



**BUSINESS OF THE CITY COUNCIL
CITY OF MERCER ISLAND**

**AB 6938
June 2, 2026
Public Hearing**

AGENDA BILL INFORMATION

TITLE:	AB 6938: Public Hearing of MICC Title 5 Amendments Anti-Displacement Measures (First Reading, Ord. No. 26C-07)	<input type="checkbox"/> Discussion Only <input checked="" type="checkbox"/> Action Needed: <input type="checkbox"/> Motion <input checked="" type="checkbox"/> Ordinance <input type="checkbox"/> Resolution
RECOMMENDED ACTION:	Complete a first reading of Ordinance no. 26C-07 and schedule a second reading for June 16, 2026.	

DEPARTMENT:	Community Planning and Development
STAFF:	Jeff Thomas, Director Adam Zack, Principal Planner Madelyn Nelson, Assistant Planner
COUNCIL LIAISON:	n/a
EXHIBITS:	1. Ordinance No. 26C-07 2. Displacement Risk Evaluation
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 present Ordinance No. 26C-07 regarding anti-displacement measures for first reading (see Exhibit 1).

- 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 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 has analyzed displacement risk in the Displacement Risk Evaluation (Exhibit 2). The Displacement Risk Evaluation found displacement risk was greatest for low-income renting households and recommended three actions to mitigate displacement risk:
 - Require advance notice of rent increases;
 - Provide relocation assistance; and
 - Grant right of first refusal allowing tenants to return to an apartment following redevelopment.
- This agenda item addresses the anti-displacement measures requirement of the GMHB Order by amending [Title 5 MICC – Business Licenses and Regulations](#) to require advance notice of rent increases and relocation assistance for low-income households to address the displacement risk (Exhibit 1).
- The Residential Landlord-Tenant Act establishes statewide requirements for advance notice of rent increases, relocation assistance, and right of first refusal ([Chapter 59.18 RCW](#)).
- State law also requires a right of first refusal be granted to tenants in the event a building is converted to condominiums ([RCW 64.34.440](#)).

BACKGROUND

GROWTH MANAGEMENT HEARINGS BOARD FINAL DECISION AND ORDER

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](#)).

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 by 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 can 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.

ANTI-DISPLACEMENT MEASURES

The Growth Management Act (GMA) requires jurisdictions to identify areas that may be at higher risk of displacement risk and include anti-displacement policies in the housing element of the Comprehensive Plan (RCW 36.70A.070(2)(g) and (h)). The Mercer Island Housing Element established the following policies to be developed and implemented to meet the GMA anti-displacement policy requirements:

1. Requiring advance notice of rent increases
2. Landlord provided relocation assistance
3. Right of first refusal or tenant opportunity to purchase requirements when an apartment building is converted to a condominium

On August 1, 2025, the Growth Management Hearings Board (GMHB) issued a Final Decision and Order (GMHB Order) for Case No. 25-3-0003. The GMHB Order found that the City was required to implement the adopted anti-displacement policies concurrently with zoning amendments to increase development capacity. On January 16, 2026, City Council directed staff to evaluate implementation of the three anti-displacement policies included in the Housing Element of the Comprehensive Plan to comply with the GMHB Order.

DISPLACEMENT RISK EVALUATION

The City completed a Displacement Risk Evaluation which analyzes the potential displacement that could occur because of the changes to the zoning code to increase development capacity (Exhibit 1). Comprehensive Plan Housing Element Policy 4.3 requires a displacement risk evaluation when development capacity is increased. Development capacity in the Town Center and adjacent multifamily zones is expected to increase related to implementation of Phase 1 of the Station Subarea Plan, including changes to zoning and development regulations that will be adopted to respond to the GMHB Order.

The Displacement Risk Evaluation identified potential displacement risk for the following households:

- Households earning less than or equal to 80 percent of the Area Median Income (AMI);
- Renting households; and
- Households spending more than 30 percent of their income on housing (cost-burdened households).

The Displacement Risk Evaluation found that the zoning changes and increasing development capacity in the Town Center and adjacent multifamily zones are likely to encourage the redevelopment of some existing buildings in the area over the course of the 20-year planning period. Specifically, older multifamily buildings in the south end of Town Center and the multifamily zones adjacent to Town Center are more likely to redevelop and displace low-income renting households currently living in these buildings.

MITIGATING DISPLACEMENT RISK

The Displacement Risk Evaluation listed three City actions to mitigate displacement risk: advance notice of rent increases, relocation assistance, and right of first refusal.

Advance notice of rent increase would require landlords to provide early notice to residents about a rent increase imposed on their property. Advance notice gives tenants time to make an informed decision regarding their housing choices in light of the rent increase. The Washington State Residential Landlord-Tenant Act requires landlords to provide notice of rent increases at least 90 days in advance. Several nearby jurisdictions require notice of rent increase to be provided at least 180 days in advance. A longer notice period provides additional time for tenants to evaluate housing options and identify opportunities to remain in the community.

Relocation assistance is a sum of money provided to displaced tenants to assist with finding new housing in the event of a relocation event outside the tenants control, such as redevelopment or substantial renovations of a rental unit. Relocation assistance is a measure that can mitigate displacement risk and help low-income households stay in Mercer Island as infill development occurs.

The right of first refusal discussed in the Displacement Risk Evaluation would give tenants the option to return to a dwelling unit in the event the unit is converted from a rental unit to a condominium. A right of first refusal is granted in instances of condominium conversion under [RCW 64.34.440](#). Because this is required by the state law, no further action is needed to address the right of first refusal when a rental property is converted to condominiums.

RESIDENTIAL LANDLORD-TENANT ACT

In 1973, Washington State adopted the Residential Landlord-Tenant Act, which regulates the responsibilities of landlords and tenants ([Chapter 59.18 RCW](#)). Specifically, the Residential Landlord-Tenant Act establishes specific requirements for advance notice of rent increases, limits to how much rent may be increased at lease renewal, eviction procedures, and authorizes cities to require relocation assistance. This act directly affects how the City can structure two of its proposed anti-displacement measures: advance notice of rent increase and relocation assistance.

The Residential Landlord-Tenant Act requires landlords to provide tenants with a minimum 90-days' notice for any rent increase. Cities are able to require a longer period advance notice of rent increase but cannot shorten the rent increase notice period below 90 days.

The Residential Landlord-Tenant Act provides cities the option to require relocation assistance but places parameters on how and how much relocation assistance can be required ([RCW 59.18.440](#)). Some of the key requirements for relocation assistance can be summarized as:

- Cities planning under GMA may require relocation assistance for households earning 50 percent of the area median income or below (RCW 59.18.440(1) and (2));
- The amount of relocation assistance must be tied to the costs of relocation such as the physical moving cost or deposits necessary to secure a lease (RCW 59.18.440(3));
- Relocation assistance is capped at \$2,000 per household (RCW 59.18.440(4)); and
- Cities must establish an administrative process to resolve disputes between landlords and tenants regarding relocation assistance and unlawful detainer actions during relocation (RCW 59.18.440(5)).

Exception to the Residential Landlord-Tenant Act Requirements for Relocation Assistance

The Residential Landlord Tenant Act provides that cities may require relocation assistance per RCW 59.18.440 except "when authorized or required by state or federal law." Ordinance 26C-07 is being proposed as anti-displacement measures required by the GMA in RCW 36.70A.070(2)(e)-(h)) and King County Countywide Planning Policy (KCCPP) H-21 (implement anti-displacement measures). The GMA and by reference the

KCCPPs are state law that authorize relocation assistance outside of the RCW 59.18.440 parameters. Ordinance 26C-07 expands the definition of low-income tenants to 0 – 80% AMI from the Act’s 0 – 50% AMI because this is the income group being potentially displaced in Mercer Island as found in the Displacement Risk Evaluation. Unlike Residential Landlord-Tenant Act, Ordinance 26C-07 does not include an administrative process for unlawful detainer disputes because the City is adopting relocation assistance to comply with the GMA.

ISSUE/DISCUSSION

To implement tenant protections recommended in the Displacement Risk Evaluation, staff drafted a new chapter for [Title 5 of the Mercer Island City Code \(MICC\) – Business License and Regulations](#). The new chapter ties requirements and standards for rental property businesses to the annual business license certification process for residential landlords. Ordinance No. 26C-07 would amend Title 5 MICC to add a new chapter and establish anti-displacement measures to satisfy part of the GMHB Order (Exhibit 1).

As drafted, the new chapter would establish a rental property license requirement and require landlords to certify that they have met specific operational standards during the annual license renewal process. Landlords that fail to comply with the new standards could be subject to fines and/or face misdemeanor charges. The proposed new chapter in Title 5 MICC is divided into seven sections:

- Definitions
- License Required
- Fees
- Rental Property License—Application—Contents
- Rental Property with Five or More Units Operating Requirements
- Relocation Assistance Dispute Resolution
- Penalty for Violations

DEFINITIONS

The Definitions section of the ordinance defines the unique terms used in the new chapter. The terms are change of use, dwelling unit, landlord, low-income tenant, rent, rental agreement, rental property, substantial rehabilitation, tenant, and subtenant. These definitions only apply to interpretation of this chapter and would not affect terms defined elsewhere in the MICC.

LICENSE REQUIRED

Upon the effective date of this ordinance, this section requires a rental property certification to operate any rental property and ties that certification to the requirements of the new chapter. All landlords operating a rental property will have to obtain this certification when renewing their required Business License on a rolling annual basis.

FEES

This section of the ordinance ties the fee for the rental property certification to the [fee schedule adopted by City Council Resolution](#). A new fee is not proposed at this time, but staff are recommending this be added to the work plan for analysis and implementation as early as fall 2026. The fee schedule is amended by resolution and does not require a code amendment when the fee changes. The fee for a business license is

currently set at \$30 and must be renewed annually. Any future fee for a rental property certification will be added to the \$30 when renewing a Business License with this certification.

RENTAL PROPERTY LICENSE—APPLICATION—CONTENTS

This section of the ordinance details the required contents of a rental property license. The application must be submitted on forms furnished by the City, which means the application can be submitted through the online business license portal. This is the same process and application for all business licenses; no new forms are required. City staff will coordinate with the WA Department of Revenue to ensure that any changes to the online portal necessary to implement this section are provided. The online license portal may take some time to be updated so, in the interim, an individual form may be required until the portal is up to date.

TOWN CENTER MULTIFAMILY RENTAL PROPERTY OPERATING REQUIREMENTS

This section of the ordinance establishes the operating requirements that apply to a rental property license for properties located in the Town Center and Multifamily zones. The requirements are limited to these zones to specifically address the displacement risk identified in the Displacement Risk Evaluation. Landlords will be required to certify that they are satisfying the operating requirements outlined below at each annual renewal of the rental property license. Noncompliant landlords would be subject to the penalty for violations established in a later section. Upon written request from the City, landlords will be required to provide documentation that the operating requirements have been met for the previous three years. Documentation that the operating requirements have been met is not required for any period prior to the effective date of this chapter.

Advance Notice of Rent Increase

The operating requirements would require landlords to provide the following notice when increasing rent:

- If the rent increase exceeds three percent (3%), the landlord must notify all tenants or subtenants of market rate or income restricted housing units at least one hundred eighty (180) days prior.
- If the rent increase is three percent (3%) or under for market rate unit, the state law requires a 90-day notice. ([RCW 59.18.140](#)).
- If the rent increase for income-restricted units is three percent (3%) or under, the landlord must notify the tenants at least 30-days' prior. Tenants in income-restricted units would be allowed to terminate the tenancy immediately upon surrendering the dwelling unit prior to the increase taking effect.

Relocation Assistance

The operating requirements in the ordinance include the following provisions for relocation assistance:

- Relocation assistance must be provided to each low-income household ($\leq 80\%$ AMI) in the event of rental property demolition, substantial rehabilitation, change of use, and/or removal of rent or income restriction (together, "Relocation Event").
- For each relocation event, relocation assistance must equal two thousand dollars (\$2,000).
- The payment shall be in addition to the refund of the security deposit or other sums which the tenant is lawfully qualified to receive.
- The landlord must provide each tenant eligible for relocation assistance a written notice at least 90 days prior to a relocation event ("Relocation Notice"). In addition, a copy of the relocation notice

would be posted at every entrance to any building containing dwelling units where a relocation event will occur.

- The tenant must provide written intent to vacate the rental property to the landlord.
- The landlord must provide the full relocation assistance amount to each eligible household at least 45 days prior to the relocation event.
- The landlord is then able to provide a complete application requesting reimbursement for half the relocation assistance amount to the City. The reimbursement application will include:
 - The type of relocation event and any submitted applications for development;
 - Number of eligible households;
 - Income verification for eligible households;
 - Amount of rent charged for each unit in the rental property;
 - Proof of receipt of relocation assistance by eligible tenants; and
 - Attestation that eligible tenants that received relocation assistance have relocated.
- Following confirmation, the City will reimburse the landlord for half of the cost of relocation assistance.

[RCW 59.18.440\(3\)](#) provides that when establishing the amount of relocation assistance, the City shall evaluate, and receive public testimony on, what relocation expenses displaced tenants would reasonably incur in that jurisdiction. The total relocation assistance that may be required is capped at \$2,000 by RCW 59.18.440(4). Ordinance No. 26C-07 would establish the relocation assistance required at a flat \$2,000.

RELOCATION ASSISTANCE DISPUTE RESOLUTION

This section allows a tenant or landlord to request a hearing before the Hearing Examiner to resolve a dispute between landlord and tenant related to relocation assistance during the relocation notice period. A request for a hearing regarding eligibility or the amount of relocation assistance shall be filed at least thirty-five days before the relocation event. The landlord or tenant will file a written request for a hearing and clearly state specific objection(s) and the relief sought with the City Clerk. There is no filing fee for a hearing request. Notice of the hearing shall be sent by the City at least seven days prior to the scheduled hearing date to the tenant, landlord, and any other interested parties who have requested notice. The Hearing Examiner shall issue a decision within thirty (30) days of the filing of the request for a hearing. Issues related to unlawful detainer actions will continue to be resolved through the King County Superior Court. The Hearing Examiner's decision is final and conclusive unless, within fourteen calendar days of the date of the Hearing Examiner decision, a petition is filed in King County Superior Court.

PENALTY FOR VIOLATIONS

This section establishes the penalty in the event of a landlord violating the provisions of the chapter. If a landlord is found to be in violation or noncompliance of the chapter, including the operating requirements, they may be found guilty of a misdemeanor and shall be subject to a \$500 fine and/or imprisonment for a period not exceeding 90 days or both such fine and imprisonment. Each day that an offense is committed or permitted to continue shall be considered a separate offense for the purposes of this chapter.

NEXT STEPS

A second reading and adoption can be scheduled for June 16, 2026. The fee resolution is scheduled for City Council review on July 7, 2026.

BACKGROUND MATERIALS AND REFERENCES

Background materials are provided on the [City's Let's Talk page](#). A summary of previous agenda materials is outlined below:

January 16, 2026

- [AB 6838](#): Compliance with [Growth Management Hearings Board Final Decision and Order](#) related to the City of Mercer Island Periodic Update to the Comprehensive Plan Overview of City Council Planning Session.

February 17, 2026

- [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
- [AB 6866](#): GMA Compliance Public Engagement Plan
- [AB 6871](#): Legislative Review Alternatives to Help City Meet GMHB Order Compliance Deadline (Ordinance No. 26C-03 First Reading)

March 3, 2026

- [AB 6893](#): Compliance with Growth Management Hearings Board Order – Follow-Up Discussion on Financing Affordable Housing
- [AB 6890](#): Legislative Review Alternatives to Help City Meet GMHB Order Compliance Deadline (Ordinance No. 26C-03 Second Reading)

March 17, 2026

- [AB 6888](#): Final Approval of the Modified Station Subarea Boundary
- [AB 6894](#): Update on the Growth Management Hearings Board Order – GMA Compliance Work Plan

March 25, 2026

- [PCB26-01](#): Briefing on the Growth Management Hearings Board Order and steps to achieve Growth Management Act compliance

April 21, 2026

- [AB 6909](#): GMA Compliance – Policy Direction on Development Code Amendments
- [AB 6911](#): GMA Compliance – Legislative Review Process

April 28, 2026

- [PCB26-02](#): Planning Commission Legislative Review Process
- [PCB26-03](#): Briefing on Station Subarea Plan Goals and Policies

May 6, 2026

- [PCB 26-04](#): Briefing on Comprehensive Plan Elements and Station Subarea Plan

May 13, 2026

- [PCB 26-05](#): Briefing on Development Code Amendments: land capacity: zoning map, Town Center boundary and subareas, height increases, permitted uses, design standards, and consistency

RECOMMENDED ACTION

Complete a first reading of Ordinance no. 26C-07 and schedule a second reading for June 16, 2026.