deposits, legal costs, or other fees, including attorneys' fees.

Rental Agreement: All agreements that establish or modify the terms, conditions, rules, regulations, or any other provisions concerning the use and occupancy of a dwelling unit.

Rental Property: A dwelling unit, or part thereof, where lodging is provided, for compensation, for greater than thirty (30) consecutive nights.

Substantial Rehabilitation: Extensive structural repair or extensive remodeling of premises that requires a permit such as a building, electrical, plumbing, or mechanical permit, and that results in the displacement of an existing tenant. This term does not include emergency repairs to address an imminent threat to life or the loss of property.

Tenant: any person who is entitled to occupy a dwelling unit primarily for living or dwelling purposes under a rental agreement.

Subtenant: any person who enters a rental agreement for all or part of a property with the tenant rather than directly from the landlord.

5.XX.020 - License Required.

No person or entity shall engage in the business of conducting or operating a rental property unless that person has a valid business license issued by the City pursuant to the provisions of this chapter. The license required under this chapter is in addition to the business license that may be required under chapter 5.01 MICC when applicable.

5.XX.030 – Fees.

An annual license must be obtained for each person or entity engaging in the business of conducting or operating a rental property. The annual license must include all rental properties that the licensee operates within city limits. The license fee shall be as provided in the fee resolution approved by the City Council, as amended.

5.XX.040 - Rental Property License—Application—Contents.

No license or renewal of a license to operate a rental property shall be issued except upon written application filed with the City upon forms furnished by the City, which shall be signed and sworn to by the person or entity who intends to operate a rental property.

5.XX.050 – Town Center Multifamily Rental Property Operating Requirements.

A. *Applicability.* In addition to provisions in chapter 59.18 RCW required and enforced by the State, the operating requirements set forth in this section shall apply to landlords operating a rental property within a multifamily zone or the Town Center Zone as established in title 19 MICC.

B. *Notice Rent Increase, Relocation Assistance.* It shall be the duty of the landlord to meet the following operating requirements. No license to conduct a rental property shall be issued or renewed unless the applicant can certify compliance with the operating requirements in this subsection. Upon written request by the City, the landlord shall provide documentation that the operating requirements have been met for the preceding three (3) years. Documentation that the operating requirements have been met is not required for any period prior to the effective date of Ordinance No. 26C-07.

    1. Landlord shall notify all tenants or subtenants at least one-hundred twenty (120) days prior to an increase in rent exceeding a cumulative three (3)

percent in any twelve- (12)-month period. This standard only applies to a rental agreement commencing on or after the effective date of Ordinance No. 26C-07.

2. If the rental agreement governs a subsidized tenancy where the amount of rent is based on the income of the tenant or circumstances specific to the subsidized household, the landlord shall provide a minimum of thirty (30) days' prior written notice of an increase in the amount of rent of three (3) percent or less. This standard only applies to a rental agreement commencing on or after the effective date of Ordinance No. 26C-07.

    a. In the event of such an increase, the tenant may terminate the tenancy immediately upon surrendering the dwelling unit prior to the increase taking effect. The tenant shall only owe pro rata rent through the date upon which the rental property is surrendered.

    b. Any notice increasing the current rent shall inform the tenant that they may terminate the tenancy at any time and owe pro rata rent through the date the tenant surrenders the rental property.

3. *Relocation Assistance.* Relocation assistance must be provided to low-income tenants in the event of rental property demolition, substantial rehabilitation, change of use, and/or removal of rent or income restriction (together, "relocation event").

    a. For each relocation event, relocation assistance must be equal to two thousand dollars ($2,000).

    b. The relocation assistance payment shall be in addition to the refund from the landlord of any deposits or other sums to which the tenant is lawfully qualified to receive.

    c. *Noticing.* The owner shall deliver to each tenant in each dwelling unit eligible for relocation assistance a written notice at least ninety (90) days prior to a relocation event ("Relocation Notice"). The relocation notice must include information about how to claim relocation assistance. In addition, a copy of the relocation notice shall be posted at every entrance to any building containing dwelling units where a relocation event will occur. The time period between the deliverance of the relocation notice and the relocation event shall be known as the relocation notice period.

    d. To be eligible for relocation assistance, the tenant must provide proof of income and written intent to vacate the rental property to the landlord at least sixty (60) days prior to the relocation event.

e. Relocation assistance, or written notice of relocation assistance denial, must be provided to eligible tenants at least forty-five (45) days prior to the relocation event.

f. In the event that the tenant fails to relocate by the end of the relocation notice period, the tenant must repay the relocation assistance within fourteen (14) days.

g. The City must pay half of all relocation assistance paid to low-income tenants. The City will have ninety (90) days for review and reimbursement following the submittal of a complete application. Applications by landlords for reimbursement of relocation assistance must be submitted on forms provided by the City and include:

   i. The type of relocation event and any submitted applications for development;

   ii. Number of eligible households;

   iii. Income verification for eligible households;

   iv. Amount of rent charged for each unit in the rental property;

   v. Proof of receipt of relocation assistance by eligible tenants; and

   vi. Attestation that eligible tenants that received relocation assistance have relocated.

h. No landlord may increase rent for the purpose of avoiding the application of subsection (B)(3). There is a rebuttable presumption a rent increase was made for the purpose of avoiding the application of subsection (B)(3) if within ninety (90) days of the effective date of the rent increase the landlord engages in or applies for a permit needed for a relocation event.

5.XX.060 – Relocation Assistance Dispute Resolution

A. Either a tenant or landlord may request a hearing before the Hearing Examiner to resolve a dispute between tenant and landlord related to relocation assistance during the relocation notice period in MICC 5.XX.050(B)(3)(d) above.

B. A request for a hearing regarding eligibility or the amount of relocation assistance must be filed at least thirty-five (35) days before the relocation event for which notice was received or posted per MICC 5.XX.050(B)(3)(c) above.

C. When the last day of the filing period is a Saturday, Sunday, or federal or City holiday, the period shall run until 5 p.m. on the next business day.

D. All requests for a hearing must be in writing, clearly state specific objections and the relief sought, and provide mailing addressing and/or email addresses for landlord and tenants. All requests must be filed with the City Clerk. There is no filing fee for a hearing request.

E. Notice of the hearing shall be sent by the City at least seven (7) days prior to the scheduled hearing date to the tenant and landlord.

F. A recording shall be made of the hearing before the Hearing Examiner and the Hearing Examiner shall issue a decision within thirty (30) days of the filing of the request for a hearing. The City will not be party in the hearing or proceedings.

G. On the day it is issued, the Hearing Examiner shall provide the decision on the appeal to the tenant, the landlord, and all those requesting notice.

H. The Hearing Examiner's decision is final and conclusive unless, within ten (10) days of the date of the Hearing Examiner decision, a petition is filed in King County Superior Court.

I. Nothing in this chapter shall be interpreted as granting the City or the Hearing Examiner any jurisdiction to resolve unlawful detainer actions.

5.XX.070 – Penalty for Violations

Violations—Penalty. Any landlord violating or failing to comply with any of the provisions of this chapter shall be deemed guilty of a misdemeanor and shall be subject to a $500 fine and/or imprisonment for a period not exceeding ninety (90) days or both such fine and imprisonment. Each day that an offense is committed or permitted to continue shall be considered a separate offense for the purposes of this chapter.