



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

**AB 6385
January 2, 2024
Regular Business**

AGENDA BILL INFORMATION

TITLE:	AB 6385: 2024 Comprehensive Plan Periodic Update, Housing Element – HB 1220 Implementation	<input checked="" type="checkbox"/> Discussion Only <input type="checkbox"/> Action Needed: <input type="checkbox"/> Motion <input type="checkbox"/> Ordinance <input type="checkbox"/> Resolution
RECOMMENDED ACTION:	Receive report. No action necessary.	

DEPARTMENT:	Community Planning and Development
STAFF:	Jeff Thomas, Community Planning and Development Director Adam Zack, Senior Planner
COUNCIL LIAISON:	n/a
EXHIBITS:	1. Land Capacity Analysis Supplement 2. Racially Disparate Impacts Report
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 bill is to brief the City Council on two reports related to the Housing Element of the Comprehensive Plan.

- In 2021, the WA Legislature enacted [Engrossed Second Substitute House Bill 1220 \(HB 1220\)](#), which amended the Growth Management Act (GMA) to add new requirements for cities and counties to provide sufficient capacity of land to address housing needs across income segments and to identify and begin to undo racially disparate impacts, displacement and exclusion in housing.
- In 2023, the WA Department of Commerce (Commerce) issued [guidance for complying with HB 1220](#).
- In August 2023, the King County Council adopted [Ordinance No. 19660](#), which amended the Countywide Planning Policies (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.
- Following the Commerce guidance, The Land Capacity Analysis Supplement evaluated whether the City has sufficient land capacity to accommodate the assigned housing need (Exhibit 1). The analysis identified a small capacity deficit of 143 dwelling units in multifamily and mixed-use zones (Exhibit 1).
- To address this deficit, the City will need to increase mixed-use and/or multifamily development capacity during the Comprehensive Plan Periodic Review. Staff has prepared three possible alternatives, each of which can address this deficit, for the City Council to consider (Exhibit 1).

- The staff will receive feedback from the City Council on the preferred alternative to address the housing capacity deficit. This information will be incorporated into a final recommendation that will be presented to the Council for review and approval at the January 16, 2024 meeting.
- Staff prepared the attached Racially Disparate Impacts (RDI) report based on the Commerce guidance (Exhibit 2).
- The RDI report identifies existing housing policies that may need to be revised during the Comprehensive Plan update, however, no direction on the RDI report is required at this time. The information is presented to the City Council for awareness only.

BACKGROUND

The City is in the process of conducting a periodic update of the Comprehensive Plan. The update is required by the Growth Management Act (GMA) and must be completed by December 31, 2024. As part of the periodic update, the City is required to update the Housing Element to incorporate the new requirements established by [HB 1220](#), including the following:

- Establish the number of dwelling units needed to accommodate moderate, low, very low, and extremely low-income households;
- Identify sufficient capacity of land for housing for moderate, low, very low, and extremely low-income households;
- Identify and implement policies and regulations to address and begin to undo racially disparate impacts, displacement, and exclusion in housing caused by local policies, plans, and actions; and
- Establish antidisplacement policies.

The attached Land Capacity Analysis Supplement (Exhibit 1) and Racially Disparate Impacts (RDI) Report (Exhibit 2) are required to satisfy the housing element requirements added by HB 1220. The Land Capacity Analysis Supplement is a report to analyze capacity needed to accommodate the housing need by income segment. The RDI report evaluates policies for potential racially disparate impacts, identifies policies in need of amendment, and identifies areas with increased risk of displacement. Both reports were drafted based on the [Commerce guidance for updating housing elements](#) issued earlier this year.

Drafting both the Land Capacity Analysis Supplement and RDI Report was added to the Comprehensive Plan Periodic Review Scope of Work in 2023 by [Resolution No. 1646](#). Staff prepared both reports following approval of that resolution. Once the initial drafts were prepared, peer review was provided by consultants from BERK Consulting Inc., the consultants that assisted Commerce in developing its guidance documents.

ISSUE/DISCUSSION

On January 2, the City Council will be briefed on both reports. Similar to the Economic Development Report and Housing Needs Assessment presented in September 2022 ([AB6107](#)), the Council does not need to take formal action on either report.

Land Capacity Analysis Supplement

The Land Capacity Analysis Supplement evaluates whether the City has adequate development capacity to accommodate its housing needs, as determined by the State and King County, at various income levels. This analysis was conducted based on the [Commerce guidance to for evaluating land capacity](#). The Commerce guidance details a process by which cities would assume that higher density development will accommodate lower-income households. In high-cost communities like Mercer Island, the guidance assumes that nearly all of the housing needs below 120 percent of the area median income (AMI) would be accommodated in

multifamily and mixed-use zones. Within that framework, the attached Land Capacity Analysis Supplement finds a 143-unit capacity deficit in multifamily and mixed-use zones (Exhibit 1). HB 1220 and the Commerce Guidance require the City to address this deficit during the Comprehensive Plan Periodic Review by increasing mixed-use and/or multifamily development capacity.

Options for Addressing Capacity Deficit

The Land Capacity Analysis Supplement provides analysis of three alternatives for addressing the 143-unit multifamily and mixed-use capacity deficit (Exhibit 1). A full analysis of each option is provided in the report. The three options analyzed are listed and summarized below:

- A. Increase maximum height to permit one additional residential story in Town Center;
- B. Allow multifamily residential use in the Commercial Office Zone; and
- C. Increase maximum density from 26 to 30 dwellings per acre in the MF-3 Zone.

Option A: Increase Maximum Height to Permit One Additional Residential Story in Town Center

To address the capacity deficit in multifamily and mixed-use zones, Mercer Island may amend the development regulations in the Town Center. The Town Center is currently divided into six subareas: TC-5, TC-4 Plus, TC-4, TCMF-4, TC-3, and TCMF-3. Each of the subareas has a different height limit established in [Mercer Island City Code \(MICC\) 19.11.030 – Bulk Regulations](#). The maximum height in the TC-5 and TC-4 Plus subareas is 63 feet (5 stories), in TC-4 and TCMF-4 the maximum height is 51 feet (4 stories), and in TC-3 and TCMF-3 maximum height is 39 feet (3 stories). Increasing the maximum building height by one story in Town Center would increase development capacity by 153 dwelling units, enough to overcome the 143-unit capacity deficit.

Option B: Allow Multifamily Residential Use in the Commercial Office Zone

Another option for addressing the capacity shortfall identified in this report is to amend the Commercial Office (C-O) zone to permit multifamily residential uses. Given that there is currently no residential capacity in the C-O zone, the relative age of the improvements in this area, and the low development intensity, allowing multifamily residential development in the C-O zone would add the most residential capacity of the options considered. Allowing multifamily residential uses in the C-O zone could add capacity for as much as 895 more dwellings units, although once development standards are adopted and implemented, it is likely the net capacity would be somewhere in the range of 143 dwelling units (minimum needed) to 895 dwelling units (maximum yield from the analysis).

Option C: Increase Maximum Density From 26 to 30 Dwellings per Acre in the MF-3 Zone

Another approach to addressing the multifamily and mixed-use capacity deficit is to amend the development regulations in the multifamily zones to allow more development within the existing areas zoned MF-2, MF-2L, and MF-3. Development standards for the multifamily zones are established in Chapter 19.03 MICC. The simplest way to increase capacity in the multifamily zones is to amend the maximum density. Increasing the maximum allowed density in the MF-3 zone from 26 dwellings per acre to 30 dwellings per acre would add capacity for 174 more dwelling units, which would satisfy the 143 dwelling unit shortfall.

Racially Disparate Impacts (RDI) Report

The RDI Report evaluates existing policies in the 2016 Comprehensive Plan for potential racially disparate impacts, evaluates which policies may need amendment during the periodic update, and identifies areas with increased risk of displacement (Exhibit 2). This report was prepared based on the [Commerce guidance for addressing racially disparate impacts](#) to satisfy the Housing Element requirements established in [RCW](#)

[36.70A.070\(2\)\(e\)-\(h\)](#). The findings of this report will be provided to the Housing Work Group for consideration as they prepare an updated draft of the Housing Element. No council action is required on this report.

NEXT STEPS

The staff will receive feedback from the City Council on the preferred alternative to address the housing capacity deficit. This information will be incorporated into a final recommendation that will be presented to the Council for review and approval at the January 16, 2024 meeting.

RECOMMENDED ACTION

Receive report. No action necessary.