

Mercer Island Comprehensive Plan

Barriers Analysis

Documenting programs and actions needed to achieve housing availability including gaps in local funding, barriers such as development regulations, and other limitations.

Table of Contents

INTRODUCTION.....	1
2025 Development Code Amendments.....	1
Moderate Density Housing Code Amendments	1
Accessory Dwelling Unit (ADU) Code Amendments	2
Permit Process Code Amendments	2
Clear and Objective Design Standards.....	2
Step 1 – Housing Production Trends.....	3
Table 1. Comparison of Production Trends to Housing Needs.....	3
Table 2. Comparison of Sub-Market Rate Housing Needs to Production Trends.....	4
Funding Needs	4
Table 3. Estimated Affordable Housing Funding Need.....	5
Step 2 – Identify Barriers	5
Table 4. Potential Barriers Identified in the Barriers Analysis in Appendix A.....	6
Funding Tools.....	6
Table 5. Potential Funding Tools Identified in Appendix B.....	6
Step 3 – Provisions to Overcome Identified Barriers.....	7
Provisions to Overcome Barriers	7
Station Subarea Plan	7
Affordable Housing Parking Standard.....	7
Establish ODNS SEPA Policy	7
Adopt Permanent STEP Housing Regulations	8
Funding Tools.....	8
Surplus Public Property.....	8
Permit Fee Waivers	8
Multifamily Tax Exemption	8
Fee In Lieu of Affordable Housing.....	8
Implementation Timing.....	9
Figure 1. General Implementation Timeline for Provisions to Overcome Barriers.....	9
Appendix A – Barriers Analysis Tables	10
Table A.1. Moderate Density Housing Barrier Analysis.....	10
Table A.2. Low- to Mid-Rise Multifamily and Mixed-Use Housing Barrier Analysis.....	14
Table A.3. Permanent Supportive Housing (PSH) and Emergency Housing Barrier Analysis.....	19
Table A.4. Accessory Dwelling Unit (ADU) Barrier Analysis.....	21
Appendix B – Affordable Housing Funding Tools.....	23
Table B.1. Affordable Housing Funding Tools Available.....	23

BARRIERS ANALYSIS

INTRODUCTION

Cities and counties in Washington State that plan under the Growth Management Act (GMA) are required to adopt a comprehensive plan that includes a housing element. The GMA requires that the housing element of the comprehensive plan: “Makes adequate provisions for existing and projected needs of all economic segments of the community, including: [...] (ii) **Documenting programs and actions needed to achieve housing availability including gaps in local funding, barriers such as development regulations, and other limitations;** [Emphasis Added] [...] (RCW 36.70A.070(2)(d)(ii)).”

This report provides an analysis identifying potential barriers and documentation of the programs and actions that Mercer Island plans to take to address those barriers and make adequate provisions for housing. The format of the analysis and documentation in this report is based directly on the Washington Department of Commerce (Commerce) document *Guidance for Updating Your Housing Element* dated August 2023, update January 2026 (Commerce Guidance). The Commerce Guidance outlines a three-step process:

- | | |
|---------------|--|
| Step 1 | Review housing production trends to determine if a barrier exists |
| Step 2 | Gather information to determine what kind(s) of barriers exist |
| Step 3 | Identify and document appropriate programs and actions to overcome each barrier identified |

This report is organized into three sections based on the steps in the Commerce Guidance. First, housing production trends will be analyzed using recent housing permit data. Second, the barriers will be identified based on the framework in the Commerce Guidance. Appendix A provides the full barriers analysis tables recommended in the Commerce Guidance. Finally, the programs and actions to address the identified barriers are summarized with a brief explanation of each. Those programs and actions will be incorporated into the Comprehensive Plan amendments and implemented at the time the Comprehensive Plan is adopted.

2025 Development Code Amendments

During 2025, between the adoption of the Comprehensive Plan periodic review and the time Mercer Island began work to comply with the Growth Management Hearings Board (GMHB) Final Decision and Order (GMHB Order) dated August 1, 2025, the City amended its development code to comply with several changes to the state law. Some of these amendments have reduced barriers for specific housing types and others reduced process barriers that affect more than one housing type. This analysis will consider how those development code amendments have impacted barriers.

Moderate Density Housing Code Amendments

In June 2025, the City Council adopted Ordinance No. 25C-02 that established regulations for moderate density housing to comply with House Bill (HB) 1110. This ordinance included [Mercer Island City Code \(MICC\) 19.02.025 – Middle Housing](#), a new section of Chapter 19.02 MICC that established use-specific development regulations for middle housing. Ordinance No. 25C-02 completely overhauled how the City regulated moderate density housing, a use the City previously did not allow in most residential zones. The recency of the amendments means that their effect on moderate density housing production will not be reflected in the housing production trends. In general, these amendments have addressed and removed barriers consistent with the requirements of HB 1110.

Accessory Dwelling Unit (ADU) Code Amendments

In June 2025, the City Council adopted Ordinance No. 25C-02 that updated the regulations for ADUs to comply with House Bill 1337. This ordinance amended [MICC 19.02.030 – Accessory Dwelling Units](#). This included amendments to allow up to two ADUs per lot, increase the maximum square footage per ADU, and adjust parking requirements. Specifically, the amendments to allow up to two ADUs per lot consistent with House Bill 1337 are expected to significantly reduce barriers for ADUs by effectively doubling the amount of ADUs allowed. The recency of the amendments means that their effect on moderate density housing production will not be reflected in the housing production trends. In general, these amendments have addressed and removed many of the barriers for ADUs consistent with the requirements of HB 1337.

Permit Process Code Amendments

In November 2025, the City Council adopted Ordinance No. 25C-27 that established permit review procedures to comply with Senate Bill (SB) 5290. This ordinance included the following procedural amendments:

- Clarified permit application requirements;
- Set review deadlines per permit type;
- Established penalties for exceeding permit review deadlines; and
- Reduced the design review process to a single public meeting.

The amended procedures made by Ordinance No. 25C-27 are a large-scale overhaul of the permit review requirements affecting nearly every permit type, including all housing types. The recency of the amendments means that their effect on housing production will not be reflected in the housing production trends. In general, these amendments have addressed and removed permit processing barriers consistent with the requirements of SB 5290.

Clear and Objective Design Standards

In November 2025, the City Council adopted Ordinance No. 25C-27, which amended the Mercer Island design standards to comply with Senate Bill 1293. This bill requires all design standards in cities planning under the GMA to be clear and objective, with at least one measurable criterion for meeting the standard. The Mercer Island design standards were substantially amended to meet the clear and objective standard in the state law. The City also reduced the design review process to one public meeting by removing the requirement for a Design Commission study session for many types of development. By complying with the state law, the City has largely addressed the barriers related to design standards for low- to mid-rise multifamily and mixed-use housing developments.

In July 2025, the City Council adopted Ordinance No. 25C-14, which reassigned design review from the Design Commission to the Hearing Examiner. The reassignment of design review coincided with the steps Mercer Island took to comply with Senate Bill 1293. Once the design standards were amended to meet the clear and objective standard in the state law, most of the discretion afforded to the Design Commission was rendered moot, allowing the Hearing Examiner to review and approve proposed building designs given they are now subject to clear and measurable standards. Clarifying the design standards and amending the design review process to go through the Hearing Examiner with only one public meeting is expected to significantly reduce the review time for design review.

Step 1 – Housing Production Trends

The first step in the Commerce Guidance is to compare the City’s housing needs and historical production trends. To complete this step, the housing needs, the annual unit production needed to address those housing needs over the twenty-year planning period, and the historical average unit production are compared to identify whether a barrier exists. If the historical average unit production falls below the level needed to address the housing needs during the planning period, a barrier to production is presumed. The nature of the barrier is evaluated in Step 2 of the Commerce Guidance.

Table 1 compares Mercer Island’s housing needs and historical average unit production to identify whether a barrier to production exists. In Table 1 all housing needs for households earning 80 percent of the area median income (AMI) and below are presumed to be accommodated in low- and mid-rise multifamily and mixed-use development, households earning between 80 and 120 percent of the AMI are presumed to be accommodated in moderate density housing and accessory dwelling units (ADUs), and households earning more than 120 percent of the AMI are presumed to be accommodated in single-family homes. Housing needs and housing types are grouped together in this way based on the Commerce Guidance, which presumes that denser housing types tend to be more affordable. The analysis comparing production trends and housing needs is conducted here only for the purpose of determining whether a barrier to production exists and the housing needs should not be understood as having been aggregated for the purpose of determining land capacity. Land capacity disaggregated by affordability level is analyzed in the Land Capacity Analysis Report. Note that further analysis of potential barriers for households earning 50 to zero percent of the AMI is provided in Table 2.

Table 1 illustrates that in 20 years the City needs 1,207 low- and mid-rise multifamily housing units, an average annual unit production of 60.35 units per year. Between 2006 and 2024, an average of 53.8 low- and mid-rise multifamily housing units were produced. Because the historical average annual production of low- to mid-rise multifamily (53.8 units/year) falls below the annual production needed (60.35 units/year) the potential barriers to production of this housing type will be identified in Step 2. Production and needs are balanced for moderate density, ADUs, and single-family housing types indicating that there are no barriers to production of these housing types.

Table 1. Comparison of Production Trends to Housing Needs.

Income Level (% AMI)	Projected Housing Need (2020-2045) ¹	Housing Types that Best Serve These Needs	Total Housing Need by Housing Type	Annual Unit Production Needed	Historical Average Annual Unit Production ²	Is There A Barrier to Sufficient Production?
0-30% PSH	339	Low- and Mid-rise Multifamily	1,207	1,207 / 20 = 60.35 units/year	53.8 units/year	Yes
0-30% Non-PSH	178					
30-50%	202					
50-80%	488					
80-100%	4	Moderate Density and ADUs	9	9 / 20 = 0.45 units/year	6.3 units/year	No
100-120%	5					
>120%	23	Single Family Homes	23	23 / 20 = 1.15 units/year	9.4 units/year	No

See Commerce Guidance Exhibit 25

Notes:

1. Source: King County CPPs H-1.
2. Source: Mercer Island Permit Records 2006-2024.
https://www.mercerisland.gov/sites/default/files/fileattachments/community_planning_amp_development/page/9241/housing_development_dashboard.pdf

To further refine the evaluation of production trends, the Commerce Guidance recommends an additional table to analyze sub-market rate housing needs and production. Using a similar methodology to Table 1, Table 2 compares housing needs, annual unit production needed, and historical average unit production to identify whether a potential barrier exists. The analysis in Table 2 supplements Table 1 by disaggregating the lower-income low- to mid-rise multifamily housing units by affordability level. Table 2 finds that there are likely barriers for all sub-market rate housing because the average annual unit production falls below the annual unit production needed.

Table 2. Comparison of Sub-Market Rate Housing Needs to Production Trends.

Income Level (% AMI)	Projected Housing Need (2020-2045)	Annual Unit Production Needed	Historical Average Annual Unit Production ^{1, 2}	Is There A Barrier To Sufficient Production?
Emergency Shelters	237	11.85	0	Yes
0-30% PSH	339	16.95	0	Yes
0-30% Non-PSH	178	8.9	0	Yes
30-50%	202	10.1	0	Yes

See Commerce Guidance Exhibit 26

Notes:

1. Based on current and previous affordable housing incentives that only require affordable units at between 70 and 50% of the AMI or higher, this analysis assumes zero average annual unit production at or below 50% of the AMI.
2. The 2026 Land Capacity Analysis Report includes further analysis of housing production on the regional level which indicates that additional housing production can produce sub-market rate housing units. Though some sub-market rate housing production can be expected, it is not necessarily reflected in permit records because that production is not tied to affordability requirements in the development code and will not be included in permit records. The principal purpose of the analysis in Table 2 is to determine whether a barrier to production exists in the City's regulatory framework so for the purposes of this table, only units produced by the affordability requirements of the development code are considered.

Funding Needs

The Commerce Guidance details a four-step process for estimating the affordable housing funding needs (Commerce Guidance, pg. 64):

- | | |
|---------------|--|
| Step 1 | Identify the total number of housing units needed at affordability levels below what the market will provide |
| Step 2 | Find data about recent affordable housing production in your community to calculate an average annual production rate |
| Step 3 | Calculate the total gap in average annual production |
| Step 4 | Calculate the total gap in funding by multiplying the gap in annual affordable housing production by an assumed total cost per unit. |

The information for steps 1-3 is provided in Table 2. Note that the gap in average annual production found in Step 3 will be equal to the annual unit production needed because the historical average annual unit production for sub-market rate housing is zero.

Table 3 provides the estimated affordable housing funding need calculated using the four-step process detailed in the Commerce Guidance. The average cost per unit is based on information in the City’s Land Capacity Analysis Report. That report included the ARCH-estimated average cost of construction for affordable housing units of \$425 and \$500 per square foot and assumed an average unit size from 500 to 1,400 square feet based on review of comparable projects recently constructed throughout the region. To generate the lowest cost per unit, the smallest average unit size was multiplied by the lowest cost per square foot (500 X 425 = 510,000). To calculate the highest cost per unit, the largest unit size was multiplied by the highest cost per square foot (1,400 X 500 = 600,000). The annual funding need was calculated by multiplying the annual unit production needed by the low and high values of the cost per unit, resulting in a range of potential needs. The annual total was calculated by totaling the low- and high-range gaps for each affordability level. Finally, the 20-year planning period total is how much the total need would be based on the average annual costs over the planning horizon of the Comprehensive Plan. The resulting funding needs are between \$24.4 and \$28.7 million a year or \$487.6 and \$573.6 million over the entire planning period.

Table 3. Estimated Affordable Housing Funding Need.

Income Level (% AMI)	Projected Housing Need (2020-2045)	Annual Unit Production Needed	Average Cost Per Unit	Annual Funding Need
Emergency Shelters	237	11.85	\$510,000 – \$600,000	\$6,043,500 - \$7,110,000
0-30% PSH	339	16.95	\$510,000 – \$600,000	\$8,644,500 - \$10,170,000
0-30% Non-PSH	178	8.9	\$510,000 – \$600,000	\$4,539,000 - \$5,340,000
30-50%	202	10.1	\$510,000 – \$600,000	\$5,151,000 - \$6,060,000
Annual Total				\$24,378,000 - \$28,680,000
20-Year Planning Period Total				\$487,560,000 - \$573,600,000

Note: The Land Capacity Analysis Report includes some analysis of housing costs and funding needs within the context of a potential fee-in-lieu program. Because it is analyzing the number of units that could be produced by fee-in-lieu rather than the total number of units needed, the funding analysis in that report may differ slightly than the contents of Table 3 but both tables use the same assumptions about the cost of construction per square foot and the average unit size.

Step 2 – Identify Barriers

Once the existence of potential barriers to housing unit production have been evaluated in the previous step, the barriers are identified in Step 2. A table used for identifying barriers is provided in the Commerce Guidance Appendix B. The Commerce-recommended process is a qualitative analysis of potential barriers that examines the following:

- Development Regulations and Standards

- Conditional Use and Other Discretionary Permit Processes
- Design Review
- Access to Information About Processes and Fees
- Permit, Impact, and Utility Connection Fees
- Processing Times
- SEPA Process
- Land Supply and Environmental Constraints
- Gaps in Local Funding

City staff completed the Commerce-recommended tables to identify barriers and the actions needed to overcome them. The full barriers review tables are provided in Appendix A of this report. Table 4 summarizes the barriers review tables in Appendix A.

Table 4. Potential Barriers Identified in the Barriers Analysis in Appendix A.

Housing Type	Potential Barrier	Action Needed ¹
Low- to Mid-rise Multifamily and Mixed-use	Maximum Density	Implement Phase 1 of the Station Subarea Plan
	Maximum Building Height	Implement Phase 1 of the Station Subarea Plan
	Setbacks	Implement Phase 1 of the Station Subarea Plan
	Parking Minimums	Affordable housing parking standard
	Lot Coverage	Implement Phase 1 of the Station Subarea Plan
	SEPA Review Process	Adopt ODNs policy in the Housing Element
	Environmental Constraints	Implement Phase 1 of the Station Subarea Plan
Permanent Supportive Housing	Spacing	Adopt permanent STEP Housing regulations
	CUP Requirements	Adopt permanent STEP Housing regulations
	Other Regulations, Including Operational Requirements	Adopt permanent STEP Housing regulations

Notes

1. A full description of each action needed is provided in the tables of Appendix A and under the Step 3 section of this analysis.

Funding Tools

In addition to identifying barriers, Step 2 includes the identification of potential funding tools. Appendix B includes a table from the Commerce Guidance to identify potential funding tools and planned implementation. Table 5 lists the identified tools and planned implementation identified in Appendix B.

Table 5. Potential Funding Tools Identified in Appendix B.

Funding Tool	Planned Implementation
Affordable housing levy	This tax can only be authorized by a ballot measure.
Surplus Public Property	Implement Phase 2 of the Station Subarea Plan
Permit Fee Waivers	Ongoing Comprehensive Plan Implementation
MFTE	Implement Phase 2 of the Station Subarea Plan
Fee in Lieu of Affordable Housing	Implement a Fee-in-Lieu of Affordable Housing program

Step 3 – Provisions to Overcome Identified Barriers

Provisions to Overcome Barriers

There are four general provisions to overcome the barriers identified in the analysis:

1. Implement the Station Subarea Plan;
2. Affordable housing parking standard;
3. Establish ODNS SEPA Policy; and

Adopt permanent STEP housing regulations.

A description of each of the four general provisions to address barriers is provided below.

Station Subarea Plan

The City is in process of developing a Station Subarea Plan for the area around the light rail transit station. The Station Subarea Plan will increase multifamily and mixed-use development capacity in the area surrounding the Mercer Island light rail station, including the existing Town Center, in two phases:

Phase 1 – Designate a station area and increase development capacity in the Town Center and adjacent multifamily zones.

Phase 2 – Comply with HB 1491 throughout the station area by the 2029 deadline, following the completion of the project to comply with the Growth Management Hearings Board (GMHB) Order.

Both phases of the subarea plan will affect potential barriers to housing production by allowing denser residential development and complying with House Bill 1491, which requires cities to allow transit-oriented development (TOD) and establish affordable housing provisions in the area around the light rail station. Implementing the Station Subarea Plan Phase 1 is expected to address all identified barriers for low- to mid-rise multifamily and mixed-use development by allowing denser infill development in the Town Center and adjacent multifamily zones as well as adjusting regulatory requirements for multifamily and mixed-use development. Phase 2 will build on the reduction of barriers in Phase 1 by amending the development regulations to comply with state TOD requirements in the station area. .

Affordable Housing Parking Standard

An option will be added to the parking standards for Town Center and the multifamily zones authorizing approval of an alternative minimum number of parking stalls to be provided for any development that provides dwelling units affordable at or below fifty percent of the AMI. This will address the potential barrier to affordable housing development of parking standards concurrent with the adoption of the Comprehensive Plan update.

Establish ODNS SEPA Policy

To address the potential process barrier of SEPA review, the City can adopt a policy in its Housing Element to utilize the optional determination of nonsignificance (ODNS) process when possible, during review of proposed multifamily and mixed-use development. The ODNS process allowed under WAC 197-11-355 allows for a single integrated comment period for the notice of application and the SEPA threshold determination.

Adopt Permanent STEP Housing Regulations

In 2021, Mercer Island adopted Ordinance No. 21C-23, which established interim regulations for shelters, temporary, emergency, and permanent supportive (STEP) housing to comply with House Bill 1220. These interim regulations must eventually be replaced with permanent amendments. During the process to develop and adopt permanent amendments, the identified potential barriers of the spacing requirements, conditional use permit process, and other development regulations, including operational requirements, can be reviewed and amended to reduce the potential barrier. The permanent regulations will be adopted concurrently with the Comprehensive Plan update to comply with the GMHB Order.

Funding Tools

The analysis in Appendix B has identified potential funding tools that will be addressed in the Comprehensive Plan. Each tool will have at least one corresponding policy in the Comprehensive Plan so that it fits within the City's overall strategy. The funding tools are:

- Identifying surplus public property;
- Permit fee waivers;
- Multifamily Tax Exemption; and
- Fee In Lieu of Affordable Housing.

Surplus Public Property

The Station Subarea Plan will identify surplus public lands in the station area. Then, Phase 2 will include policy directing a required process to plan for the use of the surplus public property, and identify which lands can be made available for affordable housing development. The Station Subarea Plan will commit the City to completing Phase 2 by 2029. The process to identify surplus public property will involve public engagement and analysis to locate the opportunity sites within the larger station subarea context.

Permit Fee Waivers

Mercer Island has adopted an impact fee waiver for affordable housing development in the Town Center (MICC 19.11.040(G)). During the Comprehensive Plan update, this waiver will be expanded to also include the multifamily area adjacent to Town Center so that it applies in the entire area where the City has increase development capacity for affordable housing units. The Comprehensive Plan also includes policy direction to consider adoption of an additional permit fee waiver for affordable housing development during the planning period. Implementation of this policy will be included in the ongoing implementation of the Comprehensive Plan Housing Element to allow for the additional fiscal impact analysis needed.

Multifamily Tax Exemption

The Station Subarea Plan will include policy direction to comply with the state requirements for Transit-Oriented Development (TOD) during Phase 2 of the subarea plan, no later than the state deadline in 2029. The state TOD requirements include establishing a multifamily tax exemption within the station subarea.

Fee In Lieu of Affordable Housing

Concurrent with the Comprehensive Plan update, the City will be adopting a fee-in-lieu of affordable housing program. Fee in lieu gives developers the choice to either build required affordable housing units or pay a fee commensurate with the cost of constructing affordable housing units instead of building the affordable units. This will coincide with adopting inclusionary zoning that requires a set percentage of new dwelling units in mixed-use and multifamily developments in Town Center and the adjacent multifamily zones be affordable housing units. By requiring the units but allowing some or all of those units to be

addressed by fee-in-lieu, the City’s new program is expected to generate revenue to begin closing the funding gap for very low- and extremely low-income housing units.

Implementation Timing

The provisions to address barriers will be implemented through a combination of policies, administrative actions, and development regulation amendments. Implementing the Station Subarea Plan will include policies and development regulations adopted in two phases: Phase 1 would add development capacity and make adequate provisions to address affordable housing needs to comply with the GMHB Order and Phase 2 would make additional changes throughout the station area to comply with state TOD planning requirements by the 2029 deadline. Phase 2 will further increase development capacity and include additional measures to support affordable housing. Establishing an ODNs SEPA Policy will require a policy in the Land Use Element and an administrative action to implement. Permanent STEP housing regulations will be adopted concurrently with the Comprehensive Plan update. Finally, the Comprehensive Plan includes several other policies committing the City to take actions that will be implemented throughout the life of the plan.

The timing of implementation can be divided into 3 timeframes: (1) concurrent with Comprehensive Plan adoption, (2) near term – completed before the end of 2029, and (3) long term – completed between 2029 and the next periodic review slated for 2034. Figure 1 illustrates the implementation timing of the four general provisions to overcome barriers identified in this report.

Figure 1. General Implementation Timeline for Provisions to Overcome Barriers.

Timeframe	Concurrent with Comprehensive Plan Update	Near Term – by 2029*	Long Term – 2029-2034*
Provisions	Station Subarea Plan Phase 1 Establish SEPA ODNs Policy Adopt affordable housing parking standards Adopt Permanent STEP Housing Regulations	Station Subarea Plan Phase 2	Ongoing Comprehensive Plan Implementation

*the final details of the near- and long-term implementation will be determined through the City’s work planning process.

Appendix A – Barriers Analysis Tables

Table A.1. Moderate Density Housing Barrier Analysis.

Potential Barrier		Barrier in MI?	Explanation	Actions Needed
Development Regulations	Unclear Development Regulations	N	The City has amended its regulations to comply with recent statewide requirements for moderate density (HB 1110) and clear and objective design standards (HB 1293). These amendments have clarified the regulations that apply to moderate density housing.	Action taken by Ordinance No. 25C-27 and 25C-02. No action is needed at this time.
	Prohibiting some moderate density housing types, such as: <ul style="list-style-type: none"> • Duplexes • Triplexes • Four/five/six-plexes • Townhomes • Cottage housing • Live-work units • Manufactured home parks 	N	Moderate density housing is allowed in all zones where single-family homes are allowed.	Action taken by Ordinance No. 25C-02. No action is needed at this time.
	Minimum Lot Sizes	N	Moderate density housing is allowed in every zone where single-family homes are allowed. Some of the minimum lot sizes established in residential zones are very large (12-15,000 square feet). The City has recently updated its development regulations to comply with House Bill 1110 and other statewide legislation. These new regulations need more time to take effect before the impact of minimum lot sizes can be determined.	Action taken by Ordinance No. 25C-02. No action is needed at this time.
	Maximum Densities	N	Multifamily zones are the only zones with established maximum densities and those densities are high enough to not present a barrier to moderate density housing production because they allow between 26 and 38 units per acre.	No action is needed at this time.

	Potential Barrier	Barrier in MI?	Explanation	Actions Needed
	Maximum Building Height	N	The maximum building height in zones outside of Town Center is between 24 and 36 feet (two to three stories). The City has recently updated its development regulations to comply with statewide legislation. These new regulations need more time to take effect before the impact of maximum building height can be determined.	No action is needed at this time.
	Setbacks	N	Moderate density housing is subject to the same setbacks as other residential development in each zone where it's allowed. The City has recently updated its development regulations to comply with statewide legislation. These new regulations need more time to take effect before the impact of the setback standards can be determined.	No action is needed at this time.
	Parking Minimums	N	Moderate density housing is subject to the following parking minimums: (1) two parking spaces per unit, (2) only one space per unit on lots smaller than 6,000 square feet, and (3) no parking required within ½ mile of a major transit stop. These parking standards were adopted to satisfy the requirements of recent statewide legislation.	Action taken by Ordinance No. 25C-02. No action is needed at this time.
	Maximum Impervious Surface	N	Moderate density housing is subject to the same impervious surface maximums as other residential uses in each zone. The City has recently updated its development regulations to comply with statewide legislation. These new regulations need more time to take effect before the impact of maximum impervious surface standards can be determined.	Action taken by Ordinance No. 25C-02. No action is needed at this time.
	Maximum gross floor area and lot coverage	N	<p>Maximum gross floor area and lot coverage apply as follows in single-family and multifamily zones:</p> <ul style="list-style-type: none"> • The maximum gross floor area in single-family zones varies by zone relative to the minimum lot size. • The maximum lot coverage in multifamily zones is 35% (MICC 19.03.010(H)) <p>The City has recently updated its development regulations to comply with statewide legislation. Now moderate density is subject to the same lot coverage standards as other residential uses in the same zone. These new regulations need more time to take effect before the</p>	Action taken by Ordinance No. 25C-02. No action is needed at this time.

Potential Barrier		Barrier in MI?	Explanation	Actions Needed
			impact of gross floor area and maximum lot coverage can be determined.	
	Lack of alignment between building codes and development codes	N	Alignment between the building and development codes for moderate density housing was evaluated when the City adopted amendments to comply with recent statewide legislation. Any gaps in alignment were resolved with those amendments.	Action taken by Ordinance No. 25C-02. No action is needed at this time.
	Design Standards (Chapter 19.12 MICC)	N	The City's design standards were recently amended to comply with statewide legislation, including those standards requiring design standards to be clear and objective. These new regulations need more time to take effect before the impact of the clear and objective design standards can be determined.	Action taken by Ordinance No. 25C-27. No action is needed at this time.
	Tree standards (Chapter 19.10 MICC)	N	The same tree standards apply to all residential development in the City. This includes retention and replacement standards. The City has recently updated its development regulations to comply with statewide legislation. These new regulations need more time to take effect before the impact of tree retention and replacement standards can be determined.	No action is needed at this time.
Process	Design Review Process	N	The City recently amended its design review process and amended its design standards to comply with state law. This included making the standards clear and objective and reassigning design review to the Hearing Examiner. These new regulations need more time to take effect before the impact of the new design review process can be determined.	Action taken by Ordinance No. 25C-27. No action is needed at this time.
	Conditional Use permitting process	N	Moderate density does not require a conditional use permit in zones where it is an allowed use.	No action is needed at this time.
	Access to information about process and fees	N	The City offers several ways for applicants to access information about permit processes and fees, including planner meetings, pre-application meetings, and information posted on the website.	No action is needed at this time.
	Permit processing times	N	The City recently adopted amendments to comply with statewide legislation requiring permit review timelines and streamlined permit review processes. The statewide legislation includes an annual reporting process to track permit review times and penalties from	Action taken by Ordinance No. 25C-27. No action is needed at this time.

Potential Barrier		Barrier in MI?	Explanation	Actions Needed
			exceeding the maximum review time. Compliance with statewide legislation is expected to remove any barriers from permit processing times.	
	SEPA	N	The City has established categorical SEPA exemptions consistent with WAC 197-11-800 (MICC 19.21.100). This includes a SEPA exemption for construction of four attached or detached housing units (WAC 197-11-800(1)(b)(i) and (ii)). This exempts moderate density housing from SEPA review unless it is part of a larger development that would include more than one lot. Because most of the development on Mercer Island is redevelopment of existing single-family homes, most development occurs lot-by-lot.	No action is needed at this time.
Land Supply	Availability of large lots for infill development	N	The supply of developable parcels is primarily limited to single lots with older existing homes. In general, there is very little vacant land available for new development. The City recently adopted amendments to allow moderate density housing in all zones where single-family homes are allowed and comply with statewide legislation. These new regulations need more time to take effect before the impact of the availability of large lots for infill development can be determined.	Action taken by Ordinance No. 25C-02. No action is needed at this time.
	Environmental constraints	N	The City is an island without the option of annexing additional vacant or redevelopable land. Land supply constraints on the island are compounded by critical area and shoreline regulations that are required by state law and limit development activities within buffers. Because the land area in Mercer Island is constrained by the City's geography and environment, the only way to address environmental constraints is to allow redevelopment of lands not constrained by critical areas. The recent amendments to comply with statewide legislation allows moderate density in residential zones, effectively increasing the amount of land available for moderate density development.	No action is needed at this time.

Table A.2. Low- to Mid-Rise Multifamily and Mixed-Use Housing Barrier Analysis.

Potential Barrier		Barrier in MI?	Explanation	Actions Needed
Development Regulations	Unclear Development Regulations	N	The City has amended its regulations to comply with recent statewide requirements for clear and objective design standards (HB 1293). These amendments have clarified the regulations that apply to low- to mid-rise multifamily and mixed-use housing.	No action is needed at this time.
	Minimum Lot Sizes	N	There is no minimum lot size established in multifamily and mixed-use zones.	No action is needed at this time.
	Maximum Densities	Y	Maximum density in the multifamily zones ranges between 26 and 38 dwellings per acre. There is no maximum density in the mixed-use zone in Town Center.	The City is planning to increase the maximum density in the multifamily zones adjacent to Town Center as part of Phase 1 of the station area subarea plan. The maximum density in the greater station subarea will be evaluated further during Phase 2 of the subarea plan.
	Maximum Building Height	Y	The maximum building height in multifamily zones outside of Town Center is between 24 and 36 feet (two to three stories). The maximum building height in Town Center ranges between three and seven stories.	The City is planning to increase the maximum building height in the Town Center and the adjacent multifamily zones as part of Phase 1 of the station area subarea plan. The maximum building height in the greater station subarea will be evaluated further during Phase 2 of the subarea plan.
	Setbacks	Y	Minimum yards in multifamily zones range from 20 to 25 feet. Side yards in multifamily zones may be reduced to 10 feet if neighboring non-single-family zones.	The City is planning to review the setbacks for multifamily zones adjacent to Town Center

	Potential Barrier	Barrier in MI?	Explanation	Actions Needed
				<p>as part of Phase 1 of the station subarea plan.</p> <p>The setbacks in the greater station subarea will be evaluated further during Phase 2 of the subarea plan.</p>
	Parking Minimums	Y	<p>Multifamily zones require two parking spaces per dwelling unit. This ratio would significantly add to the cost of constructing multifamily housing.</p> <p>Town Center zones allow parking ratios below one space per unit subject to a parking study.</p>	<p>Amend the development regulations so that the amount of parking for housing developments with units affordable between 0-50% of the AMI can be determined by a parking study submitted by the applicant.</p> <p>The City will review its parking standards in the station area to comply with the requirements of HB 1491 during Phase 2 of the station subarea plan. This is expected to include an empirical parking study of the station area.</p>
	Maximum Impervious Surface	N	There are no impervious surface maximums in multifamily and mixed-use zones.	No action is required at this time.
	Maximum lot coverage	Y	<p>Maximum lot coverage in multifamily zones is capped at 35 percent of the lot.</p> <p>There is no maximum lot coverage standard in Town Center.</p>	The City is planning to review the maximum lot coverage for multifamily zones adjacent to Town Center as part of Phase 1 of the station subarea plan.

Potential Barrier		Barrier in MI?	Explanation	Actions Needed
				The maximum lot coverage in the greater station subarea will be evaluated further during Phase 2 of the subarea plan.
	Lack of alignment between building codes and development codes	N	Alignment between the building and development codes for moderate density housing was evaluated when the City adopted amendments to comply with recent statewide legislation requiring clear and objective design standards. Any gaps in alignment were resolved with those amendments.	No action is needed at this time.
	Design Standards (Chapters 19.11 and 19.12 MICC)	N	The City's design standards were recently amended to comply with statewide legislation, including those standards requiring design standards to be clear and objective. These new regulations need more time to take effect before the impact of the clear and objective design standards can be determined.	No action is needed at this time.
	Tree standards (Chapter 19.10 MICC)	N	Tree standards apply to all development in the City. This includes retention and replacement standards. The City has recently updated its development regulations to comply with statewide legislation. These new regulations need more time to take effect before the impact of tree retention and replacement standards can be determined.	No action is needed at this time.
Process	Design Review Process	N	The City recently amended its design review process and amended its design standards to comply with state law. This included making the standards clear and objective and reassigning design review to the Hearing Examiner. These new regulations need more time to take effect before the impact of the new design review process can be determined.	No action is needed at this time.
	Conditional Use permitting process	N	A conditional use permit is not required for multifamily or mixed-use development in the Town Center and multifamily zones.	No action is needed at this time.
	Access to information about process and fees	N	The City offers several ways for applicants to access information about permit processes and fees, including planner meetings, pre-application meetings, and information posted on the website.	No action is needed at this time.

Potential Barrier		Barrier in MI?	Explanation	Actions Needed
	Permit processing times	N	The City recently adopted amendments to comply with statewide legislation requiring permit review timelines and streamlined permit review processes. The statewide legislation includes an annual reporting process to track permit review times and penalties for exceeding the maximum review time. Compliance with statewide legislation is expected to remove any barriers from permit processing times.	No action is needed at this time.
	SEPA	Y	Multifamily development is subject to SEPA review.	Adopt a policy directing the SEPA Official to use the optional Determination of Non-significance (ODNS) process (under WAC 197-11-355) as appropriate, which allows for a single integrated comment period for the notice of application and the threshold determination when possible during review for multifamily and mixed-use development proposals. This policy can be implemented administratively and will not require a code amendment or other legislative action.
Land Supply	Availability of large lots for infill development	N	Most of the lots in zones that allow multifamily development are already developed with multifamily, so new development is expected to be primarily infill. Because most sites already have multifamily development, the lots in these zones are presumed to be large enough to support infill.	No action needed at this time.

	Potential Barrier	Barrier in MI?	Explanation	Actions Needed
	Environmental constraints	Y	<p>The City is an island without the option of annexing additional vacant or redevelopable land. Land supply constraints on the island are compounded by critical area and shoreline regulations that are required by state law and limit development activities within buffers. Because the land area in Mercer Island is constrained by the City’s geography and environment, the only way to address environmental constraints is to allow redevelopment of lands not constrained by critical areas.</p>	<p>The City is planning to allow more development capacity in Town Center and the adjacent multifamily zones as part of Phase 1 of the station subarea plan.</p> <p>Complying with recent statewide transit oriented development requirements in the greater station subarea will be evaluated further during Phase 2 of the subarea plan. This is expected to increase infill development capacity over and above the increase during Phase 1.</p> <p>Allowing more infill development during Phase 1 of the subarea plan should address environmental constraints by enabling more housing development within the station area to accommodate the City’s housing needs. Then, even more development capacity will be added during Phase 2 of the Station Subarea Plan as the City complies with the TOD requirements.</p>

Table A.3. Permanent Supportive Housing (PSH) and Emergency Housing Barrier Analysis.

Potential Barrier		Barrier in MI?	Explanation	Actions Needed
Development Regulations	Spacing Requirements	Y	<p>Emergency housing is considered ‘special needs group housing’ and PSH is considered ‘social service transitional housing’ per the definitions.</p> <p>Emergency housing is not subject to spacing requirements.</p> <p>PSH is subject to the following spacing standards:</p> <ul style="list-style-type: none"> • Minimum of 1,000 feet between PSH facilities, and • 600 feet from the property line of educational or recreational facilities where children are known to congregate <p>The spacing requirements for PSH limit the number of sites where this use is possible.</p>	Review the spacing requirements for PSH when adopting permanent regulations following the Comprehensive Plan update.
	Parking Requirements	N	<p>Emergency housing is not subject to parking requirements.</p> <p>PSH is required to submit a parking study to determine the number of parking spaces required. The parking study requirement should identify the correct number of parking spaces for each unique PSH project and avoid requiring additional unnecessary parking spaces.</p>	No action is needed at this time.
	On site recreation and open space requirements	N	PSH and emergency shelters are not subject to on site recreation and open space requirements over and above those required for other residential uses in a given zone.	No action is needed at this time.

Potential Barrier	Barrier in MI?	Explanation	Actions Needed
Restrictions on support spaces, such as office space, within a transitional or PSH building in a residential zone	N	The development standards do no cap or limit the amount of nonresidential space in PSH and emergency housing.	No action is needed at this time.
Arbitrary limits on number of occupants (in conflict with RCW 35A.21.314)	N	The City does not limit the number of unrelated persons that may occupy a dwelling unit, complying with RCW 35A.21.314.	No action is needed at this time.
Requirements for PSH or emergency housing that are different than the requirements imposed on housing developments generally (in conflict with RCW 36.130.020)	Y	Permanent supportive housing and emergency shelters are subject to some operational requirements that are different than those generally applied to residential development.	Review the operational requirements for PSH when adopting permanent regulations
Conditional Use Permit Requirements	Y	Emergency Housing does not require a conditional use permit (CUP). PSH requires a CUP. This can add to the time it takes to permit a new PSH development, which can increase costs. Several of the conditions for this use might affect operations.	Review CUP requirements for PSH when adopting permanent regulations.
Other development regulations	Y	The development standards for social service transitional housing, which includes PSH, include operational requirements. These operational requirements could make it more difficult for some service providers is the standards are not flexible enough to accommodate the variety of services that may be included in PSH.	Review the development standards for social service transitional housing for potential amendments to operational requirements to address barriers for PSH.

Table A.4. Accessory Dwelling Unit (ADU) Barrier Analysis.

Potential Barrier		Barrier in MI?	Explanation	Actions Needed
Development Regulations	Unclear Development Regulations	N	Development standards for ADUs in single-family zones are established in MICC 19.02.030 . These standards have recently been amended to comply with statewide legislation.	No action is needed at this time.
	Setbacks	N	ADUs are not allowed in front, rear, and side yard setbacks. The City has recently updated its development regulations to comply with statewide legislation, including those that require the City to allow up to two ADUs per lot. These new regulations need more time to take effect before the impact of the setback standards can be determined.	No action is needed at this time.
	Off-street parking requirements	N	The City has recently updated its development regulations to comply with statewide legislation, which modified ADU parking requirements. These new regulations need more time to take effect before the impact of the setback standards can be determined.	No action is needed at this time.
	ADU Development standards in MICC 19.02.030	N	The City has recently updated its development regulations to comply with statewide legislation. These new regulations need more time to take effect before the impact of the setback standards can be determined.	No action is needed at this time.
Process	Lack of clear and accessible information about process and fees.	N	The City offers several ways for applicants to access information about permit processes and fees, including planner meetings, pre-application meetings, and information posted on the website.	No action is needed at this time.
	Permit fees, impact fees, and utility connection fees that are	N	Average annual production of ADUs is high enough that the current constellation of fees	No action is needed at this time.

Potential Barrier		Barrier in MI?	Explanation	Actions Needed
	not proportionate to the impact.		associated with permitting do not represent a barrier (see Table 1).	
	Processing times and staffing challenges	N	The City recently adopted amendments to comply with statewide legislation requiring permit review timelines and streamlined permit review processes. The statewide legislation includes an annual reporting process to track permit review times and penalties from exceeding the maximum review time. Compliance with statewide legislation is expected to remove any barriers from permit processing times.	No action is needed at this time.

Appendix B – Affordable Housing Funding Tools

Table B.1. Affordable Housing Funding Tools Available.

Optional Funding Tools	Summary	Implementation Status	Plans for Implementation
Affordable housing property tax levy (RCW 84.52.105)	This is an optional affordable housing property tax levy authorized by state law.	Mercer Island has not enacted this optional additional property tax levy.	None - The optional property tax levy must be authorized by 2/3 majority of voters.
Real Estate Excise Tax (REET) 2 – only available through 2025 (RCW 82.46.035)	Cities can impose an additional excise tax on each sale of real property in the in the corporate limits of the city for the city tax at a rate not exceeding one-quarter of one percent of the selling price. Revenue can be used for capital improvements, including affordable housing projects.	Mercer Island did not enact this optional REET before the 2025 deadline.	No longer an option (RCW 82.46.035(5)(d))
Affordable Housing Sales Tax Credit – Only available through July 2020 (RCW 82.14.540)	An optional local sales tax that required voter approval to fund affordable housing projects and/or rental assistance programs.	Mercer Island did not utilize this optional local sales tax credit before the 2020 deadline.	No longer an option (RCW 82.14.540(2)(e)(i))
Lodging Tax to repay general obligation bonds or revenue bonds (RCW 67.28.150 and RCW 67.28.160)	Lodging tax is a sales tax applied to lodging at hotels, motels, and short-term rentals, including Airbnb, bed and breakfasts (B&Bs), RV parks, and other housing and lodging accommodations, for periods less than 30 days. There are very few eligible accommodations on Mercer Island, primarily found in the handful of short term rentals and bed and breakfasts scattered throughout the island. There are no hotels or motels on Mercer Island.	Mercer Island does not impose the lodging tax authorized by RCW 67.28.180.	None – Cities in King County may not impose the lodging tax authorized by RCW 67.28.180 (RCW 67.28.180(2)(c)(i)).
Donating surplus public lands for affordable housing projects (RCW 39.33.015)	Cities may transfer, lease, or dispose of public lands to be used for affordable housing projects.	Mercer Island has not donated surplus public land to an affordable housing project.	Identifying potential surplus public lands will be included in the Station Subarea Plan.

Optional Funding Tools	Summary	Implementation Status	Plans for Implementation
Impact fee waivers for affordable housing projects (RCW 82.02.060)	Subject to specific requirements, cities may choose to either waive or exempt affordable housing development from impact fees.	Mercer Island waives 80 percent of school, parks, and transportation impact fees for affordable housing developments (MICC 19.17.090(A)(4) , MICC 19.18.070(A) , and MICC 19.19.070(A))	Maintain existing impact fee waiver.
Application fee waivers for affordable housing projects (RCW 36.70A.540)	RCW 36.70A.540 authorizes cities and counties planning under GMA to incentivize affordable housing with fee waivers or exemptions.	Mercer Island does not waive permit fees for affordable housing.	The Housing Element includes policy direction to consider permit fee waivers during future implementation following adoption of the Comprehensive Plan.
Multifamily Tax Exemption (MFTE) with affordable housing requirement (Chapter 84.14 RCW)	The MFTE is an exemption from property taxes for multifamily developments. The MFTE can be require a development to include affordable housing units to qualify.	Mercer Island must adopt an MFTE during Phase 2 of the Station Subarea Plan to comply with state TOD requirements.	An MFTE within the station area is planned to be considered during implementation of the Station Subarea Plan.
General funds.	The City can directly provide funding for affordable housing efforts.	Mercer Island currently contributes to A Regional Coalition for Housing (ARCH). In 2026, the City budgeted for a \$133,405 contribution to ARCH	The City plans to maintain membership in ARCH through the planning period. ARCH will be an important partner for the City when it begins collecting and disbursing money generated by the Fee-In-Lieu program.
Fee in lieu of affordable housing	Cities can allow a fee in lieu of affordable housing whereby developers pay into a housing trust fund at a rate commensurate with the cost of development rather than construct affordable units required by the development code.	In Progress	The City is planning to implement a fee-in-lieu program during the Comprehensive Plan update. Analysis of the revenue expected for a fee-in-lieu program is included in the land capacity analysis report.