



**BUSINESS OF THE CITY COUNCIL
CITY OF MERCER ISLAND**

**AB 6406
February 6, 2024
Consent Agenda**

AGENDA BILL INFORMATION

TITLE:	AB 6406: Acceptance and Appropriation of the Department of Commerce Middle Housing Grant for HB 1110 Compliance	<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:	Accept the Middle Housing Grant of \$75,000 from the Department of Commerce and appropriate these funds for HB 1110 compliance in the 2023-2024 biennial budget.	

DEPARTMENT:	Community Planning and Development
STAFF:	Jeff Thomas, Community Planning and Development Director Alison Van Gorp, Deputy Director
COUNCIL LIAISON:	n/a
EXHIBITS:	1. Department of Commerce Grant Award Letter dated October 17, 2023 2. Housing Grant Agreement
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 item is to accept a grant for \$75,000 from the Washington State Department of Commerce (Commerce). The funds from this grant will be appropriated for the legislative review of code amendments intended to comply with the provisions of HB 1110.

- In 2023, the WA State Legislature adopted [Engrossed Second Substitute House Bill 1110](#) (HB 1110). This bill amended the Growth Management Act (GMA) to establish new requirements for local jurisdictions' zoning and development regulations.
- Cities with a population of at least 25,000 (including Mercer Island) must authorize two units per residential lot and four units per lot if at least one unit is affordable housing OR the lot is within ¼ mile walking distance of a major transit stop. Jurisdictions must also permit at least 6 of the 9 middle housing types identified in the legislation.
- The State legislature also authorized funds for a middle housing grant program to support local jurisdictions in complying with HB 1110. Mercer Island applied for and was awarded a grant of \$75,000.

- The City Council is asked to accept and appropriate these funds for staff and consultant work necessary for developing code amendments to comply with HB 1110.
- The City Council added this work to the 2024 docket and CPD work plan with the approval of [Resolution No. 1655](#). Staff will begin the policy and code analysis work shortly and plan to bring a draft code amendment for Planning Commission review beginning in fall 2024. The City Council must adopt a code amendment to comply with HB 1110 by June 30, 2025.

BACKGROUND

The City of Mercer Island is required by recent state legislation ([HB 1110](#)) to amend City policies and regulations to support development of middle housing. HB 1110 amended the GMA to require cities with a population over 25,000 (including Mercer Island) to adopt regulations that allow up to two dwelling units on each single-family lot. It also provides an incentive for affordable housing by allowing up to four dwelling units per single-family lot when one of the units is affordable. The area within a quarter mile walking distance from the light rail station will need to allow four dwelling units per single-family lot.

Finally, HB 1110 also requires the City to allow six of the nine middle housing types listed in the legislation, including duplexes, triplexes, fourplexes, fiveplexes, sixplexes, townhouses, stacked flats, courtyard apartments, and cottage housing. These regulations must be adopted within 6 months of the deadline for the Comprehensive Plan periodic update. In other words, the City must be in compliance by June 30, 2025.

The State Legislature also authorized funding to support local jurisdictions in complying with HB 1110. Last summer, the Department of Commerce notified the City of a competitive grant program established to disperse these funds.

On September 5, 2023, the City Council authorized a letter of support for the City's application to the Middle Housing Program Grant ([AB 6338](#)). On September 15, 2023, the City submitted a grant application requesting funds to assist the City with a scope of work intended to meet the requirements of HB 1110, including code analysis, research, code development, and legislative review. On October 17, 2023, the City received an award letter from Commerce indicating that the City was awarded a grant of \$75,000 (Exhibit 1). In January 2024, a draft grant agreement (Exhibit 2) was finalized for the first year of the grant period.

The City Council added the code amendments necessary to comply with HB 1110 to the 2024 docket and CPD work plan with the approval of [Resolution No. 1655](#). The City plans to undertake this work together with other legislatively mandated code amendments related to residential development, as well as other desired changes to the residential development standards. Staff work, including policy and code analysis, will commence in Q1 2024, with adoption of the code amendments planned to occur by June 2025.

ISSUE/DISCUSSION

Mercer Island was awarded a grant award totaling \$75,000 to support the adoption of development regulations to comply with the provisions of HB 1110 (Exhibit 1). The funding is split with half in FY 2023 (covering expenditures from July 1, 2023, through June 30, 2024), and half in FY 2024 (covering expenditures from July 1, 2024, through June 30, 2025). Eligible costs incurred during the grant period can be reimbursed once the grant agreement is executed.

Exhibit 2 is the grant agreement covering FY 2023 and the first half of the grant award (\$37,500). This portion of the funding must be spent by June 30, 2024. The City is on track to complete deliverables in advance of the

June 30, 2024, deadline. A second grant agreement will be executed with Commerce later this year for the second half of the grant award (\$37,500), which must be spent on work completed and invoiced before June 30, 2025.

Grant funds can be used to cover most activities related to updating the comprehensive plan and development regulations as required by HB 1110. It is important to note that the City must undertake these activities regardless of receiving this grant award. The City plans to use the grant to cover staff and consultant costs related to policy and code analysis, drafting code amendments, public engagement, and legislative review. The grant agreement includes a detailed scope of work, timeline and budget. The City will undertake this work between February 2024 and June 2025.

NEXT STEPS

Once the Middle Housing Grant funding is accepted and appropriated by the City Council, the grant agreement will be executed with Commerce, and the City will commence work on grant deliverables to be completed by June 30, 2024. Later this year, the City will execute a new grant agreement for the second half of the grant award, which will cover work to be completed between July 1, 2024, and June 30, 2025.

The first phase of work will include policy and code analysis and development of a draft code amendment. The draft code amendment will be reviewed by the Planning Commission beginning in fall 2024, after the conclusion of the Commission's work on the Comprehensive Plan periodic update. The Planning Commission will make a recommendation to the City Council by spring 2025 and the Council must adopt code amendments by June 30, 2025.

RECOMMENDED ACTION

Accept the Middle Housing Grant of \$75,000 from the Department of Commerce and appropriate these funds for HB 1110 compliance in the 2023-2024 biennial budget.