



City of Mercer Island

2026 Land Capacity Analysis and Phase 1 Recommendations

DISCUSSION DRAFT
April 15, 2026

EXECUTIVE SUMMARY

Mercer Island faces housing planning challenges that are both legally mandated and analytically complex. This report documents Phase 1 of a two-phase subarea plan implementation strategy to address these challenges. Phase 1 is designed to achieve Growth Management Hearings Board (GMHB) compliance on accommodating housing capacity by income segment through recommended changes to Mercer Island's Town Center zones, changes to the City's Inclusionary Zoning program, and land disposition commitments described above.

Phase 2, to be completed prior to the December 31, 2029 House Bill 1491 deadline, will address remaining station area rezoning changes necessary to achieve required densities across the half-mile light rail station walkshed. This will complete Mercer Island's transition to a fully TOD-compliant planning framework.

Together, the two phases position Mercer Island to satisfy both its immediate GMHB obligations and its longer-term statutory requirements under the evolving statewide housing planning framework.

This report includes an updated 2026 Land Capacity Analysis (LCA) and Phase 1 recommendations prepared by Community Attributes Inc. (CAI) in collaboration with and on behalf of the City. The recommendations are in response to the GMHB's August 1, 2025 ruling in *Futurewise v. City of Mercer Island*. This is the first decision by the GMHB to fully adjudicate a local comprehensive plan challenge under House Bill 1220 (HB 1220, 2021). The Board granted the City one year to bring its plan into compliance, establishing a summer 2026 deadline.

How We Got Here

HB 1220 changed how Washington cities must plan for housing. No longer can cities demonstrate aggregate land capacity sufficient to absorb a single growth target. Cities must now identify sufficiently zoned capacity to accommodate projected housing need for each of several prescribed income

ranges, benchmarked against an Area Median Income (AMI), which was \$157,000 in 2025. These segments range from households earning below 30% of Area Median Income (AMI) to those earning above 120% of AMI. In addition, HB 1220 requires plans to provide permanent supportive housing (PSH) and emergency housing.

Subsequent legislation extended these requirements as follows:

- HB 1110 (2023) mandates middle housing in residential zones
- HB 1337 (2023) sets minimum ADU standards
- HB 1491 (2025) established transit-oriented development (TOD) density requirements near high-capacity transit.

The GHMB has given the City until July 31, 2026 to meet the income segment housing capacity requirements, while upholding the middle housing and minimum ADU standards requirements. The City also has until December 31, 2029, to meet the TOD density requirements required by HB 1491.

Mercer Island's 2023 LCA Supplement was among the first in the region prepared under the new regulatory framework described above. The City identified a 143-unit deficit in multifamily and mixed-use zones through 2044. Mercer Island proposed and implemented Town Center height limit increases as a remedy. However, the GMHB found two critical methodological flaws with the City's Comprehensive Plan. First, the City aggregated lower-income housing need categories rather than analyzing capacity at each individual income level. Second, the City assumed that essentially all multifamily capacity would result in income-restricted units, a rate unsupported by Mercer Island's production history of 102 rent-restricted units from under the current incentive structure.

The Analysis

This updated LCA addresses both deficiencies. Capacity is disaggregated by individual income band, and affordability assumptions are grounded in observed market rent data from the ARCH cities' market areas (Bellevue, Kirkland, Redmond, and Sammamish), as well as local permitting and production history.

Mercer Island's updated net housing need, after accounting for 173 units permitted between 2020 and 2026, stands at 1,191 net new dwelling units through 2044, plus 237 emergency housing beds. The analysis evaluates capacity under three successive zoning frameworks: the pre-2024 baseline zoning; current conditions which have been in place since December 2024 that included Town Center height limit increases and HB 1110/1337 related changes; and the proposed regulatory framework for adoption (Phase 1).

Under Phase 1 proposed changes, total residential capacity across all zones is estimated at 3,164 units, composed of 2,588 units of baseline zoned capacity, 337 units of new middle housing capacity, and 239 ADU units. Phase 1 proposes two notable zoning changes. First, consolidating the Town Center's existing subarea structure into a single unified zone (TC-8) with an 8-story maximum height and a projected FAR of 5.0. Second, upzoning the MF-2 and MF-2L zones immediately adjacent to Town Center to a new TCMF-6 designation, allowing 6 stories at a projected FAR of 4.5. Single-family zones retain the middle housing and ADU provisions now required under state law.

What the Market is Proven to Produce

There is a well-established threshold for what income levels the market historically has been able to serve with new housing production. Market-rate multifamily development, even at increased densities, has not produced units affordable to households earning below 30% of AMI. This reflects construction economics, not zoning constraints. Rents affordable to this lowest income range do not generate sufficient revenue to warrant the investment. The market has produced a small number of units in the 30-50% of AMI range, but only in a few special sites that do not reflect market trends (low land acquisition cost outliers, for example). Upzoning alone has proven to not change this situation. By contrast, the market does produce units that serve the 50–80% AMI range. More than 75% of mid-rise rent comparables in ARCH markets fall within this band; units serving 80–120% of AMI are also produced readily across both low-rise and mid-rise zone categories.

The Phase 1 capacity analysis finds that, with the proposed upzones in place, the City has sufficient or surplus capacity to meet allocated housing needs at all income levels above 30% of AMI. The remaining deficit of approximately 510 units is concentrated entirely at the 0–30% AMI level, including permanent supportive housing. This gap cannot be closed by zoning capacity alone and requires dedicated programmatic and financial intervention.

Recommended Adequate Provisions

Strategic review of the analysis with City staff yields two recommended elements to provide adequate provisions that will address the GMHB's findings and the 0–30% AMI gap.

The first element is a mandatory inclusionary zoning (IZ) program to replace the existing voluntary incentive zoning program, applicable to all new residential development in Town Center and TCMF-6 zones. The recommended program requires 10% of units to be affordable at 50% of AMI for rental housing or 80% of AMI for ownership housing. This rate is supported by Mercer Island's 2025 Affordable Housing Nexus Study (Nexus Study), which found a maximum supportable affordable housing requirement

of 13% to 16% of units across three prototype development types. This analysis suggests that a 10% requirement allows for market-feasible housing developments. An IZ program with these parameters, assuming 100% on-site unit delivery, is projected to produce at least 170 income-restricted units in the 30–80% AMI range over the planning period.

The IZ program should also include a fee-in-lieu option allowing developers to pay a per-square-foot fee in place of on-site affordable unit delivery. Based on the Nexus Study and regional program comparisons, it is recommended to set the in-lieu fee at \$25–\$30 per square foot of gross floor area. With 100% utilization of the fee in lieu option, the analysis suggests that in-lieu fees could generate more than \$30 million in housing fund revenue. When leveraged through ARCH partnerships, Low Income Housing Tax Credits, and other capital sources at a loan-to-cost ratio of 65–75%, this revenue could directly fund approximately 170–200 units of housing affordable at 0–30% of AMI, reducing the remaining gap within this income band to approximately 310–340 units.

The second element is land dedication or disposition. The City should inventory publicly owned or acquirable sites suitable for affordable housing development and offer them to nonprofit developers at below-market or no cost, conditioned on delivery of units at 30% of AMI or below. Approximately three acres of land (in aggregate, depending on parcel shapes and locations) would be sufficient to accommodate the remaining gap of 310–340 units in mid-rise multifamily development. This assumes the land is made available in coordination with the IZ fee fund and ARCH.

Other tools, including parking reductions, fee waivers, multifamily tax exemption (MFTE), affordable housing levies, and density bonuses, were evaluated and found insufficient in isolation to produce units at 0–30% of AMI. Individually or in combinations, these tools may be able to serve a supplemental role in supporting production at moderate affordability levels.

The Phased Approach and Next Steps

This report documents Phase 1 of a two-phase subarea plan implementation strategy to address these challenges. Phase 1 is designed to achieve full GMHB compliance within the summer 2026 deadline through the TC-8 and TCMF-6 upzones, IZ program, and land disposition commitments described above. Phase 2, to be completed prior to the December 31, 2029 HB 1491 deadline, will address the remaining station area rezoning necessary to achieve an average 3.5 FAR across the half-mile rail station walkshed. This will complete Mercer Island's transition to a fully TOD-compliant planning framework. Together, the two phases position Mercer Island to satisfy both its immediate GMHB obligations and its longer-term statutory requirements under the evolving statewide housing planning framework.

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INTRODUCTION

Background and Purpose

The City of Mercer Island adopted their updated Comprehensive Plan in November of 2024, including required updates to the Housing Element. The passage of House Bill 1220 (HB 1220) introduced additional requirements for cities to plan for growth, specifically requiring that all cities and counties plan for and accommodate housing affordable to all economic segments of the population. The City of Mercer Island completed a Land Capacity Analysis (LCA) in 2023 to identify their capacity to plan for growth. However, in February 2025, land use nonprofit Futurewise and two Mercer Island residents filed an appeal of the City's adopted Comprehensive Plan with Washington State's Growth Management Hearings Board (GMHB). The GMHB found that Mercer Island's Comprehensive Plan did not adequately plan to accommodate housing affordable to all. Mercer Island retained Community Attributes Inc. (CAI) to prepare an updated Land Capacity Analysis and accompanying policy analysis.

Project Objectives

This analysis pursues two primary objectives. The first is to prepare a methodologically defensible, updated baseline Land Capacity Analysis that addresses the GMHB's specific findings. This Land Capacity Analysis conforms to current Commerce guidance and reflects changes to Mercer Island's zoning context since the 2023 LCA Supplement was completed, most notably, the 2024 Town Center height limit increases. The baseline analysis was fully reconstructed using both original and updated parcel data, revised capacity assumptions, and a more granular approach to relating zone-level capacity to income-level affordability than was employed in the 2023 analysis.

The second objective is to frame a phased subarea plan implementation planning strategy that positions Mercer Island to meet both its immediate GMHB-ordered obligations and its anticipated future obligations under House Bill 1491 (HB 1491), related to transit-oriented development (TOD). Phase 1, documented in this report, focuses on near-term regulatory actions achievable within the compliance window:

- Upzoning Town Center to eight stories
- Increasing density allowances in Town Center and in station-area multifamily zones
- Incorporating middle housing and accessory dwelling unit (ADU) provisions consistent with House Bill 1110 (HB 1110) and House Bill (HB 1337) across single-family residential zones

This Phase 1 work also recommends adoption of an inclusionary zoning program consisting of a 10% affordable set-aside of units affordable at 50% of AMI and below, with a fee in-lieu option as an alternative compliance path. Phase 2, to be undertaken in advance of HB 1491 deadlines, will complete the station area rezoning necessary to achieve average 3.5 FAR within the required walkshed and satisfy remaining TOD compliance requirements.

An additional but important objective of this engagement was to provide an evidence-grounded assessment of what zoning changes alone can and cannot accomplish with respect to affordability. The analysis examines the degree to which the market produces units affordable at each income level and inclusionary zoning as a tool to support the development of affordable housing at the lowest income levels.

Organization of Report

The remainder of this report is organized into five substantive sections, as follows, plus Appendices:

- **Regulatory & Methodological Framework** provides background and context for this report and describes the statutory requirements and Commerce guidance documents that shape this analysis, the data sources relied upon, and key definitions.
- **Housing Need & Allocations** presents Mercer Island's 2044 housing allocation by income level, summarizes residential permitting activity since 2020, and derives an updated net housing need reflecting units already produced during the planning period.
- **Zoning Context** describes the evolution of Mercer Island's residential zoning framework across three distinct periods: the pre-2024 baseline under which the 2023 LCA Supplement was prepared; the current context following the 2024 Town Center height limit increases; and the proposed Phase 1 regulatory framework analyzed in this study.
- **2026 Mercer Island Land Capacity Analysis (Phase 1)** presents the step-by-step capacity analysis resulting in the final comparison of capacity against allocated housing need by income level.
- **Policy Implications & Options** discusses the analytical findings, their implications for what regulatory and programmatic tools can realistically achieve, and the recommended adequate provisions strategy.
- **Appendices** present the complete Baseline LCA, as well as tables documenting supporting analysis and data relied upon within the analysis.

REGULATORY & METHODOLOGICAL FRAMEWORK

Background and Context

New Statewide Law and Commerce Guidance

HB 1220 (2021) amended RCW 36.70A.070(2) to require jurisdictions to plan for and accommodate housing affordable to all economic segments of the population – a more demanding standard than previous requirements. Prior to HB 1220 a jurisdiction could demonstrate compliance by showing sufficient overall land capacity to absorb projected population growth, without disaggregating that capacity by income level or housing type. Under HB 1220, jurisdictions must now identify sufficient zoned capacity to accommodate projected housing needs at each income level, from extremely low-income (below 30% of Area Median Income, or AMI) through high-income households earning above 120% of AMI, as well as for permanent supportive housing (PSH) and emergency housing.

Subsequent legislation reinforced and extended these requirements. HB 1110 (2023) established middle housing mandates, requiring cities to allow duplexes through sixplexes in areas previously restricted to single-family development. HB 1337 (2023) set minimum development standards for ADUs, limiting the regulatory barriers cities may impose on their production. HB 1491 (2024) introduced TOD requirements, establishing minimum density and allowable use standards within defined station area walksheds served by high-capacity transit.

To assist jurisdictions in meeting the new requirements, the Washington State Department of Commerce (Commerce) developed a suite of guidance documents and planning tools. The primary resources informing this analysis include Commerce's *Guidance for Updating Your Housing Element* (HB 1220 Book 2, August 2023, updated September 2024); the *Middle Housing User Guide* (updated July 2025); and the *Housing for All Planning Tool* (HAPT), which provides countywide projected housing needs disaggregated by income level. Commerce's February 2023 presentation to local planners on HB 1220 implementation requirements also informed the methodology applied in this analysis. Together, these resources define the analytical framework, including the six-step land capacity analysis process used to update Mercer Island LCA.

Mercer Island's Housing Element and the Path to This Analysis

Mercer Island, along with other cities and counties updating their comprehensive plans for adoption in 2024 found itself at the forefront of HB 1220 implementation, completing one of the region's first Comprehensive Plan periodic reviews under the new statutory framework. In December 2023, the City's Community Planning and Development Department

prepared a Land Capacity Analysis Supplement (hereinafter the "2023 LCA Supplement"), which applied Commerce's newly issued guidance to evaluate whether Mercer Island's existing zoning provided sufficient capacity to accommodate its allocated housing need of 1,239 dwelling units through the 2044 planning horizon. That analysis relied on land capacity data from King County's 2021 Urban Growth Capacity (UGC) Report and disaggregated housing need data from King County Ordinance 19660, which allocated housing need to cities by income level.

The 2023 LCA Supplement concluded that, while total land capacity across all zone types exceeded the overall growth target, a deficit of 143 units existed in multifamily and mixed-use zones. These zone categories are those capable of accommodating households earning below 120% of AMI. To address this deficit, the City analyzed three alternatives: increasing maximum building height by one story across several Town Center subareas, allowing multifamily residential uses in the Commercial Office (C-O) zone, and increasing the maximum density in the MF-3 zone from 26 to 30 dwelling units per acre. The City ultimately adopted height limit increases in Town Center, effective in 2024.

In February 2025, land use nonprofit Futurewise and two Mercer Island residents filed an appeal of the City's adopted Comprehensive Plan with Washington State's GMHB. The appeal contended, among other things, that the City's housing element failed to identify sufficient land capacity for extremely low, very low, and low-income households; failed to adequately plan for emergency housing; and failed to adopt meaningful measures to address racially disparate impacts and displacement. On August 1, 2025, the GMHB issued a ruling finding in favor of the appellants on four out of five issues. The decision was the first by the Board to fully interpret and enforce the HB 1220 requirements as applied to a local Comprehensive Plan.

The Board's findings centered on two critical methodological deficiencies. First, the City had aggregated lower-income housing need categories in the capacity analysis, which did not provide the analysis and data required to identify capacity to serve households by individual income limit, particularly those households earning less than 30% and between 30% and 80% of AMI. Second, the City assumed that effectively all capacity in multifamily and mixed-use zones would be available to lower-income residents, relying on an incentive-based affordability rate that the Board found to be unsupported by Mercer Island's own production history. The Board noted that only 102 rent-restricted units had been produced under the City's existing subsidy and incentive programs, and that this track record should have led the City to question, rather than adopt, the assumption that all remaining capacity would yield affordable units. The Board granted Mercer Island one year to bring its plan into compliance.

Following the GMHB ruling, Mercer Island retained CAI to prepare an updated Land Capacity Analysis and accompanying policy analysis. Concurrent with this work, Commerce continued to refine and update its LCA and adequate provisions guidance in partial response to the Mercer Island case and other early implementation experience. The analysis was also informed by Mercer Island's concurrent work to understand the implications of HB 1491's transit-oriented development requirements, given the anticipated opening of the East Link light rail station serving the island¹. The resulting deliverables, this report, supporting model documentation, and GIS data, are intended to support the City's return to compliance within the GMHB compliance timeline.

Department of Commerce Guidance

This analysis was prepared to conform with Commerce's suite of guidance documents for updated housing elements under the Growth Management Act, as amended by recent state legislation. The primary statutory framework governing this work is HB 1220. In addition to requiring a more demanding standard to plan for growth, HB 1220 also directed Commerce to establish projected housing needs by income level for each county, using Office of Financial Management (OFM) population forecasts as the foundation, and to provide guidance to local governments on how to satisfy the new requirements.

The principal guidance document informing the methodology applied in this analysis is Commerce's *Guidance for Updating Your Housing Element* (HB 1220 Book 2, originally published August 2023, updated September 2024 and January 2026, hereinafter "Book 2"). Book 2 is part of a three-volume series. Book 1 addresses the establishment of housing targets and the allocation of projected housing need to jurisdictions. Book 2 covers the land capacity analysis and adequate provisions requirements. Book 3 addresses racially disparate impacts.

This analysis draws primarily from Book 2, which establishes a six-step methodology for demonstrating sufficient residential land capacity to meet allocated housing needs by income level, as well as guidance for evaluating capacity for emergency housing and permanent supportive housing. The February 2023 Commerce presentation on HB 1220 planning and accommodation requirements provided additional methodological context during the analytical development phase of this project.

Subsequent legislation has extended and refined the requirements established by HB 1220. House Bill 1110, codified in RCW 36.70A.635 through RCW 36.70A.638, requires cities meeting applicable population

¹ For Mercer Island specifically, the deadline for compliance with the new HB 1491 TOD planning requirements is December 31, 2029

thresholds to allow middle housing types on all lots zoned predominantly for residential use. As a city with a 2020 Census population of 25,748, Mercer Island is subject to HB 1110's requirements. The *Middle Housing Model Ordinances User Guide* (Commerce, updated July 2025, hereinafter "Middle Housing User Guide") informed the middle housing capacity assumptions incorporated in this analysis, including unit type allowances, dimensional standards, and the treatment of middle housing near major transit stops.

House Bill 1337 establishes minimum standards for ADU regulations in urban growth areas, including a requirement that cities allow up to two ADUs per lot. The methodology for estimating ADU capacity in this analysis reflects the production assumptions and participation rate framework set out in Book 2 and calibrated to local conditions.

House Bill 1491 establishes TOD density and affordability requirements within station area walksheds served by rail and qualifying bus rapid transit. Phase 1 of this analysis is not intended to achieve full HB 1491 compliance. A subsequent Phase 2 effort will address station area rezoning to the average 3.5 FAR minimum required within the half-mile rail station walkshed.

The *Futurewise v. City of Mercer Island* decision issued by the Growth Management Hearings Board also constitutes a critical framework for this analysis. The decision provides authoritative guidance on how the statutory requirements must be applied in practice. Several of the Board's findings directly shaped the analytical choices made in this update. This analysis addresses both findings related to the LCA in the Board's decision directly through disaggregated income-level capacity accounting and assumptions about the share of capacity likely to serve households at each income level, grounded in observed market and production data.

Data Sources

The land capacity analysis presented in this report draws on several primary data sources. Parcel-level data were obtained from the King County Assessor's parcel database. These data were used to develop estimates of land capacity. Definitions for vacant, partially used, underdeveloped, pipeline, or developed are consistent with the classification framework described in Book 2 and previously applied in the King County 2021 UGC Report. Where the UGC Report methodology was replicated, particularly in the treatment of market and public purpose reduction factors, assumptions were preserved for consistency and comparability. Departures from the methodology are documented.

The 2025 King County AMI figure published by HUD serves as the reference point for all affordability calculations in this analysis. Rent and income limit tables published by the U.S. Department of Housing and Urban Development (HUD) were used to establish the maximum rents and income thresholds

applicable to each AMI band. Analysis also references the Washington Center for Real Estate Research (WCRER) Housing Market Data Toolkit and data published by the Washington State Housing Finance Commission (WSHFC).

Permitted residential development activity since 2020 was compiled from City of Mercer Island building permit records, to analyze units built between 2020 and 2026. The Mercer Island Zoning Map and the Mercer Island City Code (MICC) provided the regulatory basis for zone-level capacity calculations, including permitted housing types, maximum densities, height limits, lot coverage standards, and applicable affordable housing incentives and requirements. Critical areas mapping was used to identify and exclude environmentally constrained land from developable acreage calculations. Middle housing and ADU production data from Mercer Island and comparable ARCH-member jurisdictions in the East King County subregion informed participation rate and unit yield assumptions for those housing categories.

Comparative rent and absorption data for low-rise, mid-rise, and high-rise multifamily development in the ARCH cities submarket, sourced from CoStar, Redfin, Zillow, and individual property sites, were used to calibrate the distribution of market-rate capacity across AMI bands and to evaluate the financial feasibility of affordable housing production at varying income levels under current and proposed regulatory conditions. Comparative market analysis supports the policy findings regarding the limitations of market-rate and incentive-based production in serving households below 30% of AMI.

Key Definitions

The following definitions, drawn from the GMA and Commerce guidance, govern the income classifications and housing type distinctions used throughout this analysis.

Area Median Income (AMI) refers to the median household income for a given geographic area, as determined annually by HUD. This analysis uses the 2025 King County AMI. Housing need is disaggregated into the following income segments relative to AMI: extremely low-income (0–30% of AMI), very low-income (30–50% of AMI), low-income (50–80% of AMI), moderate income (80–120% of AMI), and higher income (above 120% of AMI).

Permanent supportive housing (PSH) is defined in RCW 36.70A.030 as subsidized, leased housing with no limit on length of stay that prioritizes people experiencing homelessness or at imminent risk of homelessness who have complex and disabling behavioral or physical health conditions. PSH is paired with on-site or off-site voluntary services designed to support residents in retaining tenancy. Because PSH residents typically have

incomes in the extremely low-income range, PSH capacity need is grouped with 0–30% AMI housing need in this analysis, consistent with Book 2 guidance.

Emergency housing is defined in RCW 36.70A.030 as temporary indoor accommodation for individuals or families who are homeless or at imminent risk of becoming homeless, intended to address basic health, food, clothing, and personal hygiene needs. Unlike permanent housing, emergency housing need is measured in beds rather than dwelling units and is treated as a separate analytical category from the income-based capacity analysis. Emergency housing capacity analysis is addressed in a discrete section of the LCA.

Land capacity, as used throughout this analysis, refers to the estimated number of net new dwelling units that could feasibly be produced on developable land over the planning period, given current or proposed zoning, applicable development standards, environmental constraints, market factors, and existing development patterns. Net residential capacity is calculated as gross residential capacity minus existing housing units on redevelopable parcels, consistent with the methodology established in the UGC Report and Book 2.

Middle housing encompasses the housing types defined in RCW 36.70A.030 and required to be permitted under HB 1110, including duplexes, triplexes, fourplexes, fiveplexes, sixplexes, stacked flats, courtyard apartments, cottage housing, and townhomes. Mercer Island is required to permit six of the nine middle housing types on lots zoned predominantly for residential use, with allowances for up to four units per lot within a quarter mile of its new light rail station (or on lots accommodating one affordable unit) and up to three units per lot (2 units plus existing single-family) elsewhere in residential zones.²

Accessory dwelling units (ADUs) are habitable dwelling units added to, created within, or detached from a primary single-family dwelling. Under HB 1337, cities in urban growth areas are required to allow up to two ADUs per lot. ADU capacity in this analysis was estimated using the participation rate methodology described in Book 2, applied to eligible lots across residential zones, and calibrated to Mercer Island's recent ADU permitting trends and projected regulatory changes.

² In Mercer Island's code, an existing single-family unit is not counted toward permitted maximum capacity. Thus, the low planned density figure represents two minimum additional units allowed per lot plus the single family unit. For parcels within 0.25 miles of transit or that accommodate one affordable housing unit, up to four units per lot are permitted by right.

HOUSING NEED AND ALLOCATIONS

In 2023, Commerce published the Housing for All Planning Tool, which details the housing need for counties throughout Washington, including King County. After receiving the county-level housing need projection, King County allocated the total need by income level to its cities. In August of 2023, King County adopted its most recent allocated housing need by city with Ordinance 19660, amending the countywide planning policies (CPPs).

Mercer Island's housing growth target is 1,476 net new dwelling units by the year 2044. This figure includes 1,239 net new housing units, plus 237 emergency housing beds. The housing need assigned to the City of Mercer Island under King County Countywide Planning Policy H-1 is shown in Table 1 below.

Original 2044 Housing Allocations

Table 1 defines housing need by affordability level using baseline supply of housing units and the King County allocated need for each AMI range. The analysis establishes a 2019 baseline supply of housing units by affordability level and identifies the net new housing units needed between 2019 and 2044, consistent with Mercer Island's total growth target of 1,476 units. This includes emergency housing (1,239 units plus 237 emergency housing beds). The final allocation of units represents net new housing that must be planned for and accommodated by 2044.

Table 1. 2044 City of Mercer Island Housing Allocation

Affordability Level	Area Median Income (AMI)	Baseline Supply (2019)	Allocation/ Net New
Emergency Housing Units			
Emergency housing	N/A	N/A*	237
Low Income Housing Units			
Extremely low	0-30% PSH	N/A*	178
Extremely low	0-30% Non-PSH	274	339
Very low	>31-50%	285	202
Low	>51-80%	186	488
<i>Subtotal Low Income Housing Units</i>		745	1,207
Moderate & High Income Housing Units			
Moderate	>81-100%	1,506	4
High	>101-120%	1,234	5
Other	Above 120%	7,084	23
<i>Subtotal Moderate & High Income Housing Units</i>		9,824	32
Total		10,569	1,476

Source: December 2023 LCA Supplement, page 7, Table 1.

*Note: There was no Permanently Supportive Housing (PSH) or emergency housing supply in the city in 2019 per the LCA Supplement Appendix A, Table 1.

Permitting Activity (2020–2026)

Table 2 documents recent residential development activity based on building permits, using data provided by the City of Mercer Island. Each record identifies the zoning designation in which a permitted project is located and assigns it to a broader zone category reflecting the typical building types allowed in that zone. Permitted units are categorized by specific affordability level, defined by the percentage of Median Income (AMI), consistent with the affordability framework used throughout the analysis. This data is used to adjust allocated housing need, documenting housing units delivered or underway within the planning period.

Table 2. Finaled Building Permits from January 2020 through July 2026 by Zone Category and Affordability Level, Built Units, City of Mercer Island

Zone	Zone Category	Specific Affordability Level	Status (Jan 2020-July 2026)	Total Number of Units
R 8.4	Low Density	Higher Income (>120% AMI)	Proposed	14
TC-5	Mid-Rise	TBD (Market Rate)	In progress	131
TC-5	Mid-Rise	50%-80% AMI	In progress	15
Total				160

Source: City of Mercer Island, 2026.

Updated 2044 Housing Allocations

Table 3 documents the adjusted allocated housing need by affordability level to account for permitted activity between 2020 and 2026. The table subtracts units built between 2020 and 2026 (**Table 2**) from the original allocated need to produce an adjusted allocation or net new need. After accounting for new development, the City has a remaining requirement of 1,192 net new housing units to be planned for and accommodated by 2044.

Table 3. 2044 City of Mercer Island Housing Allocation Including Deductions of Units Built 2020-2026

Affordability level	Area Median Income (AMI)	Baseline Supply (2019)	Allocation/ Net New Need	Total Number Units Built 2020-2026	Adjusted Allocation/Net New Need
Emergency Housing					
housing	N/A	N/A*	237		237
Low Income Housing Units					
Extremely low	0-30% PSH	N/A*	178		178
Extremely low	0-30% Non-PSH	274	339		339
Very low	31-50%	285	202		202
Low	51-80%	186	488	15	473
<i>Subtotal Low Income Housing Units</i>		745	1,207	15	1,192
Moderate & High Income Housing Units					
Moderate	81-100%	1,506	4	44	0
High	101-120%	1,234	5	44	0
Other	Above 120%	7,084	23	57	0
<i>Subtotal Moderate & High Income Housing Units</i>		9,824	32	145	0
Total (excluding Emergency Housing)		10,569	1,239	160	1,192

Source: 2023 LCA Supplement, page 7, Table 1; City of Mercer Island, 2026.

Note: The categorization of 50-80% AMI for the 15 new Xing Hua affordable units is based on Mercer Island's former 10% affordability requirement that stipulated the affordability level be 60% of AMI for rental units and 90% of AMI for ownership units. The 131 market rate units have been apportioned equally across the three moderate and high affordability levels until further pricing data becomes available.

ZONING CONTEXT

Mercer Island's residential zoning framework has evolved over the three-year period spanning the preparation of the 2023 LCA Supplement. Analysis of Phase 1 recommendations also relies on recommended zoning changes. The zones and relevant information for each are presented in the tables below.

Pre-2024 Height Limit Increases (2023 LCA Supplement Baseline)

At the time the 2023 LCA Supplement was prepared, Mercer Island's residential zoning consisted of four single-family residential zones, three multifamily zones, a Planned Business Zone with a residential component, and six Town Center subareas encompassing mixed-use and multifamily

development (**Table 4**). The single-family zones (SFR) are differentiated primarily by minimum lot size. All four assume densities range from approximately 2.6 to 4.6 dwelling units per acre. Single ADUs were permitted per lot in all four zones. Middle housing was not yet applied at the time. The Planned Business Zone, Residential component (PBZ-Residential), accommodates low-intensity attached housing at an assumed density of approximately 6 dwelling units per acre, with a maximum of 30 units and a four-unit per building cap.

The three multifamily zones, (MFR), are located primarily in the station area vicinity and along the island's central spine north of Town Center. Density in this range include 22.7 – 26 units per acre. None of the multifamily zones permitted ADUs or middle housing at this time.

The Town Center mixed-use zone (MU) was organized into six subareas with differentiated height limits. Assumed densities in the Town Center ranged from approximately 100.6 dwelling units per acre in the lower-height subareas to 167.8 dwelling units per acre in the TC-4 Plus and TC-5 subareas, with an overall achieved density of approximately 107.6 dwelling units per acre and a planned FAR of 3.4.

The existing affordability requirement at the time required that buildings exceeding two stories set aside 10% of units for households earning at or below 60% AMI for rental housing and 90% AMI for ownership housing. Under the 2023 LCA Supplement, Town Center was the only zone category identified as capable of accommodating housing needs for households earning below 120% of AMI, reflecting both its higher densities and its affordability incentive structure. The 2023 analysis identified a capacity deficit of 143 units in multifamily and mixed-use zones relative to the then-allocated need of 1,216 households earning below 120% of AMI.

Table 4. Historic Residential Zoning Description and Data per 2023 LCA Supplement

Zoning Code	Zone Type	Minimum Lot Size	Units Per Lot	Max Height	Assumed Density	Planned Density	Planned Density
<i>Code</i>	<i>SFR/MFR/MU</i>	<i>Square Feet</i>		<i>Feet</i>	<i>DU/Acre</i>	<i>DU/Acre</i>	<i>FAR</i>
R-8.4	SFR	8,400 sf	2 (4)	30	4.6	5.2	
R-9.6	SFR	9,600 sf	2 (4)	30	4.6	4.5	
R-12	SFR	12,000 sf	2 (4)	30	3.3	3.6	
R-15	SFR	15,000 sf	2 (4)	30	2.6	2.9	
MF-2L	MFR	MFR - None, Townhouse Lots 1,500 sf	8 per building	2 Stories / 24'	26.0	26.0	
MF-2	MFR	MFR - None, Townhouse Lots 1,000 sf	N/A	3 Stories / 36'	22.7	38.0	1.5
MF-3	MFR	MFR - None, Townhouse Lots 1,500 sf	N/A	3 Stories / 36'	26.0	26.0	
PBZ-residential	SFR	Average parcel size 7,200 sf	30 (max) (4 attached/ building max)	Varies (based on design standards MICC 19.12)	6.1	6.1	
TCMF-3	MU	None	N/A	3 Stories / 39'	100.6	100.6	2.4
TCMF-4	MU	None	N/A	4 Stories / 51'	134.2	134.2	3.2
TC-3	MU	None	N/A	3 Stories / 39'	100.6	100.6	2.4
Formerly TC4	MU	None	N/A	4 Stories / 51'	134.2	134.2	4.0
Formerly TC4Plus	MU	None	N/A	5 Stories / 63'	167.8		
Formerly TC5	MU	None	N/A	5 Stories / 63'	167.8		

Sources: City of Mercer Island, 2026.

Current Baseline Zoning Context (Post-December 2024 Amendments)

Following the GMHB appeal filed by Futurewise, and in the context of the December 2024 Comprehensive Plan periodic update, the City adopted two sets of regulatory changes that define the current baseline zoning context (**Table 5**) reflected in this updated analysis.

The adoption of Ordinance No. 24C-18, effective December 31, 2024, restructured and increased maximum building heights across the Town Center subareas. The ordinance increased the maximum building height in the Town Center 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, increased the required percentage of affordable housing in new development in Town Center from 10% to 15%, and deepened the affordability requirement for affordable housing units from 60% to 50% of AMI for rental housing and from 90% to 80% of AMI for ownership housing. The subarea names were updated, TC-4 was renamed TC-5, TC-4 Plus was renamed TC-5 Plus, and TC-5 was

renamed TC-7, reflecting their new maximum story counts. TC-3, TCMF-3, and TCMF-4 remain unchanged. Assumed densities in the newly renamed higher-height subareas were updated in this analysis from 167.8 to 200 dwelling units per acre, reflecting recent analysis of multifamily comparables across the region.

The increased affordability requirements adopted alongside the height increases warrant careful attention in the context of this analysis and the GMHB's findings. Mercer Island's program is a voluntary program or an incentive zoning program. However, at 15% set-aside at 50% AMI, Mercer Island's requirement is greater than many of the inclusionary zoning program requirements in the region.

In comparison, Seattle's Mandatory Housing Affordability (MHA) program requires between 5% and approximately 10.6% of units depending on location, while cities such as Shoreline and Redmond operate at 10% baseline requirements. While some jurisdictions do carry percentage requirements at 15% or above, those are almost universally paired with a higher income cap than the 50% AMI threshold Mercer Island has adopted. This combination, a high set-aside percentage at a deep affordability level, has implications for development feasibility and is discussed in detail in the **Policy Implications** section within the context of adopting an inclusionary zoning policy rather than a voluntary incentive zoning program.

The second set of changes reflects the implementation of state middle housing and ADU requirements under HB 1110 and HB 1337. Mercer Island's middle housing implementation ordinance now permits six of the nine middle housing types, including duplexes, triplexes, fourplexes, townhouses, courtyard apartments, and stacked flats, on all lots zoned predominantly for residential use in the R-8.4, R-9.6, R-12, and R-15 zones. Under this framework, two additional units per lot are permitted as a baseline in all R zones, with up to four units per lot allowed on parcels within one-quarter mile of the East Link light rail station or where at least one affordable unit is provided. Importantly, the existing single-family dwelling unit does not count toward the permitted middle housing unit count, meaning a SFR lot can accommodate the primary unit plus two or more additional units.

ADU allowances have also been updated. All single-family zones now permit two ADUs per lot, consistent with HB 1337, with maximum gross ADU floor area set at 1,000 square feet each. These middle housing and ADU provisions introduce incremental capacity across Mercer Island's predominantly single-family residential land base and are incorporated as a distinct capacity layer in the first step of the LCA.

**Table 5. Current Residential Zoning Description and Data per Updated
Baseline conditions**

Zoning Code	Zone Type	ADUs Allowed?	Middle Housing Permitted	Max Height	Assumed Density	Planned Density	Planned Density	New Planned Density 2025 - Low*	New Planned Density 2025 - High*
<i>Code</i>	<i>SFR/MFR/MU</i>			<i>Feet</i>	<i>DU/Acre</i>	<i>DU/Acre</i>	<i>FAR</i>	At 3 Units per Lot	At 4 Units per Lot
R-8.4	SFR	Yes - 2	Yes	30	4.6	5.2		15.6	20.7
R-9.6	SFR	Yes - 2	Yes	30	4.6	4.5		13.6	18.2
R-12	SFR	Yes - 3	Yes	30	3.3	3.6		10.9	14.5
R-15	SFR	Yes - 4	Yes	30	2.6	2.9		8.7	11.6
MF-2L	MFR	N/A		2 Stories / 24'	26.0	26.0			
MF-2	MFR	N/A		3 Stories / 36'	22.7	38.0	1.5		
MF-3	MFR	N/A		3 Stories / 36'	26.0	26.0			
PBZ-residential	SFR	N/A		Varies (based on design standards MIOC 19.12)	6.1	6.1			
TCMF-3	MU	N/A		3 Stories / 39'	100.6	100.6	2.4		
TCMF-4	MU	N/A		4 Stories / 51'	134.2	134.2	3.2		
TC-3	MU	N/A		3 Stories / 39'	100.6	100.6	2.4		
TC-5	MU	N/A		5 Stories / 63'	134.2	134.2	4.0		
TC-5 Plus**	MU	N/A		7 Stories / 87'	200				
TC-7**	MU	N/A		7 Stories / 87'	200				

Source: City of Mercer Island, 2025; Community Attributes Inc., 2026.

Proposed Phase 1 Zoning Framework

The Phase 1 zoning framework (Table 6) recommended in this report represents the first step in a two-phase approach designed to bring Mercer Island into full compliance with the GMHB’s ruling while also positioning the City for eventual HB 1491 TOD compliance in a subsequent Phase 2 effort. Phase 1 retains the single-family zone structure and middle housing and ADU provisions established under the current baseline, while proposing two changes to the multifamily and mixed-use zone framework: the consolidation and upzoning of the Town Center zone and the upzoning of the MF-2 and MF-2L zones directly adjacent to the Town Center.

In Town Center, Phase 1 proposes consolidating the existing subarea structure, which currently spans TCMF-3, TCMF-4, TC-3, TC-5, TC-5 Plus, and TC-7, into a single unified Town Center mixed-use zone called TC-8. This consolidated zone would carry a maximum height of 8 stories at approximately 101 feet and an assumed density of 200 dwelling units per acre, governed by a planned FAR of 5.0. The consolidation simplifies the subarea framework and reflects the intent to concentrate the island's highest-density residential capacity in the walkable core adjacent to the East Link station. In conjunction with the zone changes, Phase 1 also recommends adopting an inclusionary zoning program in place of the current incentive

zoning program with an affordability requirement of 10% of units at 50% of AMI, paired with a fee in-lieu alternative compliance option.

The second element of Phase 1 is the proposed creation of a TCMF-6 zone, replacing the former MF-2 and MF-2L zones in the areas immediately to the west and east of Town Center . This new zone would allow up to 6 stories at approximately 77 feet, with a planned FAR of 4.5 and an assumed density of 134.2 dwelling units per acre, higher than the 3-story, 22–26 dwelling unit per acre limits that currently apply to the MF-2 and MF-2L zones.

The TCMF-6 designation is intended to capture development potential in parcels well-suited to transit-supportive density by virtue of their proximity to the station, while maintaining a distinct regulatory identity from the mixed-use commercial core of Town Center. This designation also serves as a bridge toward the Phase 2 station area rezoning that will be required to achieve the average 3.5 FAR across the half-mile rail station walkshed mandated by HB 1491. Remaining station area subareas will be addressed at that time through FAR-based regulation.

Table 6. Proposed Residential Zoning Description and Data per Phase 1

Zoning Code	Description	Zone Type	Max Height	Assumed Density	Planned Density	Planned Density	New Planned Density 2025 - Low*	New Planned Density 2025 - High*
<i>Code</i>	<i>Name of Zone</i>	<i>SFR/MFR/MU</i>	<i>Feet</i>	<i>DU/Acre</i>	<i>DU/Acre</i>	<i>FAR</i>	At 3 Units per Lot	At 4 Units per Lot
R-8.4	Residential 8400	SFR	30	4.6	5.2		15.6	20.7
R-9.6	Residential 9600	SFR	30	4.6	4.5		13.6	18.2
R-12	Residential 12000	SFR	30	3.3	3.6		10.9	14.5
R-15	Residential 15000	SFR	30	2.6	2.9		8.7	11.6
MF-2L	Multi-Family (Low)	MFR	2 Stories / 24'	26.0	26.0			
MF-2	Multi-Family	MFR	3 Stories / 36'	22.7	38.0	1.5		
MF-3	Multi-Family	MFR	3 Stories / 36'	26.0	26.0			
PBZ-residential	Planned Business (Residential)	SFR	Varies (based on design standards MICC 19.12)	6.1	6.1			
TCMF-6	Former MF-2 / MF-2L	MU	6 Stories / 77'	134.2		4.5		
TC-8	Former Town Center MU & MF	MU	8 Stories / 101'	200.0		5.0		

Sources: City of Mercer Island, 2026; Community Attributes Inc., 2026.

2026 MERCER ISLAND LAND CAPACITY ANALYSIS

The Phase 1 land capacity analysis involves a series of steps to estimate the residential capacity by zone and align that capacity with each affordability level. Phase 1 reflects previously adopted changes to Mercer Island’s zoning as well as recommended updates to the zoning code based on the GMHB decision, Commerce guidance, and Mercer Island’s preferences for a phased approach toward HB 1491 compliance. The updated Baseline LCA is presented in **Appendix A**. The subsequent Phase 2 will be completed prior to the HB 1491 deadline.

Capacity Calculations

Baseline Residential Capacity

Table 7 and **Table 8** summarize the existing residential capacity findings from the City of Mercer Island’s Land Capacity with the only change reflecting updated TC zone designation and increased height limits. Residential capacity is calculated using the City of Mercer Island’s established methodology, which accounts for mixed use development by incorporating the expected split between residential and commercial uses within assumed density figures. Buildable land is calculated by combining vacant and redevelopable acreage, applying standard deductions, and multiplying the resulting buildable acreage by assumed residential densities. Existing units on redevelopable parcels are then subtracted to determine final residential capacity.

Table 7. Buildable Area by Zone, Acres

Zoning Code	Vacant Acres	Redevelopable Acres	Land Supply Area (Acres)	Deductions	Buildable Area (Acres)
R-8.4	10.3	53.9	64.2	16.0%	53.9
R-9.6	14.8	74.2	89.0	16.0%	74.8
R-12	0.6	6.1	6.7	16.0%	5.6
R-15	37.5	96.3	133.8	16.0%	112.4
MF-2L	0.0	0.2	0.2	23.5%	0.2
MF-2	0.6	1.5	2.1	23.5%	1.6
MF-3	0.0	56.9	56.9	23.5%	43.5
TC-8	0.6	28.5	29.1	13.5%	25.2
TCMF-6	0.0	1.1	1.1	13.5%	0.9
Total	64.5	318.5	383.0		318.0

Sources: City of Mercer Island, 2026; Community Attributes Inc., 2026.

Table 8. Residential Capacity by Zone, Units

Zoning Code	Assumed Density (DU/Acre)	Assumed Density (FAR)	Built Floor Area	Deductions	Initial Residential Capacity (Units)	Existing Units on Redevelopable Parcels	Final Residential Capacity (Units)
R-8.4	4.6				250	161	89
R-9.6	4.6				346	199	147
R-12	3.3				19	10	9
R-15	2.6				295	184	111
MF-2L	26.0				4	5	0
MF-2	22.7				36	101	0
MF-3	26.0				1,132	597	535
TC-8		5.0	5,478,585	55%	4,018	2,414	1,604
TCMF-6		4.5	178,035	41%	98	4	94
Total					6,197	3,675	2,588

Sources: City of Mercer Island, 2026; Community Attributes Inc., 2026.

Notes: Deductions include an assumed net rentable area of 100% and 75% for the Station Area – Town Center and Station Area – Multifamily respectively, as well as an assumed 55% reasonable rate of development. These assumptions are intended to reflect the feasibility of development within the planning period. Initial residential capacity is calculated by dividing the built floor area by an assumed 750 square foot average unit size multiplied by the deduction factor.

Middle Housing Capacity

Middle housing capacity is calculated based on the City’s existing land capacity analysis and definitions of redevelopable lands and follows Commerce’s guidance for calculating additional middle housing capacity. As shown in **Table 9**, the middle housing capacity analysis evaluates buildable land across applicable residential zones by accounting for buildable acreage, economic feasibility, planned maximum densities, existing units, and a reasonable rate of development. Analysis separates the portion of each zone that is within a quarter of a mile from the station area to account for the greater planned densities allowed near the station area.

Across all zones, the net buildable acres total 194.5, reflecting the total 246.7 vacant and redevelopable acres less 52.1 acres of economically infeasible area. Applying planned maximum densities yields an estimated 2,237 potential dwelling units. Redevelopable land within these zones currently has 554 existing units. Subtracting these existing units from the planned maximum results in 1,683 net potential dwelling units across all zones. Consistent with Commerce guidance, a 20% reasonable rate of development is applied to reflect development likely to occur within the 20-year planning horizon. This results in an estimated 337 additional middle housing units.

Table 9. New Middle Housing Development Capacity by Zone

Zoning Code	Buildable Acres (Vacant & Redevelopable)	Economically Infeasible Deduction (Acres)	Net Buildable Acres	Planned (Max) Density (Units per Acre)	Max Dwelling Units	Existing Units	Max Net Dwelling Units	Reasonable Rate of Development	Additional Middle Housing Capacity
R-8.4 (<.25)	1.5	0.0	1.5	20.7	32	4	28	20%	6
R-8.4	52.4	17.1	35.3	15.6	549	157	392	20%	78
R-9.6 (<.25)	0.0	0.0	0.0	18.2	0	0	0	20%	0
R-9.6	74.8	19.5	55.3	13.6	752	199	553	20%	111
R-12 (<.25)	0.0	0.0	0.0	14.5	0	0	0	20%	0
R-12	5.6	0.5	5.1	10.9	56	10	46	20%	9
R-15 (<.25)	0.0	0.0	0.0	11.6	0	0	0	20%	0
R-15	112.4	15.0	97.3	8.7	848	184	664	20%	133
Total	246.7	52.1	194.5		2,237	554	1,683		337

Sources: City of Mercer Island, 2026; Department of Commerce, 2025; Community Attributes Inc., 2026.

ADU Capacity

Table 10 estimates ADU capacity for long-term housing across all residential zones in Mercer Island using current municipal code allowances and estimated development assumptions. Within the City there are 7,483 ADU-eligible lots. These lots are defined as residential parcels larger than 5,000 square feet where ADUs are permitted by right. City staff note that many ADUs are constructed through demolitions or rebuilds taking advantage of the 5% bonus allowance.

An assumed participation rate is applied to represent the share of eligible lots likely to add an ADU, informed by regional precedent and local permitting history. This participation rate is multiplied by the number of eligible lots to estimate annual ADU production, consistent with Commerce guidance that ADU production may increase under new statewide legislation. The analysis also assumes that only a portion of ADUs will function as long-term housing and applies this share across the 20-year Comprehensive Plan planning horizon (2024–2044). Overall, 239 ADUs are estimated to be available to serve as long-term housing capacity.

Table 10. ADU Capacity, All Zones

ADU-Eligible Lots	Participation Factor	Assumed ADU Production per Year	Assumed Long-Term Housing Percentage	Assumed ADU Production for Long-Term Housing
7,483	0.3%	24	50%	239

Sources: City of Mercer Island, 2026; Department of Commerce, 2025; Community Attributes Inc., 2026.

Combined Residential Capacity

Table 11 consolidates zoned housing capacity, newly enabled middle housing capacity, and ADU capacity to estimate total residential capacity by zoning designation in Mercer Island. The initial residential capacity of 2,588 units is combined with the 337 middle housing units and 239 ADUs, yielding a total residential capacity of 3,164 units. The largest shares of capacity are concentrated in the TC-8, MF-3, and lower-density residential zones such as R-8.4, R-9.6, and R-15, where middle housing contributes to overall capacity.

Table 11. Combined Residential Development Capacity by Zone, Housing Units

Zoning Code	Baseline Final Residential Capacity	New Middle Housing Capacity	ADU Capacity (All Zones)	Total Residential Capacity
R-8.4	89	84		173
R-9.6	147	111		257
R-12	9	9		18
R-15	111	133		244
MF-2L	0			0
MF-2	0			0
MF-3	535			535
TC-8	1,604			1,604
TCMF-6	94			94
ADUs			239	239
Total	2,588	337	239	3,164

Sources: City of Mercer Island, 2026; Department of Commerce, 2025; Community Attributes Inc., 2026.

Zone Classification

Mercer Island’s zones are grouped into four density-based categories as an interim step to link residential capacity to affordability levels (**Table 12**). Individual zones are classified as low density, moderate density/middle housing, low-rise, or mid-rise. Lower-density categories primarily reflect detached single-family zoning. Moderate density categories represent areas where middle housing types, such as townhomes, duplexes, triplexes, quadplexes, courtyard apartments, and stacked flats, are applicable. Multifamily zones allowing walk-up apartments are categorized as low-rise, and station area multifamily zones allowing taller buildings are classified as mid-rise. This standardized zone categorization provides a consistent framework for aligning housing capacity with affordability assumptions in subsequent analytical steps.

Table 12. Mercer Island Zoning Category Classifications

Zone Code	Typical Housing Types Allowed	Assumed Density (DU/Ac)	Assigned Zone Category
R-15	Detached single-family homes	2.6	Low Density
R-15	Townhomes, duplex, triplex, quadplex, courtyard apts., stacked	8.7	Moderate Density/Middle Housing
R-12	Detached single-family homes	3.3	Low Density
R-12	Townhomes, duplex, triplex, quadplex, courtyard apts., stacked	10.9	Moderate Density/Middle Housing
R-9.6	Detached single-family homes	4.6	Low Density
R-9.6	Townhomes, duplex, triplex, quadplex, courtyard apts., stacked	13.6	Moderate Density/Middle Housing
R-8.4	Detached single-family homes	4.6	Low Density
R-8.4	Townhomes, duplex, triplex, quadplex, courtyard apts., stacked	15.6	Moderate Density/Middle Housing
MF-2L	Walk-up apartments or condominiums (up to 2 floors)	26.0	Low-Rise
MF-2	Walk-up apartments or condominiums (up to 3 floors)	22.7	Low-Rise
MF-3	Walk-up apartments or condominiums (up to 3 floors)	26.0	Low-Rise
TC-8	Apartments, condominiums in buildings with 7+ floors	5.0	Mid-Rise
TCMF-6	Apartments, condominiums in buildings with 7+ floors	4.5	Mid-Rise

Sources: City of Mercer Island, 2026; Department of Commerce, 2025; Community Attributes Inc., 2026.

Affordability Level Assumptions

Area Median Income Thresholds

King County AMI in 2025, sourced from HUD, was \$157,100. Based on this 100% of AMI figure, AMI and maximum rents are calculated at each affordability level (**Table 13**). Maximum affordable rent is calculated using the standard affordability assumption that housing costs should not exceed 30% of household income, divided into monthly rent.

Table 13. Maximum Rents based on Area Median Income Level, 2025

Percent of AMI	Area Median Income	Maximum Rent
120%	\$188,520	\$4,713
100%	\$157,100	\$3,928
80%	\$125,680	\$3,142
50%	\$78,550	\$1,964
30%	\$47,130	\$1,178

Sources: HUD, 2025; Community Attributes Inc, 2026.

Market-Rate and Subsidized Assumptions

The distribution of units by affordability level and zoning category is calculated based on the distribution of market rate and incentivized units by zone category as well as the distribution of market rate and incentivized units by affordability level. Supporting data and analysis for the calculation is documented in the **Appendix B**.

The distribution of market rate units by affordability level and zone category is documented in **Table 14** and the distribution of externally subsidized units by zone category and affordability level is documented in **Table 15**. Externally subsidized units represent those units that are supported by subsidies, programs, and organizations other than the City of Mercer Island.

Table 14. Market Rate Housing Allocation Distribution by Affordability Level and Zone Category

Affordability Level/Zone Category	Low Density	Moderate Density/Middle	Low-Rise	Mid-Rise	High-Rise	ADUs
Extremely Low Income (0-30% AMI incl. PSH)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Very Low Income (30-50% AMI)	0.0%	16.6%	5.2%	6.7%	10.0%	14.2%
Low Income (>50-80% AMI)	0.0%	25.0%	57.2%	71.6%	20.0%	71.5%
Moderate Income (>80-100% AMI)	0.0%	50.0%	26.0%	13.6%	30.0%	7.1%
High Income (>100-120% AMI)	0.0%	8.4%	5.2%	1.8%	10.0%	7.2%
Very High Income (>120% AMI)	100.0%	0.0%	0.0%	0.0%	30.0%	0.0%

Sources: City of Mercer Island, 2025; CoStar, 2025; Zillow, 2025; Redfin, 2025; Individual Property Websites, 2025; Community Attributes Inc, 2026.

Within applicable zone categories, subsidized units are distributed across income bands from extremely low income (0–30% AMI) through high income (100–120% AMI), with the largest shares concentrated in the moderate (80–100% AMI) and low-income (50–80% AMI) ranges. No externally subsidized units are assumed to serve very high-income households. Additionally, data indicates that there are no externally subsidized units in low density, moderate density, and high-rise categories, as well as among ADUs.

**Table 15. Externally Subsidized or Incentivized Housing Allocation
Distribution by Affordability Level and Zone Category**

Affordability Level/Zone Category	Moderate			High- Rise	ADUs
	Low Density	Density/ Middle	Low-Rise		
Extremely Low Income (0-30% AMI incl. PSH)			0.4%	0.4%	
Very Low Income (30-50% AMI)			0.4%	0.4%	
Low Income (>50-80% AMI)			1.8%	1.8%	
Moderate Income (>80-100% AMI)			2.5%	2.5%	
High Income (>100-120% AMI)			1.4%	1.4%	
Very High Income (>120% AMI)*			0.0%	0.0%	

Sources: City of Mercer Island, 2025; CoStar, 2025; Community Attributes Inc, 2026.

Mercer Island’s recommended inclusionary zoning program differentiates affordability requirements between ownership and rental units. **Table 16** summarizes the assumed share of rental units within the Town Center (TC) low-rise and mid-rise zones and the resulting distribution of units by affordability level. Assumptions about the share of rental versus ownership units are informed by CoStar data on recent multifamily development in comparable ARCH cities.

**Table 16. Inclusionary Zoning Housing Allocation Distribution by
Affordability Level and Zone Category**

Affordability Level/Zone Category	Low-Rise (TC Zones)	Mid-Rise (TC Zones)
Assumed Rental Share	95.0%	95.0%
Extremely Low Income (0-30% AMI incl. PSH)		
Very Low Income (30-50% AMI)		95.0%
Low Income (>50-80% AMI)	95.0%	5.0%
Moderate Income (>80-100% AMI)	5.0%	
High Income (>100-120% AMI)		
AMI)		

Sources: City of Mercer Island, 2025; CoStar, 2025; Community Attributes Inc, 2026.

Capacity by Zone Category

The next step to convert residential capacity from zone to affordability level is to match zoned capacity to the identified zoning category. **Table 17** summarizes total market rate housing unit capacity by zone and estimates the number of housing units created through a proposed inclusionary zoning program applicable in TC zones, remaining market rate capacity in TC Zones, as well as total capacity excluding TC zones. Inclusionary zoning capacity is differentiated at this stage to leverage estimates of unit distribution by affordability level presented in the previous section.

Table 17. Mercer Island Capacity by Zone and Zone Category

Zoning Code and Category	Unit Capacity	Inclusionary Zoning Affordable Capacity	Inclusionary Zoning Market Rate Capacity	Capacity Excluding TC Zones
Low Density				
R-15	111			111
R-12	9			9
R-9.6	147			147
R-8.4	89			89
Low Density Subtotal	356			356
Moderate Density				
R-15 Middle Housing	133			133
R-12 Middle Housing	9			9
R-9.6 Middle Housing	111			111
R-8.4 Middle Housing	84			84
Moderate Density Subtotal	337			337
Low-Rise				
MF-2L	0			0
MF-2	0			0
MF-3	535			535
TCMF-3	0			0
Low-Rise Subtotal	535	0	0	535
Mid-Rise				
TC-8	1,604	161	1,443	0
TCMF-6	94	10	84	0
Mid-Rise Subtotal	1,698	171	1,527	0
ADUs				
ADUs	239			239
Total	3,164	171	1,527	1,466

Sources: City of Mercer Island, 2025; CoStar, 2025; Community Attributes Inc, 2026.

Capacity by Affordability Level

After identifying capacity by zone category, the next step is to calculate units by affordability and zone category. Affordability levels are estimated separately for market rate, inclusionary zoning, and externally subsidized units, as documented in **Table 18**, **Table 19**, and **Table 20**.

**Table 18. Mercer Island Low Density and Moderate Density Zone Category
Distribution of Capacity by Affordability Level**

Affordability Level	Market Rate		Externally Subsidized		Internally Subsidized	
	Capacity		Capacity		Capacity	
	% of Capacity	Units	% of Capacity	Units	% of Capacity	Units
Low Density (Detached Single-Family Homes)						
Low Density Total Planned Capacity		356				
Extremely Low Income (0-30% AMI incl. PSH)	0%	0				
Very Low Income (>30-50% AMI)	0%	0				
Low Income (>50-80% AMI)	0%	0				
Moderate Income (>80-100% AMI)	0%	0				
High Income (>100-120% AMI)	0%	0				
Very High Income (>120% AMI)	100%	356				
Subtotal Low Density		356		0		0
Moderate Density/Middle Housing (Townhomes, duplex, triplex, quadplex, courtyard, apts, stacked flats)						
Moderate Density Total Planned Capacity		337				
Extremely Low Income (0-30% AMI incl. PSH)	0%	0				
Very Low Income (>30-50% AMI)	17%	56				
Low Income (>50-80% AMI)	25%	84				
Moderate Income (>80-100% AMI)	50%	168				
High Income (>100-120% AMI)	8%	28				
Very High Income (>120% AMI)	0%	0				
Subtotal Moderate Density		337		0		0

Sources: City of Mercer Island, 2025; CoStar, 2025; Zillow, 2025; Redfin, 2025; Individual Property Websites, 2025; Community Attributes Inc, 2026.

**Table 19. Mercer Island Low-Rise Zone Category Distribution of Capacity
by Affordability Level**

Affordability Level	Market Rate		Externally Subsidized		Internally Subsidized	
	Capacity		Capacity		Capacity	
	% of Capacity	Units	% of Capacity	Units	% of Capacity	Units
Low-Rise (walk-up apartments, condos, PSH (2-3 floors))						
Low-Rise Total Planned Capacity		535				
Extremely Low Income (0-30% AMI incl. PSH)	0%	0	0%	2		
Very Low Income (>30-50% AMI)	5%	28	0%	2		
Low Income (>50-80% AMI)	57%	306	2%	9		
Moderate Income (>80-100% AMI)	26%	139	2%	13		
High Income (>100-120% AMI)	5%	28	1%	8		
Very High Income (>120% AMI)	0%	0	0%	0		
Subtotal Low-Rise		501		34		0
Low-Rise (TC Zones)						
Low-Rise Total Planned Capacity		0				0
Extremely Low Income (0-30% AMI incl. PSH)	0%	0	0%	0	0%	0
Very Low Income (>30-50% AMI)	5%	0	0%	0	0%	0
Low Income (>50-80% AMI)	57%	0	2%	0	95%	0
Moderate Income (>80-100% AMI)	26%	0	2%	0	5%	0
High Income (>100-120% AMI)	5%	0	1%	0	0%	0
Very High Income (>120% AMI)	0%	0	0%	0	0%	0
Subtotal Low-Rise		0		0		0

Sources: City of Mercer Island, 2025; CoStar, 2025; Zillow, 2025; Redfin, 2025; Individual Property Websites, 2025; Community Attributes Inc, 2026.

Table 20. Mercer Island Mid-Rise and ADU Zone Category Distribution of Capacity by Affordability Level

Affordability Level	Market Rate		Externally Subsidized		Internally Subsidized	
	Capacity		Capacity		Capacity	
	% of Capacity	Units	% of Capacity	Units	% of Capacity	Units
Mid-Rise (apartments, condos, PSH (4-6 floors))						
Mid-Rise Total Planned Capacity		0				
Extremely Low Income (0-30% AMI incl. PSH)	0%	0	0%	0		
Very Low Income (>30-50% AMI)	7%	0	0%	0		
Low Income (>50-80% AMI)	72%	0	2%	0		
Moderate Income (>80-100% AMI)	14%	0	2%	0		
High Income (>100-120% AMI)	2%	0	1%	0		
Very High Income (>120% AMI)	0%	0	0%	0		
Subtotal Mid-Rise		0		0		0
Mid-Rise (TC Zones)						
Mid-Rise Total Planned Capacity		1,527				171
Extremely Low Income (0-30% AMI incl. PSH)	0%	0	0%	5	0%	0
Very Low Income (>30-50% AMI)	7%	103	0%	5	95%	162
Low Income (>50-80% AMI)	72%	1,092	2%	27	5%	9
Moderate Income (>80-100% AMI)	14%	207	2%	38	0%	0
High Income (>100-120% AMI)	2%	27	1%	21	0%	0
Very High Income (>120% AMI)	0%	0	0%	0	0%	0
Subtotal Mid-Rise		1,430		97		171
ADUs						
ADU Total Planned Capacity		239				
Extremely Low Income (0-30% AMI incl. PSH)	0%	0				
Very Low Income (>30-50% AMI)	14%	34				
Low Income (>50-80% AMI)	72%	171				
Moderate Income (>80-100% AMI)	7%	17				
High Income (>100-120% AMI)	7%	17				
Very High Income (>120% AMI)	0%	0				
Subtotal ADUs		239		0		0
Total Units		2,862		131		171

Sources: City of Mercer Island, 2025; CoStar, 2025; Zillow, 2025; Redfin, 2025; Individual Property Websites, 2025; Community Attributes Inc, 2026.

Housing Needs and Capacity Surplus and Deficit

The final step summarizes total housing units by affordability level and compares that to the allocated need by affordability level (**Table 21**). The result identifies affordability levels that require new subsidies or incentives through adequate provisions. Capacity is not calculated for the extremely low income (0-30% PSH) category, because capacity for PSH units are generated through a separate set of policies.

Table 21. Mercer Island Housing Unit Capacity

Affordability Level	Zone Categories Serving These Needs	Market Rate Housing Capacity (Units)	Externally Subsidized Housing Capacity (Units)	Internally Subsidized Housing Capacity (Units)	Total Housing Capacity (Units)
Extremely Low Income (0-30% AMI PSH)	Low-Rise, Mid-Rise	0	0	0	0
Extremely Low Income (0-30% AMI excl. PSH)	Low-Rise, Mid-Rise	0	7	0	7
Very Low Income (>30-50% AMI)	Low-Rise, Mid-Rise	220	7	162	390
Low Income (>50-80% AMI)	Moderate Density, Low-Rise, Mid-Rise, ADUs	1,654	36	9	1,698
Moderate Income (>80-100% AMI)	Moderate Density, Low-Rise, Mid-Rise, ADUs	532	51	0	583
High Income (>100-120% AMI)	Moderate Density, Low-Rise, Mid-Rise	101	29	0	130
Very High Income (>120% AMI)	Low Density	356	0	0	356
Total		2,862	131	171	3,164

Sources: City of Mercer Island, 2025; CoStar, 2025; Zillow, 2025; Redfin, 2025; Individual Property Websites, 2025; Community Attributes Inc, 2026.

Overall, the analysis shows that Mercer Island has sufficient or surplus capacity to meet allocated housing need for households earning above 30% AMI, with particularly large surpluses in the low-income (50–80% AMI), moderate-income (80–100% AMI), and higher-income categories. Otherwise, there are deficits in the extremely low-income category excluding PSH (0–30% AMI). The analysis identifies approximately **510 housing units** that would require **new subsidies or incentives**, concentrated in the extremely low income category. While current zoning and incentive programs are sufficient to meet moderate- and higher-income housing needs, **additional tools and investments will be required to address housing affordability gaps for households earning below 30% of AMI.**

Table 22. Mercer Island Housing Units Requiring New Subsidies or Incentives

Affordability Level	Zone Categories Serving These Needs	Allocated Housing Need (Units)	Total Housing Capacity (Units)	Mercer Island Capacity Surplus or Deficit (Units)	Units Requiring New Subsidies or Incentives
Extremely Low Income (0-30% AMI PSH)	Low-Rise, Mid-Rise	178	0	(178)	(178)
Extremely Low Income (0-30% AMI excl. PSH)	Low-Rise, Mid-Rise	339	7	(332)	(332)
Very Low Income (>30-50% AMI)	Low-Rise, Mid-Rise	202	390	188	0
Low Income (>50-80% AMI)	Moderate Density, Low-Rise, Mid-Rise, ADUs	473	1,698	1,225	0
Moderate Income (>80-100% AMI)	Moderate Density, Low-Rise, Mid-Rise, ADUs	0	583	583	0
High Income (>100-120% AMI)	Moderate Density, Low-Rise, Mid-Rise	0	130	130	0
Very High Income (>120% AMI)	Low Density	0	356	356	0
Total		1,192	3,164	1,972	(510)

Sources: City of Mercer Island, 2025; CoStar, 2025; Zillow, 2025; Redfin, 2025; Individual Property Websites, 2025; Community Attributes Inc, 2026.

POLICY IMPLICATIONS AND OPTIONS

The land capacity analysis presented in this report includes findings with direct implications for Mercer Island's zoning framework and the programmatic and financial tools the City must deploy to accommodate households at the lowest income levels. This section synthesizes those findings and presents recommendations for adequate provisions. These include policies and programs required to complement zoning capacity in meeting the City's full housing need allocation.

What the Market Has and Has Not Produced

An important finding of this analysis is the distinction between what the market can reasonably be expected to produce through new development and what requires active public intervention. Based on a review of comparable rent data from the ARCH-area market, including Bellevue, Kirkland, Redmond, and Sammamish, the analysis finds that market-rate multifamily development in Mercer Island does not produce units affordable to households earning below 30% of AMI. This is not a function of insufficient zoning capacity; it is a function of development economics. The potential rental revenue from units at that affordability level does not cover the debt service on construction costs, even in mid-rise wood-frame buildings. Upzoning cannot compensate for this.

The picture is more nuanced at the 30–50% AMI level. The market does produce a modest share of units in this range, reflecting the lower end of what mid-rise rental development can achieve without subsidy in this submarket. It produces units affordable to households earning between 50% and 80% of AMI in greater volume, more than 76% of mid-rise rent comparables, built in recent years in the ARCH market area, fall within this range. Additionally, units affordable to households earning 80–120% of AMI are produced in both low-rise and mid-rise multifamily zones. Low-density and moderate-density zones serve households earning above 120% of AMI. The implication is that the City's remaining housing allocation is concentrated in housing units where market production fails. The 517 units needed for households earning below 30% of AMI (including 178 PSH units) represent a gap that cannot be closed by changes to zoning alone.

In total, Phase 1 upzones, consolidating Town Center to 8 stories at FAR 5.0 and establishing the TCMF zone at 6 stories and FAR 4.5, are estimated to produce total capacity of approximately 3,164 units across all zone categories and affordability levels. The analysis projects that upzoning and an incentive or inclusionary zoning program eliminates capacity deficits at affordability levels above 30% of AMI. The remaining deficit of approximately 510 units at the 0–30% AMI level represents the gap that requires additionally programmatic intervention.

The analysis detailed above indicates that the market likely will not produce housing units at 0% to 30% of AMI. City intervention will be necessary to induce the development of the 510 unit deficit at this affordability level. Any City intervention or policy response intended to remove barriers to the construction of these units counts toward what HB 1220 refers to as “adequate provisions”. Potential barriers to address include funding gaps, challenging development regulations, lot or land availability, or procedural obstacles.

Identified Barriers

In conjunction with this land capacity analysis, City staff prepared a Barriers Analysis (Version 1.0, March 2026) documenting programs and actions needed to achieve housing availability, as required by RCW 36.70A.070(2)(d)(ii) and Commerce guidance. The analysis follows the three-step framework recommended by Commerce: reviewing housing production trends to determine whether barriers exist, identifying the nature of those barriers, and documenting the programs and actions the City intends to take to overcome them.

Reviewing Housing Production Trends

The production trend analysis found that historical average annual production of low- to mid-rise multifamily housing is 53.8 units per year between 2006 and 2024. This falls below the 60.35 units per year needed to meet allocated need over the 20-year planning period, confirming the existence of a production barrier for this housing type. For sub-market rate housing at all income levels below 50% of AMI, no units have been produced through the City's regulatory programs, confirming barriers across all deeply affordable housing types. The analysis estimates that full delivery of the City's sub-market rate housing need would require between \$487.6 million and \$573.6 million over the planning period. This is a funding gap that the fee-in-lieu program and land disposition strategy described in this report are designed to begin addressing.

Barriers Review

The full barriers review, documented in Appendix A of the Barriers Analysis, evaluates potential regulatory, process, and land supply barriers across four housing types. This includes moderate density / middle housing, low- to mid-rise multifamily and mixed-use, PSH and emergency housing, and ADUs.

For moderate density housing and ADUs, most potential barriers have been substantially addressed through recent development code amendments adopted in 2025. Ordinance No. 25C-02 implementing HB 1110 (middle housing) and HB 1337 (ADU) requirements. Ordinance No. 25C-27 streamlining permit review timelines and establishing clear and objective design standards consistent with SB 5290 and SB 1293. Ordinance No. 25C-14 reassigning design review from the Design Commission to the Hearing Examiner.

For low- to mid-rise multifamily and mixed-use development, active barriers remain in the form of maximum density limits, height limits, setbacks, lot coverage standards, and parking requirements in the multifamily zones immediately adjacent to Town Center. All of which are directly addressed by the Phase 1 upzoning and affordable housing parking standard amendments recommended in this report. SEPA review was also identified as a process barrier, to be addressed through an ODNs policy directing the SEPA Official to use the optional determination of nonsignificance process where appropriate.

For PSH and emergency housing, barriers related to spacing requirements, conditional use permits, and operational standards have been identified. These barriers are proposed to be addressed through adoption of permanent STEP housing regulations concurrent with the Comprehensive Plan update.

Funding Tools Review

Appendix B of the Barriers Analysis inventories the full range of optional affordable housing funding tools available under state law and documents the City's current implementation status and plans for each. Several tools, including the Real Estate Excise Tax 2 option and the Affordable Housing Sales Tax Credit, are no longer available due to elapsed deadlines. The affordable housing property tax levy would require voter approval which may be an obstacle to implementation and the lodging tax is not viable in Mercer Island because there are currently no hotels or motels located in the City.

The City currently waives 80% of school, parks, and transportation impact fees for qualifying affordable housing developments and maintains its contribution to ARCH general funds, budgeted at \$133,405 in 2026. The primary new funding tools being recommended for implementation with this report are the fee-in-lieu program described in the preceding section, and the surplus public land dedication. Permit fee waivers, additional parking reductions or study, and MFTE are each under consideration for future implementation. MFTE adoption is anticipated during Phase 2 of the Station Area Plan process.

Adequate Provisions for Affordable Housing

To address the barriers identified above, the City has identified two policy responses: Mandatory Inclusionary Zoning with a Fee in Lieu and Land Disposition.

Mandatory Inclusionary Zoning with Fee In Lieu

Issue 2 from the GMHB Order identified that the City must perform additional analysis to document how adequate provisions will result in the City meeting its housing needs at all housing affordability levels over the 20-year planning horizon. The GMHB Order called out the City's Incentive Zoning program and indicated that the City had not provided sufficient evidence that the program would produce affordable units at the required affordability levels, given the voluntary nature of the program.

To address these requirements, the City will need to adopt a **mandatory inclusionary zoning (IZ) program** that requires a set percentage of housing units to be income-restricted affordable housing. These requirements will replace the existing Incentive Zoning program in the Town Center. The inclusionary zoning requirement is a mandatory provision, rather than a voluntary incentive-based regulation. The program would require all new development that includes residential units, within the reconfigured TC and MF-2 zones, to provide the required affordable units. The City can reliably estimate the likely production of affordable units because the program is mandatory. This will document the expected effect of the new program on

addressing the City's affordable housing needs as required in the GMHB Order.

The recommended program parameters are as follows. All new residential development in applicable zones would be required to set aside 10% of units as affordable at 50% of AMI for rental housing or 80% of AMI for ownership housing. This requirement is calibrated based on two considerations.

First, the Affordable Housing Nexus Study calculated the maximum supportable affordable housing requirements for the three development prototypes analyzed, a 7-story mixed-use building, a 5-story mixed-use building, and a 4-story primarily residential building. The study found that a maximum supportable affordable housing requirement ranges from 13.1% to 16.4% of units, meaning a 10% requirement is within the supportable range.

Second, a review of comparable programs in the region confirms that 10% at 50% AMI is aligned with or more demanding than most peer jurisdictions. Kirkland requires 10% at 50% AMI for rental in most zones. Redmond and Sammamish require 10% at 80% AMI. While Mercer Island's current incentive zoning requires 15% at 50% AMI, the recommended IZ program is set at 10% in recognition of the maximum supportable performance requirements documented in the Nexus Study and the importance of not inadvertently suppressing the development that generates affordable units.

The inclusionary program is projected to produce as many as 171 income-restricted units at 30–80% of AMI over the planning period, assuming 100% on-site performance, directly reducing the City's capacity deficit in those income bands.

The Nexus Study evaluated the maximum in-lieu fee supportable by three prototype development types and found that fees in the range of \$30–\$37 per square foot of gross floor area represent the maximum that can be justified relative to the affordable housing demand generated by new market-rate development. Based on review of regional programs and feasibility analysis, at approximately \$35 per square foot, the return metrics between the fee option and 10% on-site performance are comparable. At \$25 per square foot, the in-lieu fee is more favorable to developers.

Setting the in-lieu fee within the range of \$25–\$30 per square foot is recommended. This range is below the maximum supportable level, is competitive with regional programs, and is structured to encourage participation in the fee program rather than on-site performance. Encouraging participation in the fee program will provide fee revenue to the City's housing fund that can be used to support development of 0-30% AMI units, directly addressing Mercer Island's gap in affordable housing production.

For context, Seattle's MHA program has generated over \$330 million in in-lieu fees since 2017, producing 4,585 subsidized units. Only 505 units were created through the performance option. The majority (90%) of production flowed through the fee pathway.

Modeling based on a \$25 per square foot fee, an average unit size of 1,060 square feet, and an assumed 100% developer election of the fee pathway projects total in-lieu fee revenue of approximately \$30.7 million over the planning period. This revenue can be leveraged with ARCH trust fund contributions, Low Income Housing Tax Credits, state housing grants, and low-interest loans, at a loan-to-cost ratio of 65–75%.

This revenue could support the direct delivery of as many as 170–200 units of extremely low-income housing units. This would reduce the remaining 0–30% AMI gap from approximately 510 units to roughly 310–340 units. Developer decisions between on-site performance and payment of the in-lieu fee will determine the revenue available to support direct delivery of units serving 0–30% AMI levels compared to on-site provision of housing units serving 30–50% AMI levels. The City would need to pursue additional adequate provisions to address the remaining gap. This includes offering public land for affordable housing development, deepening partnership with ARCH and regional nonprofit developers, and pursuing state and federal capital sources.

Land Dedication or Disposition

This intervention relies on partnerships with ARCH and/or other non-profit housing developers. The City intends to inventory current and prospective sites that are publicly owned, or that could be acquired, for the purposes of developing affordable housing units affordable to extremely low-income households. These sites would be offered to an affordable housing developer at below-market or no cost on the condition that the developer provides a specified number of housing units at 30% of AMI or less. Land dedication or disposition improves the economic feasibility of affordable housing development by removing the need for affordable housing developers to pay market value for their land.

To provide for the entirety of the remaining gap in extremely low income units, the City would need to identify approximately three acres of land for future affordable housing development. This assumes that the affordable housing is delivered in mid-rise multifamily buildings of a similar intensity to the current development pattern in Town Center. This quantity of land would be sufficient to accommodate 310 to 340 units at 0% to 30% of AMI, after accounting for units produced through the inclusionary zoning program.

Other Tools Considered

In addition to the tools identified above to support the production of housing units affordable at the deepest levels in the near term, Mercer Island has also reviewed a number of other programmatic and financial tools and is considering some of them, such as MFTE, permit fee waivers, and parking reductions, as possible supporting mechanisms for the production of units affordable to income levels above 30% that could be adopted as part of a Phase 2 of the phased approach outlined in this report.

Parking Reductions

Parking requirement reductions are sometimes proposed as a cost-reduction tool to improve affordable housing feasibility. While parking reductions do meaningfully reduce per-unit construction costs, particularly in structured parking contexts, they are insufficient in isolation to bring 0–30% AMI units into feasibility. The gap between market rents and the revenue needed to service construction debt at that affordability level is at a magnitude that parking savings alone cannot bridge.

In the Mercer Island Comp Plan Barriers Analysis, (Appendix A, Table A.2. Low- to Mid-Rise Multifamily and Mixed-Use Housing Barrier Analysis) the City indicates that it believes that parking requirements could be a barrier to low- to mid-rise multifamily and mixed-use housing, and that it will consider parking requirement amendments during both phases of their phased approach to Station Area compliance with HB 1491 by the deadline (and that this consideration will likely include a parking study).

Fee Waivers

Similarly, fee waivers can have a positive impact on the economic feasibility of affordable housing development. However, their impact on the financial performance of most development projects is not sufficient to reach extremely deep levels of affordability, and research revealed no instances where fee waivers alone produced units at or below 30% of AMI.

Mercer Island currently waives 80% of school, parks, and transportation impact fees for affordable housing development in the city. Appendix B of its Barriers Analysis indicates that the City will additionally consider permit fee waivers during future implementation following adoption of the Comprehensive Plan.

Multifamily Tax Exemption (MFTE)

The Multifamily Tax Exemption (MFTE) program, available under RCW 84.14, provides a property tax exemption on the residential improvement value of qualifying multifamily development in exchange for renting a share

of units at income-restricted rates, typically 20% of units at 80% AMI or below. While MFTE has been used effectively in some markets to produce units in the 50–80% AMI range, there is no evidence in Washington State of an MFTE program successfully producing units at 30% of AMI. The program's affordability floor is too high, and the economics of developing income-restricted units at that depth are not meaningfully improved by a property tax exemption alone.

While Mercer Island has not yet adopted an MFTE, it could play a role in supporting 50–80% AMI production in Mercer Island's mid-rise zones, despite not addressing the City's affordability gap at 0-30% of AMI. In the City's Barriers Analysis, Appendix B, Mercer Island indicates that “An MFTE within the station area is planned to be considered during implementation of the Station Subarea Plan”.

Affordable Housing Levy

The City can consider revenue-generating tools such as an affordable housing property tax levy under RCW 84.52.105 or a housing services sales tax increment under RCW 82.14.530. These tools can generate capital when approved by voters, but the political context in Mercer Island, where a recent ballot measure did not succeed, makes these approaches uncertain in the near-term planning horizon. Based on this uncertainty, they are not recommended as primary adequate provisions for the purpose of GMHB compliance, though they merit continued consideration in the context of a longer-range funding strategy developed in coordination with ARCH.

Density Bonuses

Affordable housing density bonuses, allowing developers to exceed base zoning limits in exchange for affordable unit commitments, have been applied in various forms in the region. However, given that Phase 1 already proposes significant increases in base density in Town Center and Station Area Multifamily zones, and given that the GMHB found fault specifically with the City's reliance on incentive-based programs without demonstrated production, a density bonus program does not represent a defensible adequate provision for the 0–30% AMI gap without a much stronger empirical basis for production assumptions.

APPENDIX A: UPDATED BASELINE LCA

Updated land capacity analysis based on the current zoning context, reflecting changes adopted in 2024, including Town Center height limit increases, middle housing and ADU capacity, and permitted dwelling units since 2020. The methodology for this baseline land capacity analysis matches the approach used for the Phase 1 land capacity analysis. Tables where data is the same as the Phase 1 land capacity analysis are omitted in the following tables.

Table 23 within the zoning context shows the zoning context driving the buildable area by zone. **Table 24** shows the residential capacity by zones, estimated in total units.

Table 23. Buildable Area by Zone, Acres

Zoning Code	Vacant Acres	Redevelopable Acres	Land Supply Area (Acres)	Deductions	Buildable Area (Acres)
R-8.4	10.3	53.9	64.2	16.0%	53.9
R-9.6	14.8	74.2	89.0	16.0%	74.8
R-12	0.6	6.1	6.7	16.0%	5.6
R-15	37.5	96.3	133.8	16.0%	112.4
MF-2L	0.0	0.2	0.2	23.5%	0.2
MF-2	0.6	1.5	2.1	23.5%	1.6
MF-3	0.0	56.9	56.9	23.5%	43.5
PBZ-Residential	0.0	0.0	0.0	8.5%	0.0
TCMF-3	0.0	1.0	1.0	13.5%	0.8
TCMF-4	0.0	0.0	0.0	13.5%	0.0
TC-3	0.0	14.1	14.1	13.5%	12.2
TC-5	0.0	7.8	7.8	13.5%	6.7
TC-5 Plus	0.0	1.7	1.7	13.5%	1.5
TC-7	0.6	2.6	3.3	13.5%	2.8
Total	64.5	316.1	380.6		316.0

Sources: City of Mercer Island, 2026; Community Attributes Inc., 2026.

Table 24. Residential Capacity by Zone, Units

Zoning Code	Buildable Area (Acres)	Assumed Density (DU/Acre)	Initial Residential Capacity (Units)	Existing Units on Redevelopable Parcels	Final Residential Capacity (Units)
R-8.4	53.9	4.6	250	161	89
R-9.6	74.8	4.6	346	199	147
R-12	5.6	3.3	19	10	9
R-15	112.4	2.6	295	184	111
MF-2L	0.2	26.0	4	5	0
MF-2	1.6	22.7	36	101	0
MF-3	43.5	26.0	1,132	597	535
PBZ-Residential	0.0	6.1	0	0	0
TCMF-3	0.8	100.6	83	94	0
TCMF-4	0.0	134.2	0	0	0
TC-3	12.2	100.6	1,224	841	383
TC-5	6.7	134.2	900	896	4
TC-5 Plus	1.5	200.0	301	233	68
TC-7	2.8	200.0	562	350	212
Total	316.0		5,151	3,671	1,557

Sources: City of Mercer Island, 2026; Community Attributes Inc., 2026.

Table 25 and Table 26 in Capacity Calculations show middle housing and ADU capacity.

Table 25. Combined Residential Development Capacity by Zone, Housing Units

Zoning Code	Baseline Final Residential Capacity	New Middle Housing Capacity	ADU Capacity (All Zones)	Total Residential Capacity
R-8.4	89	84		173
R-9.6	147	111		257
R-12	9	9		18
R-15	111	133		244
MF-2L	0			0
MF-2	0			0
MF-3	535			535
PBZ-Residential	0			0
TCMF-3	0			0
TCMF-4	0			0
TC-3	383			383
TC-5	4			4
TC-5 Plus	68			68
TC-7	212			212
ADUs			239	239
Total	1,557	337	239	2,133

Sources: City of Mercer Island, 2026; Department of Commerce, 2025; Community Attributes Inc., 2026.

Table 26. Mercer Island Zoning Category Classifications

Zone Code	Typical Housing Types Allowed	Assumed Density (DU/Ac)	Assigned Zone Category
R-15	Detached single-family homes	2.6	Low Density
R-15	Townhomes, duplex, triplex, quadplex, courtyard apts., stacked	8.7	Moderate Density/Middle Housing
R-12	Detached single-family homes	3.3	Low Density
R-12	Townhomes, duplex, triplex, quadplex, courtyard apts., stacked	10.9	Moderate Density/Middle Housing
R-9.6	Detached single-family homes	4.6	Low Density
R-9.6	Townhomes, duplex, triplex, quadplex, courtyard apts., stacked	13.6	Moderate Density/Middle Housing
R-8.4	Detached single-family homes	4.6	Low Density
R-8.4	Townhomes, duplex, triplex, quadplex, courtyard apts., stacked	15.6	Moderate Density/Middle Housing
MF-2L	Walk-up apartments or condominiums (up to 2 floors)	26.0	Low-Rise
MF-2	Walk-up apartments or condominiums (up to 3 floors)	22.7	Low-Rise
MF-3	Walk-up apartments or condominiums (up to 3 floors)	26.0	Low-Rise
TCMF-3	Walk-up apartments or condominiums (up to 3 floors)	100.6	Low-Rise
TCMF-4	Apartments, condominiums in buildings with 4-6 floors	134.2	Mid-Rise
TC-3	Walk-up apartments or condominiums (up to 3 floors)	100.6	Low-Rise
TC-5	Apartments, condominiums in buildings with 4-6 floors	134.2	Mid-Rise
TC-5 Plus	Apartments, condominiums in buildings with 7+ floors	200.0	Mid-Rise
TC-7	Apartments, condominiums in buildings with 7+ floors	200.0	Mid-Rise

Sources: City of Mercer Island, 2026; Department of Commerce, 2025; Community Attributes Inc., 2026.

Affordability Level Assumptions documents the distribution of housing units by affordability level and zone categories in **Table 27**, **Table 28**, **Table 29**, and **Table 30**. Analysis for the baseline land capacity analysis is modeled after the City of Mercer Island’s incentive zoning program rather than an inclusionary program. The incentive zoning program has the same parameters as the proposed inclusionary program and the height bonus is assumed to be a significant enough incentive to result in 100% participation.

Table 27. Mercer Island Capacity by Zone and Zone Category

Zoning Code and Category	Unit Capacity	Incentive Zoning Affordable Capacity	Incentive Zoning Market Rate Capacity	Capacity Excluding TC Zones
Low Density				
R-15	111			111
R-12	9			9
R-9.6	147			147
R-8.4	89			89
Low Density Subtotal	356			356
Moderate Density				
R-15 Middle Housing	133			133
R-12 Middle Housing	9			9
R-9.6 Middle Housing	111			111
R-8.4 Middle Housing	84			84
Moderate Density	337			337
Low-Rise				
MF-2L	0			0
MF-2	0			0
MF-3	535			535
TCMF-3	0			0
TC-3	383	58	325	0
Low-Rise Subtotal	918	58	325	535
Mid-Rise				
TCMF-4	0			0
TC-5	4	1	3	0
TC-5 Plus	68	11	57	0
TC-7	212	32	180	0
Mid-Rise Subtotal	284	44	240	0
ADUs				
ADUs	239			239
Total	2,133	102	565	1,466

Sources: City of Mercer Island, 2025; CoStar, 2025; Community Attributes Inc, 2026.

**Table 28. Mercer Island Low Density and Moderate Density Zone Category
Distribution of Capacity by Affordability Level**

Affordability Level	Market Rate Capacity		Externally Subsidized Capacity		Internally Subsidized Capacity	
	% of Capacity	Units	% of Capacity	Units	% of Capacity	Units
Low Density (Detached Single-Family Homes)						
Low Density Total Planned Capacity		356				
Extremely Low Income (0-30% AMI incl. PSF)	0%	0				
Very Low Income (>30-50% AMI)	0%	0				
Low Income (>50-80% AMI)	0%	0				
Moderate Income (>80-100% AMI)	0%	0				
High Income (>100-120% AMI)	0%	0				
Very High Income (>120% AMI)	100%	356				
Subtotal Low Density		356		0		0
Moderate Density/Middle Housing (Townhomes, duplex, triplex, quadplex, courtyard, apts, stacked flats)						
Moderate Density Total Planned Capacity		337				
Extremely Low Income (0-30% AMI incl. PSF)	0%	0				
Very Low Income (>30-50% AMI)	17%	56				
Low Income (>50-80% AMI)	25%	84				
Moderate Income (>80-100% AMI)	50%	168				
High Income (>100-120% AMI)	8%	28				
Very High Income (>120% AMI)	0%	0				
Subtotal Moderate Density		337		0		0

Sources: City of Mercer Island, 2025; CoStar, 2025; Zillow, 2025; Redfin, 2025; Individual Property Websites, 2025; Community Attributes Inc, 2026.

**Table 29. Mercer Island Low-Rise Zone Category Distribution of Capacity
by Affordability Level**

Affordability Level	Market Rate Capacity		Externally Subsidized Capacity		Internally Subsidized Capacity	
	% of Capacity	Units	% of Capacity	Units	% of Capacity	Units
	Low-Rise (walk-up apartments, condos, PSH (2-3 floors))					
Low-Rise Total Planned Capacity		535				
Extremely Low Income (0-30% AMI incl. PSH)	0%	0	0%	2		
Very Low Income (>30-50% AMI)	5%	28	0%	2		
Low Income (>50-80% AMI)	57%	306	2%	9		
Moderate Income (>80-100% AMI)	26%	139	2%	13		
High Income (>100-120% AMI)	5%	28	1%	8		
Very High Income (>120% AMI)	0%	0	0%	0		
Subtotal Low-Rise		501		34		0
Low-Rise (TC Zones)						
Low-Rise Total Planned Capacity		325				58
Extremely Low Income (0-30% AMI incl. PSH)	0%	0	0%	1	0%	0
Very Low Income (>30-50% AMI)	5%	17	0%	1	0%	0
Low Income (>50-80% AMI)	57%	186	2%	6	95%	55
Moderate Income (>80-100% AMI)	26%	85	2%	8	5%	3
High Income (>100-120% AMI)	5%	17	1%	5	0%	0
Very High Income (>120% AMI)	0%	0	0%	0	0%	0
Subtotal Low-Rise		304		21		58

Sources: City of Mercer Island, 2025; CoStar, 2025; Zillow, 2025; Redfin, 2025; Individual Property Websites, 2025; Community Attributes Inc, 2026.

Table 30. Mercer Island Mid-Rise and ADU Zone Category Distribution of Capacity by Affordability Level

Affordability Level	Market Rate Capacity		Externally Subsidized Capacity		Internally Subsidized Capacity	
	% of Capacity	Units	% of Capacity	Units	% of Capacity	Units
Mid-Rise (apartments, condos, PSH (4-6 floors))						
Mid-Rise Total Planned Capacity		0				
Extremely Low Income (0-30% AMI incl. PSH)	0%	0	0%	0		
Very Low Income (>30-50% AMI)	7%	0	0%	0		
Low Income (>50-80% AMI)	72%	0	2%	0		
Moderate Income (>80-100% AMI)	14%	0	2%	0		
High Income (>100-120% AMI)	2%	0	1%	0		
Very High Income (>120% AMI)	0%	0	0%	0		
Subtotal Mid-Rise		0		0		0
Mid-Rise (TC Zones)						
Mid-Rise Total Planned Capacity		240				44
Extremely Low Income (0-30% AMI incl. PSH)	0%	0	0%	1	0%	0
Very Low Income (>30-50% AMI)	7%	16	0%	1	95%	42
Low Income (>50-80% AMI)	72%	172	2%	4	5%	2
Moderate Income (>80-100% AMI)	14%	33	2%	6	0%	0
High Income (>100-120% AMI)	2%	4	1%	3	0%	0
Very High Income (>120% AMI)	0%	0	0%	0	0%	0
Subtotal Mid-Rise		225		15		44
ADUs						
ADU Total Planned Capacity		239				
Extremely Low Income (0-30% AMI incl. PSH)	0%	0				
Very Low Income (>30-50% AMI)	14%	34				
Low Income (>50-80% AMI)	72%	171				
Moderate Income (>80-100% AMI)	7%	17				
High Income (>100-120% AMI)	7%	17				
Very High Income (>120% AMI)	0%	0				
Subtotal ADUs		239		0		0
Total Units		1,961		70		102

Sources: City of Mercer Island, 2025; CoStar, 2025; Zillow, 2025; Redfin, 2025; Individual Property Websites, 2025; Community Attributes Inc, 2026.

Table 31. Mercer Island Housing Unit Capacity

Affordability Level	Zone Categories Serving These Needs	Market Rate Housing Capacity (Units)	Externally Subsidized Housing Capacity	Internally Subsidized Housing Capacity	Total Housing Capacity (Units)
Extremely Low Income (0-30% AMI PSH)	Low-Rise, Mid-Rise	0	0	0	0
Extremely Low Income (0-30% AMI excl. PSH)	Low-Rise, Mid-Rise	0	4	0	4
Very Low Income (>30-50% AMI)	Low-Rise, Mid-Rise	150	4	42	196
Low Income (>50-80% AMI)	Moderate Density, Low-Rise, Mid-Rise, ADUs	919	19	57	996
Moderate Income (>80-100% AMI)	Moderate Density, Low-Rise, Mid-Rise, ADUs	442	27	3	472
High Income (>100-120% AMI)	Moderate Density, Low-Rise, Mid-Rise	95	15	0	110
Very High Income (>120% AMI)	Low Density	356	0	0	356
Total		1,961	70	102	2,133

Sources: City of Mercer Island, 2025; CoStar, 2025; Zillow, 2025; Redfin, 2025; Individual Property Websites, 2025; Community Attributes Inc, 2026.

Table 32. Mercer Island Housing Units Requiring New Subsidies or Incentives

Affordability Level	Zone Categories Serving These Needs	Allocated Housing Need (Units)	Mercer Island Capacity Surplus or Deficit (Units)	Units Requiring New Subsidies or Incentives
Extremely Low Income (0-30% AMI PSH)	Low-Rise, Mid-Rise	178	(178)	(178)
Extremely Low Income (0-30% AMI excl. PSH)	Low-Rise, Mid-Rise	339	(335)	(335)
Very Low Income (>30-50% AMI)	Low-Rise, Mid-Rise	202	(6)	(6)
Low Income (>50-80% AMI)	Moderate Density, Low-Rise, Mid-Rise, ADUs	472	524	0
Moderate Income (>80-100% AMI)	Moderate Density, Low-Rise, Mid-Rise, ADUs	0	472	0
High Income (>100-120% AMI)	Moderate Density, Low-Rise, Mid-Rise	0	110	0
Very High Income (>120% AMI)	Low Density	0	356	0
Total		1,191	942	(519)

Sources: City of Mercer Island, 2025; CoStar, 2025; Zillow, 2025; Redfin, 2025; Individual Property Websites, 2025; Community Attributes Inc, 2026.

APPENDIX B: SUPPORTING ANALYSES AND DATA

Additional analysis was conducted to inform the Land Capacity Analysis. Included are the summaries of each additional analysis included in the Land Capacity Analysis.

- **Comp Rent Analysis** evaluates how market-rate rents across comparable Eastside and regional jurisdictions align with affordability thresholds by Area Median Income (AMI). The analysis provides the empirical basis for assigning market-rate housing capacity to affordability levels in subsequent modeling steps.
- **Unit Analysis** compiles data on the number of units within comparable regional jurisdictions to identify the distribution of market rate, market/affordable, and affordable units by building type.
- **Ownership Share Analysis** documents data on the distribution of rental and ownership units by building type based on regional jurisdictions.
- **Affordability Level Analysis** summarizes interim analysis serving the Affordability Level Assumptions.

Comp Rent Analysis

Analysis of the percentage of rents by AMI level relies on effective rent data by individual building sourced from CoStar, Zillow, Redfin, and individual property websites.

Table 33. Percentage of Mid-Rise Multifamily Rents by AMI Level, 2025

AMI Limit	Max Rent	Percent Mid-Rise Rents Less Than Limit	Percent Rents Within Limit
High Income (>100-120% AMI)	\$4,713	100%	2%
Moderate Income (>80-100% AMI)	\$3,928	98%	15%
Low Income (>50-80% AMI)	\$3,142	84%	76%
Very Low Income (30-50% AMI)	\$1,964	7%	7%
Extremely Low Income (0-30% AMI incl. PSH)	\$1,178	0%	0%

Sources: CoStar, 2025; Community Attributes Inc., 2026.

Notes: Based on individual building rent data for mid-rise multifamily units in Bellevue, Kirkland, Mercer Island, Redmond, and Sammamish built between 2016 and 2025.

Table 34. Percentage of High-Rise Multifamily Rents by AMI Level, 2025

AMI Limit	Max Rent	Percent High-Rise Rents Less Than Limit	Percent Rents Within Limit
High Income (>100-120% AMI)	\$4,713	70%	10%
Moderate Income (>80-100% AMI)	\$3,928	60%	30%
Low Income (>50-80% AMI)	\$3,142	30%	20%
Very Low Income (30-50% AMI)	\$1,964	10%	10%
Extremely Low Income (0-30% AMI incl. PSH)	\$1,178	0%	0%

Sources: CoStar, 2025; Community Attributes Inc., 2026.

Notes: Based on individual building rent data for high-rise multifamily units in Bellevue, Kirkland, Mercer Island, Redmond, and Sammamish built between 2010 and 2025.

Table 35. Percentage of Low-Rise Multifamily Rents by AMI Level, 2025

AMI Limit	Max Rent	Percent High-Rise Rents Less Than Limit	Percent Rents Within Limit
High Income (>100-120% AMI)	\$4,713	100%	6%
Moderate Income (>80-100% AMI)	\$3,928	94%	28%
Low Income (>50-80% AMI)	\$3,142	67%	61%
Very Low Income (30-50% AMI)	\$1,964	6%	6%
Extremely Low Income (0-30% AMI incl. PSH)	\$1,178	0%	0%

Sources: CoStar, 2025; Zillow, 2025; Redfin, 2025; Individual Property Websites, 2025; Community Attributes Inc., 2026.

Notes: Based on individual building rent data for low-rise multifamily units in Bellevue, Kirkland, Mercer Island, Redmond, and Sammamish built between 2000 and 2025.

Table 36. Percentage of Middle Housing Rents by AMI Level, 2025

AMI Limit	Max Rent	Percent Middle Housing Rents Less Than Limit	Percent Rents Within Limit
High Income (>100-120% AMI)	\$4,713	100%	8%
Moderate Income (>80-100% AMI)	\$3,928	92%	50%
Low Income (>50-80% AMI)	\$3,142	42%	25%
Very Low Income (30-50% AMI)	\$1,964	17%	17%
Extremely Low Income (0-30% AMI incl. PSH)	\$1,178	0%	0%

Sources: CoStar, 2025; Zillow, 2025; Redfin, 2025; Individual Property Websites, 2025; Community Attributes Inc., 2026.

Notes: Based on individual building rent data for low-rise multifamily units in Bellevue, Kirkland, Mercer Island, Redmond, Seattle, and Sammamish built between 2000 and 2025.

Table 37. Percentage of ADU Rents by AMI Level, 2025

AMI Limit	Max Rent	Percent ADU Rents Less Than Limit	Percent Rents Within Limit
High Income (>100-120% AMI)	\$4,713	100%	7%
Moderate Income (>80-100% AMI)	\$3,928	93%	7%
Low Income (>50-80% AMI)	\$3,142	86%	72%
Very Low Income (30-50% AMI)	\$1,964	14%	14%
Extremely Low Income (0-30% AMI incl. PSH)	\$1,178	0%	0%

Sources: CoStar, 2025; Zillow, 2025; Redfin, 2025; Individual Property Websites, 2025; Community Attributes Inc., 2026.

Notes: Based on individual building rent data for low-rise multifamily units in Bellevue, Kirkland, Mercer Island, Redmond, Seattle, and Sammamish built between 2000 and 2025.

Table 38. Percentage of Affordable Unit Rents by AMI Level, 2025

AMI Limit	Max Rent	Percent ADU Rents Less Than Limit	Percent Rents Within Limit
High Income (>100-120% AMI)	\$4,713	100%	6%
Moderate Income (>80-100% AMI)	\$3,928	94%	6%
Low Income (>50-80% AMI)	\$3,142	89%	28%
Very Low Income (30-50% AMI)	\$1,964	61%	39%
Extremely Low Income (0-30% AMI incl. PSH)	\$1,178	22%	22%

Sources: CoStar, 2025; Community Attributes Inc., 2026.

Notes: Based on individual building rent data for low-rise multifamily units in Bellevue, Kirkland, Mercer Island, Redmond, Seattle, and Sammamish built between 2010 and 2025.

Table 39. Percentage of Market/Affordable Unit Rents by AMI Level, 2025

AMI Limit	Max Rent	Percent ADU Rents Less Than Limit	Percent Rents Within Limit
High Income (>100-120% AMI)	\$4,713	100%	3%
Moderate Income (>80-100% AMI)	\$3,928	97%	9%
Low Income (>50-80% AMI)	\$3,142	88%	85%
Very Low Income (30-50% AMI)	\$1,964	3%	3%
Extremely Low Income (0-30% AMI incl. PSH)	\$1,178	0%	0%

Sources: CoStar, 2025; Community Attributes Inc., 2026.

Notes: Based on individual building rent data for low-rise multifamily units in Bellevue, Kirkland, Mercer Island, Redmond, Seattle, and Sammamish built between 2010 and 2025.

Unit Analysis

Unit analysis compiles data on housing units by building type and market and affordable classification. This analysis is used to identify the distribution of housing units by building type and market and affordable classification.

Table 40. Housing Units by Building Type and Market/Affordable Classification, 2025

Market/Affordable	Garden	Low-Rise	Mid-Rise	Hi-Rise	Total
Market	751	374	22,154	7,900	31,179
Market/Affordable	102	12	10,318	559	10,991
Affordable	58	379	2,492	0	2,929
Unknown	0	0	663	463	1,126
Total	911	765	35,627	8,922	46,225

Sources: CoStar, 2025; Community Attributes Inc., 2026.

Notes: Based on the number of units within Kirkland, Mercer Island, Redmond, and Sammamish.

Table 41. Distribution of Housing Units by Building Type and Market/Affordable Classification, 2025

Market/Affordable	Garden	Low-Rise	Mid-Rise	Hi-Rise	Total
Market	82%	49%	62%	89%	67%
Market/Affordable	11%	2%	29%	6%	24%
Affordable	6%	50%	7%	0%	6%
Unknown	0%	0%	2%	5%	2%
Total	100%	100%	100%	100%	100%

Sources: CoStar, 2025; Community Attributes Inc., 2026.

Ownership Share Analysis

Analysis of condo and rental units by city and building type is used to inform the assumed affordability limit for the inclusionary zoning and incentive zoning programs modeled in the phase 1 and baseline land capacity analysis.

Table 42. Ownership and Rental Units by Type and City, 2020-2025

City	Type	Condo Units	Rental Units	Total Units	Condo Share	Rental Share
Bellevue	Low-Rise	0	6	6	0%	100%
Kirkland	Low-Rise	65	135	200	33%	68%
Redmond	Low-Rise	0	0	0	N/A	N/A
Sammamish	Low-Rise	0	0	0	N/A	N/A
Mercer Island	Low-Rise	0	0	0	N/A	N/A
Low-Rise Subtotal		65	141	206	32%	68%
Bellevue	Mid-Rise	48	756	804	6%	94%
Kirkland	Mid-Rise	136	1,643	1,779	8%	92%
Redmond	Mid-Rise	0	3,969	3,969	0%	100%
Sammamish	Mid-Rise	0	0	0	N/A	N/A
Mercer Island	Mid-Rise	0	0	0	N/A	N/A
Mid-Rise Subtotal		184	6,368	6,552	3%	97%
Total		249	6,509	6,758	4%	96%

Sources: CoStar, 2025; Community Attributes Inc., 2026.

Affordability Level Analysis

Interim analysis relevant to the Affordability Level Analysis include analysis of the distribution of existing affordable units within market rate buildings by zone category and the distribution of market rate housing units by affordability level and zone category. These two tables are combined to determine the market rate housing allocation distribution by affordability level.

Low-density and moderate-density/middle housing zones, as well as ADUs, are assumed to produce exclusively market-rate units, consistent with prior City. Low-rise and mid-rise zones are assumed to include a modest level of affordability, reflecting observed outcomes in comparable jurisdictions and Mercer Island policy. In Town Center (TC) zones, an additional share of internally subsidized affordable units is assumed to reflect the City’s incentive zoning requirements, which mandate affordability tied to building height and tenure. High-rise zones are included for scenario analysis only and assume application of the same inclusionary zoning standards, despite such development not being currently permitted. Together, these assumptions define how total housing capacity is allocated between market-rate and affordable units by zone category.

Table 43. Distribution of Existing Affordable Units within Market Rate Buildings by Zone Category

Zone Category	Market Rate Units	Externally Subsidized Affordable Housing	Internally Subsidized Affordable Housing
Low Density	100%	0%	0%
Moderate Density/Middle	100%	0%	0%
Low-Rise	94%	6%	0%
Low-Rise (TCZones)	84%	6%	10%
Mid-Rise	94%	6%	0%
Mid-Rise (TCZones)	84%	6%	10%
High-Rise	100%	0%	0%
ADUs	100%	0%	0%

Sources: City of Mercer Island, 2026; CoStar, 2025; Community Attributes Inc., 2026.

Table 44 summarizes the assumed distribution of market-rate housing units by affordability level (percent of AMI) within each zone category, providing the basis for matching residential capacity to income levels in the land capacity analysis. Low-density zones are assumed to produce units exclusively affordable to very high-income households, consistent with prior City of Mercer Island analysis. Moderate density/middle housing, low-rise, mid-rise, high-rise, and ADU categories distribute market-rate units across a

broader range of income levels, reflecting observed rent patterns in comparable developments. These distributions are informed by analysis of comparable unit rents and differ by building typology, with moderate density and low-rise housing capturing a larger share of units affordable to low- and moderate-income households, while mid-rise and high-rise units skew toward higher income levels. ADUs show a relatively wide affordability spread but remain entirely market-rate. Together, these assumptions translate total market-rate capacity into income-specific affordability bands for subsequent housing need and capacity comparisons.

Table 44. Market Rate Housing Allocation Distribution by Affordability Level and Zone Category

Affordability Level/Zone Category	Low Density	Moderate Density/Middle Housing	Low-Rise	Mid-Rise	High-Rise	ADUs
Extremely Low Income (0-30% AMI incl. PSH)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Very Low Income (30-50% AMI)	0.0%	16.6%	5.5%	7.2%	10.0%	14.2%
Low Income (>50-80% AMI)	0.0%	25.0%	61.1%	76.4%	20.0%	71.5%
Moderate Income (>80-100% AMI)	0.0%	50.0%	27.8%	14.5%	30.0%	7.1%
High Income (>100-120% AMI)	0.0%	8.4%	5.6%	1.9%	10.0%	7.2%
Very High Income (>120% AMI)	100.0%	0.0%	0.0%	0.0%	30.0%	0.0%

Sources: City of Mercer Island, 2026; CoStar, 2025; Redfin, 2025; Zillow, 2025; Individual Property Websites, 2025; Community Attributes Inc., 2026.