



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

**AB 6338
September 5, 2023
Consent Agenda**

AGENDA BILL INFORMATION

TITLE:	AB 6338: Letter of Support for Department of Commerce Grant Funding for HB 1110 and HB1337 Implementation	<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:	Approve the Letter of Support for the Department of Commerce Middle Housing Grant.	

DEPARTMENT:	Community Planning and Development
STAFF:	Jeff Thomas, Community Planning and Development Director Alison Van Gorp, Deputy Community Planning and Development Director
COUNCIL LIAISON:	n/a
EXHIBITS:	1. Draft Letter of Support
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 authorize a letter of support for the Department of Commerce Middle Housing grant program.

- The City can apply for \$75,000 in grant funding from the Department of Commerce to fund the required Comprehensive Plan and development code amendments related to the implementation of HB 1110 and HB 1337.
- Independent of the City receiving grant funds, the necessary work required to implement these bills is already part of the CPD work program in 2024/25.
- The City’s grant application must include a letter of support from the Mayor. The letter is presented for review and approval by the full City Council (Exhibit 1).
- The grant application and letter of support are due by September 15, 2023.
- Grant funds may cover staff and consultant costs.

BACKGROUND

The City of Mercer Island is required by recent state legislation ([HB 1110](#) and [HB 1337](#)) to amend city policies and regulations to support development of middle housing and accessory dwelling units (ADUs).

HB 1110 requires the City 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, the City will need 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.

HB 1337 requires the City to amend Accessory Dwelling Unit (ADU) regulations. Changes will include amendments to the size and dimensional standards for ADUs. The owner occupancy requirement must be removed, and two ADUs will be allowed on each lot.

In August, City staff were informed by the Department of Commerce (Commerce) that the City is eligible for a grant award of \$75,000 to support this work. This funding is available as a competitive grant, with priority given to cities that have not yet received a middle housing grant from Commerce, including Mercer Island.

- \$37,500 is available to reimburse costs incurred July 1, 2023, to June 30, 2024.
- Another \$37,500 is available for costs incurred July 1, 2024, to 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 and HB 1337, including staff time, consultant contracts, costs of providing public notice, printing, and copying. The [application instructions](#) include more information on the grant and eligible activities. 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.

ISSUE/DISCUSSION

To be considered for this grant funding, the City must complete an application by September 15, 2023, including a letter of support from the Mayor. The [application](#) will include basic contact information, the scope of work and budget proposed for grant funding, as well as information and maps depicting the City's current zoning and areas that allow middle housing as well as the areas where new middle housing regulations will apply.

Staff are developing a scope of work based on the requirements of state legislation including HB 1110 and HB 1337. The proposed scope of work includes:

- Create a Public Participation Plan – Q1-Q2 2024
- Analysis of existing policies and regulations to identify the comprehensive plan and development code amendments that are necessary for compliance – Q1-Q2 2024
- Prepare draft code amendments – Q3-Q4 2024
- Legislative review and adoption – Q1-Q2 2025.
- The code amendments must be adopted by June 30, 2025 to comply with the deadlines in HB 1110 and HB 1337.

Staff are also engaging with ARCH (A Regional Coalition for Housing) related to the affordable housing incentives required by HB 1110. ARCH has agreed to provide support to HB 1110 incentive programs for member cities, much like they do currently for existing incentive and inclusionary zoning programs, including Mercer Island's affordability incentive in Town Center. ARCH will assist with developing covenants for properties that are entering the program and provide long term stewardship and oversight of the affordable

housing units. The grant scope of work will include capacity to engage with ARCH in establishing the administrative, financial, and legal framework to support this program.

The Letter of Support (Exhibit 1) confirms the support of the City's elected officials for the proposed work to be funded by the grant.

NEXT STEPS

Once the letter of support is approved by the City Council and signed by the Mayor, staff will finalize the application materials for submittal to the Department of Commerce and submit by the September 15, 2023 deadline. If awarded, staff anticipates that a grant agreement will be developed with the Department of Commerce soon after the application is submitted. Once the grant agreement is signed, the City may begin to submit invoices for reimbursement under the grant.

RECOMMENDED ACTION

Approve the Letter of Support for the Department of Commerce Middle Housing Grant and authorize the Mayor to sign.