



Comprehensive Plan Periodic Review  
AB 6385

## Housing Element – HB 1220 Implementation


January 2, 2024  
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# Purpose

To provide an overview of two reports needed to implement House Bill 1220 (HB 1220):

- Land Capacity Analysis Supplement (AB 6385 Ex. 1)
- Racially Disparate Impacts Evaluation (AB 6385 Ex. 2)

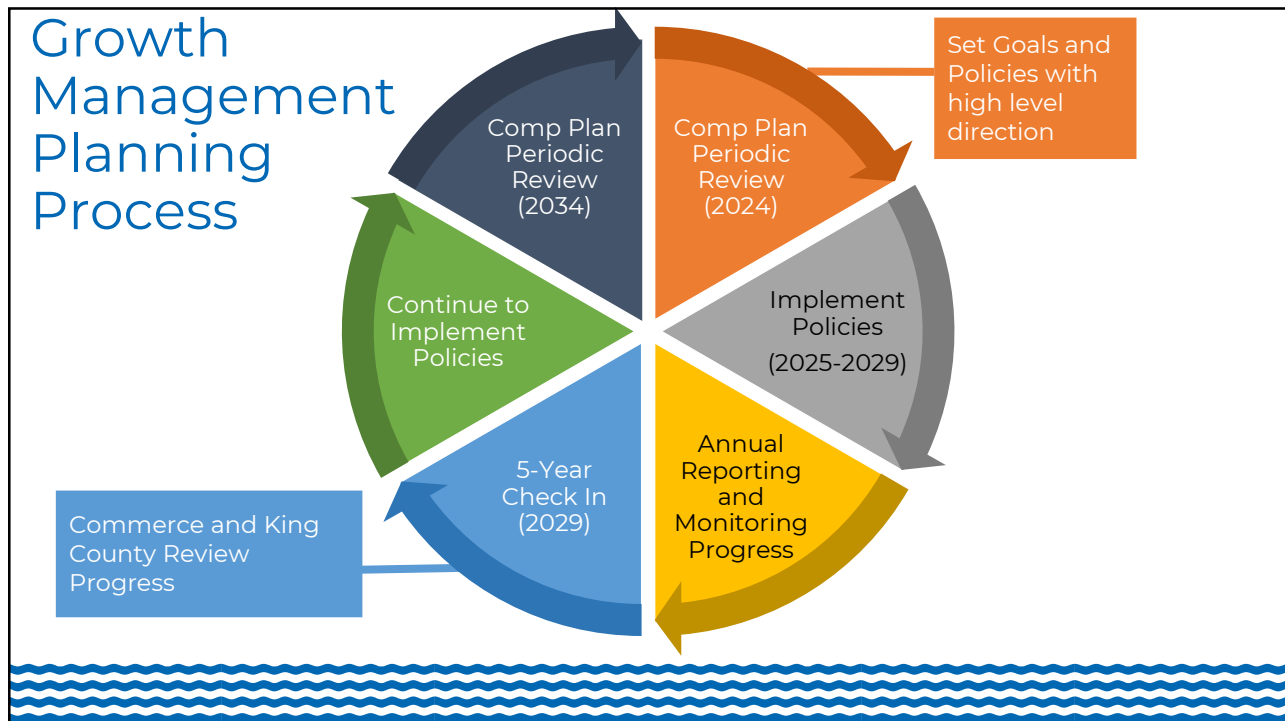


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# Agenda

- Background
- Racially Disparate Impacts (RDI) Evaluation
- Land Capacity Analysis (LCA) Supplement
- Overview of Options for Addressing Capacity Deficit
- Next Steps

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## House Bill 1220

- In 2021, the WA State Legislature enacted House Bill 1220 (HB 1220)
- HB 1220 amended the Growth Management Act (GMA) requirements for housing:
  - Must accommodate projected housing need at different income levels;
  - Housing policies must be reviewed for potential racially disparate impacts; and
  - New regulatory requirements for emergency housing and accessory dwelling units.

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## Commerce Guidance

- In 2023, Commerce issued guidance for addressing HB 1220;
- The guidance recommends two reports:
  - An evaluation of data and policies to examine racially disparate impacts, displacement, and exclusion in housing policies, and
  - A land capacity analysis to determine if there is adequate capacity for housing needs.

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## Scope of Work

- Comprehensive Plan Update scope of work set by Council in March 2022 ([Resolution No. 1621](#));
- Council approved supplemental scope of work July 2023 to include Housing Element work to account for new statewide requirements ([Resolution No. 1646](#)):
  - Evaluating racially disparate impacts (RDI), and
  - Supplemental Land Capacity Analysis (LCA) to evaluate capacity at different affordability levels.

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## What is a Racially Disparate Impact?

The WA Department of Commerce Guidance for complying with HB 1220 defines the “racially disparate impacts” as:

“When policies, practices, rules, or other systems result in a disproportionate impact on one or more racial groups.”

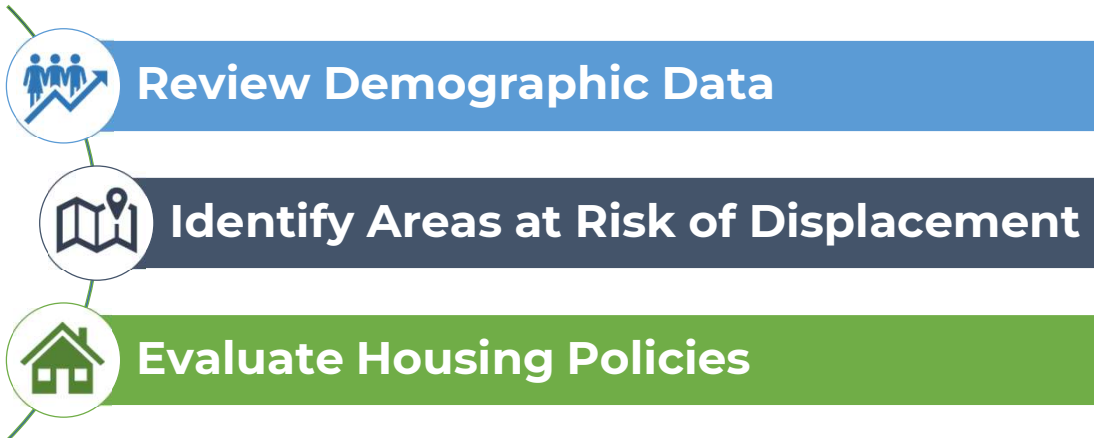
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## What is the Racially Disparate Impacts (RDI) Evaluation?

- Identifies policies that might have resulted in racially disparate impacts;
- Identifies potential policy amendments to address and begin to undo racially disparate impacts; and
- Identifies areas that may be at higher risk of displacement from market forces.

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## RDI Evaluation, 3 Steps:



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## Review Demographic Data

- The following racial groups are underrepresented by around one percentage point or more compared to King County:
  - Black or African American (6% in King County, 1% in Mercer Island);
  - Another race alone (5% in King County, 1% in Mercer Island); and
  - Two or more races (10.4% in King County, 9.6% in Mercer Island)(Exhibit 2.C).

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## Review Demographic Data

- More renting households are cost-burdened than homeownership households by a margin of 20 percentage points (Exhibit 21);
- Households of color are eight percentage points more likely than White households to be housing cost-burdened (Exhibit 22); and
- Black or African American households in Mercer Island are severely housing cost-burdened at more than double the rate of any other racial group (Exhibit 22).

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## Identify Areas at Risk of Displacement

**Displacement:** When a household is forced or pressured to move from their community by factors outside of their control.

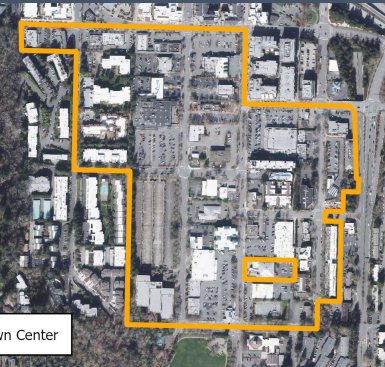
- Overall displacement risk is low (Exhibit 23).
- Characteristics of areas with displacement risk:
  - Higher proportion of renting households;
  - Greater share of older buildings; and
  - Multifamily and mixed-use zones.

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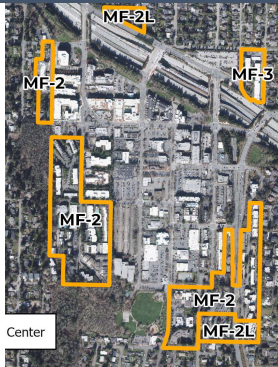


## Identify Areas at Risk of Displacement

South End of Town Center



Multifamily Zones Surrounding Town Center



Multifamily Zones East of Town Center



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## Evaluate Housing Policies

Based on Appendix A, the following policies will need to be reviewed and potentially amended during the Comprehensive Plan update:

**Housing Element** – Policies 1.1, 1.2, 1.4, 2.5, 2.7

**Land Use Element** – Goal 15, Policies 15.1, 15.2, 15.3, 15.4, 16.5, 30.6

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## RDI Evaluation – Next Steps

- Evaluation to be provided to Housing Work Group (HWG) for consideration as they work on the Housing Element.
- Public outreach:
  - Targeted survey of renting households;
  - Public can comment to PC throughout review of the draft Housing Element; and
  - Final draft Housing Element will be presented to the public during the Comprehensive Plan open house.

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## What is the LCA Supplement?

- The **LCA Supplement evaluates housing capacity at different affordability levels** based on Commerce guidance.
- Supplements the land capacity analysis in the King County Urban Growth Capacity (UGC) Report to determine whether the City needs to create additional residential capacity to accommodate affordable housing targets as established by HB 1220.
- Documentation that the Comprehensive Plan satisfies the Growth Management Act (GMA) housing element requirements.

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## Housing Need by Income Level

**Table 1. Mercer Island Housing Need.**

	Total	Income Level Relative To AMI							Emergency Housing <sup>3</sup>
		<30% Non-PSH <sup>1</sup>	PSH <sup>1</sup>	>30 to >50%	>50 to <80%	>80 to <100%	>100 to >120%	>120%	
New Units Needed	1,239	339	178	202	488	4	5	23	237

Source: [King County Ordinance 19660](#).

Notes:

1. Permanent Supportive Housing (PSH)
2. There was no PSH or emergency housing supply in the City in 2019.
3. Emergency Housing need is its own metric separate from the other housing need.

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## Housing Capacity: UGC Report

**Table 2. Housing Capacity By Zone Category.**

Zone Category	Density Range	Corresponding Zones	Net Residential Capacity
<b>Very Low Density</b>	2.6-3.3 dwellings/acre	R-15 and R-12	<b>120</b>
<b>Low Density</b>	4.6-6.1 dwellings/acre	R-9.6 and R-8.4	<b>235</b>
<b>Medium-Low Density</b>	22.7 dwellings/acre	MF-2L	<b>10</b>
<b>Medium-High Density</b>	26 dwellings/acre	MF-2 and MF-3	<b>535</b>
<b>High Density</b>	100.6-167 dwellings/acre	TC Zones	<b>528</b>
<b>Total</b>	-	-	<b>1,428</b>

Source: 2021 UGC Report.

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## Housing Affordability Without Subsidy

Housing Type	2022 Average Sale Price (Table 4) <sup>1</sup>	Average Monthly Cost (Table 5) <sup>2</sup>	Affordability Level As A Percent of AMI (Table 6) <sup>3</sup>
Single-Family Home	\$2,620,986	\$15,867	<b>433%</b>
Townhomes and Condos	\$662,179	\$4,085	<b>112%</b>
Apartments	N/A	\$2,528	<b>69%</b>

Notes:

1. Average sale price is based on sales data from the Washington Center for Real Estate Research (WCER), see Table 4.
2. Average monthly cost for owner-occupied housing was calculated using the Fannie Mae mortgage calculator, see Appendix B for more details. The average rent as tracked by the WCER was used for the monthly costs of renter-occupied apartments.
3. Affordability level is based on the Area Median Income (AMI). The AMI used is the King County AMI which was \$146,500 in 2022 according to the U.S. Department of Housing and Urban Development (HUD).

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## Housing Affordability Without Subsidy

- Households earning below 120% of the AMI can be accommodated in denser housing types:
  - Condominiums (112% AMI);
  - Townhomes (112% AMI); and
  - Apartments (69% AMI).
- Housing need below 120% of the AMI can be compared with capacity in zones where these denser housing types are allowed (Medium-Low-, Medium-High-, and High-Density zones).
- Planning for denser housing to accommodate lower income households is consistent with the Commerce guidance.

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**Table 9. Capacity Surplus or Deficit by Zone Category and Affordability.**

Zone Category	Income Level as a Percent of AMI	Capacity in Number of Dwellings	Housing Need at Income Level in Number of Households	Surplus/Deficit
Emergency Housing	N/A	N/A	237	N/A <sup>5</sup>
Very-Low and Low Density	>120%	355	Total above 120% AMI 23	332
Medium-Low, Medium-High, and High Density	<b>0-120%</b>	<b>1,073</b>	Total below 120% AMI <b>1,216</b>	<b>(-) 143</b>

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## The Bottom Line

Mercer Island needs to add **143 more units** of residential capacity in **multifamily and mixed-use zones** to accommodate the housing need for households earning below 120% of the AMI.

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## Three Options for Addressing Capacity Deficit

-  **Increase Height in Town Center**
  -  **Allow Multifamily in C-O**
  -  **Increase Density in MF-3**
- Options are discussed in detail beginning on Page 23 of the Report.

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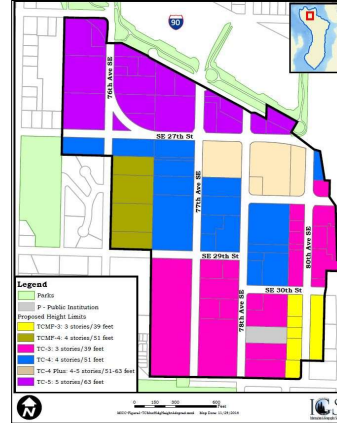


## Increase Height in Town Center

Allowing **an additional story of height** in each Town Center subarea could **add 153 units of capacity**.

- TC-3 (pink) and TCMF-3 (yellow) from three to four stories;
  - TCMF-4 (blue), and TC-4 (olive) from four to five stories; and
  - TC-5 (purple) and TC-4 (tan) plus from five stories to six.
- Discussion of this option begins on page 23.

Figure 2. Town Center Subareas and Height Limit.



Source: Mercer Island City Code (MICC) 19.11.015 – Town Center Subareas.



## Allow Multifamily in C-O

Allowing **multifamily residential uses in Commercial-Office (C-O) zone** could **add between 143 and 895 units of capacity**.

- Development standards could modulate the total capacity increase.
  - Standards could regulate how multifamily uses would interface with nearby single-family zones.
- Discussion of this option begins on page 28.

Figure 3. Commercial Office Zone.



Source: Mercer Island Zoning Map, current through Ordinance 18C-14, Mercer Island City Code (MICC) Appendix D.

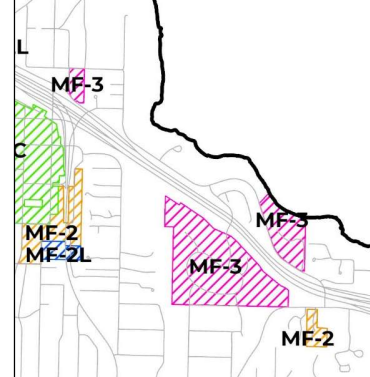


## Increase Density in MF-3

Increasing **maximum density in the MF-3 zone from 26 to 30 units/acre** could **add 174 units of capacity**.

- Relatively simple code amendment.
- Small increase of maximum density.
- Would increase capacity in an area with some displacement risks.
- Discussion of this option begins on page 34.

Figure 1. Mercer Island Multifamily and Mixed-Use Zones.



Source: Mercer Island Zoning Map, current through Ordinance 18C-14, Mercer Island City Code (MICC) Appendix D.

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## Next Steps

- Return for Council direction regarding capacity options on January 16.
- Housing Work Group to resume meeting the week of January 22.
- Housing Element draft to Planning Commission by March.

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