



November 15, 2022

King County Growth Management Planning Council
201 S. Jackson St.
Seattle, WA 98104

RE: Comments on the King County housing needs allocation options

Dear Growth Management Planning Council,

The City of Mercer Island is actively participating in the process to implement E2SHB 1220 and we appreciate the opportunity to comment on the King County housing needs allocation options that are currently under consideration by the Growth Management Planning Council (GMPC).

The City supports a proactive, collaborative, and flexible approach to address housing needs at all income levels. We believe the right approach creates new tools, incentives, and revenues that cities can use to help increase regional housing supply and address affordability. We also support solutions that enhance already successful regional programs, such as *A Regional Coalition for Housing (ARCH)*, which has delivered affordable housing solutions in east King County since 1992.

Implementation

The City has been carefully considering the implementation of E2SHB 1220 and we are concerned that the result will be an extensive and expensive planning exercise that does not ultimately achieve the desired results. E2SHB 1220 sets a high bar, asking local jurisdictions to engage in a “moonshot” exercise to achieve the important and very difficult objective of solving the affordable housing crisis in our region over the next 20 years. It asks cities to become policy laboratories to formulate and test new approaches to plan for affordable housing.

The City of Mercer Island is not interested in becoming a policy laboratory, we are interested in effective solutions. We encourage the GMPC to carefully consider the housing need allocation methodology to ensure that final allocations are realistic and achievable. Likewise, additional tools, resources and revenues are necessary to supplement the limited resources currently available to cities.

We also encourage the GMPC to maintain local flexibility in determining how affordable housing targets are achieved. Each jurisdiction should be afforded the

opportunity to plan for its unique circumstances and to utilize the most effective tools that are available. Proven strategies such as the ARCH Housing Trust Fund must be included in the achievement of affordable housing targets. ARCH has a 30-year track record of success and will be a key player in the achievement of housing targets in East King County.

Preferred Housing Need Allocation Option

Mercer Island has followed the GMPC and Affordable Housing Committee (AHC) work related to implementation of E2SHB 1220 closely over the last several months. We commend the substantial effort that County staff have put into analyzing the guidance and countywide housing need numbers from the State Department of Commerce and developing the three housing need allocation options for consideration. While it still presents significant challenges in achieving the goal, Option 1 is the most realistic and achievable for Mercer Island, (see Table 1).

Table 1: Mercer Island Housing Needs Allocations Options

Income Segment	Option 1	Option 2	Option 3
0-30% AMI	520	1,288	542
31-50% AMI	194	1,015	200
51-80% AMI	87	1,459	489
81-100% AMI	58	311	1
101-120% AMI	65	25	1
120+% AMI	315	(2,858)	6
Total	1,239	1,240	1,239

Option 1 is the only option that allocates a reasonable number of market-rate units (> 100% AMI) to cities like Mercer Island. In addition, this option includes the most achievable targets for affordable housing in the lower income brackets (0-80% AMI) as compared to the other options. The City remains concerned, however, about achieving these results without substantial economic support, which is covered later in this letter.

Mercer Island does not support Option 2. This option would require 2,858 units of existing market rate housing to be converted to affordable housing in the 0-80% AMI income brackets, which represents approximately one quarter of the existing housing stock on Mercer Island. Acquiring and converting units at this scale would be impossible to achieve, especially given current housing costs.

While Option 3 is less objectionable than Option 2, there remain significant concerns. The primary issue with Option 3 is that it limits market-rate housing to a mere 7 units over the next 20 years. This is nonsensical and without millions (potentially billions) in resources, this strategy is simply not achievable.

Affordable Housing Committee Recommendation was Premature

On November 3, 2022, the Affordable Housing Committee of the GMPC (AHC) selected Option 3 as the preferred alternative. It was premature for the AHC to prepare this recommendation considering that the Department of Commerce is accepting comments on the housing need projections through November 11 and the

GMPC is taking feedback from its members on the three housing need allocation options through November 30. We believe a good process is informed by comprehensive outreach. Stakeholder input should be fully considered ahead of the committee recommendations.

Reconsider Methodology

The City of Mercer Island encourages the GMPC to reexamine the assumptions and methodology used by Commerce before recommending the jurisdictional allocations. Commerce's draft *Housing for All Planning Tool* aggregates housing needs at the county level and redistributes that need among cities. Redistributing housing needs across the County in broad strokes does not account for the existing unique housing needs in each individual jurisdiction and could prove very ineffective.

In addition, the GMPC must consider a reasonable allocation of market rate housing before finalizing the affordable housing targets.

Funding for Affordable Housing

Missing from this policy discussion is the economics of increasing the supply of affordable housing in Washington State. What will it take financially to achieve Statewide affordable housing goals? What are the economic factors that are the key to success? We don't know. This has not been studied yet on a statewide scale, but we can say for certain that the level of public investment required to subsidize production of affordable units is far beyond the reach of cities like Mercer Island.

The Mercer Island real estate market, like many areas in the Puget Sound, is experiencing record high property values. Affordable housing will not be built and sustained without a considerable investment in these programs. The City of Mercer Island simply does not have the resources to deliver affordable housing at the scale described in any of the options above.

Cities like Mercer Island have steadily contributed to affordable housing production through existing local tools such as height bonuses and multifamily tax exemptions. We need to maintain the leverage created by increased housing demand to ensure that affordable housing incentives continue to produce affordable housing units. Reducing the number of market rate housing units for which cities can plan runs the risk of limiting or eliminating the effectiveness of these incentives already proven to produce affordable housing units. We are very concerned this creates a plan with no realistic strategies for implementation.

Conclusion

Mercer Island's analysis of the E2SHB 1220 legislation is that it is deeply flawed. It lacks a comprehensive economic analysis and is not backed by the resources needed to achieve success. The City of Mercer Island urges the GMPC to engage State partners to avoid a multi-million-dollar planning exercise that fails to deliver on affordable housing and stops market-rate housing construction over the twenty-year planning horizon. Likewise, we also ask the GMPC to put further consideration into adopting Option 1 or in preparing a more balanced weighting methodology for

Option 3 to ensure that achievable targets are established for local planning and implementation.

We look forward to the continued engagement and thank you for considering our comments and feedback.

Sincerely,

Salim Nice
Mayor

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