



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

**AB 6893  
March 3, 2026  
Study Session**

**AGENDA BILL INFORMATION**

<b>TITLE:</b>	AB 6893: Compliance with Growth Management Hearings Board Order – Follow-Up Discussion on Financing Affordable Housing	<input checked="" type="checkbox"/> Discussion Only <input type="checkbox"/> Action Needed: <input type="checkbox"/> Motion <input type="checkbox"/> Ordinance <input type="checkbox"/> Resolution
<b>RECOMMENDED ACTION:</b>	Receive briefing, no action required.	

<b>DEPARTMENT:</b>	Community Planning and Development
<b>STAFF:</b>	Jeff Thomas, Community Planning and Development Director Alison Van Gorp, Community Planning and Development Deputy Director Elliott Weiss, Senior Economist – Community Attributes, Inc.
<b>COUNCIL LIAISON:</b>	n/a
<b>EXHIBITS:</b>	n/a
<b>CITY COUNCIL PRIORITY:</b>	n/a

<b>AMOUNT OF EXPENDITURE</b>	\$ n/a
<b>AMOUNT BUDGETED</b>	\$ n/a
<b>APPROPRIATION REQUIRED</b>	\$ n/a

**EXECUTIVE SUMMARY**

The purpose of this agenda item is to follow up on the City Council briefing provided on February 17, 2026 regarding the Growth Management Hearings Board (GMHB) Order and strategies for supporting the creation of extremely low-income housing ([AB 6865](#)).

- 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 February 17, 2026, the City Council directed staff to a two-phase compliance strategy, with zoning changes in the first phase focused in the existing Town Center and adjacent multi-family zones.
- The next progress briefing for the City Council is scheduled for March 17, 2026, during which staff will report on public feedback received on the preliminary Station Area Boundary Map and City Council will be asked to finalize the Station Area Boundary to allow for the compliance work to continue.

## 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 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](#).

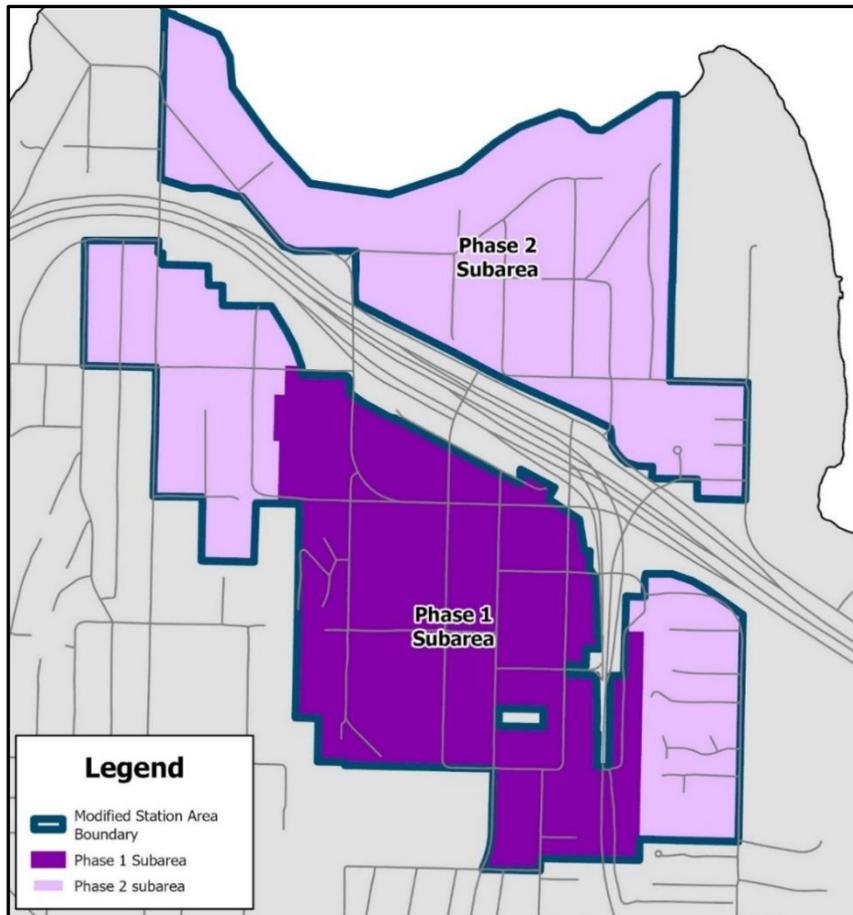
### COMPLIANCE STRATEGY

On February 17, 2026 the City Council directed staff to pursue a two-phase compliance strategy 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 ([HB 1491](#)) will be pursued as a second phase of work.

The first phase of the compliance strategy 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 1 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 1, below.

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



Initial analysis of the compliance strategy shows that the proposed increase in development capacity addresses Mercer Island’s affordable housing needs above 30% of Area Median Income (AMI). An affordability gap of 510 extremely low-income units (0-30% AMI) remains. Additional actions by way of adequate provisions will be needed to address this gap.

### **Adequate Provisions**

The City is evaluating 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. 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 Phase 1 Subarea is expected to leverage adequate funds to produce 190 extremely low-income units, with a remaining gap of 320 units. This concept of “leveraging” funds to support the production of affordable housing units is further explained below, in the Issue/Discussion section.

The cost of providing the remaining 320 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, and supporting partners in applying for grants, below market loans, and tax credit financing to finance development costs.

## **ISSUE/DISCUSSION**

At the February 17, 2026 City Council meeting, preliminary information was shared regarding strategies for financing affordable housing. Some questions remained about the approach, so this agenda item is being brought back to facilitate a discussion with the City Council on the concept of “leveraging.”

### **STRATEGIES FOR FINANCING AFFORDABLE HOUSING**

Developing affordable housing involves a high degree of complexity, much more so than developing market rate housing. Projects can take several years to get off the ground and involve partnerships and a complex set of financing sources. Cities that are interested in facilitating projects in their jurisdiction typically do so by bringing partnerships and resources together. Successful projects require an experienced developer, available land, local financial resources, and public and private funding and financing. Cities that are members of A Regional Coalition for Housing (ARCH) often work closely with ARCH staff to help facilitate bringing these ingredients together. When cities are able to make available local financial resources, surplus public property, or both, ARCH can partner with the jurisdiction to identify potential development partners, additional local financial resources (such as a contribution from the ARCH Housing Trust Fund), and to develop competitive applications for county, state, federal and private funding sources.

#### **Available Land**

Under state law, local jurisdictions can dedicate surplus public property for affordable housing projects ([RCW 39.33.015](#)). Typically, this is existing property that is underutilized or no longer needed. Some jurisdictions also acquire property expressly for the purpose of creating housing. Jurisdictions can also work with partners such as utilities, transit agencies, or religious organizations to identify property in their community that can be made available for affordable housing purposes.

#### **Local Financial Resources**

State legislation in recent years has given local jurisdictions some options for accessing revenues for affordable housing development. Counties and cities have the option of enacting a local sales and use tax of up to 0.1 percent to support affordable housing. In addition, HB 1406, approved by the legislature in 2019, provides local revenue sharing to local jurisdictions by providing a 0.0146 percent local sales and use tax credit for affordable housing investments. Mercer Island receives approximately \$40,000 annually from this sales tax credit, which is currently used to support emergency housing assistance.

Cities may also dedicate general fund resources for affordable housing. Mercer Island has historically contributed annually to the ARCH Housing Trust Fund, for example. Together with contributions from other ARCH members, the trust fund is able to support affordable housing projects in East King County each year.

Another viable option for generating local revenue for housing production is a fee in lieu program. As described above, a fee in lieu program permits a developer to pay a fee in place of providing affordable housing that would otherwise be required in their project. Fee in lieu revenue can be collected in a local housing fund and invested into future projects.

### **Leveraging Resources for Maximum Impact**

The term “leverage” or “leveraging” is often used to refer to the situation in which local resources are used to access additional funds to support a project, often through grants or loans. These outside funds supplement local resources and can cover a large proportion of the total cost, multiplying the impact of local investments.

In the simplest terms, “leverage” can be thought of like a home mortgage. A homebuyer is typically required to provide a cash downpayment to access a mortgage loan. The downpayment might be 30% of the total cost of the home. That 30% downpayment can then leverage a loan amount equivalent to the remaining 70% of the total cost of the home.

Similarly, a City might be able to provide a combination of available land and local funds equivalent to a small percentage of the total project cost for an affordable housing development. This equity can be used to leverage public and private grants, loans and tax credits to finance the remaining costs of the project.

In projects funded by the ARCH Housing Trust Fund over the last thirty-plus years, every dollar of local investment has been leveraged with thirteen dollars in other public and private funds. ARCH funded projects have accessed over \$2 Billion in total public and private funds to support local projects using this leveraging concept.

In the Background section of this agenda bill, above, inclusionary zoning coupled with a fee in lieu program are described as leveraging funds adequate to cover the development costs of 190 units of extremely low-income housing under the proposed compliance strategy. This means that funds generated through in-lieu fees could be used to access grants, loans and tax credits that together can cover the development costs for the 190 affordable housing units.

### **NEXT STEPS**

- March 10: Community information session.
- March 13: Public feedback accepted on the preliminary Station Area Boundary Map through March 13, 2026.
- March 17: City Council review and direction on the following: 1) Station Area Boundary Map, 2) Scope, schedule and key policy questions for GMA Compliance.
- Spring: City Council updates, feedback and direction to Planning Commission.
- Spring: Planning Commission public hearing(s) and legislative review of Comprehensive Plan and Development Code amendments and recommendations for City Council.
- Summer: Council review of Planning Commission recommendations, deliberation and adoption.
- July 31: GMHB Order deadline.
- September 15: Compliance hearing on GMHB Order.

### **RECOMMENDED ACTION**

Receive briefing; no action required.