



BUSINESS OF THE CITY COUNCIL CITY OF MERCER ISLAND

AB 6865
February 17, 2026
Regular Business

AGENDA BILL INFORMATION

TITLE:	AB 6865: Compliance with Growth Management Hearings Board Final Decision and Order Related to the City of Mercer Island Periodic Update to the Comprehensive Plan	<input type="checkbox"/> Discussion Only <input checked="" type="checkbox"/> Action Needed: <input checked="" type="checkbox"/> Motion <input type="checkbox"/> Ordinance <input type="checkbox"/> Resolution
RECOMMENDED ACTION:	<ol style="list-style-type: none">1. Direct staff to pursue compliance with the GMHB Order under “Scenario 1” as described within the agenda bill, whereby upzones and resulting development capacity increases would be limited at this time to the existing Town Center and adjacent multifamily zones and implementation of the TOD bill will be pursued as a second phase of work.2. Direct staff to open a public feedback period through March 13, 2026 on the Preliminary Station Area Boundary Map and provide the results to the City Council at the March 17, 2026 City Council meeting.	

DEPARTMENT:	Community Planning and Development
STAFF:	Jeff Thomas, Community Planning and Development Director Alison Van Gorp, Community Planning and Development Deputy Director Michaela Jellicoe, Senior Economist – Community Attributes, Inc.
COUNCIL LIAISON:	n/a
EXHIBITS:	1. Station Area Boundary Analysis
CITY COUNCIL PRIORITY:	n/a

AMOUNT OF EXPENDITURE	\$ n/a
AMOUNT BUDGETED	\$ n/a
APPROPRIATION REQUIRED	\$ n/a

EXECUTIVE SUMMARY

The purpose of this agenda item is to follow up on the City Council direction provided on January 16, 2026 regarding the Growth Management Hearings Board (GMHB) Order and proposed compliance strategies ([AB 6838](#)).

- The City completed a periodic review and update of the Mercer Island Comprehensive Plan, which was adopted by the City Council on November 19, 2024 (see [AB 6573](#)).
- The 2024 Comprehensive Plan was appealed to the GMHB on the grounds that the Comprehensive Plan did not adequately plan for and accommodate future affordable housing needs (GMHB Case No. 25-3-0003). On August 1, 2025, the GMHB issued a final decision and order (GMHB Order).
- The GMHB Order found that the City must make changes to its Comprehensive Plan to comply with the Washington State Growth Management Act (GMA). Specifically, the City must amend its Comprehensive Plan to address the following four issues:
 - Land Capacity: Analyze residential land capacity at each housing affordability level and close any identified gaps.
 - Adequate Provisions: Adopt incentives, mandatory provisions, and planned actions (“aka adequate provisions”) that will increase the supply of affordable housing.
 - Station Area Subarea Plan: Adopt a subarea plan for the area around the transit station.
 - Anti-Displacement Measures: Adopt anti-displacement measures to address the potential displacement that can occur with changes in zoning.
- The City must comply with the GMHB Order by July 31, 2026.
- On January 16, 2026, the City Council directed staff to return with additional information and analysis; this agenda item presents information related to the land capacity analysis, station area boundary, and compliance strategy.
- Staff are requesting City Council direction to continue with the strategy outlined in this AB, to work towards compliance with the GMHB order, and to open a public feedback period on the station area boundary.
- The next progress briefing for the City Council is scheduled for March 17, 2026, during which staff will report on public feedback received for the preliminary Station Area Boundary Map and City Council will be asked to finalize the Station Area Boundary to allow for the project to continue.

BACKGROUND

LAND CAPACITY HISTORY

Cities and counties in Washington State are required to adopt a comprehensive plan under the Growth Management Act (GMA). The comprehensive plan is a statement of goals and policies that detail how a county or city will manage and accommodate future growth. The goals and policies of the comprehensive plan are implemented through capital investments, development regulations, and programs. The GMA requires cities and counties to periodically review and update their comprehensive plans on a ten-year cycle. Mercer Island most recently completed a periodic review and update of its Comprehensive Plan in 2024 (see [AB 6573](#)).

As a part of the periodic update process, jurisdictions must evaluate existing land capacity and plan for specified amounts of growth, known as growth targets. Cities are required to complete a land capacity analysis, which calculates the number of housing units and the commercial space that can be accommodated under a comprehensive plan when considering existing development; vacant and redevelopable land; development regulations such as critical areas, shoreline development standards, and maximum densities; and, market factors.

New requirements adopted in 2021 (HB 1220) also require jurisdictions to plan for and accommodate affordable housing. Mercer Island participated in these efforts in coordination with King County. In 2021, King County published the Urban Growth Capacity Report, identifying Mercer Island’s housing capacity at

1,607 units. Growth targets were then assigned, with Mercer Island's housing growth target set at 1,239 units. Based on new state requirements, King County then assigned housing need allocations to each of its jurisdictions. Ninety-seven percent of Mercer Island's housing growth target, or 1,207 units, were identified as affordable housing needs.

Mercer Island later completed the Land Capacity Analysis Supplement, identifying a strategy to provide adequate land capacity to address the City's affordable housing needs. A shortfall of 143 units was identified. The City subsequently adopted amendments to its development regulations in late 2024 to increase maximum building heights in portions of the Town Center to provide additional development capacity to address the shortfall.

In early 2025, Mercer Island adopted additional amendments to its development regulations to comply with further state requirements (HB 1110 and HB 1337) related to Middle Housing and Accessory Dwelling Units (ADUs). These amendments permitted new development types in the Residential zones, allowing 2 to 4 middle housing units per lot and up to 2 ADUs per lot. These new regulations were adopted in 2025, after the 2024 Comprehensive Plan was adopted, and therefore the impact of these regulations on the City's land capacity was not quantified.

GROWTH MANAGEMENT HEARINGS BOARD FINAL DECISION AND ORDER

The 2024 adoption of the Mercer Island Comprehensive Plan periodic review and update was appealed to the GMHB on the grounds that the Comprehensive Plan did not adequately plan for and accommodate future affordable housing needs (GMHB case number 25-3-0003). On August 1, 2025, the GMHB issued a Final Decision and Order (GMHB Order) finding that the Housing Element of the Comprehensive Plan was noncompliant with some of the provisions of the GMA and remanded the Comprehensive Plan to the City for revision.

The Comprehensive Plan adopted in 2024 remains in effect during the remand, but the City must complete work to update the plan and comply with the timeline established by the GMHB Order (RCW 36.70A.300(3)(b)). The compliance timeline is one year from when the GMHB issued its decision; work must be completed by July 31, 2026. Failure to comply with the GMHB Order may result in sanctions against the City (RCW 36.70A.340).

The GMHB Order requires the City to address four issues:

1. Land Capacity: Analyze residential land capacity at each housing affordability level and close any identified gaps.
2. Adequate Provisions: Adopt incentives, mandatory provisions, and planned actions ("aka adequate provisions") that will increase the supply of affordable housing.
3. Station Area Subarea Plan: Adopt a subarea plan for the area around the transit station.
4. Anti-Displacement Measures: Adopt anti-displacement measures to address the potential displacement that can occur with changes in zoning.

A more in-depth description of the GMHB Order and its implications is provided in [AB 6838](#).

HOUSE BILL 1491 (TRANSIT-ORIENTED DEVELOPMENT (TOD) BILL)

In 2025, the WA Legislature adopted House Bill 1491, also referred to as the TOD Bill. The TOD Bill requires cities and counties in Washington to designate station areas around light rail stations. Within the

designated station area, cities and counties must allow “transit-oriented development” or (TOD). Cities in King County must comply with the TOD Bill by December 31, 2029. The planning requirements for the TOD Bill are established in RCW 36.70A.840 and require the following:

- Allow a Floor Area Ratio (FAR) of 3.5 throughout the station area (RCW 36.70A.840(2)(a)(i)).
- Allow multifamily and mixed-use development throughout the station area (RCW 36.70A.840(2)(a)).
- Cities may adopt a modification to a station area designation, but only after consultation with and approval by the WA Department of Commerce (RCW 36.70A.840(2)(b)).
- Cities may vary the maximum FAR throughout the station area provided the average does not fall below 3.5 (RCW 36.70A.840(6)).
- Require a percentage of affordable housing in multifamily and mixed-use development (RCW 36.70A.840(7)),
- Enact a multifamily tax exemption (MFTE) for affordable housing (RCW 36.70A.840(8)).
- Critical areas, critical area buffers, and the shoreline jurisdiction may be exempted from the requirements of RCW 36.70A.840.
- Cities may not require parking to be provided for residential development in the station area unless an empirical study reviewed and certified by the WA Department of Commerce demonstrates that the removal of parking minimums makes roads significantly less safe for automobile drivers or passengers, pedestrians, or bicyclists (RCW 36.70A.842).

For the City of Mercer Island, the requirements of the TOD Bill substantially overlap with the requirements of the GMHB Order. The City can either fully or partially implement the TOD Bill as part of its strategy to comply with the GMHB Order. At its January 16, 2026 Planning Session, the City Council directed staff to further evaluate aligning compliance with the GMHB Order and the TOD Bill and follow up in February 2026.

JANUARY 16, 2026, CITY COUNCIL DIRECTION ON GMHB ORDER COMPLIANCE STRATEGY

On January 16, 2026, the City Council approved seven motions that provided direction to the staff on the GMHB Order compliance strategy:

Motion 1 – Direct the staff to prepare a revised land capacity analysis to evaluate residential land capacity at each housing affordability range and return to the City Council in February 2026 with the analysis.

Motion 2a – Direct the staff to evaluate aligning compliance with the GMHB Order and HB 1491 (2021 TOD bill) and establish the first follow-up with City Council for February 2026.

Motion 2b – Confirm the guidelines for developing the station area boundary Guidelines 1-4 and direct staff to return to the City Council in February 2026 with a draft station area map.

Motion 3 – Direct the staff to finalize a work plan and schedule to implement the policies from the Housing Element of the Comprehensive Plan to address the “adequate provisions” requirements to increase the supply of affordable housing and “anti-displacement policies” to reduce displacement risk. Bring the work plan and schedule to the City Council for review and approval in February 2026.

Motion 4 – Direct the staff to evaluate opportunities for direct delivery of affordable housing through a combination of partnerships, fee-in-lieu programs, direct investment, the creation of a Housing Fund, and/or other mechanisms and return to the City Council in March 2026 with a preliminary report.

Motion 5 – Direct the staff to return to the City Council with a public engagement plan in February 2026. This will be addressed in a separate agenda bill at the February 17, 2026 City Council Meeting (see AB 6866).

Motion 6 – Direct the staff to provide City Council with legislative review procedural options to help the city comply with the GMHB order compliance deadline. This will be addressed in a separate agenda bill at the February 17, 2026 City Council Meeting (see AB 6871).

ISSUE/DISCUSSION

This agenda bill provides additional information and analysis related to City Council Motions 1, 2a, and 2b approved January 16, 2026, and how the City will comply with three of the issues identified in the GMHB Order: land capacity, adequate provisions, and the station area subarea plan. Further analysis and recommendations related to these issues, as well as the fourth issue (anti-displacement measures) will be provided in subsequent City Council meetings.

REVISED LAND CAPACITY ANALYSIS

On January 16, 2026, the City Council directed staff to prepare a revised land capacity analysis evaluating residential land capacity across affordability levels (Motion 1). This direction addresses compliance issue #1 from the GMHB Order, which directs the City to “Analyze residential land capacity at each housing affordability level and close any identified gaps.”

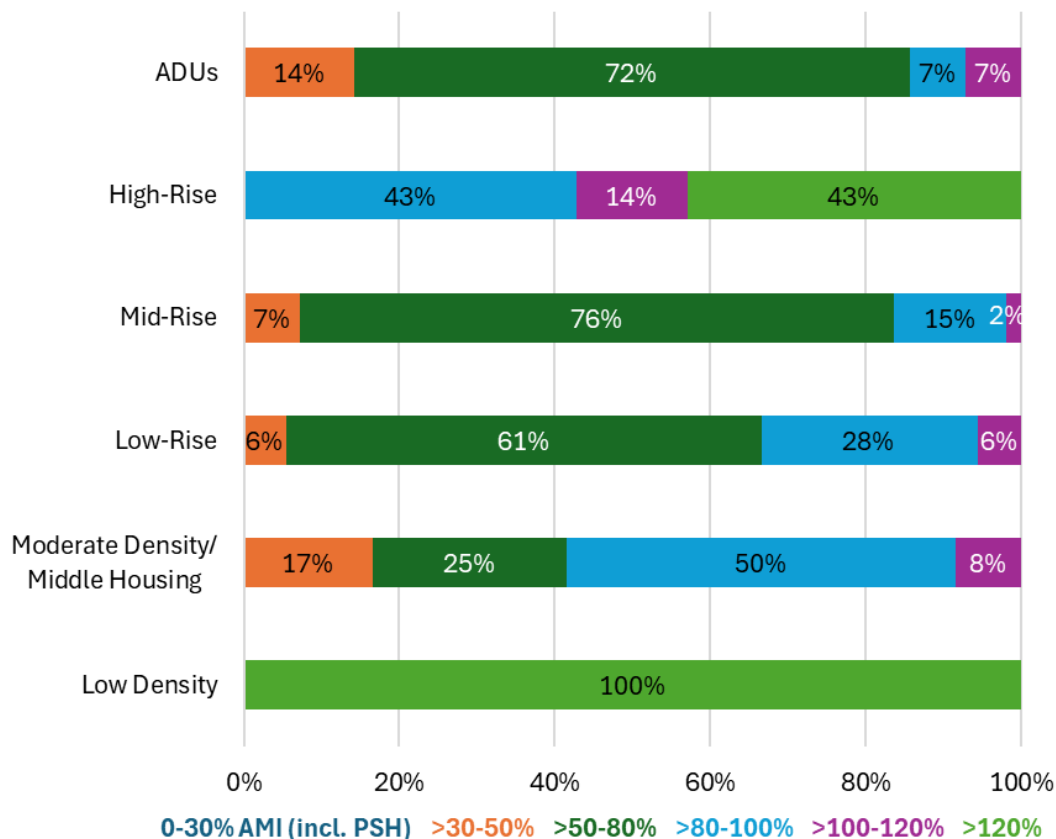
The City’s consultant, Community Attributes, Inc (CAI) began working on a revised land capacity analysis in late 2025 and has developed a new methodology to disaggregate land capacity by affordability level.

Comparable Rent Analysis

The first step in preparing a revised land capacity analysis considers rental data from apartments constructed in peer jurisdictions with comparable real estate markets (Bellevue, Kirkland, Mercer Island, Redmond and Sammamish) from 2015 to 2025. Average rents for over 100 primarily apartment properties representing low-rise, midrise, and high-rise building types as well as middle housing and ADUs were assembled from CoStar, Zillow, Redfin, and property websites. This data was then analyzed to create a distribution table that identifies affordability levels by building type, see Table 1 at the top of page 6.

Table1: Comparable Rent Analysis – Distribution of Market Rate Rents Across Affordability Levels, by Building Type from 2015 to 2025.

Geographic Area includes Bellevue, Kirkland, Mercer Island, Redmond, and Sammamish



The comparable rent analysis provides the following:

- Market rate development delivers housing units across most of the affordability levels, except for high-rise and low-density developments.
- Notably, a small percentage of low-rise, mid-rise, moderate density, and ADU building types provide 30-50% AMI rents.
- None of the building types provide units at the extremely low-income level (below 30% AMI).

The distribution of affordability levels for each building type will be used later in the analysis to disaggregate Mercer Island's land capacity by affordability level. This data also provides important information about the current rental market in the East King County region and will be issued to guide the policy decisions to address compliance with the GMHB Order.

Updating Existing Land Capacity

Land Capacity is the amount of development allowed by the development regulations accounting for existing development; vacant and redevelopable land; development regulations such as critical areas, shoreline development standards, maximum densities; and market factors. In 2021, Mercer Island's land capacity was calculated at 1,607.

The second piece of the analysis updates the calculation of Mercer Island’s current land capacity to factor in recent updates to development regulations as well as development that occurred between 2020 and 2025. In 2024, the City increased height limits in some areas of the Town Center to add land capacity as part of the 2024 Comprehensive Plan Update. Then, in 2025, the City adopted regulations to comply with legislation related to Middle Housing and Accessory Dwelling Units (HB 1110 and HB 1337). Likewise, the Xing Hua development received permits and is under construction, along with many single-family and ADU projects.

CAI has updated the calculation of land capacity to account for each of these changes. The additional capacity created by the updates to Town Center, middle housing, and ADUs regulations were added, and capacity that was utilized by recent development activity was subtracted. CAI’s February 2026 analysis shows that Mercer Island currently has existing land capacity for 2,133 housing units.

Disaggregating Land Capacity by Affordability Level

Next, CAI disaggregated the total land capacity across affordability levels. The distribution of comparable rent data (Table 1) was used to project the likely distribution of affordability for future development in Mercer Island. Table 2 provides the results of this analysis and identifies the surplus (or deficit) in capacity when compared to Mercer Island’s allocated housing needs.

Mercer Island’s housing capacity is projected to develop to meet or exceed its Allocated Housing Need in the affordability levels above 50% AMI. However, the very low-income and extremely low-income affordability levels are projected to have deficits in capacity, totaling 519 units. The City must add more capacity or adopt adequate provisions to address these affordability “gaps”. Further analysis of options for addressing the gaps is provided under *Compliance Strategy*, on page 9.

Table 2: Housing Need Allocations and Estimated Housing Capacity by Affordability Level

Affordability Level	Zone Categories Serving These Needs	Allocated Housing Need (Units)	Total Housing Capacity (Units)	Capacity Surplus or Deficit (Units)
TOTAL		1,191	2,133	942
Extremely Low Income (0-30% AMI PSH)	Low-Rise, Mid-Rise	178	0	(178)
Extremely Low Income (0-30% AMI non-PSH)	Low-Rise, Mid-Rise	339	4	(335)
Very Low Income (30-50% AMI)	Low-Rise, Mid-Rise	202	196	(6)
Low Income (50-80% AMI)	Moderate Density, Low-Rise, Mid-Rise, ADUs	472	996	524
Moderate Income (80-100% AMI)	Moderate Density, Low-Rise, Mid-Rise, ADUs	0	472	472
High Income (100-120% AMI)	Moderate Density, Low-Rise, Mid-Rise	0	110	110
Very High Income (>120% AMI)	Low Density	0	356	356

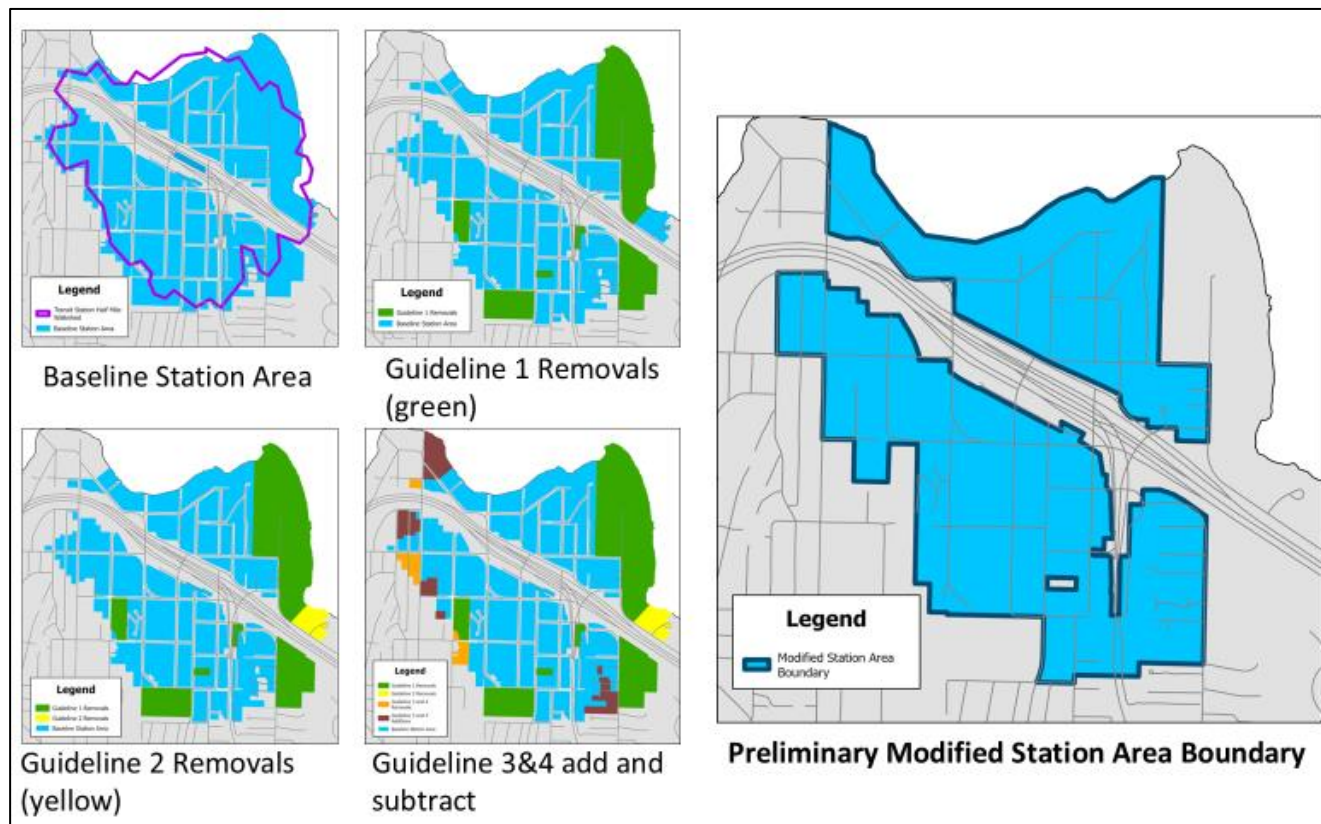
PRELIMINARY STATION AREA BOUNDARY MAP

On January 16, the City Council directed staff to prepare a Preliminary Station Area Boundary Map for City Council review (Motion 2b). The GMA defines the station area as the lots that are partially or fully located within a half-mile walking distance from light rail station entrances (RCW 36.70A.030 (36)). A modified station area boundary may be adopted, subject to Department of Commerce approval. Staff have prepared a preliminary modified station area boundary based on the four guidelines presented on January 16. The four guidelines are:

- Guideline 1** Exclude city parks, open space, and the Interstate 90 corridor from the station area.
- Guideline 2** Exclude areas that would be non-contiguous from the station area after removing city parks, open space, and the I-90 corridor are removed from the station area.
- Guideline 3** Align the remaining station area boundary with City streets.
- Guideline 4** The station area boundary should follow existing zoning boundaries if City streets do not make a logical boundary.

The process for developing the preliminary station area boundary and a step-by-step description of the effect of each guideline is provided in Exhibit 1. Figure 1 illustrates the step-by-step application of the guidelines followed by Table 3, at the top of page 9, which quantifies the process for the Station Area Boundary.

Figure 1. Step By Step Application of Station Area Modification Guidelines.



Source: City of Mercer Island GIS analysis; larger maps for each step and detailed descriptions are provided in Exhibit 1.

Table 3. Station Area Modification Summary

Baseline Station Area	341.6 acres
Area Removed By Guideline 1	100.4 acres
Area Removed by Guideline 2	6.85 acres
Area Removed by Guidelines 3 and 4	6.8 acres
Total Area Removed from the Baseline Station Area (Guidelines 1-4)	114.05 acres
Area Added by Guidelines 3 and 4	19.35 acres
Modified Station Area	246.9 acres

(Note: this total excludes rights of way)

The staff is seeking feedback from the City Council on the Preliminary Station Area Boundary Map. At the conclusion of the meeting, the staff will be recommending that a public feedback period be opened to receive public input on the Preliminary Stationary Map. The public comment will be presented to the City Council at the March 17, 2026 City Council meeting.

COMPLIANCE STRATEGY

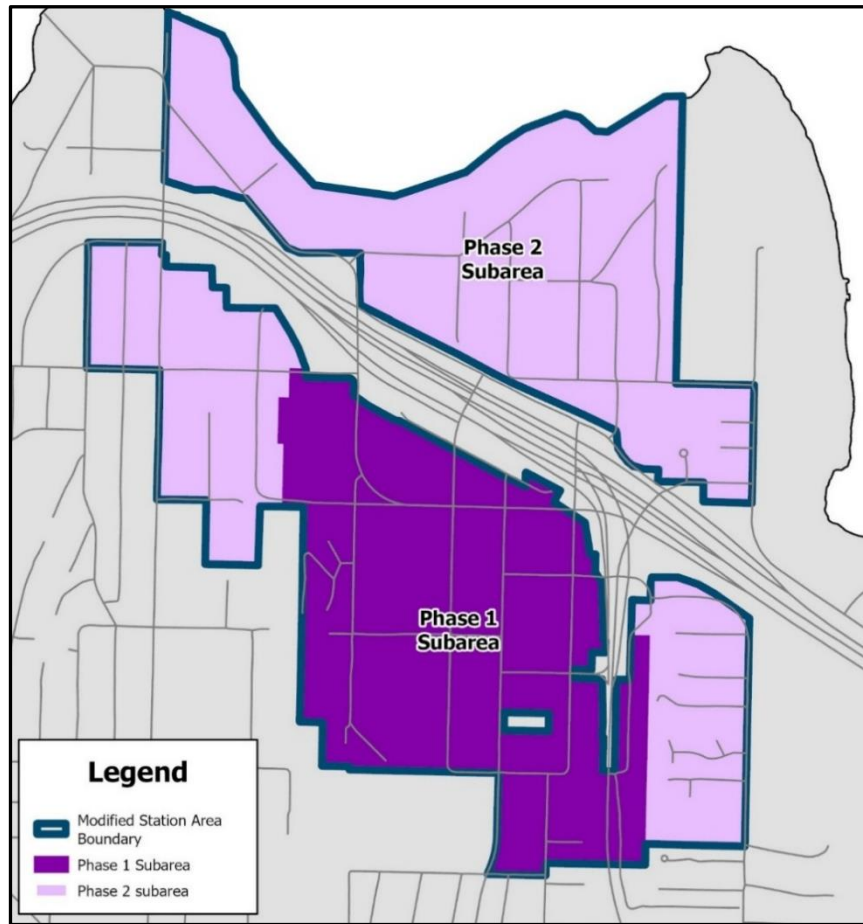
On January 16, the City Council directed staff to evaluate aligning compliance with the GMHB Order and HB 1491, the TOD bill (Motion 2a).

Increasing Land Capacity – Two Scenarios

The staff and consultant team have evaluated two scenarios to understand the impact of increasing land capacity on addressing affordable housing needs.

The first land capacity scenario, which will be referred to as “Scenario 1,” proposes that the land capacity increases be implemented in two phases. The first phase would establish the required transit station subarea and apply required upzones and additional development capacity to comply with the GMHB Order by July 31, 2026. In Figure 2 below, this first phase of work is referred to as the “Phase 1 Subarea.” The second phase of work, which would commence after July 31, 2026, would apply upzones and resulting development capacity increases to the rest of the station area to comply with the TOD bill implementation deadline in 2029. This second phase of work is referred to as the “Phase 2 Subarea” in Figure 2 on the following page.

Figure 2. Preliminary Modified Station Area and GMA Compliance Phase 1 and Phase 2 Subareas.



Initial analysis of both scenarios shows they perform very similarly in terms of addressing affordable housing needs. Both scenarios address Mercer Island's affordable housing needs above 30% AMI and they both yield a similar affordability gap of just over 500 units below 30% AMI. Table 4, on the following page, shows the projected land capacity surpluses and deficits for Scenario 1.

Table 4: Projected Land Capacity Surplus or Deficit - Scenario 1

	Projected Land Capacity Surplus or Deficit (Units)	
	Current Baseline	Scenario 1 (Phase 1)
Projected Land Capacity (Total)	2,133	3,164
Extremely Low Income (0-30% AMI PSH)	(178)	(178)
Extremely Low Income (0-30% AMI non-PSH)	(335)	(332)
Very Low Income (30-50% AMI)	(6)	188
Low Income (50-80% AMI)	524	1,226
Moderate Income (80-100% AMI)	472	583
High Income (100-120% AMI)	110	130
Very High Income (>120% AMI)	356	356

Given the similarity of the two scenarios in addressing affordable housing needs and identifying resulting gaps, staff recommends proceeding with Scenario 1 which provides the best opportunity to achieve compliance with the GMHB Order by July 31, 2026. Staff do not believe proceeding with Scenario 2 is feasible given the enormity of the undertaking combined with the July 31, 2026 compliance deadline. Because increasing land capacity alone is not sufficient to solve Mercer Island's affordable housing needs below 30% AMI, additional actions by way of adequate provisions will be needed to address this gap.

Adequate Provisions

Next, the staff and consultant team evaluated the impact of adequate provisions on addressing the remaining affordable housing needs below 30% AMI. Inclusionary zoning and fee in lieu are expected to have the largest effect in terms of extremely low-income unit production below the 30% AMI. These provisions pair a requirement for a percentage of units in a development project to be provided at a certain affordability level, with the option to pay a fee rather than providing the affordable units in the development. The fees collected from this program can then be utilized to support direct delivery of extremely low-income housing units.

Preliminary analysis shows that applying the inclusionary zoning and fee in lieu provisions to the GMA Compliance Phase 1 Subarea is expected to leverage adequate funds to produce 190 extremely low-income units, with a remaining gap of 320 units. The cost of providing the remaining units through direct delivery is estimated at \$173 million. This funding gap would need to be addressed through other means, potentially including making public land available for development of affordable housing, partnerships with ARCH and affordable housing providers, applying for grants and tax credit financing, and accessing low interest loans.

PUBLIC ENGAGEMENT AND FEEDBACK

The City has already received substantial public correspondence related to the GMHB Order and compliance efforts. However, it is extremely important to identify further opportunities for such. To continue public engagement efforts to educate and receive feedback, staff recommend two short-term actions be taken. First,

to increase public awareness and education and to schedule a community information session, which is discussed further in AB 6866. Second, complete a public feedback period for the preliminary Station Area Boundary Map, for which received feedback will be reviewed by City Council at its March 17, 2026 meeting.

NEXT STEPS

At the January 16, 2026 City Council Planning Session, the Council directed the staff to finalize a work plan and schedule to implement the policies from the Housing Element of the Comprehensive Plan to address the “adequate provisions” requirements to increase the supply of affordable housing and “anti-displacement policies” to reduce displacement risk (see Motion 3). The Council directed staff to bring the work plan and schedule to the City Council for review and approval in February 2026. The detailed work plan is not yet available as the staff need to receive additional direction from the City Council on the compliance strategy, which is part of this agenda item.

A comprehensive work plan with specific tasks will be presented to the City Council at the meeting on March 17, 2026. In the meantime, a tentative schedule for completion of this work is provided below:

February / March	Community information session.
February / March	Public feedback period on the preliminary Station Area Boundary Map through March 13, 2026.
March 17, 2026	City Council reviews public feedback on the preliminary Station Area Boundary Map and directs staff to finalize the Boundary Map.
Early Spring	Ongoing City Council input and refinement.
Late Spring	Planning Commission legislative review and public hearing.
Early Summer	Council review and adoption.
July 31, 2026	GMHB Order deadline.
September 15, 2026	Compliance hearing on GMHB Order.

RECOMMENDED ACTION

The following City Council actions are recommended:

1. Direct staff to pursue compliance with the GMHB Order under “Scenario 1” as described within the agenda bill, whereby upzones and resulting development capacity increases would be limited at this time to the existing Town Center and adjacent multifamily zones, and implementation of the TOD bill will be pursued as a second phase of work.
2. Direct staff to open a public feedback period through March 13, 2026 on the Preliminary Station Area Boundary Map and provide the feedback to the City Council at the March 17, 2026 City Council meeting.