

AB 6938:

Public Hearing of MICC Title 5 Amendments Anti- Displacement Measures (First Reading, Ord. No. 26C-07)

June 2, 2026, Mercer Island City Council

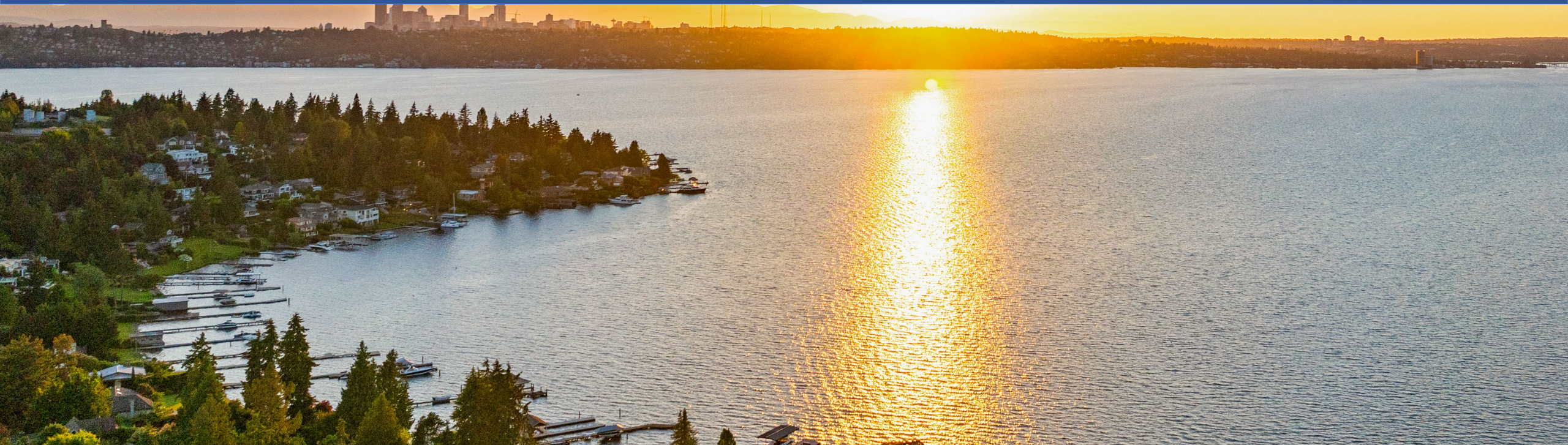
Community Planning and Development
Jeff Thomas, Community Development Director
Adam Zack, Principal Planner
Madelyn Nelson, Assistant Planner



Agenda

1. Background: Growth Management Act and Comprehensive Plan
2. Ordinance No. 26C-07
3. Next Steps

BACKGROUND: Growth Management Act and Comprehensive Plan



GMHB Order – Four Issues

Issue	Action Needed
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 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.
Compliance Deadline: July 31, 2026	Adopt a scope of work and schedule to complete work by July 2026.

City actions must address displacement risk for Station Subarea Plan Phase 1 Upzone.

GMHB Order

- Town Center upzone requires anti-displacement measures are adopted.

King County
Planning
Policies (CPPs)

- anti-displacement measures be adopted prior to or concurrent with development capacity increases (CPP H-21).

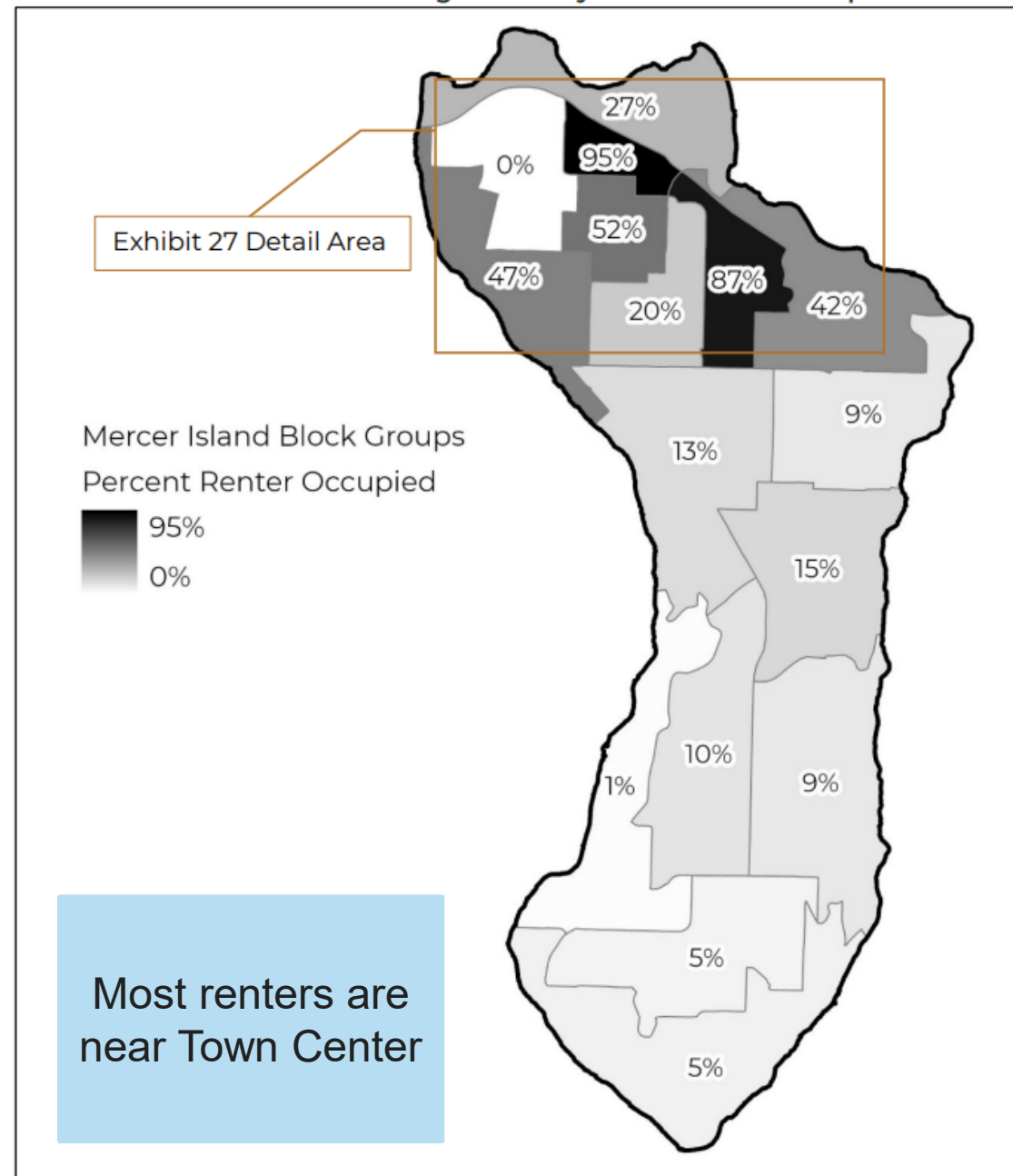
Comprehensive
Plan 2024

- Changes in multifamily zones must be accompanied by findings [by council] that displacement risk has been adequately reduced and mitigated. (CP Housing Element 4.4.).

Displacement Risk Evaluation Findings

Residents in the Town Center and nearby multi-family zones are at risk of displacement.

- Renter households.
- Low-income households.
- Housing cost burdened households.



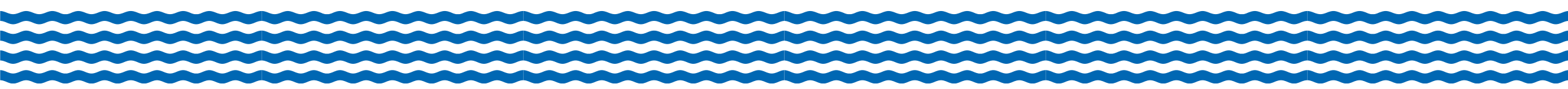
Source: U.S. Census Bureau, 2021 ACS, Table B25003.

Census data shows that most renter-occupied units are in and around the Town Center

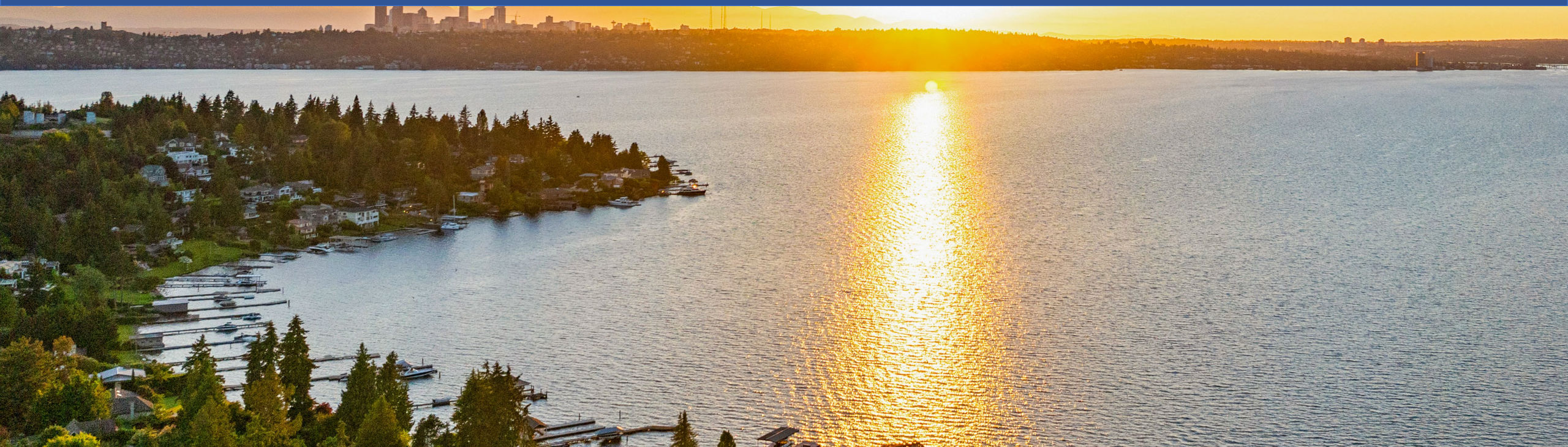
Prior City Council Direction:

On January 16, Council directed staff to evaluate the following anti-displacement policies from the Comprehensive Plan:

1. Required advance notice of rent increases;
2. Relocation assistance and
3. Right of first refusal or tenant opportunity to purchase requirements when an apartment building is converted to a condominium.

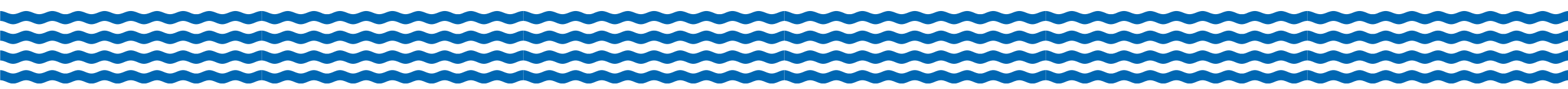


Ordinance No. 26C-07



Overview – Licensing Process

- Ordinance No. 26C-07 proposes a new chapter in **Title 5 – Business License and Regulations** for landlords.
- Requirements and standards are tied to the annual business license renewal process.
- Business license applications are managed by City Staff through the State Department of Revenue online portal.
- **Landlords will be required certify they followed the operational standards during the license renewal process.**
- Violation could be subject to misdemeanor.



5.XX.010 Definitions

- Definitions would apply to the proposed new chapter in Title 5; they do not apply elsewhere in the City Code.
- **Key Terms Defined:**
 - Landlord: “the owner, lessor, or sublessor of the dwelling unit or the property [...]”
 - Tenant: “any person who is entitled to occupy a dwelling unit [...] under a rental agreement.”
 - Low-income tenant: tenants whose combined total income per dwelling unit is at or below 80% Median Income of the county.

Family Size	80% Area Median Income
1	\$84,850
2	\$96,950
3	\$109,050
4	\$121,150
5	\$130,850

License, Fee, and Application

5.XX.020 License Required

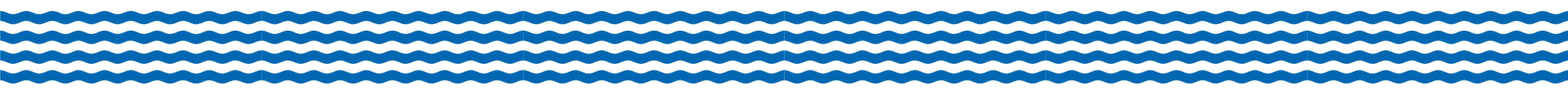
- Landlords must have a valid rental property license issued by the City.

5.XX.030 Fees

- No additional fee is proposed.
- Business license fee is \$30.
- City Council can adopt a fee in the future via fee schedule.

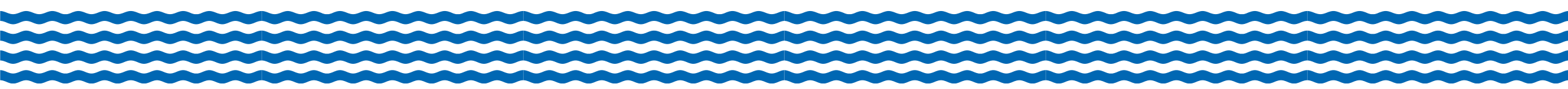
5.XX.040 Rental Property License—Application—Contents

- The rental property license application and renewal would be administered through the business licensing system.



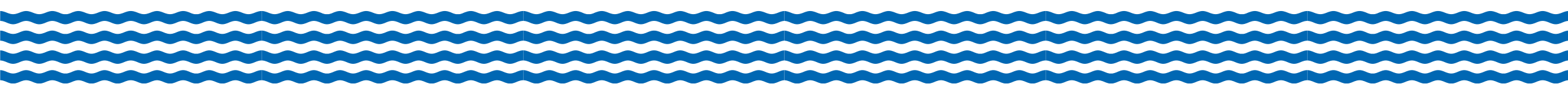
5.XX.050 – Town Center Multifamily Rental Property Operating Requirements

- Operating requirements for rental properties in the Town Center and Multifamily zones.
- During license renewal, landlords must certify they are meeting operating requirements to be eligible for license renewal.
- The landlord must keep documentation demonstrating compliance for the previous three years.
- Documentation will not be required for the time prior to the adoption of this ordinance.



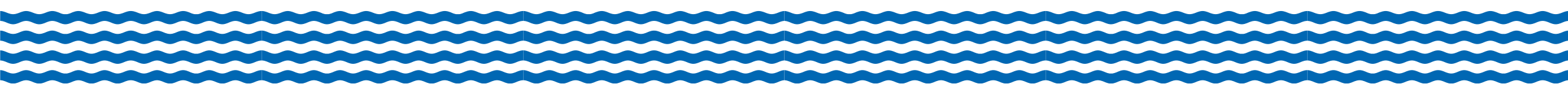
5.XX.050(B)(1)&(2) - Advance notice of rent increase

- **All units:** any rent increase over 3% will require one hundred eighty (180) days notice.
- For **affordable housing units**, if the rent increase is under 3%, then a 30-day notice is required.
 - A tenant may terminate the tenancy immediately upon surrendering the unit, then only pro rata rent would be owed.
 - The notice must inform the tenant about this option.
- **Note:** The state law requires 90 days notice of any rent increase, which would still apply to increases less than 3%



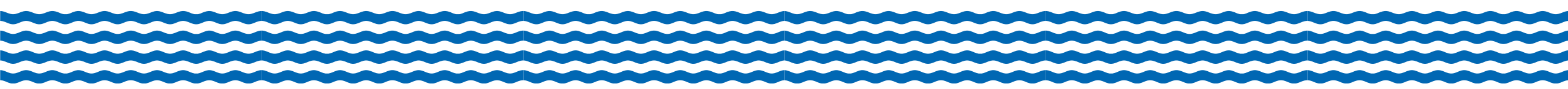
5.XX.050(B)(3) – Relocation Assistance

- Low-income households (80% AMI or under) are eligible relocation assistance:
 - If their unit is slated for demolition, substantial rehabilitation, change of use, and/or removal of rent or income restriction (“relocation event”).
 - Relocation assistance to tenants shall not exceed \$2,000.
- The landlord shall provide tenants a 90-day written notice that a relocation event will occur.
- Relocation assistance must be provided to eligible tenants 45-days prior to the relocation event.



5.XX.050(B)(3) – Relocation Assistance

- The Residential Landlord-Tenant Act (Chapter 59.18 RCW) has requirements related to relocation assistance:
 - Relocation assistance cannot exceed \$2,000 (RCW 59.18.440(4)(a)), and
 - Cities must pay for half of the relocation assistance required to be provided to low-income tenants (RCW 59.18.440(4)(b)).
- Ordinance would require landlords to apply for reimbursement from the City.
- Note: In 2021, it was estimated that there were 1,318 low-income renting households island-wide. Only tenants in Town Center or Multifamily Zones would be eligible.

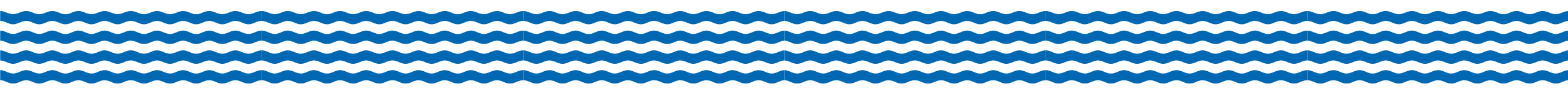


5.XX.060 - Relocation Assistance Dispute Resolution

- Tenant or landlord may request a Hearing Examiner Public Hearing to resolve a dispute related to relocation assistance.
 - The Hearing Examiner shall issue a decision within 30 days of the request filed.
 - Request for a hearing must be filed at least 35 days before the relocation event.
 - Notice of the hearing shall be sent by the City at least 7 days prior to the hearing date
 - Decisions can be appealed to the King County Superior Court within 10 days.

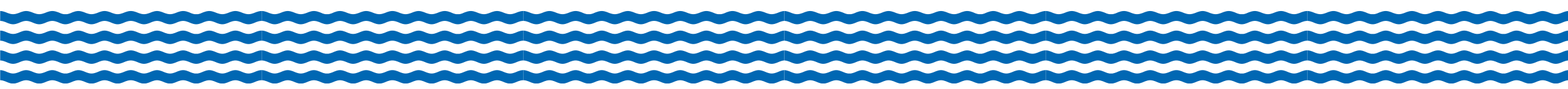
5.XX.070 – Penalty for Violations

- Violations of the code would be a misdemeanor.
- Fine for each offense would be \$500
- Each day out of compliance can be considered a separate offense

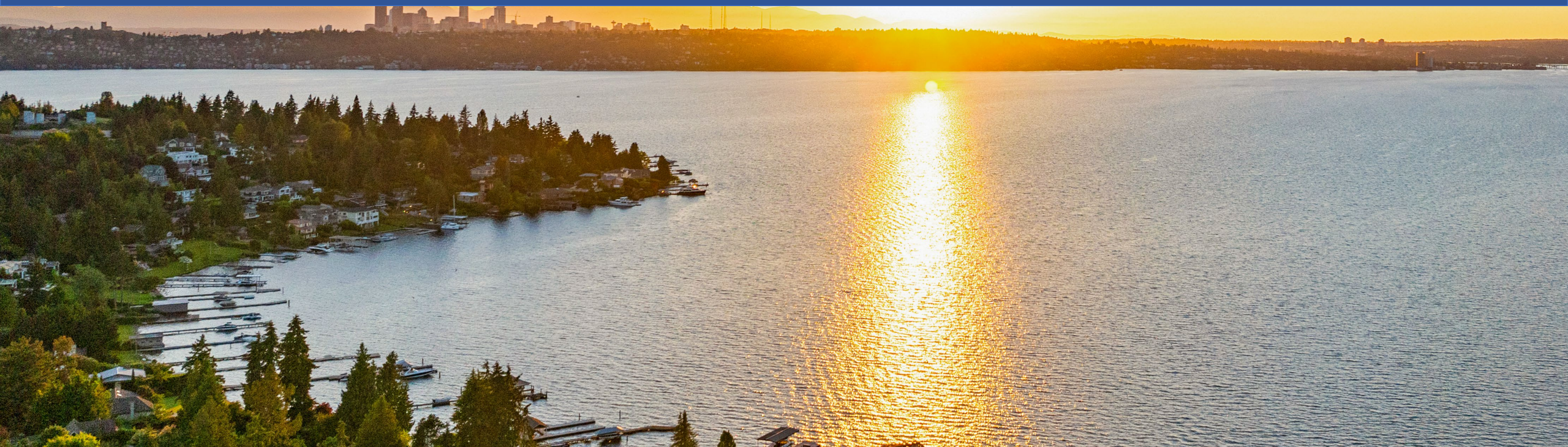


Mitigating Displacement Risk

- The Displacement Risk Evaluation found the displacement risk is greatest for low income, cost burdened renters.
- The ordinance addresses displacement risk by offering tenant protections for low-income renters in the Town Center and Multifamily Zones during the Phase 1 upzone.
- The Phase 1 Station Subarea Upzone is expected to encourage redevelopment, particularly for aging buildings in the area.
- Redevelopment is associated with the relocation events (demolition, substantial rehabilitation, change of use, removal of income restriction).

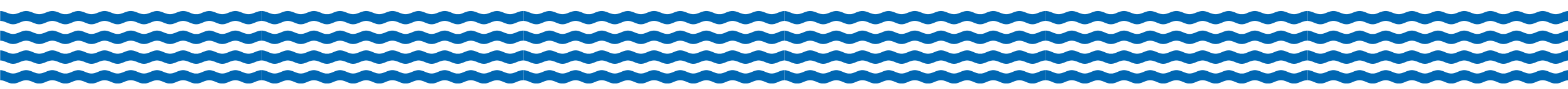


Next Steps

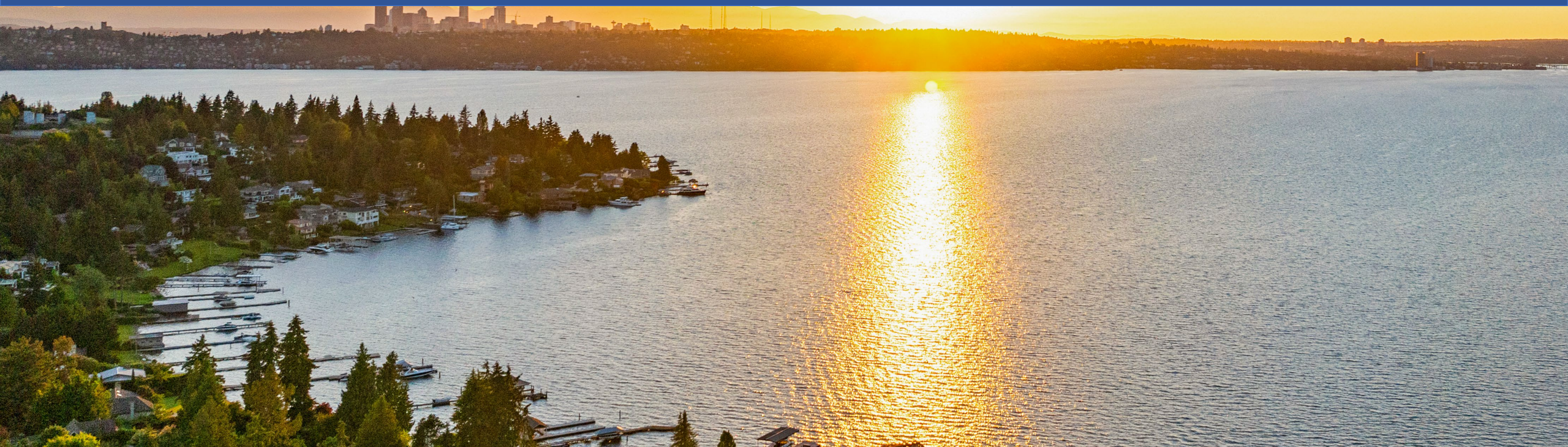


Next Steps

- This ordinance is scheduled for a second reading on June 16.
- The ordinance becomes effective 5 days after the notice of adoption.
- Implementation will include:
 - Outreach to landlords to inform them of new requirements
 - Coordinating with the Department of Revenue to update the City's online business licensing portal
 - Creating handouts and informational material



Thank You!



Council Member Proposed Amendment

Existing Code:

1. Landlord shall notify all tenants or subtenants at least one-hundred eighty (180) days prior to an increase in rent exceeding three (3) percent. This standard only applies to a rental agreement commencing on or after the effective date of this chapter.

Proposed Code:

1. Landlord shall notify all tenants or subtenants at least one-hundred eighty (180) days prior to an increase in rent exceeding a cumulative three (3) percent in any twelve- (12)-month period. This standard only applies to a rental agreement commencing on or after the effective date of this chapter.

