



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

**AB 6576  
November 19, 2024  
Public Hearing**

**AGENDA BILL INFORMATION**

<b>TITLE:</b>	AB 6576: Public Hearing and First Reading of Ord. No. 24C-18 on Interim Regulations Related to the 2024 Comprehensive Plan Periodic Update and HB 1220 for Affordable Housing Capacity and Requirements in Title 19 MICC	<input type="checkbox"/> Discussion Only <input checked="" type="checkbox"/> Action Needed: <input checked="" type="checkbox"/> Motion <input checked="" type="checkbox"/> Ordinance <input type="checkbox"/> Resolution
<b>RECOMMENDED ACTION:</b>	Complete a public hearing and first reading and schedule a second reading of Ordinance No. 24C-18 for December 3, 2024.	

<b>DEPARTMENT:</b>	Community Planning and Development
<b>STAFF:</b>	Jeff Thomas, Director Adam Zack, Senior Planner
<b>COUNCIL LIAISON:</b>	n/a
<b>EXHIBITS:</b>	1. Ordinance No. 24C-18 2. Public Comments Received October 1 through November 8, 2024
<b>CITY COUNCIL PRIORITY:</b>	n/a

<b>AMOUNT OF EXPENDITURE</b>	\$ n/a
<b>AMOUNT BUDGETED</b>	\$ n/a
<b>APPROPRIATION REQUIRED</b>	\$ n/a

**EXECUTIVE SUMMARY**

The purpose of this agenda bill is to present Ordinance No. 24C-18 to the City Council for a public hearing and first reading. This Ordinance would amend several sections of Chapter 19.11 Mercer Island City Code (MICC) to achieve the required affordable housing target capacity within the Mercer Island Town Center as a component of the 2024 Comprehensive Plan Periodic Update as required by the Washington State Growth Management Act (GMA).

- On January 2, 2024, staff presented the City Council with a Land Capacity Analysis Supplement based on guidance from the Washington State Department of Commerce (Commerce) that identified a capacity deficit of 143 dwelling units in multifamily and mixed-use zones ([AB 6385](#)).
- On January 16, 2024, the City Council approved the following motion: “Direct the Housing Work Group to develop a recommended plan for adding required additional capacity in the Mercer Island Town Center (Town Center), but not limited to adding “one floor option” with due consideration of the impact on the Island businesses and a charge to look for options that mitigate the impact to Island businesses” ([AB 6393](#)).

- The City Council direction to consider increasing development capacity in the Town Center was incorporated into the Housing Element in the 2024 City Council Draft Comprehensive Plan.
- An increase in development capacity in the Town Center must be made concurrently with the Comprehensive Plan update to address the HB 1220 affordable housing targets and ensure that the MICC is consistent with the updated Comprehensive Plan policies.
- On October 1, 2024, the City Council directed staff to prepare a draft interim ordinance that would:
  - Increase multifamily and mixed-use development capacity in the Town Center by raising the maximum building height from five to seven stories in the TC-5 and TC-4 Plus subareas and from four to five stories in the TC-4 subarea;
  - Increase the required percentage of affordable housing in new development in Town Center from 10 percent to 15 percent; and
  - Deepen the affordability requirement for affordable housing units in new development in Town Center from 60 percent to 50 percent of the area median income (AMI) for rental housing and from 90 percent to 80 percent of the AMI for ownership housing.
- The City Council direction provided on October 1, 2024 was incorporated into Ordinance No. 24C-18. The City Council will conduct a public hearing and consider the ordinance on November 19, 2024.

## BACKGROUND

The City began the 2024 periodic review of its Comprehensive Plan in March 2022, when the City Council approved the Scope of Work, Master Schedule, and Public Participation Plan ([Resolution No. 1621](#)). Per the WA Growth Management Act (GMA), the 2024 Comprehensive Plan periodic review must be adopted by December 31, 2024.

### Capacity Deficit

Presented to the City Council on January 2, 2024, 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 ([AB 6385](#)). The analysis was conducted based on the [Commerce guidance 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 Land Capacity Analysis Supplement finds a 143-unit capacity deficit in multifamily and mixed-use zones ([AB 6385](#), 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.

Staff analyzed two options for increasing development capacity to address the deficit ([AB 6548](#)):

- Increase the maximum height to permit one additional residential story in all Town Center subareas, or
- Increase the maximum height to permit two additional residential stories in the TC-5 and TC-4 Plus subareas and one additional residential story in TC-4.

According to the analysis, Option A would increase development capacity by an estimated 152 housing units and Option B would increase capacity by a projected 237 housing units ([AB 6548](#), Exhibit 1).

### City Council Direction

On January 16, 2024, the City Council provided direction that the multifamily and mixed-use development capacity deficit should be addressed in the Town Center during the Comprehensive Plan periodic review. The Housing Element included policy direction for increasing the development capacity in the Town Center, based on the City Council direction.

On October 1, 2024, the City Council provided additional direction to increase affordable housing capacity in the Town Center. The City Council directed the following:

- Increase multifamily and mixed-use development capacity in the Town Center by raising the maximum building height from five to seven stories in the TC-5 and TC-4 Plus subareas and from four to five stories in the TC-4 subarea;
- Increase the required percentage of affordable housing in new development in Town Center from 10 percent to 15 percent; and
- Deepen the affordability requirement for affordable housing units in new development in Town Center from 60 percent to 50 percent of the area median income (AMI) for rental housing and from 90 percent to 80 percent of the AMI for ownership housing.

To implement the Housing Element, Chapter 19.11 MICC needs to be amended to add development capacity in the Town Center. On October 1, the City Council provided direction on their preferred approach to add development capacity in the Town Center. The City Council direction was incorporated into Ordinance 24C-18 (Exhibit 1).

### Public Comments

One public comment related to the potential increase of maximum building height was received as of November 8, 2024 (see Exhibit 2).

## ISSUE/DISCUSSION

Ordinance No. 24C-18 has eleven sections as follows:

### Section 1 – Findings

The first section of Ordinance No. 24C-18 would establish the “whereas clauses” as findings and conclusions for this Ordinance.

### Sections 2-7 – Amending Six Sections of Chapter 19.11 MICC

These sections of the Ordinance will amend six sections of Chapter 19.11 MICC as follows:

- **Section 2 – Amend MICC 19.11.015:** This section would be amended to change the names of the Town Center subareas as follow: TC-5 to TC-7, TC-4 Plus to TC-5 Plus, and TC-4 to TC-5.
- **Section 3 – Amend MICC 19.11.020:** This section would be amended to update the subarea names to remain consistent with changes to MICC 19.11.015.
- **Section 4 – Amend MICC 19.11.030:** This section would be amended to change the maximum building height as follows: TC-7 – seven stories or 87 feet, TC-5 Plus – seven stories or 87 feet, and TC-5 – 5 stories or 63 feet.
- **Section 5 – Amend MICC 19.11.040:** This section would be amended to adjust the affordability requirements as follows:
  - Increase the required percentage of affordable housing in new development in Town Center from 10 percent to 15 percent; and

- Deepen the affordability requirement for affordable housing units in new development in Town Center from 60 percent to 50 percent of the area median income (AMI) for rental housing and from 90 percent to 80 percent of the AMI for ownership housing.
- **Section 6 – MICC 19.11.060 Amended:** This section would be amended to update the subarea names to remain consistent with changes to MICC 19.11.015.
- **Section 7 – MICC 19.11.100 Amended:** This section would be amended to update the subarea names to remain consistent with changes to MICC 19.11.015.

**Section 8 – Work Plan**

This section will establish a work plan for developing and adopting permanent regulations. A work plan is required for interim regulations that will be in effect for 12 months (RCW 36.70A.390).

**Section 9 – Duration of Interim Zoning**

This section will establish that these interim regulations will be in effect for one year from the effective date.

**Section 10 – Severability**

This is a standard section included in most ordinances establishing that a finding of one section, sentence, clause or phrase of the Ordinance to be invalid would not render the entire Ordinance invalid.

**Section 11 – Effective Date**

This section would establish an effective date of December 31, 2024. This ordinance would become effective at the same time the Comprehensive Plan periodic review is effective to ensure that both occur concurrently.

**NEXT STEPS**

Upon adoption of the interim development regulations in Ordinance No. 24C-18, the development and adoption of permanent development regulations will be placed on the CPD work plan for completion at a future time, currently anticipated to be in 2026 or later. Several CPD work plan commitments have already been made for 2025 including the renewal of several sets of interim regulations, addressing previously docketed items, as well as the development and execution of an affordable housing fee in-lieu-of program.

A comprehensive review and discussion of the long-term CPD work program will occur with the City Council at the conclusion of the 2025 state legislative session (Q2/Q3 2025). This will allow the City Council to review new state legislation requiring action by the City and to adjust the timeline and prioritize other work items accordingly.

**RECOMMENDED ACTIONS**

1. Complete the public hearing and first reading of Ordinance No. 24C-18.
2. Schedule Ordinance No. 24C-18 for second reading and adoption on December 3, 2024.