

Mercer Island Comprehensive Plan

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I. INTRODUCTION

OVERVIEW

Mercer Island prides itself on being a residential community. As such, most of the Island's approximately 6.2 square miles of land is developed with single- family homes. The Island is served by a small Town Center and two other commercial zones that focus on the needs of the local population. Mixed-use and multifamily developments are located within the Town Center. Multifamily development also rings the Town Center and the western fringe of the smaller Commercial Office Zone.

Parks, open spaces, educational and recreational opportunities are highly valued and consume a large amount of land. The Island has 472 acres of park and open space land including small neighborhood parks and trails as well as several larger recreational areas, including Luther Burbank Park and Aubrey Davis Park above the Interstate 90 tunnel. One hundred fifteen acres of natural-forested land are set aside in Pioneer Park, and an additional 150 acres of public open spaces are scattered across the community. Four elementary schools, one middle school, and a high school are owned and operated by the Mercer Island School District. In addition, there are several private schools at elementary and secondary education levels.

The community strongly values environmental protection. As a result, local development regulations have sought to safeguard land, water, and the natural environment, while balancing private property rights. To reflect community priorities, development regulations also attempt to balance views and tree conservation.

Intro text for Town Center moved to Station Area Plan: As per GMHB Order 25-3-0003, Issue #3, the City of Mercer Island must adopt a subarea plan for the area around the Link light rail transit station. As part of this effort, existing Land Use Element goals, policies, and maps regarding Town Center and transit-oriented development have been relocated to the draft Station Subarea Plan. (Multicounty Planning Policy DP-22 and RCW 36.70A.840)

SUSTAINABILITY

Mercer Island has a proud tradition of accomplishment toward sustainability. One of the earliest efforts was the formation of the Committee to Save the Earth by high school students in the early 1970s. Through the students' fundraising, the construction and opening of the Mercer Island Recycling Center (Center) was realized in 1975. The self-supported Center was well-patronized by Islanders, and during its

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many years of operation, it prevented millions of pounds of recyclable materials from ending up in landfills while contributing to the development of a sustainability ethic on Mercer Island.

In 2006, a grassroots effort of Island citizens led the City to modify the vision statement in its Comprehensive Plan to include language embracing general sustainability. In May 2007, the City Council committed to a sustainability work program as well as a specific climate goal of reducing greenhouse gas (GHG) emissions by 80 percent from 2007 levels by 2050, which was consistent with King County and Washington State targets. Later, in 2007, the City Council set an interim emissions reduction goal (often called a "milepost") for City operations of five percent by 2012.

In 2012, the City convened a Sustainability Policy Taskforce, a City/community partnership, to recommend sustainability policies to the City. The City Council adopted its recommendations, including dedicated staffing, incorporation of recommendations into City planning documents, development of a Sustainability Plan, and legislative actions to foster sustainability. The City's Sustainability Manager was hired in 2013.

Numerous community groups have contributed to sustainability accomplishments in the ensuing years, and many are still active. One of them is IslandVision, a nonprofit organization that had encouraged and supported sustainable practices on Mercer Island and helped launch an annual Earth Day fair called Leap for Green. In 2017, Sustainable Mercer Island (SMI) emerged as an umbrella group to help coordinate various initiatives on the island and to advocate for county and state-level climate measures. It has also helped organize and publicize solarized campaigns, youth environmental education, public outreach, advocating for bicycle and pedestrian facilities, and many other activities. Some are doing research, and many are volunteering with national and local organizations working to solve the climate crisis. One volunteer leads the very successful Green Schools program for the Mercer Island School District, supported by the King County Department of Natural Resources and Parks. SMI fosters waste reduction, recycling, and conservation by students and schools. IslandVision, a nonprofit organization, encourages and supports sustainable practices on Mercer Island. In 2018, it provided the City with a technical analysis of GHG sources on Mercer Island and recommended strategies to reduce GHG emissions.

From 2010 to 2019, with the entire community's sustainability in mind, the City has implemented a wide range of outreach programs, efficiency campaigns, alternative energy initiatives, land-use guidelines, and other natural resource management measures designed to minimize the overall impacts generated by Island residents, for the benefit of future generations. Due to the 20-year horizon envisioned by this Comprehensive Plan, it is especially appropriate to include measures that address the long-term actions needed to reduce greenhouse gas emissions, ideally in collaboration with other local governments. Actions that the City will take to manage its own facilities and operations are addressed in the Capital Facilities Element of this Plan. In 2018, the City continued to promote and support sustainable development through the development of green building goals and policies for all residential development.

CLIMATE CHANGE

Climate change has far-reaching and fundamental consequences for our economy, environment, public health, and safety. Cities have a vital role in mitigating and adapting to climate change individually and by working collaboratively with other local governments. Current science indicates that to avoid the worst impacts of global warming, we need to reduce global GHG emissions sharply.

In 2008, the City created a Climate Action Task Force to develop a climate action plan for the City and community. The resulting plan called for tracking emissions and forming a City/community partnership called the Green Ribbon Commission. It was tasked with identifying strategies to reduce GHG emissions. Notable outcomes were the successful promotion of Puget Sound Energy's Green Power Program, which generated funds to cover the cost of the solar array the City installed at the Mercer Island Community and Events Center and the 22 Ways emissions reduction campaign.

Leap for Green Sustainability Fair, spearheaded by IslandVision and co-developed with the City, is a vital instrument to educate and encourage engagement in sustainability. In addition to food and entertainment, the fair offers activities for kids and adults, demonstrations and displays of environmentally friendly ways of living, sustainability vendors, and more.

The City has been very active in addressing climate change and has received national recognition for its efforts. In 2013, EPA recognized the City as a Green Power Community of the Year for its very successful Green Power sign-up campaign for residents and its commitment to local solar power generation. It was awarded Sol Smart Gold Designation from the Department of Energy in January 2018 for meeting stringent and objective criteria targeting the removal of obstacles to solar development, including streamlined permitting. As of January 2018, there were 184 known solar installations in the City, which is higher per capita than any other Eastside City. The City offers same-day permitting for most solar installations, and most require only an electrical permit. The City has also installed electric vehicle charging stations, banned plastic bags, successfully piloted bike share and ride-hailing services, and contracted with PSE for energy from a new wind farm to power 100 percent of City facilities, among many other actions.

The Capital Facilities Element includes a summary of the City's actions to reduce its carbon footprint.

In 2014, King County and cities formed the innovative King County-Cities Climate Collaboration (K4C) to coordinate and enhance local government climate efforts. Mercer Island was a founding member and remains a very active participant. K4C has charted opportunities for joint action to reduce GHG emissions and accelerate progress toward a clean and sustainable future. Mercer Island, through K4C, seeks opportunities to partner on outreach to decision-makers and the public, adopt consistent standards and strategies, share solutions, implement pilot projects, and cooperate on seeking funding resources. In 2016, Mercer Island, along with King County and other partners in K4C, was recognized with a national Climate Leadership Award from EPA. In 2019, the City Council passed Resolution 1570, which adopted an updated version of the K4C Joint Climate Commitments.

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In 2018 and 2019, the City added goals and policies to the Land Use Element that support climate change planning with Ordinances 18-13 and 19-23. These ordinances established Goals 26 through 29. This included a goal and policies referencing the STAR Community Framework to assess the City’s sustainability efforts. During the 2024 periodic review, goals and policies referring to the STAR Community Framework were amended to reflect that this framework was absorbed into the U.S. Green Building Council’s LEED for Cities program.

In 2023, the City Council adopted a Climate Action Plan. The Plan establishes strategies for the City to reduce greenhouse gas emissions and vehicle miles traveled to address climate change. Those strategies are an important step in moving the City forward in its response to the changing climate. Where needed, goals and policies were amended or added to this Land Use Element to support the strategies in the Climate Action Plan, including amendments to the policies under goals 26, 27, and 28.

II. EXISTING CONDITIONS AND TRENDS

Town Center existing conditions and trends moved to subarea plan: As per GMHB Order 25-3-0003, Issue #3, the City of Mercer Island must adopt a subarea plan for the area around the Link light rail transit station. As part of this effort, existing Land Use Element goals, policies, and maps regarding Town Center and transit-oriented development have been relocated to the draft Station Subarea Plan. (Multicounty Planning Policy DP-22 and RCW 36.70A.840)

AREAS OUTSIDE THE TOWN CENTER

Single-family residential zoning accounts for 88 percent of the Island's land use. There are 3,534 acres zoned for single-family residential development. This compares to 77 acres in the Town Center zones, 19 acres in Commercial Office zones, and 103 acres in multifamily zones (Figure 1 Table 2). City Hall is located in a Commercial Office zone, while other key civic buildings such as the Post Office and Fire Station 91 are in the Public Institution and Town Center zones. Many of the remaining public buildings, schools, recreational facilities, and places of religious worship are located in residential or public zones.

Figure 1: Land Use Zones and Acreage

Figure 1: Land Use Zones and Acreage

NOTE: This table will be updated based on the in-progress future land use and zoning adjustments occurring during Phase 1.

Zone	Acreage
Business - B	2.98
Commercial Office - CO	17.53
Multifamily - MF-2	41.83
Multifamily - MF-2L	7.69
Multifamily - MF-3	61.41

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Open Space - OS	234.21
Public Institution - PI	294.48
Planned Business - PBZ	13.89
Single Family - R-8.4	767.46
Single Family - R-9.6	1,218.64
Single Family - R-12	80.21
Single Family - R-15	1,217.71
Town Center - TC	77.83

Note: Figures above include adjacent right-of-way.

Over the last 30 years, many public facilities have been re-constructed or have planned additions. This category includes schools, parks and recreation facilities, streets and arterials, and fire stations. In 2015, the City constructed a new fire station on Southeast 68th Street to increase service capacity for the south end of the island. Northwood Elementary School was constructed in 2016, adding to the Mercer Island School District’s capacity. [Refer to the Capital Facilities Element for a more in-depth discussion of public facilities.

Residential zones in the City are ~~primarily~~ zoned for a mix of middle housing, accessory dwelling units, and single-family residential development. ~~Single-family Residential~~ zones have ~~four~~ minimum lot sizes, ranging from 15,000 square feet, ~~12,000 square feet, 9,600 square feet, and to~~ 8,400 square feet. Existing ~~single-family residential~~ development mostly comprises established neighborhoods constructed in the latter half of the 20th Century. Most lots ~~in the single-family zones~~ are already subdivided, and few are undeveloped. New development in the ~~single-family residential~~ zones is typically infill development of accessory dwelling units or middle housing on existing lots or the demolition of an redevelopment of existing home and replacement with a newer homes.

The most densely developed neighborhoods are found on the Island's north end. This includes East Seattle and First Hill, as well as neighborhoods immediately north and south of the I-90 corridor and areas along the entire length of Island Crest Way.

The least densely populated neighborhoods are the ones with the largest minimum lot size and are designated as Zone R-15 (15,000-square-foot minimum lot size). These neighborhoods, generally located along East and West Mercer Way, contain the greatest amount of undeveloped residential land and often contain extremely steep slopes, deep and narrow ravines, and small watercourses. Because environmentally sensitive areas often require careful development and engineering techniques, many of these undeveloped lands are difficult and expensive to develop.

Generally, Mercer Island's oldest neighborhoods are situated on a fairly regular street grid, with homes built on comparatively small lots 40 to 60 years ago. Interspersed among the older homes are renovated and new homes that are often noticeably larger. Newer developments tend to consist of large homes on steeply pitched, irregular lots with winding, narrow private roads and driveways. Many residential areas of Mercer Island are characterized by large mature tree cover. Preservation of this greenery is an important community value.

Most Mercer Island multifamily housing is located in or on the borders of the Town Center. However, two very large complexes straddle I-90 and are adjacent to single- family areas. Shorewood

Apartments is an older, stable development of 646 apartment units. It was extensively remodeled in 2000. North of Shorewood and across I-90 is the retirement community of Covenant Shores. This development has a total of 237 living units, ranging from independent living to fully assisted living.

One Commercial/Office (CO) zone is outside the Town Center. It is located along the south side of the I-90 corridor at East Mercer Way and contains several office buildings, including the Mercer Island City Hall. In the summer of 2004, the regulations in the CO zone were amended to add retirement homes as a permitted use with conditions.

For land use and planning purposes, Mercer Island is now designated as High-Capacity Transit Community (HCTC) in the Puget Sound Regional Council's Vision 2050 plan. The new designation destination recognizes Mercer Island's importance as a locality with high-capacity transit service, making it an ideal place to focus new development within walking distance of the high-capacity transit, walkable jobs, and in adherence with HB 1220GMA affordability and density guidelines. This is due to its excellent access to employment centers, educational institutions, and other opportunities. As such, Mercer Island will continue to see new employment and residential development, most of which will be concentrated in the Town Center. Employment will continue to grow slowly and will be significantly oriented towards serving the local residential community. Transit service will focus on connecting Mercer Island to other metropolitan and sub-regional centers via Interstate 90 and the region's high-capacity transit system, including Sound Transit's East Link Light Rail.

III. GROWTH FORECAST

RESIDENTIAL AND EMPLOYMENT 20-YEAR GROWTH TARGETS

The King County Countywide Planning Policies (CPPs) establish growth targets for all the jurisdictions within King County. The CPPs were initially adopted in 1992 and have been amended several times. Elected officials from King County, the cities of Seattle and Bellevue, and the Sound Cities Association meet as the Growth Management Planning Council (GMPC). This Council makes recommendations to the County Council, which has the authority to adopt and amend the CPPs. King County amended the CPPs in 2021, updating the growth targets for cities and towns throughout the County. The updated growth targets extended the planning horizon through the year 2044. Figure 2 Table 3 shows the City of Mercer Island's housing and employment growth targets for 2024 through 2044.

Figure 2: Growth Targets

Housing growth target (in dwelling units), 2024 – 2044	1,239
Employment growth target (in jobs), 2024 – 2044	1,300

EMPLOYMENT AND COMMERCIAL CAPACITY

According to the Puget Sound Regional Council, as of March 2020/2023 there are-were approximately 7,325-7,888 jobs on Mercer Island. The City's development capacity is analyzed in the 2021 Urban Growth Capacity Report. That report shows that Mercer Island has sufficient development capacity to accommodate the 2044 employment and housing growth targets.

Figure 3: Employment Capacity 2018 – 2035

Figure 3: Employment Capacity 2018-2035

Land Use	Vacant / Redevelopable	Floor Area Capacity	Square Feet per Job	Job Capacity
Commercial	Vacant	10,000	200	52
	Redevelopable	50,000	200	242
Mixed Use	Vacant	20,000	200	119
	Redevelopable	100,000	200	479
Total	Vacant	30,000	200	171
	Redevelopable	150,000	200	721
	Jobs in Pipeline	-	-	70
	Totals	180,000	200	962

Source: King County 2021 Urban Growth Capacity Report.

Note: The 2021 Urban Growth Capacity Report evaluates employment capacity for 2018 through 2035. If the study period were extended through 2044, there is sufficient capacity to accommodate the 1,300-job growth target.

RESIDENTIAL GROWTH

The Comprehensive Plan contains three types of housing figures: a capacity estimate, a growth target, and a housing and population forecast. Each of these housing numbers serves a different purpose. [Housing capacity estimates by income level are provided in the Housing Element.](#)

As per GMHB Order 25-3-0003, Issue #1, the City of Mercer Island must analyze residential land capacity at each housing affordability level and close any identified gaps. The updated Land Capacity Analysis below represents Phase 1, compliance with the GMHB Order, of a two-phase compliance strategy whereby upzones and resulting development capacity increases is limited currently to the existing Town Center and adjacent multifamily zones. Implementation of the TOD bill (HB 1491) will be pursued as a second phase of work.

Updated adequate provisions identified in the Housing Element are necessary to address the 510-unit gap for extremely low-income households (0-30% AMI).

Housing Capacity

~~As required in a 1997 amendment to the Growth Management Act (RCW 36.70A.215), recent growth and land capacity in King County and associated cities have been reported in the 2021 Urban Growth Capacity Report.~~

~~The Growth Management Act requires cities to estimate land capacity to understand the ability to absorb new growth over the 20-year planning horizon of each comprehensive plan. In response to the Growth Management Hearings Board Order 25-3-0003, the City of Mercer Island conducted a land~~

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capacity analysis based on an updated land use strategy to accommodate the City’s 2044 residential growth target. The complete 2026 Land Capacity Analysis that informs this section is provided in Appendix G.

The residential capacity estimate identifies the number of new units that could be accommodated on vacant and redevelopable land given existing development and under current zoning under the Station Area subarea plan adopted by reference below. The capacity estimate is not a prediction of what will happen, merely an estimate of how many new units the Island could accommodate based on our current zoning code, the number and size of vacant properties, and some standard assumptions about the redevelopment potential of other properties that could accommodate additional development.

According to the 2026 Land Capacity Analysis, the City of Mercer Island has an estimated residential capacity of 3,164 units. Most of this potential resides in the City’s multifamily and Town Center zones within or adjacent to the Mercer Island Station Area in the form of low- and mid-rise construction. Detailed planning and forecast growth for the Station Area is included in the Station Subarea Plan as adopted by reference. Additional capacity exists for single-family homes, middle housing, and ADUs in residential zones.

According to the 2021 Urban Growth Capacity Report, the City of Mercer Island has a development capacity to accommodate 1,429 new housing units. Most of the housing development capacity is in medium high and high density residential zones, including Town Center. Table 5 summarizes residential capacity findings from the 2021 Urban Growth Capacity Report. The 2021 Urban Growth Capacity Report provides residential capacity in five categories based on assumed density: very low density (2.6 – 3.3 dwellings per acre), low density (4.6 – 6.1 dwellings per acre), medium-low density (2.6 – 3.3 dwellings per acre), medium high density (22.7 dwellings per acre), and high density (100.6 – 167 dwellings per acre). The assumed densities are based on the achieved density in each zone.

Figure 4: Residential Development Capacity

Assumed Density-Level	Vacant/ Redevelopable	Assumed-Densities (low/high-units-per-acre)	Net-Developable Acres	Capacity-in housing-units
Very Low-Density	Vacant	2.6/3.3	32.05	85
	Redevelopable	2.6/3.3	85.97	35
	Subtotal	N/A	118.02	120
Low-Density	Vacant	4.6/6.1	21.12	98
	Redevelopable	4.6/6.1	107.54	138
	Subtotal	N/A	128.65	235
Medium-Low Density	Vacant	22.7	0.45	10
	Redevelopable	22.7	1.13	0
	Subtotal	N/A	1.58	10
	Vacant	26	0	0

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Medium-High Density	Redevelopable	26	43.7	535
	Subtotal	N/A	43.7	535
High-Density	Vacant	100.6/167	0.54	91
	Redevelopable	100.6/167	23.47	437
	Subtotal	N/A	24.01	528
All-Zones	Vacant	N/A	54.16	284
	Redevelopable	N/A	261.81	1,145
	Total	N/A	315.97	1,429

Source: King County 2021 Urban Growth Capacity Report

Figure 4: Residential Development Capacity, 2026

Zone Category	Assumed Densities (low/high units per acre)	Net Buildable Acres	Capacity in housing units**
Low Density	2.6/4.6	246.6*	356
Moderate Density	8.7/15.6		337
Low-Rise	22.7/26	45.3	535
Mid-Rise	4.5 FAR / 5.0 FAR	26.1	1,698
ADUs	N/A	N/A	239
	N/A	318.1	3,164

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

*The net buildable acreage for R-8.45, R-9.6, R-12, and R-15 zones is split up to assume capacity for low density single-family homes and moderate density middle housing. See the complete 2026 Land Capacity Analysis in Appendix G for additional information.

**Capacity estimates rely on a range of assumed densities depending on parcel size and underlying zoning characteristics.

Housing Targets

As mentioned above, the City has a King Countywide Planning Policies (CPPs) County Growth Management Planning Council (GMPC) 2044 housing target of 1,239 new housing units. The housing target represents the number of units that the City is required to plan for and accommodate under the Growth Management Act and is not necessarily the number of units that will be built on Mercer Island over the next two decades. Market forces, including regional job growth, interest rates, land costs, and other factors will have a major influence on the number of actual units created. As required by RCW 36.70A.070, the 2044 housing target is disaggregated by income band; detailed capacity estimates to satisfy various levels of affordability are included in the Housing Element and in Appendix G.

Housing and Population Forecast

~~Another housing~~~~The third type of~~ figure contained in the Comprehensive Plan is a local housing forecast. ~~Figure 5~~~~Table 6~~ contains a housing unit and population forecast for 2024 through 2044. The total number of housing units is expected to increase by 1,239 from 2024 to 2044. This would be a growth rate of approximately 62 dwelling units per year. During that same period, the PSRC projects that the population will increase by 1,880 people; 94 people per year.

Figure 5: 2024-2044 Housing Unit and Population Forecast

Figure 5: Housing Unit and Population Forecast

Year	Overall Average Household Size	SFR Units	Multifamily Units	Total Increase in units per decade	Total Housing Units	Population
Current	2.59 ^A	6,914 ^A	3,600 ^A	N/A	10,514	26,036 ^B
Forecasted (2044)	2.38 ^B	N/A [±]	N/A [±]	620	11,753 ² 11,753 ¹	27,916 ^B

Sources:

- A. U.S. Census Bureau 2020 Decennial Census and 2022 American Community Survey. Tables DP1 and B25024.
- B. PSRC Land Use Vision Implementation Targets (LUV-IT) Land Use Projections.

Notes:

- ~~1. 20-year forecast of single-family and multifamily units unavailable for 2044.~~
- ~~2.1.~~ Total housing units forecasted to match the 20-year growth target (1,239 units) set by King County and assumed throughout this plan.

IV. LAND USE ISSUES

As per GMHB Order 25-3-0003, Issue #3, the City of Mercer Island must adopt a subarea plan for the area around the Link light rail transit station. As part of this effort, existing Land Use Element goals, policies, and maps regarding Town Center and transit-oriented development have been relocated to the draft Station Subarea Plan. (Multicounty Planning Policy DP-22 and RCW 36.70A.840)

TOWN CENTER

- ~~1. Town Center is an area in the City where most new development will be focused in the coming years. The Town Center area includes land zoned for commercial retail, service, mixed, and office uses. The Town Center is the largest mixed-use zone in the City and an important economic hub. Older commercial developments in the Town Center consist of many one-story strip centers surrounded by parking lots. The Town Center subarea plan, adopted in 1993, establishes the planning framework for Town Center to redevelop with a mix of residential and commercial development. Mixed-use development is replacing existing commercial development as the~~

Town Center redevelops. This has led to an increase in the number of residential dwellings in this area, concurrent with changes to the type of commercial development in the zone. There is concern that redevelopment will displace existing businesses or reduce the total commercial square footage available for new and expanding businesses in Town Center. In 2022 the City adopted new regulations to limit the loss of commercial space as the area redevelops. As these regulations influence the built environment in Town Center, the City will need to monitor their influence on the availability and affordability of commercial space.

2. In 1994, the City made significant street improvements in the Town Center, resulting in a more pedestrian-friendly environment. However, more needs to be done on the private development side to design buildings with attractive streetscapes so that people will have more incentive to park their cars and walk between shopping areas.
3. The Town Center is poorly identified. The primary entrance points to the downtown are not treated in any special way that invites people into the business district.

OUTSIDE THE TOWN CENTER

- Goal 1:** The community needs to accommodate two important planning values: maintaining the Island’s existing single-family residential character, while planning for population and housing growth.
- Goal 2:** Accessory dwelling units are allowed by City zoning regulations and offer a way to add housing capacity to single-family residential zones without disrupting the character as much as other types of higher density residential development.
- Goal 3:** Commercial Office and PBZ zones must serve the needs of the local population while remaining compatible with the community’s overall residential character.
- Goal 4:** Ongoing protection of environmentally sensitive areas, including steep slopes, ravines, watercourses, and shorelines, is an integral element of the community’s residential character.
- Goal 5:** View protection is important and must be balanced with the desire to protect the mature tree growth.
- Goal 6:** Within limited public resources, open space and parkland must be preserved to enhance the community’s extraordinary quality of life and recreation opportunities.
- Goal 7: Goal 1:** There is a lack of pedestrian and transit connections between the Town Center, the Park and Ride, and Luther Burbank Park.

V. LAND USE GOALS AND POLICIES

TOWN CENTER

Figure - Town Center Vision

Mercer Island Town Center Should Be:	
1.	THE HEART of Mercer Island and embody a small town character, where residents want to shop, eat, play and relax together.
2.	ACCESSIBLE to people of all ages and abilities.
3.	CONVENIENT to enter, explore, and leave with a variety of transportation modes.

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4.	WELL DESIGNED with public spaces that offer attractive settings for entertainment, relaxation, and recreation.
5.	DIVERSE with a range of uses, building types and styles that acknowledge both the history and future of the Island.
6.	LOCAL providing businesses and services that meet everyday needs on the Island.
7.	HOME to a variety of housing options for families, singles, and seniors.

~~**Goal 1:** — Create a mixed-use Town Center with pedestrian scale and connections.~~

- ~~1.1 — A walkable mixed-use core should be located adjacent to a regional transit facility with sufficient size and intensity to create a focus for Mercer Island.~~
- ~~1.2 — Street-level retail, office, and service uses should reinforce the pedestrian-oriented circulation system with amenities, tree-lined streetscapes, wide sidewalks, storefronts with canopies, and cross-block connections that make it easy to walk around.~~

Land Use and Development

~~**Goal 2:** — Create a policy and regulatory structure that will result in diverse uses that meet Islanders' daily needs and help create a vibrant, healthy Town Center serving as the City's business, social, cultural, and entertainment center.~~

- ~~2.1 — Use a variety of creative approaches to organize various land uses, building types, and heights in different portions of the Town Center.~~
- ~~2.2 — Maintain a minimum commercial square footage in the Town Center to preserve the quantity of commercial space in recent developments as new development occurs, with a specific focus on maintaining the current number of large grocery stores to ensure adequate access to food for residents.~~
- ~~2.3 — Retail street frontages should be the area where the majority of retail activity is focused. Retail shops and restaurants should be the dominant use, with personal services also encouraged to a more limited extent.~~

~~**Goal 3:** — Have a mixture of building types, styles, and ages that reflect the evolution of the Town Center over time, with human-scaled buildings, varied height, setbacks and step-backs, and attractive facades.~~

- ~~3.1 — Buildings taller than two stories may be permitted if appropriate public amenities and enhanced design features are provided.~~
- ~~3.2 — Locate taller buildings on the north end of the Town Center and step-down building height through the center to lower heights on the south end, bordering Mercerdale Park.~~
- ~~3.3 — Calculate building height on sloping sites by measuring from the lowest point on that side of a building.~~
- ~~3.4 — Mitigate the "canyon" effect of straight building facades along streets through the use of upper floor step-backs, façade articulation, and similar techniques.~~
- ~~3.5 — Buildings on larger parcels or with longer frontage should provide more variation of the building face to allow for more light and create the appearance of smaller-scale,~~

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more organic, village-like development pattern. Building mass and long frontages resulting from a single user should be broken up by techniques such as creating a series of smaller buildings (like Island Square), providing public pedestrian connections within and through a parcel, and use of different but consistent architectural styles to create smaller building patterns.

3.6 — Building facades should provide visual interest to pedestrians. Street-level windows, building setbacks, on-street entrances, landscaping, and articulated walls should be encouraged.

Goal 4: — Allow a variety of housing forms for all life stages, including townhomes, apartments, and live-work units that are attractive to families, singles, and seniors at a range of price points consistent with the goals and policies in the Housing Element.

4.1 — Land uses and architectural standards should provide for the development of a variety of housing types, sizes, and styles.

4.2 — Allow development of low-rise multifamily housing in the Town Center Multifamily (TCMF) subareas of the Town Center.

4.3 — Allow the development of affordable housing within the Town Center.

4.4 — Allow the development of accessible and visitable housing within the Town Center.

4.5 — Allow options for ownership housing within the Town Center.

Public Realm

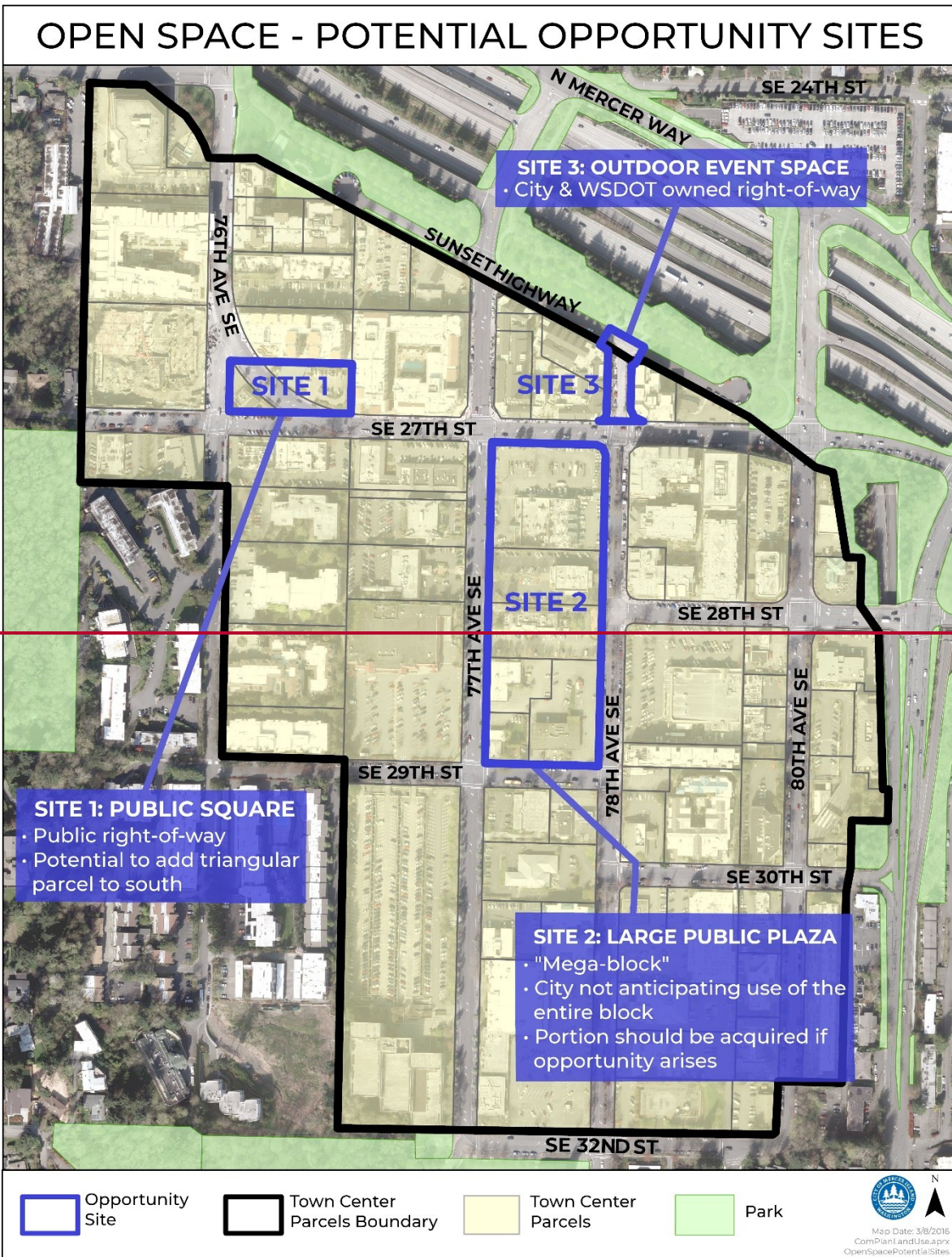
Goal 5: — Have inviting, accessible outdoor spaces with seating, greenery, water features, and art that offer settings for outdoor entertainment and special events as well as for quiet contemplation.

5.1 — Outdoor public spaces of various sizes in the Town Center are important and should be encouraged.

5.2 — Encourage the provision of on-site open space in private developments. This can include incentives, allowing development agreements, and as an alternative to land dedication. In addition, encourage the aggregation of smaller open spaces between parcels to create a more substantial open space.

5.3 — Investigate potential locations and funding sources for the development (and acquisition if needed) of one or more significant public open space(s) that can anchor the Town Center's character and redevelopment. Identified "opportunity sites" are shown in Figure TC-2 and described below. These opportunity sites should not preclude the identification of other sites should new opportunities or circumstances arise.

Figure 2: Open Space – Potential Opportunity Sites



Economic Development

- Goal 6:** — Support the further economic development of Mercer Island, particularly in the Town Center.
- 6.1 — Establish economic development policies in an Economic Development Element.
 - 6.2 — Maintain a diversity of Town Center land uses.
 - 6.3 — Support economic growth that accommodates Mercer Island's share of the regional employment growth target of 1,300 new jobs from 2024—2040 by maintaining adequate zoning capacity, infrastructure, and supportive economic development policies.
 - 6.4 — Create a healthy and safe economic environment where Town Center businesses can serve the needs of Mercer Island residents and draw upon broader retail and commercial market areas.

Outside the Town Center

Land Use Pattern

- Goal 7-Goal 1:** Establish a Station Area ~~Mercer Island should~~ to capitalize on regional transit infrastructure by encouraging affordable mid-rise housing development within walking distance of the station, while remaining principally a single-family residential community. ~~Mercer Island should remain principally a low-density, single-family residential community.~~
- 1.1 Establish the Mercer Island Station Area to include the areas approximately a half-mile walking distance from the Light Rail Station entrances. The Station Area Subarea Plan is hereby adopted by reference along with the Modified Station Area Boundary therein.
 - 1.2 Encourage multifamily and mixed-use housing, including income-restricted affordable housing, within the Station Area which includes Town Center, and multifamily zones to zones to accommodate moderate- to extremely low-income households.
 - ~~7.1.3~~ Preserve the neighborhood character in residential zones. For the purpose of implementing this element, neighborhood character only refers to the form, bulk, scale, and intensity of the built environment.
 - 1.4 Provide for moderate density housing types in residential zones, such as accessory dwelling units and additional middle housing types at slightly higher densities, as outlined in the Housing Element to encourage a larger mix of income levels and household types within residential zones.
 - ~~7.2.1.5~~ Preserve the neighborhood character in residential zones. For the purpose of implementing this element, neighborhood character only refers to the form, bulk, scale, and intensity of the built environment.
 - 7.3 — ~~Encourage multifamily and mixed-use housing within the Station Area existing boundaries of the Town which includes Town Center, and multifamily zones, to accommodate moderate- to extremely low-income households.~~

- 7.41.6 Social and recreation clubs, schools, and religious institutions are predominantly located in single-family residential areas of the Island. The City may consider measures within the land use code to address the maintenance, updating, and renovation of these facilities, while ensuring compatibility with surrounding neighborhoods. Such facilities contribute to the mental, physical, and spiritual well-being of Mercer Island residents. Land use decisions should balance the retention of these facilities with overall community planning and zoning regulations.
- 7.51.7 Encourage compatible uses such as education, recreation, open spaces, government, social services, and religious activities.
- 7.61.8 Manage impacts that could result from new development in residential zones by establishing standards to:
- 7.6.11.8.1 Regulate on- and off-street parking;
 - 7.6.21.8.2 Encourage the retention of landscaped areas and the retention and planting of trees;
 - 7.6.31.8.3 Establish incentives and anti-displacement measures consistent with the Housing Element; and
 - 7.6.41.8.4 Control new development to be compatible in scale, form, and character with surrounding neighborhoods.
- Goal 8: Goal 2:** Achieve additional residential capacity in residential zones through flexible land use techniques and land use entitlement regulations.
- 8.12.1 Encourage using existing homes to meet changing population needs and help people age in place.
- 8.22.2 Through zoning and land use regulations, provide adequate development capacity to accommodate Mercer Island's projected share of the King County population growth over the next 20 years.
- 8.32.3 Promote a range of housing opportunities to meet the needs of people who work and desire to live in Mercer Island.
- 8.42.4 Promote accessory dwelling units in all zones where single-family homes are allowed subject to specific development standards.
- 8.52.5 Encourage the development of middle housing outside of critical areas where mandated by state law and ensure that it is compatible with the surrounding neighborhoods, with preference given to areas near high-capacity transit.
- 8.62.6 Encourage the preservation and maintenance of naturally occurring affordable housing.
- Goal 9: Goal 3:** The allowed uses in commercial and mixed-use zones balance the City's economic development and housing needs.
- 9.13.1 The Planned Business Zone (PBZ) uses on the south end of Mercer Island are compatible with the surrounding single-family zone needs. All activities in the PBZ are subject to design review. Supplemental design guidelines have been adopted.

3.2 Commercial uses and densities near the I-90/East Mercer Way exit and SE 36th Street are appropriate for that area. All activities in the Commercial Office zone are subject to design review, and supplemental design guidelines may be adopted.

9.23.3 The Station Area with Town Center at its heart provides a walkable and vibrant downtown mixed-use district where ~~station area~~ residents and visitors can complete errands on foot.

Natural Environment Policies

~~Goal 10:~~ Goal 4: Protecting the natural environment will continue to be a priority in all Island development. Protection of the environment and private property rights will be consistent with all state and federal laws.

10.14.1 The City of Mercer Island shall protect environmentally sensitive lands such as watercourses, geologic hazard areas, steep slopes, shorelines, wildlife habitat conservation areas, and wetlands. Such protection should continue through the implementation and enforcement of critical areas and shoreline regulations.

10.24.2 Land use actions, stormwater regulations, and basin planning should reflect an intent to maintain and improve the ecological health of watercourses and Lake Washington water quality.

10.34.3 New development should be designed to avoid increasing risks to people and property associated with natural hazards.

10.44.4 The ecological functions of watercourses, wetlands, and habitat conservation areas should be maintained and protected from the potential impacts associated with development.

10.54.5 The City shall utilize the best available science during the development and implementation of critical area regulations. Regulations will be updated periodically to incorporate new information as required by the Growth Management Act.

10.64.6 Encourage low- impact development approaches for managing stormwater and protecting water quality and habitat.

10.74.7 Services and programs provided by the City regarding land use should encourage residents to minimize their carbon footprint, especially concerning energy consumption and waste reduction.

10.84.8 The City's development regulations should encourage long- term sustainable stewardship of the natural environment. Examples include the preservation and enhancement of native vegetation, tree retention, and rain gardens.

10.94.9 Outreach campaigns and educational initiatives should inform residents of the collective impact of their actions on local, county, and state greenhouse gas emissions reduction goals.

10.104.10 The Stormwater Management Program Plan is hereby adopted by reference.

10.114.11 Ensure all residents of Mercer Island have a clean and healthy environment, regardless of race, social, or economic status.

10.124.12 Establish development standards to reduce the risk to life and property posed by wildfires through community wildfire preparedness and fire adaptation measures.

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These should include measures to separate human development from wildfire - prone landscapes and protect existing residential development and infrastructure.

~~Goal 11:~~ **Goal 5:** _____ Protect and enhance habitat for native plants and animals for their intrinsic value and the benefit of human health and aesthetics. Regulatory, educational, incentive-based, programmatic, and other methods should be used to achieve this goal, as appropriate.

11.15.1 Designate bald eagles as a Species of Local Concern for protection under the Growth Management Act. Identify additional Species and Priority Habitats of Local Concern referencing the best available science and the Washington Department of Fish and Wildlife Priority Habitats and Species List. Determine how best to protect these species and habitats.

11.25.2 Encourage inventorying native plants and animals on Mercer Island and the habitats that support them. As part of this effort, identify pollinators and the native plants they depend upon.

11.35.3 Evaluate and enhance the quality of habitat to support the sustenance of native plants and animals with the appropriate balance of ground, mid-level, and tree canopy that provides cover, forage, nectar, nest sites, and other essential needs. In addition to parks and open spaces, preserve and enhance habitat in conjunction with residential, institutional, and commercial development and in road rights-of-way.

11.45.4 Critical areas and associated buffers should consist of mostly native vegetation.

11.55.5 Plants listed on the King County Noxious Weed and Weeds of Concern lists should be removed as part of new development and should not be planted during the landscaping of new development. Efforts should be made to reduce or eliminate, over time, the use of these plants in existing public and private landscapes and in road right-of-way. New plantings in road rights-of-way should be native plants selected to benefit wildlife and community environmental values.

11.65.6 Important wildlife habitats, including forests, watercourses, wetlands, and shorelines, should be connected via natural areas, including walking paths along forested road rights-of-way.

11.75.7 View preservation actions should be balanced with the efforts to preserve the community's natural vegetation and tree cover.

11.85.8 Community tree canopy goals should be adopted and implemented to protect human health and the natural environment and to promote aesthetics. Encourage the conversion of grass to forest and native vegetation. Promote the preservation of snags (dead trees) for forage and nesting by wildlife.

11.95.9 Consider a community effort to establish new wetlands to recognize the historical loss of wetlands.

11.105.10 When considering the purchase of land to add to community open space, prioritize the purchase and preservation of wetlands, stream headwaters, and areas that will enhance open space networks.

- 11.115.11 Support conservation on private property on Mercer Island through conservation tools and programs including, but not limited to, the King County Public Benefit Rating System and Transfer of Development Rights programs.
- 11.125.12 Promote soft shoreline techniques and limitations on night lighting to provide shallow-water rearing and refuge habitat for out-migrating and lake-rearing endangered Chinook salmon. Encourage the removal of bulkheads and otherwise hardened shorelines, overwater structures, and night lighting, especially south of I-90 where juvenile Chinook are known to congregate.
- 11.135.13 Promote the reduction of nonpoint pollution that contributes to the mortality of salmon, other wildlife, and vegetation. This pollution consists of pesticides, chemical fertilizers, herbicides, heavy metals, bacteria, motor oils, and other pollutants and is primarily conveyed to surface water features by stormwater runoff.
- 11.145.14 Promote the preservation of organic matter in planting beds and landscapes, including leaves, grass clippings, and small woody debris. Encourage the import of organic material to landscapes, including wood chips and finished compost to reduce water and fertilizer use and to promote food production for wildlife.
- 11.155.15 Promote awareness and implementation of the American Bird Conservancy's bird-friendly building design guidelines, which prevent bird mortality caused by collisions with structures.
- 11.165.16 Promote awareness and implementation of the International Dark-Sky Association's methods to reduce the excess lighting of the night sky that negatively affects wildlife, particularly birds. Consider seeking certification as an International Dark-Sky Community.
- 11.175.17 Consider participation in the National Wildlife Federation's Community Wildlife Habitat Program. Encourage community members to seek certification of their homes as Certified Wildlife Habitat and consider seeking certification of Mercer Island as a Wildlife-Friendly Community.
- 11.185.18 Promote the establishment of bird nest boxes in parks and on private property for species that would benefit. Remind pet owners of the significant bird mortality related to cats and keep them indoors.
- 11.195.19 Promote wildlife watering.

Disaster Planning and Recovery

Goal 12: Goal 6: Maintain and enhance current community emergency preparedness and planning efforts and provide for long-term recovery and renewal.

- 12.16.1 Periodically review and update the City's emergency management plans. Adopt the following emergency management-related plans and their successors by reference:
- 12.1.16.1.1 Comprehensive Emergency; Management Plan;
 - 12.1.26.1.2 Hazard Mitigation Plan;
 - 12.1.36.1.3 Continuity of Operations Plan
 - 12.1.46.1.4 Pandemic Plan;

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~~12.1.56.1.5~~ Terrorism Response Plan and Threat and Hazard Identification and Risk Assessment;

~~12.1.66.1.6~~ Debris Management Plan;

~~12.1.76.1.7~~ Volunteer Operations Plan; and

~~12.1.86.1.8~~ Shelter Plan.

~~12.26.2~~ Coordinate with, incorporate, and support the emergency management preparedness and planning efforts of local, regional, state, and national agencies and organizations, focusing on impacts on vulnerable populations.

~~12.36.3~~ Maintain current local community emergency preparedness programs, including volunteer coordination, City staff drills, and community outreach and education programs, with attention to impacts on vulnerable populations.

Climate Change

~~Goal 13: Goal 7:~~ Continue to develop and refine City policies and implementation strategies to address climate change.

~~13.17.1~~ Adopt a Climate Element or equivalent components in this plan, as directed by state law, to plan to reduce greenhouse gas emissions and vehicle miles traveled and improve community resilience by planning for climate preparedness, response, and recovery efforts.

~~13.27.2~~ The most recent version of the Climate Action Plan is hereby adopted by reference. This plan provides more specific policy direction and implementation guidance for climate action. It shall be updated periodically to reflect changing community needs.

~~13.37.3~~ Town Center buildings should meet a high standard of energy efficiency and sustainable construction practices and include other innovative green features. Maintain requirements for major new construction in the Town Center to incorporate green building techniques.

VI. ACTION PLAN

~~Goal 14: Goal 8:~~ To implement land use development and capital improvement projects consistent with the policies of the comprehensive plan.

~~14.18.1~~ Improve the usability of the "Development Code" by simplifying information and Code format, eliminating repetitious, overlapping and conflicting provisions, and consolidating various regulatory provisions into one document.

~~14.28.2~~ ~~Mercer Island has consistently accepted and planned for its fair share of regional growth, as determined by the GMPC and the King County CPPs. However, the build-out of the City is approaching and could occur before 2035 or shortly thereafter. In the future, the City will~~ Advocate for growth allocations from the GMPC that will be consistent with ~~its~~ the City's community vision, as reflected in the Comprehensive Plan and development regulations; environmental constraints; infrastructure and utility limitations; and its remaining supply of developable land.

~~14.38.3~~ Establish a Land Use Element implementation strategy and schedule in conjunction with each biennial budget cycle. This implementation strategy can be periodically

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updated and amended by the City Council at any time thereafter and should detail the following:

- ~~14.3.18.3.1~~ Actions from this element to be added to department work plans for the next biennial budget cycle;
- ~~14.3.28.3.2~~ Any funding, including grants allocated to support the completion of these actions;
- ~~14.3.38.3.3~~ Any staff resources allocated to support the completion of these actions;
- ~~14.3.48.3.4~~ A schedule detailing the key actions and milestones for the completion of each action and
- ~~14.3.58.3.5~~ A list of near-term future actions expected to be proposed to be added to department work plans in the next three to five years.
- ~~14.48.4~~ Prepare a biennial report tracking the implementation of the Land Use Element. The report will be provided to the City Council prior to the adoption of the budget.
- ~~14.58.5~~ Provide resources for actions to implement this element and respond to limited resources by using strategies such as:
 - ~~14.5.18.5.1~~ Alternate funding sources;
 - ~~14.5.28.5.2~~ Public-private partnerships;
 - ~~14.5.38.5.3~~ Reducing project or program scope to align with current biennial budget constraints provided such reductions comply with requirements set in state law; and
 - ~~14.5.48.5.4~~ Amending the policies of the Land Use Element to reflect the City’s capacity to implement the element provided such amendments comply with requirements set in state law.
- ~~14.68.6~~ Prioritize services and access to opportunity for people of color, people with low incomes, and historically underserved communities to ensure all people can attain the resources and opportunities to improve their quality of life and address past inequities.
- ~~14.78.7~~ Coordinate with tribes to identify and mitigate potential impacts when implementing this element.
- ~~14.88.8~~ Create opportunities for multi-modal transportation.

VII. LAND USE DESIGNATIONS

NOTE: This table will be updated based on the in-progress future land use and zoning adjustments occurring during Phase 1.

Land Use Designation	Implementing Zoning Designations	Description
Park	PI R-8.4 R-9.6 R-12 R-15	The park land use designation represents land within the City that is intended for public use consistent with the adopted Parks and Recreation Plan.

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	<u>P</u> OS	
Linear Park (I-90)	PI OS	The linear park (I-90) land use designation primarily contains the Interstate 90 right-of-way. The land use designation is also improved with parks and recreational facilities (e.g., Aubrey Davis park, I-90 Outdoor Sculpture Gallery, etc.) adjacent to and on the lid above the Interstate 90 freeway.
Open Space	PI R-8.4 R-9.6 R-12 R-15 <u>P</u> OS	The open space use designation represents land within the City that should remain as predominantly unimproved open space consistent with the adopted Parks, Recreation and Open Space Plan.
Commercial Office	C-O B	The commercial office land use designation represents commercial areas within Mercer Island, located outside of the Town Center, where the land use will be predominantly commercial office. Complementary land uses (e.g., healthcare uses, schools, places of worship, etc.) are also generally supported within this land use designation.
Neighborhood Business	PBZ	The neighborhood business land use designation represents commercial areas within Mercer Island, located outside of the Town Center, where the land uses will be predominantly a mix of small scale, neighborhood-oriented business, office, service, public and residential uses.
Single Family Residential (R)	R-8.4 R-9.6 R-12 R-15	The single-family residential land use designation (R) represents areas within Mercer Island where development will be predominantly single-family residential neighborhoods. Complementary land uses (e.g., private recreation areas, schools, home businesses, public parks, etc.) are generally supported within this land use designation.
Multifamily Residential (MF)	MF-2 MF-2L MF-3	The multifamily residential land use (MF) represents areas within Mercer Island where the land use will be predominantly multifamily residential development. Complementary land uses (e.g., private recreation areas, schools, home businesses, public parks, etc.) are generally supported within this land use designation.
Town Center (TC)	TC	The Town Center land use designation represents the area where land uses consistent with the small-town character and the heart of Mercer Island will be located. This land use designation supports a mix of uses including outdoor pedestrian spaces, residential, retail, commercial, mixed-use and office-oriented businesses.
Public Facility	C-O PI R-8.4 R-9.6 R-15 TC	The public facility land use designation represents land within the City that is intended for public uses, including but not limited to schools, community centers, City Hall, and municipal services.

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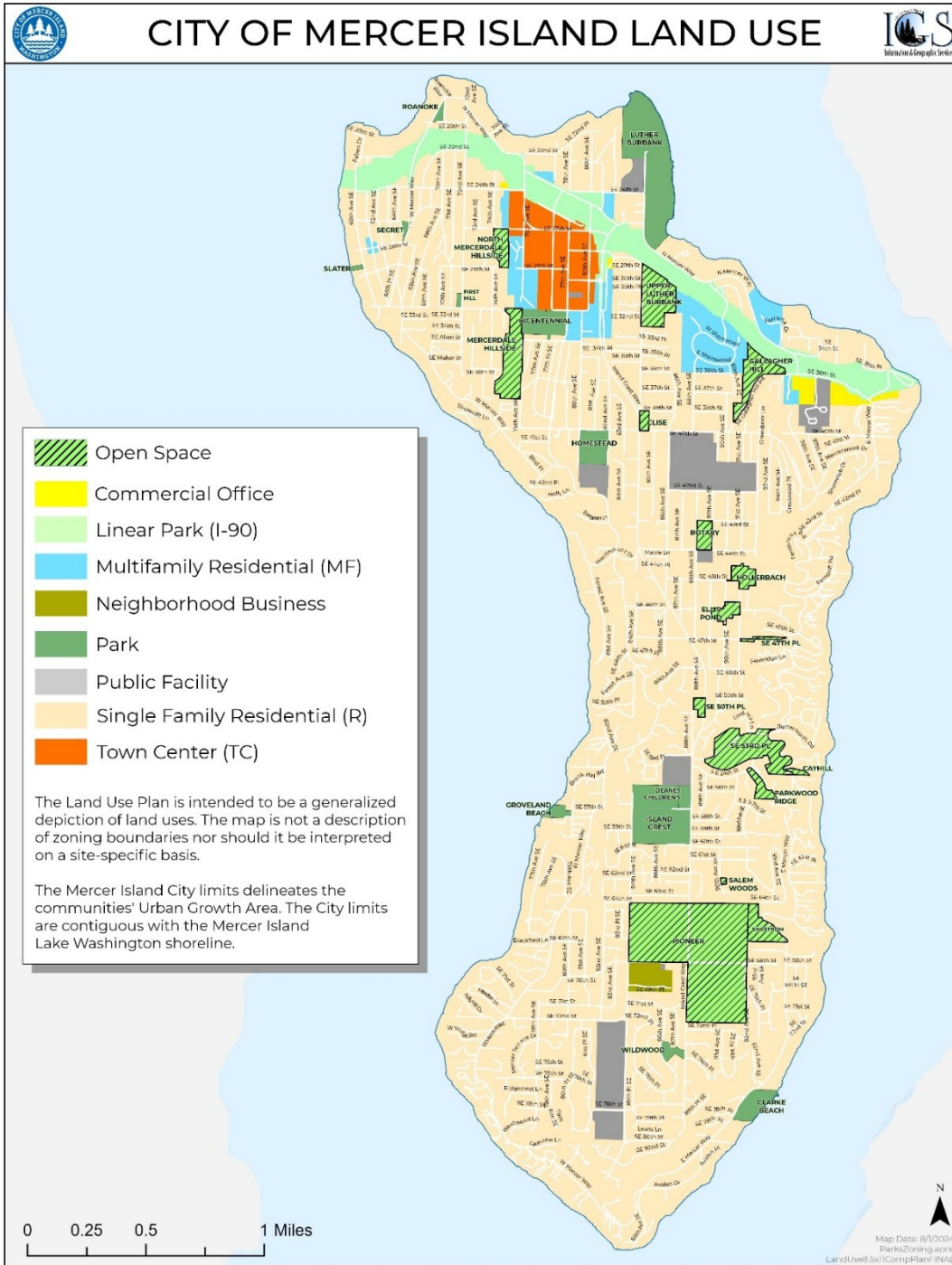
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Figure 6: Land Use Map

Figure 6: Future Land Use Map

NOTE: the Future Land Use Map will be updated to reflect the new TC designation. Effectively, the orange area on the map will be expanded to include the adjacent light-blue areas.



Element 3 - Housing

I. INTRODUCTION

This Housing Element of the Comprehensive Plan details the policy approaches the City will take to manage projected housing growth and accommodate its housing needs.

HOUSING GROWTH TARGET AND HOUSING NEEDS

In 2021, King County adopted Ordinance 19384, which amended the Countywide Planning Policies (CPPs) and set housing growth targets for the cities in King County. Mercer Island's projected 2044 housing growth target is 1,239 dwelling units.

In 2023, King County adopted Ordinance 19660, which amended the CPPs to establish the number of dwelling units needed to accommodate moderate, low, very low, and extremely low-income households for cities throughout the county. The Housing Growth Target and Housing Needs by income level are shown in Figure 7Table 1.

Figure 7: Mercer Island Housing Growth Target

Figure 7: Mercer Island Housing Growth Target

Total Housing Growth Target		Housing Needs By Income Level							Emergency Housing ²	
		0-≤30% AMI ³			>30-≤50% AMI	>50-≤80% AMI	>80-≤100% AMI	>100-≤120% AMI		>120% AMI
		PSH ¹	Non-PSH ¹	Total ≤30% AMI						
20-years Total Need	1,239	339	178	517	202	488	4	5	23	237
% of total	100%	27%	14%	41%	16%	39.39%	0.32%	0.40%	1.86%	N/A
Average Units/year achieve in 20 Years (2024-44)	62	17	9	26	10	24	0	0	1	12

Source: King County Countywide Planning Policies (CPPs), current through Ordinance 19660.

Notes:

1. Permanent Supportive Housing (PSH)
2. Emergency Housing need is its own metric and not part of the housing need or housing growth target.
3. Area Median Income (AMI) for King County as tracked by the U.S. Department of Housing and Urban Development (HUD).

CAPACITY TO ACCOMMODATE HOUSING GROWTH TARGET AND HOUSING NEEDS

In 2022, King County enacted Ordinance 19369, which adopted the King County Urban Growth Capacity (UGC) Report. The UGC Report established the land capacity analysis for the City of Mercer

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Island and found that the City has a capacity for 1,429 dwelling units, enough capacity to accommodate its housing growth target.

In response to Growth Management Hearings Board Order 25-3-0003, the City of Mercer Island produced an updated land capacity analysis based on a new 20-year land use strategy to accommodate its 2044 housing targets and fulfill its station subarea planning requirements per RCW 36.70A.840. The 2026 Land Capacity Analysis provided in Appendix G uses a methodology issued by the WA Department of Commerce to demonstrate how much residential growth the City’s existing zoning regulations can support by income level.

Figure 8 compares the estimated housing capacity with the housing need allocated to Mercer Island by King County in 2023. Overall, the City has adequate capacity for its gross growth target of 1,192 units in its current land use plan. However, there is a deficit of 510 units that are affordable to extremely low-income households earning less than 30% of the area median income. New subsidies and/or incentives introduced in the Adequate Provisions section below are necessary for these units to be built.

Figure 8: 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.

In 2023, the WA Department of Commerce (Commerce) issued new guidance for counties and cities to comply with updated housing requirements in the WA Growth Management Act (GMA). That guidance recommended a process by which cities should evaluate development capacity to accommodate housing needs disaggregated by income level. Based on the Commerce guidance, the City prepared the Land Capacity Analysis Supplement (Appendix G).

As per GMHB Order 25-3-0003, Issue #1, the City of Mercer Island must analyze residential land capacity at each housing affordability level and close any identified gaps. The Land Capacity Analysis narrative below has been updated to reflect phase 1 upzones limited to the existing Town Center and adjacent multifamily zones. Implementation of the TOD bill (HB 1491) will be pursued as a second phase of work.

The Land Capacity Analysis ~~Supplement~~ found that the City needed to increase multifamily and mixed-use development capacity ~~by at least 143 units during the Comprehensive Plan periodic review~~ to accommodate lower-income housing needs ([Appendix X](#)). During the Comprehensive Plan ~~periodic review update to comply with GMHB Order 25-3-0003~~, the City expanded its development capacity. The City increased the maximum building height in ~~selected the~~ Town Center subareas and adjacent multifamily zones under Phase 1 of the Station Subarea Plan. The Town Center was increased to a maximum building height of eight stories and the adjacent multifamily zones were increase to a maximum building height of six stories. The increase in height was analyzed in the Land Capacity Analysis ~~Supplement~~ and ~~was~~ found to generate adequate capacity to accommodate the City's housing needs.

The City prepared a Housing Needs Assessment during the Comprehensive Plan periodic review (Appendix E). This assessment included an inventory and analysis of the existing housing stock, which, combined with the Land Capacity Analysis (LCA), found that the City can accommodate its projected growth.

PERMANENT SUPPORTIVE ~~AND EMERGENCY~~ HOUSING

Under the GMA, the City must plan for two types of housing for households with income at or below 30 percent of the AMI: Permanent Supportive Housing and ~~other extremely-low income non-permanent supportive~~ housing. Housing need for extremely low-income housing is split into these two categories because these are two distinct housing types. Permanent supportive housing is intended to house people who need support services, whereas non-permanent supportive housing, extremely low-income housing, is meant for people at the lowest income level who do not necessarily need additional services. For reference, permanent supportive housing is defined in [RCW 36.70A.030\(31\)](#).

In addition to planning for permanent supportive housing, the City must also plan for emergency housing. Emergency housing provides temporary indoor accommodations for individuals or families who are homeless or at imminent risk of becoming homeless. ~~Its~~ It is intended to address the basic health, food, clothing, and personal hygiene needs of individuals or families ([RCW 36.70A.030\(14\)](#)). Emergency housing differs from housing for extremely low-income households and permanent supportive housing in that it is intended to be shorter-term accommodations. Emergency housing can include shelter space.

The ~~Land Capacity Analysis Supplement~~ LCA evaluated capacity for permanent supportive housing and emergency housing. The ~~Supplement~~ LCA found that the Comprehensive Plan allows

adequate capacity to accommodate its permanent supportive housing and emergency housing needs because these uses are allowed in all zones in Mercer Island.

ADEQUATE PROVISIONS

As per GMHB Order 25-3-0003, Issue #2, the City of Mercer Island must adopt incentives, mandatory provisions, and planned actions that will increase the supply of affordable housing.

The GMA requires the Housing Element to make adequate provisions for existing and projected needs of all economic segments of the community. This includes taking actions to address potential barriers to housing production. Barriers are factors that negatively affect production for different housing types. The Commerce Housing Element Update Guidebook 2 explains barriers as follows:

“For example, a city may be seeing a lot of detached single-family housing production on vacant land, and therefore determine that there are no significant barriers to single-family home construction. However, the same city may be seeing very little production of moderate density housing types such as townhomes or triplexes in zones where those types are allowed. If the city’s housing element is relying on capacity for those housing types to meet the needs of moderate-income households, then its housing element should also assess barriers specific to those housing types as well as actions to help overcome those barriers.”

~~Table 2 provides the documentation of potential barriers, and the programs and actions detailed in this Housing Element to overcome those barriers and achieve housing availability.~~

Figure 8: Programs and Actions Needed to Achieve Housing Availability:

Housing Type	Share of Existing Housing Units ¹	Likelihood Barriers Exist	Potential Barriers	Action or Program
Single-Family	67%	Very Low Likelihood given the large share of existing units	Development Regulations	No change.
			Other Limitations: Permitting Process	Comply with statewide legislation ^{8(d)} .
			Other Limitations: Development Capacity	No change.
Multifamily and Mixed-Use	27% ²	Moderate Likelihood given the lower share of existing units and the need to increase capacity ³ during the periodic review	Development Regulations	Review multifamily zone development regulations to: <ul style="list-style-type: none"> • Simplify the requirements • Reduce permit review times • Consider adjustments to bulk, dimensions, and parking standards
			Other Limitations: Permitting Process	Consider streamlining design review for multifamily and mixed-use development, particularly for developments with income-restricted affordable units.
			Other Limitations: Development Capacity	Increase development capacity within existing Town Center and Commercial Office zone boundaries to address the capacity shortfall identified in the City's Land Capacity Analysis Supplement ⁷ .
			Other Limitations: Displacement Risk	Establish anti-displacement measures to reduce and mitigate risk of displacement in areas with increased displacement risk.
Middle Housing	6% ⁴	Moderate Likelihood given the small share of existing units	Development Regulations	Comply with statewide legislation ^{8(b)} .
			Other Limitations: Permitting Process	Comply with statewide legislation ^{8(b)} .
			Other Limitations: Development Capacity	Comply with statewide legislation ^{8(b)} .
Income Restricted Units, Permanent Supportive Housing (PSH) and Emergency Housing	<1% ⁵	High Likelihood given the small share of existing units	Development Regulations	<ul style="list-style-type: none"> • Comply with statewide legislation^{8(a)} for PSH and emergency housing • Adopt additional incentives to spur development of new income-restricted affordable housing units
			Other Limitations: Permitting Process	<ul style="list-style-type: none"> • Comply with statewide legislation^{8(a)} • Consider streamlining design review for developments with income-restricted affordable units.
			Other Limitations: Development Capacity	<ul style="list-style-type: none"> • Increase land capacity within existing boundaries to address the capacity shortfall identified in the City's Land Capacity Analysis Supplement⁷ • Comply with statewide legislation^{8(a)}
			Funding Gaps	<ul style="list-style-type: none"> • Maintain membership in A Regional Coalition for Housing (ARCH) and continue to contribute to the ARCH Housing Trust Fund (HTF) • Evaluate potential local revenue sources for affordable housing • Evaluate an affordable housing fee-in-lieu program • Use incentives to reduce the per-unit costs for affordable housing • Coordinate efforts with providers, developers, and government agencies
Accessory Dwelling Units (ADUs)	N/A ⁶	Very Low Likelihood given ADUs are allowed in all single-family zones	Development Regulations	Comply with statewide legislation ^{8(e)}
			Other Limitations: Permitting Process	Comply with statewide legislation ^{8(e)}
			Other Limitations: Development Capacity	Comply with statewide legislation ^{8(e)}

Notes:

1. Source: U.S. Census Bureau 2022 American Community Survey (ACS), Table B25024. This is an estimate of the number of existing housing units based on an annual survey.
2. Multifamily and mixed-use housing type is categorized as residential development with ten or more units per structure.
3. A multifamily and mixed-use housing capacity deficit was found in the Land Capacity Analysis Supplement (Appendix X). The capacity deficit was addressed in the Comprehensive Plan periodic review, but additional actions can address other potential barriers.
4. Middle housing development is categorized as residential development with 2-9 units per structure.
5. The Puget Sound Regional Council (PSRC) maintains an inventory of income-restricted housing units per jurisdiction. As of November 6, 2023, PSRC tracked that there were 102 income-restricted affordable housing units in Mercer Island. Per the PSRC inventory, there were 30 units for extremely low-income households, 59 units for very low-income households, and 13 units for low-income households.
6. Accessory dwelling unit share of housing units is combined with the single-family. Between 2006 and 2022, the City permitted 104 ADUs.
7. The Land Capacity Analysis Supplement was developed to evaluate whether the Comprehensive Plan allows adequate capacity to accommodate its housing needs (Appendix X).
8. Statewide legislation passed in the years preceding the Comprehensive Plan periodic review affected several types of housing as follows:
 - a. House Bill 1220—Adopted in 2021, this bill amended several GMA requirements and also set limits on how jurisdictions can regulate PSH and emergency housing;
 - b. House Bill 1110—Adopted in 2023, this bill requires cities to allow middle housing types in zones where single-family homes are allowed. Jurisdictions must make amendments to comply with this bill within six months of the Comprehensive Plan periodic review;
 - c. Housing Bill 1237—Adopted in 2023, this bill requires cities and counties to amend the development regulations for ADUs. Jurisdictions must make amendments to comply with this bill within six months of the Comprehensive Plan periodic review; and
 - d. Senate Bill 5290—Adopted in 2023, this bill requires cities and counties to meet permit review timetables.

BARRIER'S ANALYSIS

In 2026, the City prepared a Barriers Analysis following updated Commerce Guidance (See Appendix X for Barriers Analysis). The analysis, whose results are summarized in Figure 9, examined existing development regulations and permit processes to identify potential barriers and developed actions and programs that could reduce or resolve those barriers. The City prepared a Barriers Analysis during the Comprehensive Plan Update (Appendix X). The Barriers Analysis was based on the Commerce Guidance updated in 2026 and examined development regulations and permit processes to identify potential barriers and the programs and actions needed to reduce those barriers. The actions identified in Figure 9 will be implemented concurrently with the Comprehensive Plan update which includes Station Subarea Planning efforts.

Figure 9: Potential Barriers Identified in the Barriers Analysis in Appendix X

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

Notes

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

RACIALLY DISPARATE IMPACTS AND DISPLACEMENT RISK

In 2021, the GMA was amended to require jurisdictions to identify potential racially disparate impacts, address those impacts, and reduce displacement risk. In 2023, Commerce provided guidance for complying with the GMA requirement to identify and begin undoing racially disparate impacts established in RCW 36.70A.070(2)(e)-(g). Based on that guidance, the City prepared the Racially Disparate Impacts (RDI) Evaluation. The RDI Evaluation provides the analysis and evaluation to identify policies that may have resulted in racially disparate impacts and identify areas at higher risk of displacement (Appendix H).

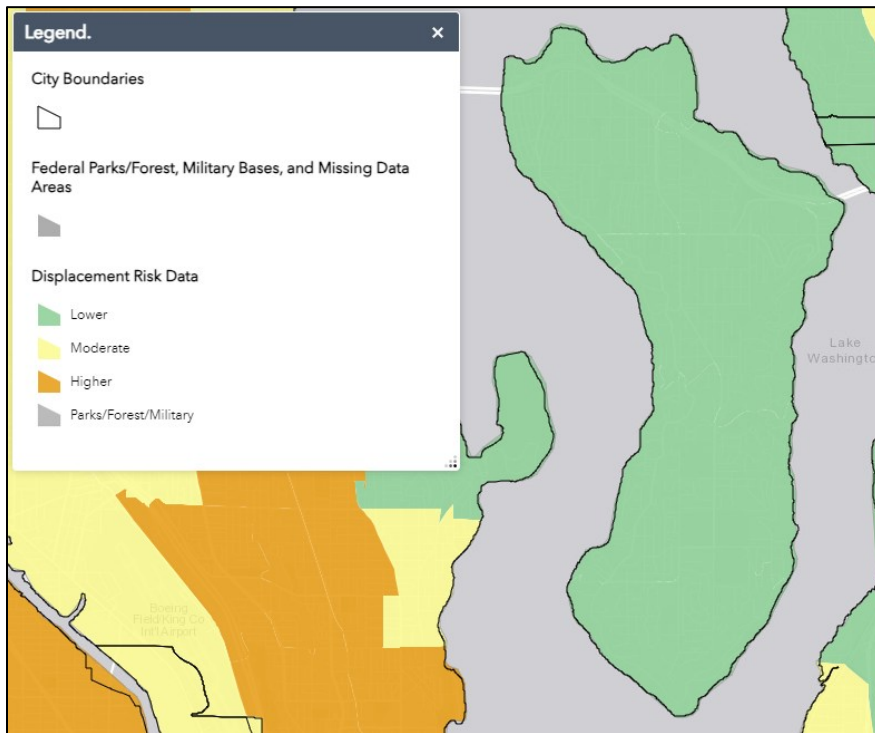
The RDI Evaluation found that the primary racially disparate impacts are:

- Renting households are more cost-burdened than homeownership households by a margin of 20 percentage points;
- Households of color are eight percentage points more likely than White households to be housing cost-burdened, 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.

Figure 10 shows the PSRC displacement risk mapping for Mercer Island census tracts. All tracts on Mercer Island were in the lower risk category, suggesting that most of Mercer Island, in general, has a lower risk of displacement occurring compared to other census tracts in King, Pierce, Snohomish, and Kitsap counties.

Figure 9: PSRC Displacement Risk Map

Figure 10: PSRC Displacement Risk Map



Source: Puget Sound Regional Council (PSRC) Displacement Risk Mapping. <https://www.psrc.org/our-work/displacement-risk-mapping>.

The RDI Evaluation identified three areas that may be at higher risk of displacement relative to other areas in the City. Displacement could occur due to changes in development regulations or capital investments. The three areas that may be at higher risk of displacement are:

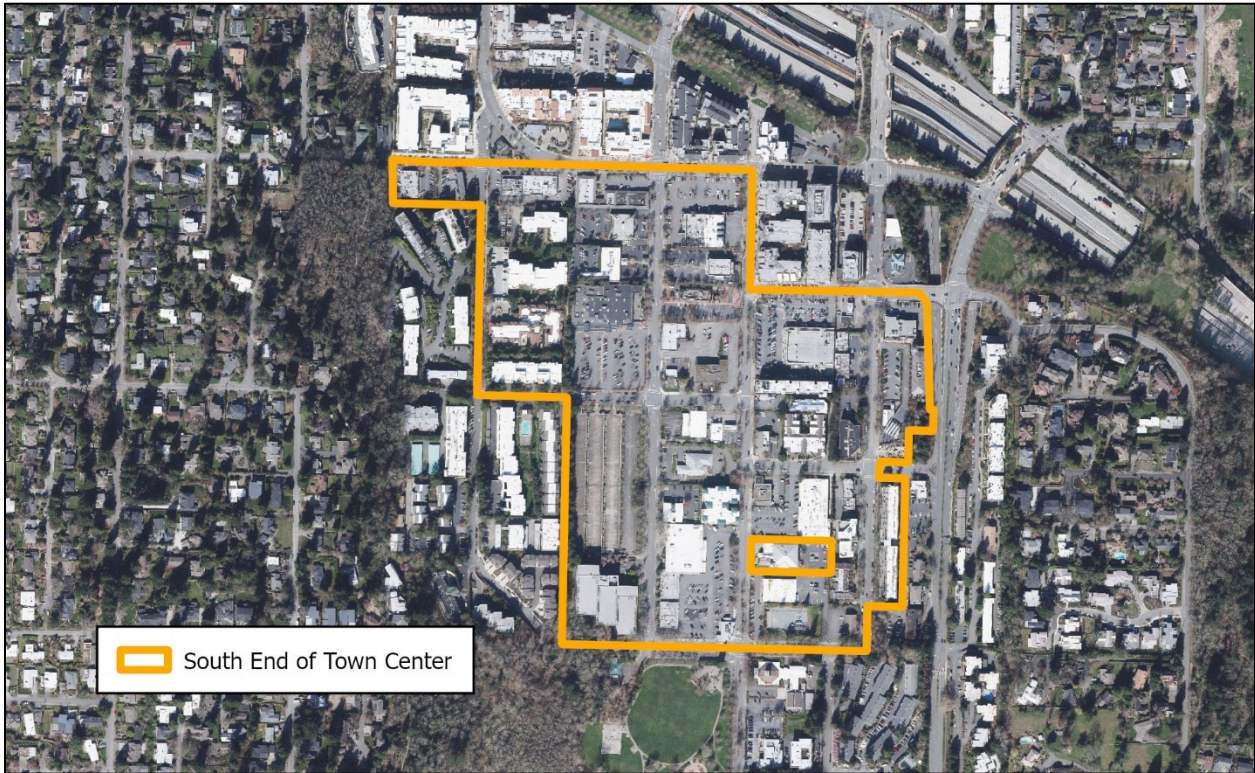
- The south end of Town Center;
- Multifamily zones adjacent to Town Center; and

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- Multifamily zones east of Town Center.

Figure 11, Figure 12, Figure 13, Figures 2, 3, and 4 show maps of the three areas that may be at higher risk of displacement.

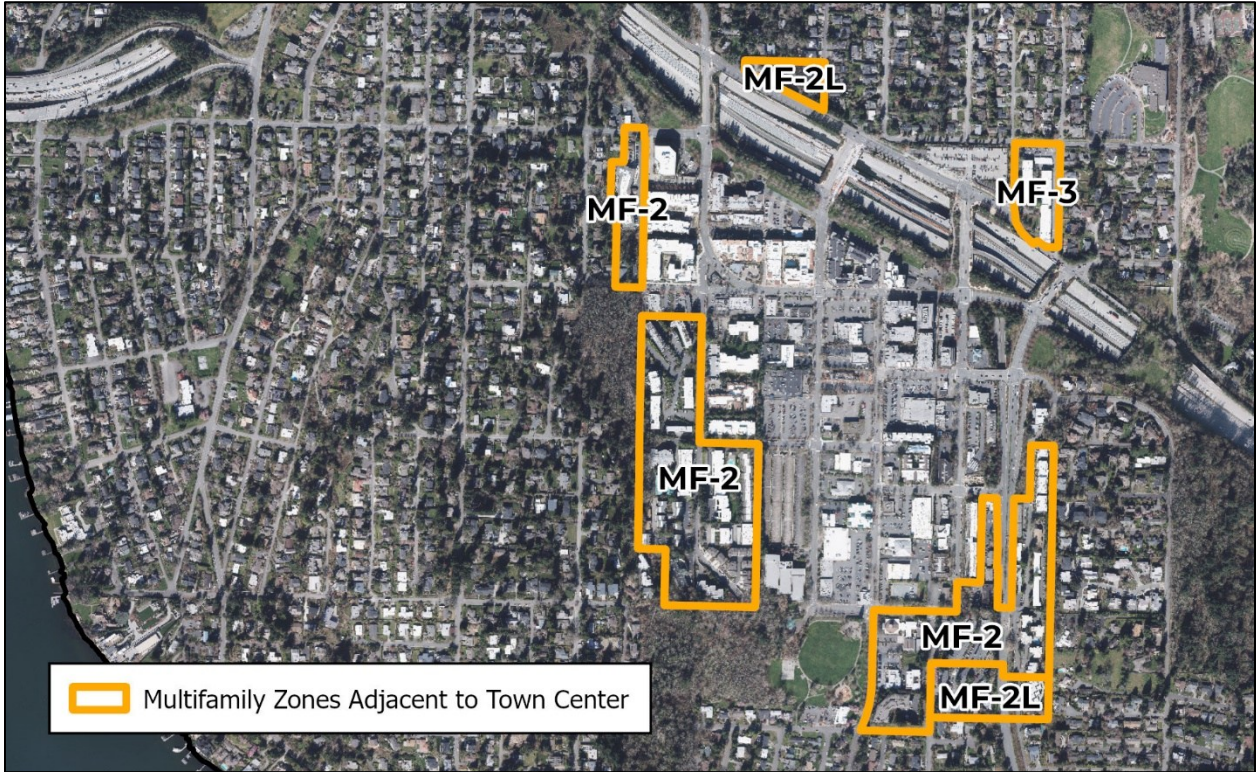
Figure 11: South End of Town Center



Source: RDI Evaluation dated December 15, 2023.

Figure 12: Multifamily Zones Adjacent to Town Center

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Source: RDI Evaluation dated December 15, 2023.

Figure 13~~12~~: Multifamily Zones East of Town Center



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Source: RDI Evaluation dated December 15, 2023.

The following strategies detailed in this Housing Element are directed at addressing and beginning to undo the impacts identified in the RDI Evaluation:

- Expand tenant protections;
- Intentional public outreach during implementation of the Comprehensive Plan;
- Increase the supply of affordable rental housing;
- Add incentives for the construction of affordable housing; and
- Increase capacity for multifamily and mixed-use housing.

GOALS AND POLICIES

The goals and policies in this Housing Element are divided into six sections focusing on a specific topic:

- Overall housing strategies;
- Affordable housing;
- Racially disparate impacts;
- Anti-Displacement;
- Residential regulations, and
- Implementation.

The strategies outlined in the policies should be implemented throughout the planning period to accomplish the following by the year 2044:

- Accommodate the City's housing target and projected housing needs;
- Make adequate provisions for housing needs for all economic segments of the community;
- Provide for and address potential barriers to the preservation, improvement, and development of housing;
- Begin undoing racially disparate impacts from past housing policies;
- Reduce or mitigate displacement risk as zoning changes and development occur; and
- Realize the City's goals for housing.

As per GMHB Order 25-3-0003, Issue #3, the City of Mercer Island must adopt a subarea plan for the area around the Link light rail transit station. As part of this effort, existing Housing Element goals and policies regarding Town Center and transit-oriented development have been relocated to the draft Station Subarea Plan. (Multicounty Planning Policy DP-22 and RCW 36.70A.840)

II. GOALS AND POLICIES

Overall housing strategies

Goal 1: Mercer Island provides affordable housing for all income levels meeting its current and future needs.

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- 1.1 Accommodate the Mercer Island housing growth target and housing needs shown in Table 1 by:
 - 1.1.1 Ensuring the Comprehensive Plan allows adequate capacity for the Mercer Island housing growth target and housing needs assigned by King County;
 - 1.1.2 Adopting policies that will increase the supply of income-restricted and naturally occurring affordable housing;
 - 1.1.3 Addressing racially disparate impacts;
 - 1.1.4 Reducing or mitigating displacement risk and
 - 1.1.5 Taking actions to implement this element throughout the Comprehensive Plan planning period.
- 1.2 Categorize household income level for the purposes of this element as follows:
 - 1.2.1 High income is a household income that exceeds 120 percent of the AMI;
 - 1.2.2 Moderate income is a household income at or below 120 percent and above 80 percent of the AMI;
 - 1.2.3 Low income is household income at or below 80 percent and above 50 percent of the AMI;
 - 1.2.4 Very low income is household income at or below 50 percent and above 30 percent of the AMI, and
 - 1.2.5 Extremely low income is household income at or below 30 percent of the AMI.
- 1.3 Accommodate the Mercer Island housing growth target and housing needs by income level with the following approaches:
 - 1.3.1 High Income – Continue to allow market rate single-family, moderate density, and condominium housing;
 - 1.3.2 Moderate, Low-, and Very Low-Income –
 - 1.3.2.1 Implement strategies to preserve existing units;
 - 1.3.2.2 Implement strategies to increase the supply of new income restricted units; and
 - 1.3.2.3 Reduce barriers to new moderate density, multifamily, and mixed-use construction.
 - 1.3.3 Extremely Low-Income and Permanent Supportive Housing (PSH) –
 - 1.3.3.1 Implement strategies to increase the supply of new income- restricted units for extremely low-income households and PSH and
 - 1.3.3.2 Coordinated efforts among providers, developers, and government agencies and
 - 1.3.3.3 Organize resources in support of new income restricted development.

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- 1.3.4 Emergency Housing – Allow use consistent with state law and ensure ~~that occupancy, spacing, and intensity~~ regulations allow sufficient capacity to accommodate the City’s level of need.
- 1.4 Plan for residential neighborhoods that protect and promote the health and well-being of residents by supporting equitable access to:
 - 1.4.1 Parks and open space;
 - 1.4.2 Recreation opportunities and programs;
 - 1.4.3 Safe pedestrian and bicycle routes;
 - 1.4.4 Clean air, soil, and water;
 - 1.4.5 Shelter from extreme heat events;
 - 1.4.6 Fresh and healthy foods;
 - 1.4.7 High-quality education from early learning through kindergarten through twelfth grade;
 - 1.4.8 Public safety;
 - 1.4.9 Artistic, musical, and cultural resources
 - 1.4.10 Affordable and high-quality transit options and living wage jobs;
 - 1.4.11 The opportunity to thrive in Mercer Island regardless of race, gender identity, sexual identity, ability, use of a service animal, age, immigration status, national origin, familial status, religion, source of income, military status, or membership in any other category of protected people, and
 - 1.4.12 Neighborhoods in which environmental health hazards are minimized to the extent possible.
- 1.5 Take actions to promote healthy and safe homes.
- 1.6 Mitigate climate impacts related to housing by executing the Climate Action Plan.
- 1.7 Strive to increase class, race, and age integration by ~~fairly~~ dispersing affordable housing opportunities with consideration for access to employment opportunities and proximity to transit.
- 1.8 Discourage neighborhood segregation and the isolation of special needs populations.
- 1.9 Increase housing choices for everyone, particularly those earning lower wages, in areas with access to employment centers and high-capacity transit.
- 1.10 Encourage accessory dwelling units (ADUs) as a housing form that can help to meet housing needs for moderate to low-income households.
- 1.11 Focus on the ~~Town-Center~~Station Subarea and Commercial-Office zones when increasing multifamily and mixed-use development capacity to accommodate the Mercer Island housing growth target and housing needs. Strive to reduce and/or mitigate displacement of businesses resulting from an increase in residential capacity.
- 1.12 Consider alternatives for maximizing housing capacity in the ~~Town-Center zones~~Station Subarea before analyzing alternatives for increasing multifamily capacity elsewhere.

Affordable Housing

- Goal 2:** Households at all income levels can afford to live in Mercer Island because of the mix of market rate and income-restricted housing.
- 2.1 Support the development and preservation of income-restricted housing that is within walking distance of planned or existing high-capacity transit.
 - 2.2 Implement strategies to overcome cost barriers to housing affordability. Strategies should include:
 - 2.2.1 Periodic review of development standards, staffing levels, and permit processes to reduce permit review times and costs;
 - 2.2.2 Periodic review of residential densities in high-density zones to adjust multifamily and mixed-use capacity as needed to accommodate housing needs;
 - 2.2.3 Programs, policies, partnerships, and incentives to decrease costs to build and preserve affordable housing.
 - 2.3 Decrease barriers and promote access to affordable homeownership for extremely low-, very low-, and low-income, households.
 - 2.4 Increase affordable homeownership options for moderate income households by increasing moderate density housing capacity.
 - 2.5 Encourage the construction of new permanent income-restricted housing through approaches such as the following:
 - 2.5.1 Affordable housing incentives that require units at varying income levels to be incorporated into new construction to address the Mercer Island housing growth target and housing needs for households earning less than the area median income (AMI). ~~Affordable housing unit requirements should be set at levels to yield more lower income units as the benefit of the incentive increases.~~
 - 2.5.2 Height bonuses concurrent with any increase in development capacity to address Mercer Island's affordable housing needs;
 - 2.5.3 Incentives for the development of housing units affordable to extremely low-, very low-, low-, and moderate-income households;
 - 2.5.4 A Multifamily Tax Exemption (MFTE) linked to substantial additional affordability requirements.
 - 2.5.5 Reduced design review processes and simplified standards for developments with affordable units.
 - 2.5.6 Reduced or waived permit fees for developments with affordable units.
 - 2.5.7 Reduced parking requirements for income-restricted units.
 - 2.6 Evaluate potential revenue sources to fund a local affordable housing fund.
 - 2.7 Evaluate a fee-in-lieu program whereby payments to the local affordable housing fund can be made as an alternative to constructing required income-restricted housing.

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- 2.8 Prioritize the use of local and regional resources for income-restricted housing, particularly for extremely low-income households, populations with special needs, and others with disproportionately greater housing needs.
- 2.9 Evaluate the feasibility of establishing zoning in existing multifamily and mixed-use zones that would require developers to provide affordable housing in new high-density developments.
- 2.10 Continue to participate in A Regional Coalition for Housing (ARCH) as a key strategy for addressing affordable housing needs for low-, very low-, and extremely low-income households.
- 2.11 Evaluate increasing the contribution to the ARCH Housing Trust Fund (HTF) at a per-capita rate consistent with other participating/member cities as a key strategy to address PSH, extremely low-, very low-, and low-income housing needs.
- 2.12 Develop partnerships to address barriers to the production of affordable housing to extremely low-income households by connecting with government agencies, housing service providers, religious organizations, affordable housing developers, and interested property owners.
- 2.13 Periodically meet with partners to gather feedback on actions the City can take to reduce barriers to the production of extremely low-income housing units, including PSH and emergency housing.

Racially disparate impacts

Goal 3: Undo identified racially disparate impacts, avoid displacement, and eliminate exclusion in housing so that every person has the opportunity to thrive in Mercer Island regardless of their race.

- 3.1 Begin undoing racially disparate impacts by prioritizing actions that:
 - 3.1.1 Increase the supply of affordable rental housing;
 - 3.1.2 Expand tenant protections;
 - 3.1.3 Add incentives for the construction of affordable housing;
 - 3.1.4 Increase capacity for multifamily and mixed-use housing and
 - 3.1.5 Include intentional public outreach during the implementation of the Comprehensive Plan.
- 3.2 Acknowledge historic inequities in access to homeownership opportunities for communities of color.
- 3.3 Seek partnerships with impacted communities to promote equitable housing outcomes and prioritize the needs and solutions expressed by these disproportionately impacted communities for implementation.
- 3.4 Include a statement in all future Public Participation Plans adopted for actions that implement this Housing Element explaining how the City will reach impacted communities.
- 3.5 Seek partnerships and dedicated resources to eliminate racial and other disparities in access to housing and neighborhoods of choice.

Anti displacement

- Goal 4:** City actions reduce and mitigate displacement risk as regulations change and development occurs.
- 4.1 Seek partnerships to develop an affordable housing inventory to catalog the location, quantity, and ownership of income-restricted affordable units and Naturally Occurring Affordable Housing ~~(NOAH)~~.
 - 4.2 Evaluate and consider implementing the following tenant protections:
 - 4.2.1 Required advance notice of rent increases, and
 - 4.2.2 Relocation assistance, ~~and~~
 - 4.2.3 ~~Right of first refusal or tenant opportunity to purchase requirements when an apartment building is converted to a condominium.~~
 - 4.3 Evaluate the potential increased risk of displacement that could accompany any increase in development capacity concurrent with proposed zoning changes affecting a zone where multifamily or mixed-use development is allowed. This evaluation should:
 - 4.3.1 Be paid for by an applicant requesting a rezone and conducted on behalf of the City;
 - 4.3.2 Consider economic, physical, and cultural displacement as defined by ~~the WA Department of~~ Commerce;
 - 4.3.3 Recommend strategies to reduce or mitigate identified displacement risks and
 - 4.3.4 Be presented to City decision- makers before making findings, recommendations, or decisions.
 - 4.4 Policy or regulatory amendments that affect development capacity in zones where multifamily or mixed-use residential development is allowed must be accompanied by findings that displacement risk has been adequately reduced and mitigated.

Residential Regulations

- Goal 5:** Regulations that affect residential development are balanced so that they safeguard the public health, safety, and welfare.
- 5.1 Consider reviewing the residential development standards to identify potential amendments that would:
 - 5.1.1 Reduce permit review times and costs;
 - 5.1.2 Simplify requirements,
 - 5.1.3 Limit the design review process to administrative design review and ensure that all design standards are objective and measurable;
 - 5.1.4 Ensure parking requirements are right-sized to adequately balance the need for parking with the per-unit cost of parking and consistent with state law.
 - 5.1.5 Increase affordable housing incentives and
 - 5.1.6 Address displacement risk from zoning changes.

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- 5.2 Identify the regulatory amendments necessary to allow duplexes, triplexes, townhomes, and other moderate- density housing types in residential zones consistent with state law and this comprehensive plan.
- 5.3 Amend residential development standards to allow middle housing types and ADUs in residential zones consistent with state law and consistent with this comprehensive plan.
- 5.4 Consider amending ADU development standards to add flexibility and expand options for developing this type of housing to help meet housing needs for moderate to low-income households.
- 5.5 Consider restructuring existing ADU incentives, such as the gross floor area bonus, to require affordable housing.

Implementation

Goal 6: The Housing Element is implemented in a timely and efficient manner so that the City’s goals are realized.

- 6.1 Establish a Housing Element implementation strategy and schedule in conjunction with each biennial budget cycle. This implementation strategy can be periodically updated and amended by the City Council at any time thereafter and should detail the following:
 - 6.1.1 Actions from this element to be added to department work plans for the next biennial budget cycle;
 - 6.1.2 Any funding, including grants allocated to support the completion of these actions;
 - 6.1.3 Any staff resources allocated to support the completion of these actions;
 - 6.1.4 A schedule detailing the key actions and milestones for the completion of each action; and
 - 6.1.5 A list of future actions expected to be proposed to be added to department work plans in the next three to five years.
- 6.2 Prepare a biennial report tracking the implementation of the Housing Element. The report will be provided to the City Council prior to the adoption of the budget.
- 6.3 Partner with state, regional, and countywide agencies to periodically track the effectiveness of the policies in this element, including the GMA- required implementation progress report due five years after each Comprehensive Plan periodic review.
- 6.4 Provide resources for actions to implement this element and respond to limited resources by using strategies such as:
 - 6.4.1 Alternate funding sources;
 - 6.4.2 Public-private partnerships;
 - 6.4.3 Reducing project or program scope to align with current biennial budget constraints provided such reductions comply with requirements set in state law; and

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- 6.4.4 Amending the policies of the Housing Element to reflect the City's capacity to implement the element constraints provided such amendments comply with requirements set in state law.

Element 8 – Economic Development

I. INTRODUCTION, EXISTING CONDITIONS, AND LAND USE CONNECTIONS

This element of the Comprehensive Plan articulates how the City of Mercer Island will support and grow its economy through 2044. This element establishes policy direction for the City to build on its strengths, maximize opportunities, and build resilience in the local economy to overcome challenges. Mercer Island is poised to grow its economy significantly during the planning period. The resident workforce tends to be employed in high-wage jobs and is highly educated. Because residents tend to be employed in high-earning jobs, there is a strong local customer base to support on-island businesses. The arrival of light rail service will increase access to Mercer Island for off-island visitors and workers. Mercer Island’s position between Bellevue and Seattle makes it a prime location for businesses looking to draw workers and customers from larger surrounding cities. The Mercer Island economy is in a strong position to support new growth.

Mercer Island residents are employed in many high-earning industries. Over one quarter (26 percent) of the population is employed in the professional, scientific, management, administrative and waste management services industry, making it the largest employment sector. In 2021, the median annual earnings for this sector were \$134,265. The next three largest employment sectors are educational services, health care and social assistance (16 percent), retail trade (13 percent), finance and insurance, real estate and rental and leasing (12 percent). In 2021, the median earnings for these three sectors range from between \$71,467 and \$105,913 annually. Table 1 shows the full-time, year-round employed population 16 years old and over by industry.

Figure 1413: Mercer Island Employment by Industry Sector, 2021

Industry Sector	Count	Share	Median Earnings*
Full-time, year-round civilian employed population 16 years and over	8,620	100.00%	102,348
Agriculture, forestry, fishing and hunting, and mining:	0	0.00%	-
Construction	177	2.05%	76,103
Manufacturing	665	7.71%	149,219
Wholesale trade	229	2.66%	93,438
Retail trade	1,138	13.20%	88,000
Transportation and warehousing, and utilities:	212	2.46%	100,670
Transportation and warehousing	183	2.12%	91,042
Utilities	29	0.34%	152,031
Information	665	7.71%	195,729
Finance and insurance, and real estate and rental and leasing:	1,110	12.88%	105,913
Finance and insurance	675	7.83%	109,286
Real estate and rental and leasing	435	5.05%	76,563
Professional, scientific, and management, and administrative and waste management services:	2,284	26.50%	134,265

Professional, scientific, and technical services	1,998	23.18%	147,576
Management of companies and enterprises	12	0.14%	-
Administrative and support and waste management services	274	3.18%	78,241
Educational services, and health care and social assistance:	1,421	16.48%	71,467
Educational services	584	6.77%	55,724
Health care and social assistance	837	9.71%	89,688
Arts, entertainment, and recreation, and accommodation and food services:	305	3.54%	25,052
Arts, entertainment, and recreation	154	1.79%	11,678
Accommodation and food services	151	1.75%	28,370
Other services, except public administration	157	1.82%	33,750
Public administration	257	2.98%	67,745

*2021 median earnings are shown for the last 12 months in inflation adjusted dollars

Source: U.S. Census Bureau 2021 American Community Survey, Tables S2404 and B24031.

<https://data.census.gov/table?q=industry&q=1600000US5345005&tid=ACSST5Y2021.S2404>

<https://data.census.gov/table?q=earnings+by+industry&q=1600000US5345005&tid=ACSDT5Y2021.B24031>

The Mercer Island population is well-educated. A little more than 82 percent of residents over the age of 25 have completed a college degree, having earned an associate’s degree or higher educational attainment. For comparison, about 64 percent of the population over 25 in King County have an associate’s degree or higher educational attainment. Table 2 shows the educational attainment for the Mercer Island population aged 25 or older.

Figure 15-4: Educational Attainment for the Population 25 Years and Over, 2021

Educational Attainment	Estimate	Share
Less than high school diploma	308	1.70%
Regular high school diploma	1,034	5.71%
GED or alternative credential	84	0.46%
Some college, less than 1 year	316	1.74%
Some college, 1 or more years, no degree	1,379	7.61%
Associate's degree	952	5.25%
Bachelor's degree	7,118	39.29%
Master's degree	3,781	20.87%
Professional school degree	1,791	9.89%
Doctorate degree	1,354	7.47%
Total	18,117	100%

Source: U.S. Census Bureau 2021 American Community Survey, Table B15003.

Mercer Island is located in King County between two major economic hubs in Seattle and Bellevue. Mercer Island is in the center of a high-income area that can support increased economic activity. The City’s geography places it in a prime location for growing its economy by attracting off-island customers and capital from the surrounding area. King County’s median household income is the highest in the

Puget Sound region and Washington overall. Table 3 shows the 2021 median household incomes for Washington State and selected Puget Sound counties.

Figure 1615: Estimated 2021 Median Household Income in the Last 12 Months, Washington State and Selected Puget Sound Counties.

Location	Median Income (Dollars)
Washington State	\$84,247
King	\$110,586
Kitsap	\$87,314
Pierce	\$85,866
Snohomish	\$100,042

Source: 2021 American Community Survey Table S1903.

MERCER ISLAND COMMERCIAL AREAS

The City of Mercer Island has three commercial areas. These areas have been zoned for commercial uses since the City was incorporated in the 1960s. Each of these areas is home to different types of commercial development. Commercial developments in Town Center are predominantly older one-story strip mall developments and newer mid-rise mixed-use buildings. A commercial area in the northeast of the island near City Hall is primarily older one- and two-story buildings with office spaces and services such as childcare. The south end commercial area is a smaller shopping center with a self-storage structure. These three distinct areas are the only places in Mercer Island zoned for commercial uses. Some limited commercial activities, such as home-based businesses, are allowed outside of these areas.

Town Center

Town Center is located south of Interstate 90, north of Mercerdale Park, west of Island Crest Way, and east of 74th Avenue Southeast. The Town Center has experienced the most development of all the commercial areas in the City in recent years. Most recent developments have been mixed-use developments combining first floor commercial space and parking with residential uses on the upper floors. Older development in Town Center is a lower-intensity, one-story, ‘strip mall’ development with surface parking in front of the commercial space.

Northeast Commercial Area

The northeast commercial area is south of Interstate 90, north of Stroum Jewish Community Center, west of East Mercer Way, and east of Gallagher Hill. This area is developed primarily for commercial and institutional uses. The majority of buildings in this area were constructed between 1957 and 1981. Commercial development is typically composed of one- and two-story buildings surrounded by surface parking lots. The commercial land uses in this area are offices for professional services and services such as daycares and private schools. City hall is located in this area. The intersection of E Mercer Way, SE 36th Street, and eastbound I-90 ramps are located in the eastern portion of this area. This intersection experiences significant traffic levels during peak travel hours.

South End Commercial Area

The south end commercial area is south of Southeast 68th Street, west of Island Crest Way, east of 84th Avenue Southeast, and north of Southeast 71st Street. At roughly 14 acres, this is the smallest commercial area on Mercer Island. The majority of the commercial development dates to the early 1960's. The commercial land uses here are primarily restaurants and retail. There are some commercial offices, a gas station, and a storage facility. This area has low- intensity commercial development surrounded by surface parking lots.

LAND USE CONNECTION

There is a fundamental tie between the policies of this element and the Land Use Element. The Land Use Element envisions a primarily residential city with three defined commercial areas. It and the resultant regulations largely confine commercial land uses to three distinct commercial districts. This focuses the future economic growth in the City to those districts.

Each of the three commercial areas is regulated differently, with the built environment reflecting those variations. The ~~Town Center~~ Station Area zones allow the highest intensity of development, and midrise mixed-use structures are the principal form of new commercial development in that area. The northeast commercial area is zoned for office and service uses as opposed to other commercial uses. It was largely developed forty years ago and has not seen the same degree of recent development as Town Center. The south end commercial area is zoned for a mix of small- scale, neighborhood-oriented business, office, service, public, and residential uses. The three commercial areas are mostly developed, so absent rezoning, most new commercial development in the City will likely come through redevelopment of existing commercial buildings.

The supply of commercial development capacity is closely controlled by Land Use policies and regulations. Regulations that modulate the supply of an economic input, such as the space in which commercial activity can take place, also affect the location, size, scale, and cost associated with doing business in the City. Controlling the supply of commercial development capacity is the primary way the Comprehensive Plan has shaped the local economy prior to the adoption of this Economic Development Element. Because of this connection, some goals and policies of this element connect directly to land use policies and regulations.

RELATIONSHIP TO OTHER COMPREHENSIVE PLAN ELEMENTS AND OTHER PLANS

The Housing, Transportation, Utilities, Capital Facilities, and Shoreline Master Program elements all interact with the local economy as follows:

Housing Element

Housing indirectly impacts the local economy because it affects the local business customer base and labor force. Housing on Mercer Island primarily consists of detached single-family homes, which contributes to the unique Island neighborhood character. Multifamily development is largely limited to the area in and around Town Center. Housing has several effects on the local economy. Higher- cost housing can attract higher- income residents and customers for local businesses. On the other hand, high housing costs may limit the ability of some workers to afford to live in the City, leading to increased

commuting and potentially limiting a business’s ability to hire. Higher-cost housing can attract higher-income residents and customers for local businesses, though higher cost housing may depress financial resources and reduce customer spending overall, including at Island businesses. Less expensive multifamily housing may attract residents in and near the Town Center who are more likely to choose not to own a car and may be more likely to shop locally than those in detached single-family housing. The quantity of multifamily housing available may correlate with the market for the basics of everyday living and experiences such as dining out.

Transportation Element

Transportation infrastructure is integral to the local economy. The Transportation Element establishes the goals and policies that guide how the City will maintain, improve, and expand the transportation network to account for growth throughout the planning period. The goals and policies of the Transportation Element aim to maintain adequate levels of service at high- traffic intersections, reinvest in existing infrastructure, increase transportation choice in the City, and provide connectivity between the light rail station and the City’s commercial areas. Transportation networks allow businesses to access markets in neighboring cities, making it easier for customers from outside the City to patronize local businesses and enable local businesses to draw from the regional labor force.

Utilities Element

The provision of utilities is vital to local businesses, all of which need reliable sewer, water, solid waste, power, and internet. The Utilities Element details how the City will coordinate with its utility service providers to ensure adequate provision of these vital services for residents and businesses alike.

Capital Facilities Element

Capital facilities such as parks and public buildings are critical to the provision of services to the local economy. In addition to planning for public assets, the Capital Facilities Element includes goals and policies to support a high quality of life, which can attract new businesses and workers to Mercer Island.

Shoreline Master Program

The Shoreline Master Program (SMP) Element establishes the policies for managing development on the shoreline. This element is designed to ensure that the shoreline environment is protected and that the shoreline is available for water- dependent uses. Those businesses located in the shoreline jurisdiction, within 200 feet of Lake Washington, are affected by the SMP. In situations where the policies in the SMP and Economic Development Element intersect, the Comprehensive Plan will need to balance shoreline environmental protection with fostering appropriate water- dependent commercial uses in the shoreline.

Other Plans

The Comprehensive Plan includes several other plans that address specific topics. As components of the Comprehensive Plan, those other plans relate to the Economic Development Element. Some of the other plans include:

- **Station Area Subarea Plan** – Establishes a community vision, goals, and policies for the area around the Sound Transit Mercer Island Link light rail station, as required by Multicounty Planning Policy DP-22 and RCW 36.70A.840.
- **The Arts and Cultural Plan** – Directs the provision of artistic and cultural infrastructure that draws residents and shoppers to commercial areas. Artistic and cultural infrastructure and events in the community improve the quality of life. Well executed, they can attract local and off-island residents to commercial areas where they may be more likely to shop. Arts and culture infrastructure and events may also attract workers to the Island, who, in addition to contributing to the employment base, may shop here.
- **The Pedestrian and Bicycle Facilities Plan** – Establishes strategies for maintaining and improving pedestrian and bicycle infrastructure to provide multimodal connections throughout the City.
- **Parks, Recreation and Open Space Plan** – Plans for the maintenance, improvement, and development of parks, open space, trails, and recreational facilities.
- **Climate Action Plan** – Establishes the strategies the City will use to reduce greenhouse gas emissions and address the impacts of climate change.
- **Capital Improvement Program** – Lists the capital investments the City will make through 2044.
- **Transportation Improvement Program** – Lists the Transportation Element implementation projects the City will undertake throughout the life of the Comprehensive Plan.

Employment Growth Target

The King County Countywide Planning Policies (CPPs) establish growth targets for all the jurisdictions within King County. The CPPs were initially adopted in 1992 and have been amended several times since then. Elected officials from King County, the cities of Seattle and Bellevue, and the Sound Cities Association meet as the Growth Management Planning Council. This Council makes recommendations to the County Council, which has the authority to adopt and amend the CPPs. King County amended the CPPs in 2021, updating the growth targets for cities and towns throughout the County. The updated growth targets extended the planning horizon through the year 2044. Mercer Island’s current employment is approximately 7,700 jobs; the growth target is 1,300 new jobs 2044.

STRENGTHS, WEAKNESSES, OPPORTUNITIES, AND THREATS

The advantages and challenges the City plans to encounter in the next twenty years can be divided into strengths, weaknesses, opportunities, and threats. Strengths are those things already existing in the local economy that the City can build on to grow the economy. Weaknesses are existing conditions in the local economy that could impede or otherwise challenge economic growth through the planning period. Opportunities are foreseeable changes that can give the City a stronger competitive advantage in the coming years. Threats are external events or factors that have the potential to negatively affect economic growth. The selected strengths, weaknesses, opportunities, and threats discussed in this section were identified during public participation and data review conducted during the drafting of this element.

Strengths

Strengths are the cornerstones of the economy. These are the aspects of the local economy that are advantageous for economic growth. Strengths are factors that contribute to the prosperity, environment, and social cohesion of the City and, as such, represent topic areas the City can support or expand to overcome weaknesses and threats. Some of the principal strengths identified are listed and discussed below.

High Quality of Life

The high quality of life on Mercer Island is a considerable strength. The Island’s parks, open space, high-quality public schools, safe and walkable neighborhoods, and cultural amenities help attract new businesses and workers alike. Community input gathered during the drafting of this element often pointed to the high quality of life in Mercer Island as an asset the City can build upon to strengthen the local economy. Quality of life may also serve as a draw for off-island visitors to patronize local businesses. Since this high quality of life is a considerable strength, it must be protected.

High-Income Residents

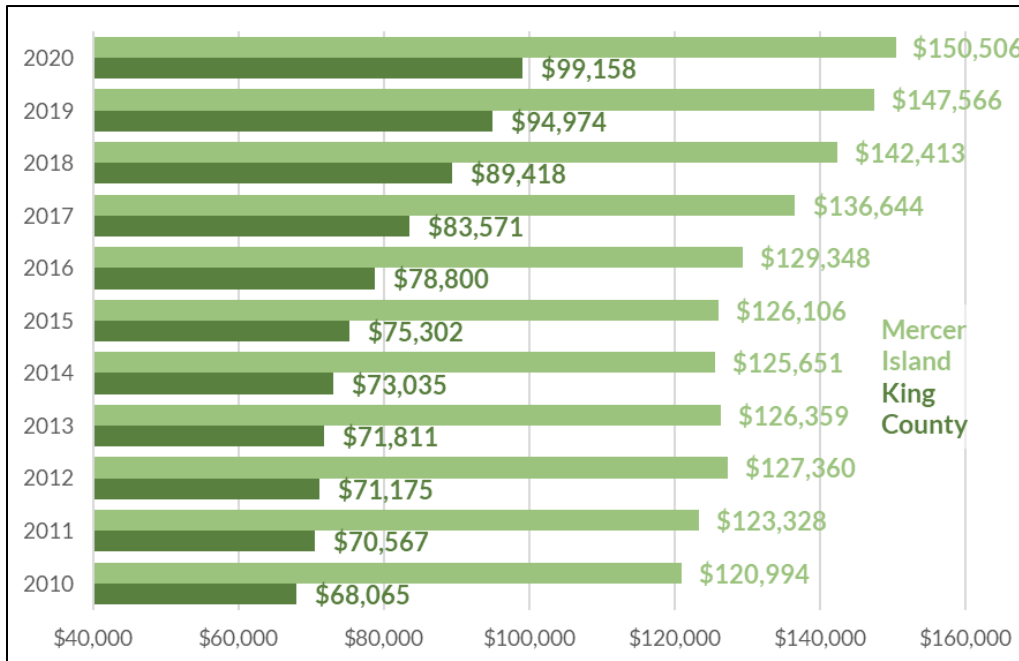
Another key strength is the relatively high income of Mercer Island residents. During the public input process, business owners pointed out that the spending power of the Mercer Island community helped with the initial success of businesses. In 2021, the median household income for Mercer Island was \$170,000. For reference, the 2021 median household income in King County was \$106,326. Table 4 shows the 2021 household income distribution in Mercer Island and King County. Figure 1 shows the median household income in King County and Mercer Island between 2010 and 2020. It is worth noting the percent gap between King County and Mercer Island household income has been closing over the last few years.

Figure 17+6: Household Income and Benefits, 2021

Income and Benefits in 2021 Inflation-Adjusted Dollars		
	Mercer Island	King County
Total households	9,758	924,763
Less than \$10,000	3.3%	4.7%
\$10,000 to \$14,999	0.5%	2.4%
\$15,000 to \$24,999	4.0%	4.3%
\$25,000 to \$34,999	5.1%	4.2%
\$35,000 to \$49,999	4.3%	7.4%
\$50,000 to \$74,999	8.3%	12.2%
\$75,000 to \$99,999	6.1%	10.3%
\$100,000 to \$149,999	14.3%	18.1%
\$150,000 to \$199,999	8.8%	12.1%
\$200,000 or more	45.3%	24.4%
Median household income (dollars)	\$170,000	\$110,586
Mean household income (dollars)	\$261,417	\$154,122

Source: U.S. Census Bureau, Table CP03.

Figure 1817: Median Household Income by Year, Mercer Island, 2010 to 2020



Source: Economic Analysis, Appendix F.

Having an existing high-income customer base is a considerable advantage for entrepreneurs and can draw firms from off-island to do business in the city. The financial resources of the community on Mercer Island can also help with business formulation and business attraction. The key to building on this strength is focusing on giving residents more opportunities to shop on-island and broadening prospects for entrepreneurs and businesses to invest capital in the Mercer Island economy.

Location of the City

Mercer Island’s location on Interstate 90 (I-90) and roughly equidistant from Seattle and Bellevue is a strength. Seattle and Bellevue are large metropolitan centers with many thriving businesses, potential customers for Mercer Island businesses, and workers with diverse skills and expertise. I-90 provides potential customers and employees with excellent access to the City and that access is complemented with available parking near businesses. The City is also connected to its neighbors by transit, allowing a greater flow of people to and from its commercial centers. Ensuring good access to commercial areas with roads and transit connections can build on this strength.

Weaknesses

Weaknesses are aspects of the local economy that could impede growth in the local economy. They represent topic areas where the City can apply policy mechanisms to minimize, reduce, or overcome impediments to a healthy local economy. Weaknesses are listed and discussed below.

Permitting and Regulatory Environment

Permitting challenges, difficulty navigating the development code, and protracted permitting processes can increase financial risk when starting a new business or expanding an existing one. This increased financial risk can adversely impact business formation and retention. Public input indicated that the City's development code and permitting processes can be complicated and make starting a business more difficult. Permit fees and the time spent on permit review are also challenging factors related to starting a new business. As the City considers permit fees, impact fees, and other regulatory requirements, it can assess how those changes might add to or reduce the cost of starting a new business. The City can address this weakness by auditing its regulations and permit processes to ensure that they do not unnecessarily restrict or complicate the process of starting or expanding a business. Another way for the City to address this weakness is to engage the business community in the legislative process.

Business Climate and Culture

Public input gathered during drafting this element indicated that business climate and culture on Mercer Island is underdeveloped. Some business owners cited limited formal opportunities to connect with the larger business community on Mercer Island. Commenters suggested that most business networking was through informal networks rather than a concerted effort to help businesses cooperate and share expertise. Other comments indicated that competition for limited on-island customers, and a corresponding lack of off-island patrons fostered competition amongst local businesses. The City can begin to address this weakness by working with partners to facilitate formal communication and collaboration between business owners.

Lack of Visitor Customer Base

Public input gathered during the drafting of this element highlighted low numbers of off-island customers as a weakness. Many comments suggested that Mercer Island businesses sometimes struggle to connect with customers outside the City. Given the City's location near large metropolitan cities, there is a large off-island customer base to draw from and attract. To begin addressing this weakness, the City can explore opportunities to support the business community and community organizations such as the Chamber of Commerce to reach customers outside of Mercer Island. The opening of the light rail station, anticipated in 2025, may also be a factor in growing the off-island customer base.

Affordability and Availability of Commercial Space

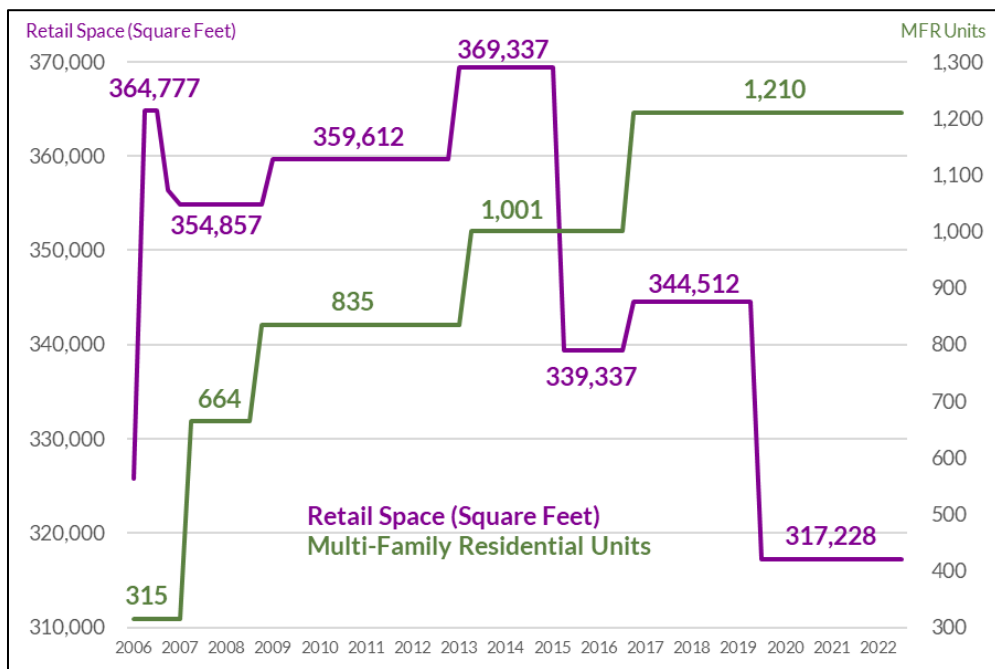
The lack of commercial space in the City and its cost can be a challenge for new business formulation and expansion of existing businesses. Under the current zoning, commercial activities are largely limited to three areas in the City. The largest of these areas, Town Center, is a mixed-use area where development is allowed to be a combination of commercial and residential space. Over the last two decades, redevelopment in this area has favored residential space, with minimal commercial space along certain street frontages. As a result, there has been a limited amount of new commercial space added to Town Center in recent years, a trend the City has begun working to reverse.

The City's future land use map in the Land Use Element and the zoning that implements that policy framework limits the areas where commercial uses are allowed to the Town Center, the planned

business zone, and the commercial-offices zone. The size of commercial zones can influence the cost and availability of commercial real estate. If the area available for commercial development is not large enough to accommodate the projected growth, prices can rise, and businesses can have trouble finding available spaces as supply reduces. The City must monitor the size of its commercial areas to ensure that the supply of developable commercial land is not so restricted that it limits opportunities for development. This is why the GMA includes a requirement to plan for projected growth by adopting an employment growth target. The employment growth target is derived from the projected population increase through the planning period. By setting an employment growth target and ensuring the Comprehensive Plan can accommodate that target, the City can ensure that commercial areas are sized appropriately.

Figure 2 compares the change in commercial square footage and residential units in the Town Center between 2006 and 2022. The retail space referred to in the figure is commercial storefronts that could be retail or restaurant space. From 2006 to 2022, the multifamily residential units increased by 895 units to a total of 1,210 (Figure 1). In that same period, the square footage of commercial space initially increased to a peak of about 369,000 square feet in 2013, before decreasing to about 317,000 square feet in the third quarter of 2019. This may be the result of a demolished building at 2431-2441 76th Ave SE. Although all development in Town Center is interconnected due to the mixed-use zoning in the area, this data does not mean that the amount of commercial space and number of residential units in Town Center are proportional or causal. From 2006 to 2022, the amount of commercial space has decreased by approximately 2.5% while the number of multifamily residential units has increased by nearly 75%.

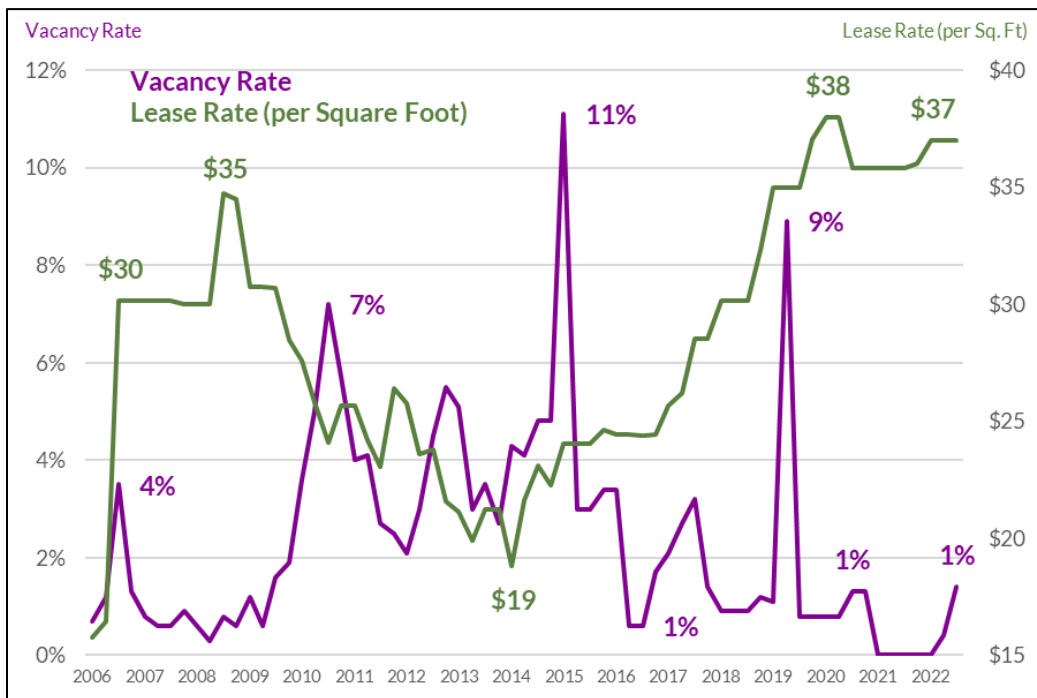
Figure 1918: Change in Retail Space and Multifamily Residential Units, Town Center, 2006 to 2022



Source: Economic Analysis, Appendix F.

Between 2006 and 2020, the yearly lease rate (shown per square foot of retail space in Figure 3) increased to 38 dollars per square foot in the first quarter of 2020 and was held at 37 dollars per square foot in 2022. While there was a small spike in the lease rate around 2020 (at the onset of the pandemic and development moratorium), this rate has been on a fairly steady increase since a low of 19 dollars per square foot in 2014. In that period, lease rates nearly doubled. 2015 saw the highest spike in the vacancy rate in Town Center. Around that time, about 30,000 square feet of retail space was demolished at 2615 76th Ave SE. The closure of the businesses at that location prior to demolition could contribute to the short-term spike in the vacancy rate. In addition, at the onset of the pandemic, Town Center saw a spike to nine percent in the retail vacancy rate. That spike was short-lived and held at about a one percent vacancy rate through 2022.

Figure 2019: Retail Annual Lease Rate and Vacancy Rate, Town Center, 2006 to 2022



Source: Economic Analysis, Appendix F.

In 2022, the City Council enacted regulations in the Town Center that expanded commercial frontage requirements along specific streets and added a new commercial floor area requirement in an attempt to prevent loss of commercial space. The effectiveness of these regulations will need to be evaluated over time. If new development in Town Center does not include enough commercial space to meet the demand from new businesses looking to locate in the City and the expansion of existing businesses, the affordability and availability of commercial space may constrain future economic growth, and those regulations may need to be revisited.

Opportunities

Opportunities are foreseeable changes that can give the City’s economy a stronger competitive advantage in the coming years. Compared with strengths and weaknesses, which come from existing

conditions, opportunities are anticipated future events or conditions. Similar to strengths, opportunities are topic areas the City can focus on to support economic growth and maximize probable positive developments in the local economy.

Additional Transportation Connections

The flow of goods and people is a major component of any city's economy. Transportation infrastructure can be even more impactful for an island community where moving people and goods are complicated by the lack of an overland route. For this reason, the East Link Light Rail station has the potential to be one of the most transformative transportation developments on Mercer Island since the construction of the first bridge to the island. The potential to draw more off-island visitors to increase the customer base for local businesses is an opportunity to boost economic growth in the City. Leveraging the arrival of light rail will require some active steps to ensure this opportunity is maximized and impacts adequately addressed. The City can help connect transit riders with local businesses to take advantage of the arrival of light rail.

Arrival of a Large Employer in Town Center

Riot Games acquired an office building in the Town Center in 2022. Their use of this office space is expected to add a couple hundred jobs to Town Center eventually. This opportunity overlaps with the planned arrival of light rail. This influx of workers is expected to increase demand for goods and services from neighboring businesses in Town Center. The arrival of a large employer is also expected to generally spur economic growth. The City should explore partnerships and programs to encourage commuters to spend more time in the Town Center and shop locally.

More Islanders Working From Home

One of the changes prompted by the pandemic is the transition to more work-from-home options for commuters. The extent to which commuting workers will spend their workdays on-island instead of traveling to work off-island remains unclear. What seems increasingly likely is that workers will commute less often than they did before the pandemic. Changes in commuting could lead to new demand for different services in the City's commercial areas or increased demand for existing services.

More Middle Housing

Recent state legislation requires encouraging more middle housing, most of it in and near the Town Center. Residents of this housing will be located near the commercial area and will be more likely to shop locally. The arrival of more residents in these locations will likely spur economic development.

Threats

Threats are external events or factors that have the potential to impede, slow, or otherwise negatively affect economic growth. Whereas weaknesses are existing conditions in the City that might challenge growth, threats are potential future concerns. Threats are topic areas where the City can focus on preparing for possible challenges and building resilience in the local economy.

Economic Uncertainty

There is a high degree of uncertainty about the future of the regional, national, and global economy. The unknown future of market forces, such as inflation, supply chain difficulties, labor shortages, stock market volatility, and rising transportation costs, obfuscate the economic outlook for the coming years. Many of these market forces are beyond the reach of City policies. However, the City can prepare for positive and negative swings in the regional, national, and global economy by planning for economic resilience. Policy interventions that build on the local economy's strengths, overcome its weaknesses, and capitalize on expected opportunities can build resilience in the local economy. Policies that establish contingency plans for economic downturns can also help position the City to be responsive to changing conditions in uncertain times.

The Changing Nature of Retail

Retail commerce is undergoing a transition as online retailers compete with brick-and-mortar stores. This change appears to have been accelerated during the pandemic as more shoppers opted to order goods online. Comments indicate that this could mean that retail will need to focus more on location-specific or experiential retail to differentiate their goods and services from those more readily available in online marketplaces. Some comments proposed a shop local campaign and adaptive reuse regulations for commercial spaces as possible measures to help local businesses respond to changes in demand.

Affordability in the Region

The affordability of commercial spaces and housing has the potential to slow economic growth in the coming years. Rising commercial real estate costs negatively impact business formation and retention by making it more expensive to locate a business in the City. Higher rents can price out existing businesses, make expanding cost-prohibitive, and increase startup costs for entrepreneurs. Higher rents in new development can displace existing businesses as commercial areas redevelop. The City can monitor commercial space availability and development capacity to ensure that zoning and other development regulations do not create a scarcity of commercial spaces in the City's commercial zones.

Housing affordability can impact workforce availability. Labor is an important input for local businesses. As housing prices increase, filling middle and lower wage positions can potentially become more difficult as many workers commute from outside the City. In 2019, 87 percent of workers employed on Mercer Island live outside the City. Only about 13 percent of workers employed in the City also live on Mercer Island. On the other hand, 91 percent of workers living on Mercer Island commuted to jobs outside the City in 2019. Table 5 shows the inflow and outflow of Mercer Island workers as tracked by the U.S. Census Bureau in 2019.

Figure 2120: Worker Inflow and Outflow, 2019

	Count	Share
Workers Employed in Mercer Island		
Employed in Mercer Island	7,071	100%
Employed in Mercer Island but living outside Mercer Island (inflow)	6,157	87.1%
Employed and living in Mercer Island	914	12.9%
Workers Living in Mercer Island		
Workers living in Mercer Island	10,123	100%
Living in Mercer Island but employed outside Mercer Island (outflow)	9,209	91%
Living and employed in Mercer Island	914	9%

Source: U.S. Census Bureau on the Map, 2019.

Many workers commute from off-island to fill middle and lower wage positions. In 2019, more than half of the jobs in Mercer Island paid less than \$3,333 a month, or about \$40,000 a year. The low earnings for on-island jobs can make it difficult for workers to afford to live near Mercer Island and could make finding workers difficult, given that all of metro King County has a higher cost of living. Table 6 shows the earnings for on-island jobs as tracked in 2019 by the U.S. Census Bureau.

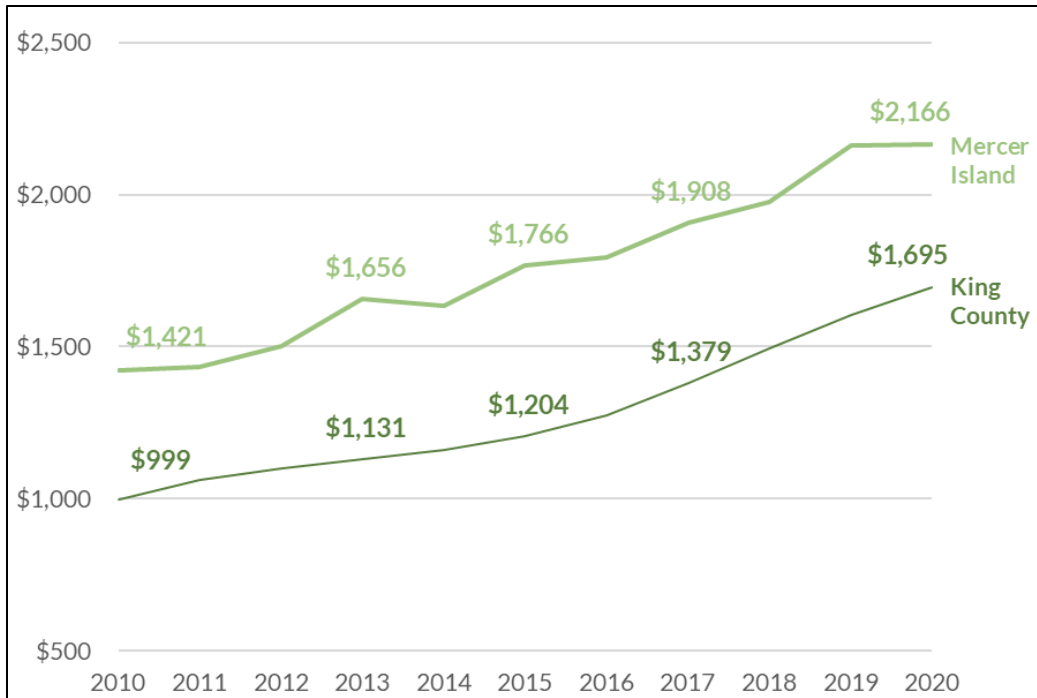
Figure 2224: Mercer Island Jobs by Earnings, 2019

Earning Range	Mercer Island		King County	
	Count	Share	Count	Share
\$1,250 per month or less (\$15,000 annually)	1,738	24.6%	188,902	13.7%
\$1,251 to \$3,333 per month (\$15,012 to \$39,996 annually)	1,995	28.2%	299,798	21.7%
More than \$3,333 per month (more than \$39,996 annually)	3,338	47.2%	891,181	64.6%

Source: U.S. Census Bureau On the Map, 2019.

While many jobs on Mercer Island pay relatively lower wages, the cost of housing is rising. Figure 4 shows that in 2020, the median rent in Mercer Island was \$2,166 a month. Assuming that housing costs should not exceed 30 percent of a household’s income, this would require a monthly income of roughly \$7,220 or \$86,640 annually to be affordable. Expanding to the county level, the 2020 median rent in King County was \$1,695. The King County median rent would require a monthly income of about \$5,650 or \$67,800 annually to be affordable. As highlighted earlier, many jobs on Mercer Island pay \$40,000 a year or less. If rent outpaces wage growth, many workers may choose to live or work in more affordable cities or regions. Difficulty in attracting workers can hinder economic growth as greater competition for workers can drive up wages and costs to businesses. The City is taking actions such as increasing mid-rise residential development capacity and establishing inclusionary zoning in the Town Center zone to address housing affordability both island-wide and within the Station Subarea. Continued attention to housing affordability can help to mitigate and address this threat to economic development.

Figure 2322: Median Rent, Mercer Island and King County, 2010 to 2020



Source: Economic Analysis, Appendix F.

Displacement During Redevelopment

The City’s commercial areas are largely developed. This causes most new commercial development on the Island to occur through redevelopment of existing commercial buildings, which can displace businesses in older developments. Displacement risk increases as sites redevelop because commercial spaces in redeveloped sites can have higher rents, construction can interrupt business, and new spaces might not fit existing business’ needs. The City can monitor the supply of developable commercial land to determine whether the availability of commercial space is increasing the displacement risk for local businesses.

Climate Change

Climate change has the potential to have negative effects on the economy. Business establishment and success, as well as customer spending patterns, may be affected. Though many of the impacts of climate change may be out of the control of local government, Mercer Island should implement and market the success of climate mitigation and adaptation strategies included in the Climate Action plan to attract businesses and shoppers. Businesses may want to locate where they can minimize their impact on the climate and where their employees may be more comfortable. Shoppers may seek to shop in ways and for products that reduce climate impact, which may include increased prioritization of shopping locally.

II. GOALS AND POLICIES

As per GMHB Order 25-3-0003, Issue #3, the City of Mercer Island must adopt a subarea plan for the area around the Link light rail transit station. As part of this effort, existing Economic Development Element goals and policies regarding Town Center and transit-oriented development have been relocated to the draft Station Subarea Plan. (Multicounty Planning Policy DP-22 and RCW 36.70A.840)

Partnerships

- Goal 1:** The City establishes and maintains a healthy ecosystem of partnerships with businesses, local organizations, and other public agencies.
- 1.1 Partner with the Chamber of Commerce, local, regional, state, and federal economic development agencies, and the Mercer Island School District (MISD) to provide abundant resources for business owners, entrepreneurs, and job seekers, such as:
 - 1.1.1 A mentorship program pairing experienced business owners and retirees with people interested in starting a new business;
 - 1.1.2 Shop and dine local marketing campaigns;
 - 1.1.3 A wayfinding kiosk on the light rail station platform informing commuters of shops available on the Island and
 - 1.1.4 Publicize employment opportunities on Mercer Island.
 - 1.1.5 Networking and social events to attract more young professionals to Town Center, activating the area.
 - 1.2 Partner with the Chamber of Commerce, Mercer Island Visual Arts League (MIVAL), Mercer Island Farmer’s Market, and other community non-profit organizations to develop and expand a year-round program of arts, cultural, and activation events that draw the community to our commercial areas.

~~Marketing Mercer Island~~

- ~~**Goal 2:** The Town Center commercial area has a cohesive brand established by marketing efforts informed by public input and the policies of this element.~~
- ~~2.1 Develop and promote a theme and vision to create a unique and appealing identity for the Town Center directed at drawing more residents and visitors to Mercer Island.~~
 - ~~2.2 Develop and implement a cohesive visual brand that reflects the island's natural beauty and upscale yet welcoming character, including a logo, color scheme, and typography.~~

~~Business Attraction~~

- ~~**Goal 3:** Mercer Island's Town Center is a Vibrant Destination attracting new businesses and supporting the growth of existing businesses.~~

- ~~3.1 — Attract more commercial office employers to the City.~~
- ~~3.2 — Develop strategies to increase the percentage of workers living and working on Mercer Island.~~
- ~~3.3 — Attract a diverse mix of businesses that complement existing offerings and fill market gaps, focusing on unique, locally owned establishments.~~
- ~~3.41.3 Create a comprehensive "best practices" section on the City website detailing steps for business setup at city, state, and county levels.~~
- ~~3.51.4 Streamline and simplify the process for new business setup, making it more intuitive and user-friendly.~~

Prioritized Business types

~~Goal 4: Goal 2:~~ Prioritized business types are supported and encouraged by the City's economic development efforts.

- ~~4.12.1 Prioritize the following types of businesses:
 - ~~4.1.12.1.1 Locally owned independent restaurants, tasting rooms, pubs, or cafes;~~
 - ~~4.1.22.1.2 Specialty retail;~~
 - ~~4.1.32.1.3 Commercial office employers; and~~
 - ~~4.1.42.1.4 High-wage employers.~~~~
- ~~4.22.2 Periodically review the list of prioritized business types.~~
- ~~4.32.3 Develop incentives that attract prioritized business types, such as:
 - ~~4.3.12.3.1 Public and private partnerships to foster affordable commercial space solutions and~~
 - ~~4.3.22.3.2 Permit fee waiver or reduction.~~~~
- ~~4.42.4 Establish an expedited permit review process for prioritized business types.~~
- ~~4.52.5 Act as a liaison between commercial landlords and prioritized business types, mainly focusing on bringing wineries and complementary businesses.~~

Premier wine destination

~~Goal 5: Goal 3:~~ Consider establishing Mercer Island as a Premier Wine Destination.

- ~~5.13.1 Explore capitalizing on Mercer Island's efforts, brand, and location as a premier wine destination by considering the following strategies:
 - ~~5.1.13.1.1 Expand and promote the "Art Uncorked" event as a flagship attraction, leveraging its popularity to draw visitors year-round.~~
 - ~~5.1.23.1.2 Actively recruit wineries to establish tasting rooms on Mercer Island, positioning the Island as a premier, easily accessible wine destination. Emphasize Mercer Island's unique advantages, including its proximity to Seattle and Bellevue, excellent public transportation links, and picturesque island setting, to differentiate it from other regional wine experiences.~~
 - ~~5.1.33.1.3 Facilitate partnerships between commercial landlords and wineries to encourage the establishment of tasting rooms in strategic locations.~~~~

- 5.1.43.1.4 Develop a comprehensive marketing strategy to position Mercer Island as a unique wine destination, distinguishing it from Seattle and Bellevue.
- 5.1.53.1.5 Encourage the development of complementary businesses such as artisanal food shops, wine-focused restaurants, and boutique hotels to support the wine destination concept.
- 5.1.63.1.6 Emphasize farm-to-table and outdoor dining experiences where possible.
- 5.1.73.1.7 Encourage the development of restaurants, cafes, and food-related businesses that align with the wine destination theme.
- 5.1.83.1.8 Conduct regular reassessments of the economic development strategy, allowing for adjustments based on market response, community feedback, and the success of the wine destination concept.
- 5.1.93.1.9 Plan for increased parking needs as the wine destination concept develops, including considerations for ride-sharing and public transportation options.

Business Enhancement and Diversification

~~Goal 6:~~ Goal 4: Business Offerings are diversified and enhanced by the City's economic development efforts.

- 6.14.1 Seek out new restaurateurs who bring novel and diverse dining options to Mercer Island.
- 6.24.2 Support the growth of specialty retail shops catering to residents and visitors, emphasizing quality and uniqueness over specific business types.
- 6.34.3 Promote pop-up shops and rotating vendor markets to add variety and attract shoppers.
- 6.44.4 Explore the creation of a "Restaurant Row" designation with additional tax benefits.
- 6.54.5 Consider impacts to existing businesses when evaluating proposed zoning changes.
- 6.64.6 Encourage the development of public-private partnerships to foster affordable commercial space solutions.
- 6.74.7 Conduct comprehensive outreach to surrounding businesses before initiating capital projects in commercial zones.
- 6.84.8 Identify and adopt measures to reduce the displacement of existing businesses as new development occurs.

Public space and commercial areas

~~Goal 7:~~ Goal 5: ~~GOAL 7A:~~ Public Spaces and commercial areas are activated by City improvements and economic development efforts.

Customer Attraction

Goal 6: ~~GOAL 7B:~~ Commercial areas are attractive and inviting to the Mercer Island community and visitors.

- ~~7.16.1~~ Commercial areas have safe multimodal circulation and parking for residents, visitors, and employees.
- ~~7.26.2~~ Leverage the opening of Sound Transit's East Link Light Rail Line 2 to attract residents, commuters, and visitors to the Town Center.
- ~~7.36.3~~ Emphasize spaces that are human-scaled, safe, and comfortable for walkers and bikers.
- ~~7.46.4~~ Maintain the existing City program to beautify the Town Center with landscaping, street trees, and flower baskets.
- ~~7.56.5~~ Create branded wayfinding signage, street furniture, and public art to reinforce the Town Center identity.

 - ~~7.5.16.5.1~~ Prioritize improvements in key locations such as the Mercer Island Farmers Market site.
 - ~~7.5.26.5.2~~ Dedicate permanent signage for established community events like the Mercer Island Farmers Market.
- ~~7.66.6~~ Activate Mercer Island's commercial areas and public spaces by encouraging:
 - ~~7.6.16.6.1~~ Programming that enables residents and visitors to gather, socialize, and celebrate in the city safely;
 - ~~7.6.26.6.2~~ Flexible-use outdoor spaces for dining, markets, events, and temporary commercial uses; and
 - ~~7.6.36.6.3~~ Utilizing public art and furniture design in outdoor spaces.
- ~~7.76.7~~ Implement and promote a pilot seasonal parklet program allowing businesses to convert parking spaces to outdoor seating.

Sustainability and Environment

~~Goal 8: Goal 7:~~ The City's economic development efforts are sustainable and environmentally friendly.

- ~~8.17.1~~ Consider Climate Action Plan strategies during economic development decision-making.

Regulations and Permitting

~~Goal 9: Goal 8:~~ Permit review and inspections are delivered predictably, efficiently, and on time to support Mercer Island businesses as the start, grow, and thrive.

- ~~9.18.1~~ Continue the longstanding practice of providing next- business-day construction inspections under ordinary circumstances.
- ~~9.28.2~~ Advocate for Mercer Island businesses to receive timely services from outside agencies.
- ~~9.38.3~~ Review the development code permitting processes to identify additional code amendments to support businesses, improve effectiveness, and make efficient use of City resources. The following goals should be considered when identifying code amendments:
 - ~~9.3.18.3.1~~ Minimizing delay and reducing uncertainty in the entitlement process;
 - ~~9.3.28.3.2~~ Improving conflict resolution in the entitlement process;

~~9.3.38.3.3~~ Mitigating the risk of business displacement as new development occurs;

~~9.3.48.3.4~~ Beneficial impacts to parking and greenhouse gas emissions; and

~~9.3.58.3.5~~ Lowering compliance costs for business owners.

~~9.48.4~~ Evaluate permit fees, including impact fees, imposed on development to ensure they are consistent with the City approved cost recovery targets and established programs.

~~9.58.5~~ Update home business regulations to support a mix of commercial uses while ensuring home businesses remain compatible with neighboring residential uses.

~~9.68.6~~ Establish a dedicated service [e.g. concierge] to guide businesses through permitting.

~~9.78.7~~ Prepare a guide to doing business on the Island emphasizing the permitting process and the pre-application process.

~~9.88.8~~ Periodically review the City's commercial sign code.

~~9.98.9~~ Consider eliminating traffic study requirements for small businesses outside of new development.

Implementation

~~Goal 10: Goal 9:~~ The City implements the Economic Development Element to support and grow the local economy.

~~10.19.1~~ Establish and periodically update a prioritized and time-based economic development implementation plan following the adoption of this Comprehensive Plan and subject.

~~10.29.2~~ Analyze the feasibility of establishing a Parking and Business Improvement Area (PBIA) or Local Improvement District (LID) in one or more commercial areas to fund improvements for economic development. Consider other funding opportunities, including grants and partnerships, to support implementation of the goals and policies identified in this plan.