



Land Capacity Analysis Supplement

**CITY OF MERCER ISLAND 2024 COMPREHENSIVE PLAN PERIODIC REVIEW
HB 1220 IMPLEMENTATION**

COMMUNITY PLANNING AND DEVELOPMENT DEPARTMENT



City of Mercer Island, WA
Community Planning and Development Department
December 15, 2023

Table of Contents

I.	Introduction	6
A.	Background.....	6
1.	Housing Need.....	7
	Table 1. Mercer Island Housing Need.....	7
2.	Land Capacity	8
3.	Permanent Supportive Housing.....	8
4.	Emergency Housing.....	9
B.	Data Sources.....	9
1.	King County Urban Growth Capacity Report.....	9
2.	Washington Center for Real Estate Research Housing Market Data Toolkit..	10
C.	Assumptions.....	10
1.	An Affordable Home Does Not Cost More Than 30 Percent of Household Income.....	10
2.	Existing Residential Capacity.....	10
3.	Higher Density Housing is More Likely To Be Affordable.....	10
4.	Permanent Supportive Housing Is Only Likely in High-Density Zones That Include an Incentive.....	10
5.	The City Will Adopt Permanent Regulations to Allow Emergency Housing in The Majority of Zones Within One Mile of Transit and Ensure that Emergency Housing is Not Subject to Occupancy, Spacing, or Intensity Regulations.....	11
II.	Land Capacity Analysis.....	11
A.	Land Capacity By Zone and Zone Category.....	11
	Table 2. Housing Capacity By Zone Category.....	11
B.	Zone Categories and Income Levels.....	11
	Table 3. Mercer Island Home Sales and Median Sale Price by Dwelling Type 2021-2022.....	12
	Table 4. Average Price by Housing Type.....	12
C.	Affordability Levels.....	12
	Table 5. Average Monthly Housing Cost by Zone Category.....	13
	Table 6. Income Level Without Subsidies by Housing Type.....	13
D.	Capacity by Zone Category and Affordability Level	14
	Table 7. Housing Capacity by Zone Category and Affordability Level.....	14
	Table 8. Zone Categories, Housing Types, and Income Levels Served.....	16
E.	Comparison of Projected Housing Needs To Capacity	17
	Table 9. Capacity Surplus or Deficit by Zone Category and Affordability.....	17

F.	Emergency Housing Capacity	18
III.	Summary and Conclusions.....	18
A.	Capacity Needs by Household Income Segment.....	20
1.	Households With Income Greater Than 120 Percent of the AMI.....	20
2.	Households Earning Below 120 Percent of the AMI	20
3.	Emergency Housing	22
B.	Multifamily and Mixed-Use Zones	22
	Figure 1. Mercer Island Multifamily and Mixed-Use Zones.....	22
IV.	Addressing Capacity.....	23
A.	Increase Maximum Height to Permit One Additional Residential Story in Town Center	23
	Figure 2. Town Center Subareas and Height Limit.....	24
	Table 10. Town Center Capacity With Proposed Height Increase.	26
B.	Allow Multifamily Residential Use in the Commercial Office Zone.....	28
	Figure 3. Commercial Office Zone.....	28
	Residential Capacity.....	29
	Figure 4. Commercial Office Zone Gross Developable Area.....	30
	Figure 5. Commercial Office Zone Gross Developable Area Minus Critical Areas and Their Buffers.....	31
	Table 11. Residential Capacity in the C-O Zone if Rezoned to Mixed-Use (TC-4).....	32
	Additional Development Standards	32
	Commercial Capacity.....	33
	Table 12. Commercial Capacity in the C-O Zone if Rezoned to Mixed-Use (TC-4).....	33
C.	Increase Maximum Density From 26 to 30 Dwellings per Acre in the MF-3 Zone	34
	Table 13. Multifamily Zone Development Capacity.....	35
	Table 14. Multifamily Zone Development Capacity With Increased Density.....	35
D.	Other Housing Element Amendments.....	37
1.	Adequate Provisions.....	37
2.	Racially Disparate Impacts and Anti-Displacement Policies.....	37
3.	Middle Housing and Accessory Dwelling Units (ADUs)	37
	Appendix A - Land Capacity Analysis Supplement Methodology	i
	Methodology Introduction	i
	Existing Land Capacity Analysis	i
	RCW 36.70A.070(2).....	i
	Commerce Guidance	ii

Data Sources	ii
King County Urban Growth Capacity Report.....	ii
King County Assessor’s Parcel Data.....	iii
Mercer Island Zoning Map.....	iii
Critical Area Maps.....	iii
Mercer Island Permit Data.....	iii
King County Housing Need Projection.....	iii
Table 1. Mercer Island Housing Need.....	iv
Washington Center for Real Estate Research Housing Market Data Toolkit.....	iv
Assumptions.....	iv
An Affordable Home Does Not Cost More Than 30 Percent of Household Income	iv
Existing Residential Capacity	iv
Higher Density is More Likely To Be Affordable	v
Permanent Supportive Housing Is Only Likely in High-Density Zones That Include an Incentive	v
The City Will Adopt Permanent Regulations to Allow Emergency Housing in The Majority of Zones Within One Mile of Transit.....	v
Steps.....	v
Step One: Gather Land Capacity By Zone and Zone Category	vi
Table 2. Housing Capacity By Zone Category.....	vi
Step Two: Relate Zone Categories to Income Levels.....	vi
Task 2.A – Gather and Summarize Data on Housing Prices	vii
Table 3. Average Cost by Housing Type.....	vii
Task 2.B – Calculate Affordability Levels.....	vii
Table 4. Average Housing Cost and Monthly Payment by Zone Category.....	viii
Table 5. Affordability Without Subsidies by Zone Category.....	viii
Step Three: Summarize Capacity	viii
Task 3.A – Summarize Capacity by Zone Category and Affordability Level	viii
Table 6. Zone Capacity by Zone Category and Affordability Level.....	ix
Step Four: Compare Projected Housing Needs To Capacity.....	ix
Task 4.A – Determine Capacity Surplus or Deficit by Zone Category and Affordability	ix
Table 7. Capacity Surplus or Deficit by Zone Category and Affordability.	x
Step Five: Develop and Analyze Alternatives as Needed	x
Task 5.A – Prepare a List of Zones In Categories With A Capacity Deficit.....	x

Table 8. Zoning Categories by Zone and Deficit.....	xi
Task 5.B – Map Policies and Regulations to Zones With A Capacity Deficit.....	xi
Table 9. Policy and Regulation Map for Zones With A Capacity Deficit.....	xi
Task 5.C – Prepare Alternatives and Analyze Potential Impact On Capacity.....	xi
Table 10. Alternative Analysis Framework.....	xii
Glossary of Terms.....	xii
Appendix B – Mortgage Calculator Detail.....	i
Figure B.1. Mortgage Calculation for Single-Family Home Costing \$2,620,986.....	i
Figure B.2. Mortgage Calculator for Condo Costing \$662,179.....	ii
Appendix C – Policy Maps.....	i
Table C.1. Multifamily Zone Policy and Development Regulation Map.....	i
Table C.2. Town Center Zone Policy and Development Regulations Map.....	iii
Appendix D – Town Center Mixed-Use Development Since 2000	i
Table D.1. Town Center Mixed-Use Development Since 2000.....	i

I. Introduction

Under the WA Growth Management Act (GMA) cities and counties must plan for housing and employment growth targets every time they update their comprehensive plans. The growth targets are expressed as a total number of new dwelling units for housing and jobs for employment. The growth targets are based on the population forecast the WA Office of Financial Management (OFM) prepares. Countywide growth targets are allocated to the cities within the county, so each city's growth target is a share of the overall county need. The Mercer Island housing growth target of 1,239 dwelling units was adopted in 2022.

In 2021, the WA State Legislature adopted House Bill 1220 (HB 1220), which required cities to specifically plan for housing that is affordable for every income segment. HB 1220 directs the WA Department of Commerce (Commerce) to develop housing need for each county broken up by income segment. The income-segment-based housing need developed by Commerce is still based on the OFM population forecast but disaggregates this single growth target into a number of dwelling units needed at each income level relative to the area median income (AMI). In summary:

- Mercer Island housing growth target is 1,239 dwelling units.
 - The housing growth target total was adopted by King County in 2022 by [Ordinance 19384](#).
 - The housing growth target total (1,239) has not changed since it was adopted.
- Under HB 1220, the housing growth target total is broken out into affordable housing need at different income levels (Table 1).
 - The emergency housing need is a number separate from the other housing needs. The unit of measure for emergency housing is beds rather than dwelling units. Emergency housing, unlike affordable housing or permanent supportive housing, is housing that provides temporary accommodations for individuals or families at immediate risk of being homeless.

In 2023, Commerce issued guidance on how cities and counties can update their housing elements to address the new requirements from HB 1220. Chapter three of the guidebook, "[Guidance for Updating Your Housing Element](#)" outlines the steps for conducting a land capacity analysis to evaluate capacity for housing need at varying income segments. The methodology in Appendix A, which outlines the steps taken to prepare this report, was developed based on Commerce guidance. The methodology was developed using guidance from the Commerce.

A. Background

The purpose of this report is to analyze land capacity for housing disaggregated by affordability for all income ranges and compare the capacity and housing need at each income range.

1. Housing Need

Under the GMA, counties and cities are required to plan for adequate housing to accommodate the projected housing needs for each income segment (RCW 36.70A.070(2)(a)-(d)). HB 1220 requires Commerce to establish the level of housing need by income level for counties. In 2023, Commerce published the Housing For All Planning Tool (HAPT), which details the housing need for counties throughout Washington, including King County. After receiving the county-level housing need projection, King County then allocated the total need by income level to its cities.

In 2023, King County allocated housing need to its cities by amending the countywide planning policies (CPPs) with [Ordinance 19660](#). The allocated housing need was based on each city’s housing growth target, disaggregated by income level. Mercer Island’s housing growth target is 1,239 additional dwelling units by the year 2044. Those 1,239 additional dwelling units are broken out into the following income levels relative to the King County area median income (AMI):

- Emergency Housing
- Permanent Supportive Housing
- Extremely low income (less than 30% of the AMI)
- Very Low Income (between 30 and 50% of the AMI)
- Low Income (50 to 80% of the AMI)
- Moderate Income (80 to 120% of the AMI)
- High Income (greater than 120% of the AMI)

The housing need assigned to the City of Mercer Island under King County Countywide Planning Policy H-1 is shown in Table 1 below.

Table 1. Mercer Island Housing Need.

	Total	≤30%		>30 to ≤50 %	>50 to ≤80 %	>80 to ≤100 %	>100 to ≤120 %	>120 %	Emergency Housing ²
		Non - PSH ¹	PSH ¹						
New Units Needed 2019- 2044	1,239	339	178	202	488	4	5	23	237

Source: King County Ordinance 19660.

Notes:

1. Permanent Supportive Housing (PSH)
2. Emergency Housing need is its own metric and not part of the housing need or housing growth target.

Mercer Island will need to plan for accommodating its housing need as listed in Table 1 through 2044. A key component of planning for accommodating the housing need is to determine whether there is adequate development capacity in the zones that can accommodate housing units that tend to be affordable at various income levels.

2. Land Capacity

Land Capacity is an estimate of the number of dwelling units possible given existing development, zoning and development regulations, market factors, land available for development, and environmental constraints. RCW 36.70A.070(2)(c) requires cities and counties to adopt a housing element that:

Identifies sufficient capacity of land for housing including, but not limited to, government-assisted housing, housing for moderate, low, very low, and extremely low-income households, manufactured housing, multifamily housing, group homes, foster care facilities, emergency housing, emergency shelters, permanent supportive housing, and within an urban growth area boundary, consideration of duplexes, triplexes, and townhomes;

In 2021, King County prepared the Urban Growth Capacity Report (UGC Report), which analyzed land capacity in King County urban growth areas. The UGC Report did not consider the capacity for housing at affordable at different income levels. Further analysis is needed to determine whether there is adequate capacity to accommodate the housing need at each affordability level. The analysis that follows will make that determination and identify potential alternatives for addressing any capacity deficits at a given affordability level.

3. Permanent Supportive Housing

The housing need for Mercer Island differentiates two types of housing need at the extremely low-income level: permanent supportive housing (PSH) and non-permanent supportive housing. Housing need for extremely low-income housing is split into these two categories because these are two distinct housing types. One, PSH, is intended to house people who need support services whereas non-PSH extremely low-income housing is meant for people at the lowest income level that do not necessarily need additional services. For reference, PSH is defined in RCW 36.70A.030(31), which states:

"Permanent supportive housing" is subsidized, leased housing with no limit on length of stay that prioritizes people who need comprehensive support services to retain tenancy and utilizes admissions practices designed to use lower barriers to entry than would be typical for other subsidized or unsubsidized rental housing, especially related to rental history, criminal history, and personal behaviors. Permanent supportive housing is paired with on-site or off-site voluntary services designed to support a person living with a complex and disabling behavioral health or physical health condition who was experiencing homelessness or was at imminent risk of homelessness prior to moving into housing to retain their housing and be a successful tenant in a housing arrangement, improve the resident's health status, and connect the resident of the housing with community-based health care, treatment, or employment services. Permanent supportive housing is subject to all of the rights and responsibilities defined in chapter 59.18 RCW.

4. Emergency Housing

The housing need for Mercer Island includes emergency housing. Emergency Housing is defined in RCW 36.70A.030(14), which states:

"Emergency housing" means temporary indoor accommodations for individuals or families who are homeless or at imminent risk of becoming homeless that is intended to address the basic health, food, clothing, and personal hygiene needs of individuals or families. Emergency housing may or may not require occupants to enter into a lease or an occupancy agreement.

This is a housing type that is different from housing for extremely low-income households and PSH in that it is intended to be shorter-term accommodations. Emergency housing is fundamentally different from other housing types because it is not always made up of dwelling units (complete housing units with kitchen, bathroom, and living area) and can include shelter space.

According to the Commerce guidance, cities are not required to analyze land capacity for emergency housing if they can provide supporting documentation demonstrating both of the following conditions:

- Emergency housing is allowed in all zones that allow hotels. Alternatively, this condition may be met by demonstrating that emergency housing is allowed in a majority of zones within a one-mile proximity to transit, per RCW 35A.21.430 and RCW 35.21.683 (sections 3 and 4 of HB 1220, laws of 2021); and
- The jurisdiction has no regulations that limit the occupancy, spacing or intensity of emergency housing.

In 2021, Mercer Island adopted interim regulations to address this requirement in response to HB 1220 (Ord. No. 21C-23, renewed by 22C-14 and 23C-11). The interim regulations amended the definition of "social service transitional housing" to clarify that this use includes emergency housing as defined in state law. Social service transitional housing is a land use that is allowed by conditional use permit in a majority of zones within one mile of transit. If those interim regulations are made permanent during the Comprehensive Plan periodic review and the regulations are reviewed to ensure that they do not limit occupancy, spacing, or intensity of emergency housing, Mercer Island will not be required to further analyze whether there is sufficient capacity of land to accommodate its emergency housing need.

B. Data Sources

Conducting the supplemental land capacity analysis will include analysis of several data sources. The City will use the following data sources.

1. King County Urban Growth Capacity Report

In 2021, King County issued the [Urban Growth Capacity Report](#) (UGC Report). This report provides the development capacity for all cities within the County, including Mercer Island. The UGC Report was prepared based on the land capacity analysis

requirements prior to HB 1220. The capacity detailed in this report will be the foundation of the additional analysis of the land capacity analysis supplement.

2. Washington Center for Real Estate Research Housing Market Data Toolkit

The Washington Center for Real Estate Research (WCRER) provides data on housing, including average housing costs. The WCRER website is:

<https://wcrer.be.uw.edu/housing-market-data-toolkit/>

C. Assumptions

Assumptions form the basis of extrapolating meaning from data. They are a key component of any data analysis. The City will make the following assumptions related to housing capacity.

1. An Affordable Home Does Not Cost More Than 30 Percent of Household Income

The crux of this supplemental land capacity analysis is analyzing housing affordability for all income segments. Housing affordability is defined in the Growth Management Act (GMA) as housing with a cost that does not exceed thirty percent of a household's income ([RCW 36.70A.030\(2\)](#)). As the City analyzes housing data to determine capacity for all income segments, it will be assumed that the affordable cost is roughly equal to thirty percent of household income.

2. Existing Residential Capacity

This methodology will use the residential capacity shown in the 2021 UGC Report as the existing capacity.

3. Higher Density Housing is More Likely To Be Affordable

It is assumed that higher-density housing is more likely to be affordable to lower-income households. The assumption here is that a two-bedroom apartment home is generally less expensive than a two-bedroom detached single-family home.

4. Permanent Supportive Housing Is Only Likely in High-Density Zones That Include an Incentive

Permanent supportive housing (PSH) is subsidized, leased housing with no limit on length of stay that prioritizes people who need comprehensive support services to retain tenancy and utilizes admissions practices designed to use lower barriers to entry than would be typical for other subsidized or unsubsidized rental housing, especially related to rental history, criminal history, and personal behaviors ([RCW 36.70A.030\(19\)](#)). HB 1220 requires cities to determine capacity for PSH as part of their housing need. Given the high cost of construction, reduced return on investment, and need for support services, this analysis will assume the following:

- PSH will only be produced in higher density zones where dwelling units can be smaller;
- PSH in Mercer Island requires subsidies; and
- PSH will only be feasible in zones that provide an affordable housing incentive such as the height bonus in Town Center zones.

5. The City Will Adopt Permanent Regulations to Allow Emergency Housing in The Majority of Zones Within One Mile of Transit and Ensure that Emergency Housing is Not Subject to Occupancy, Spacing, or Intensity Regulations

Cities are required by HB 1220 to allow emergency housing in any zone that allows hotels or in a majority of zones within one mile of transit. The City currently includes the GMA definition of ‘emergency housing’ in its definition of ‘social service transitional housing’ through an interim amendment made by Ordinance 21C-23. Social service transitional housing is allowed in a majority of zones within one mile of transit. This analysis assumes that through the Comprehensive Plan update, this amendment will be made permanent to comply with HB 1220 and ensure that emergency housing is not subject to occupancy, spacing, and intensity requirements. If these two conditions are met, further analysis of capacity for emergency housing is not required per the Commerce guidance.

II. Land Capacity Analysis

A. Land Capacity By Zone and Zone Category

The analysis began by gathering the land capacity that was already calculated in the UGC report. In the UGC Report, the zones in Mercer Island were divided into categories based on the allowed density in each zone. For example, the R-15 zone was categorized as a low-density residential zone because it only allows single-family homes and has a minimum lot size of 15,000 square feet (slightly less than three dwellings per acre). During this step, staff gathered the housing capacity provided in the UGC Report for reference as the existing capacity as shown in Table 2.

Table 2. Housing Capacity By Zone Category.

Zone Category	Density Range	Corresponding Zones	Net Residential Capacity
Very Low Density	2.6-3.3 dwellings/acre	R-15 and R-12	120
Low Density	4.6-6.1 dwellings/acre	R-9.6 and R-8.4	235
Medium-Low Density	22.7 dwellings/acre	MF-2L	10
Medium-High Density	26 dwellings/acre	MF-2 and MF-3	535
High Density	100.6-167 dwellings/acre	TC Zones	528
Total	-	-	1,428

Source: 2021 UGC Report.

B. Zone Categories and Income Levels

After gathering the residential capacity information from the UGC Report, information on the price of housing in each category was analyzed. Price data from the Washington Center for Real Estate Research (WCRER) provided the home prices in each zone category. According to the WCRER data, the median sale price for a single-family dwelling in the fourth quarter of 2022 was \$2,950,000. In the same quarter, the median condominium sale price was \$566,000.

Table 3 shows Mercer island home sales and median sale price by dwelling type from 2021 to 2022, the most recent years available. The price data shows home prices and the number of sales fluctuated from quarter to quarter in 2022. To smooth out this variation, staff calculated an average of median sale price, weighted by the number of sales in each quarter. Using a weighted average splits the difference between the higher and lower sale prices in a given quarter while accounting for quarters with a higher number of sales. In 2022, the average sale price weighted by number of sales was \$2,620,986 for single-family home and \$662,179 for condos.

Table 3. Mercer Island Home Sales and Median Sale Price by Dwelling Type 2021-2022.

Total Sales			Sales by Dwelling Type		Median Price by Dwelling Type	
Quarter	Count	Median price	Condo	Single-Family	Condo	Single-Family
2022 Q1	49	\$2,420,000	10	39	\$680,250	\$2,530,000
2022 Q2	100	\$2,450,000	16	84	\$765,000	\$2,710,000
2022 Q3	69	\$2,298,000	7	62	\$525,000	\$2,382,500
2022 Q4	42	\$2,200,000	9	33	\$566,000	\$2,950,000
Weighted Average		\$2,363,623	Weighted Average		\$662,179	\$2,620,986

Source: Washington Center for Real Estate Research (WCRER).

Table 4 combines the 2022 weighted average sale price for condos and single-family homes and the average monthly rent. The average monthly rent is another statistic provided by the WCRER. The mean monthly rent is a simple average of each quarterly monthly rent in 2022.

Table 4. Average Price by Housing Type.

Type	Average Cost	Notes
Single-Family Home	\$2,620,986	Average of Median Single-Family Home Sale Price Q1-Q4 2022, weighted by number of sales
Townhomes and Condos	\$662,179	Average of Median Condo Sale Prices Q1-Q4 2022, rounded to nearest dollar, weighted by number of sales
Apartments	\$2,528/Month	Mean Monthly Rent Q1-Q4 2022

Source: WCRER.

C. Affordability Levels

After finding the average price for each housing type, the level of household income required to afford each housing type was determined. First, the median sale price for owner-occupied housing and the mean rent for apartments, both listed in Table 4, were analyzed to determine an average monthly payment for each zone category. The average monthly payment for owner-occupied housing (single-family homes and condos) was calculated using the Fannie Mae mortgage calculator. The mortgage calculator details are shown in Appendix B. These details show the assumptions used to calculate the monthly payment for single-family home and condo purchase. Table 5 shows average price and monthly payment for each zone category.

Table 5. Average Monthly Housing Cost by Zone Category.

Zone Category	Typical Home Type	Average Price ¹	Average Monthly Cost ²
Very Low Density	Detached Single-Family	\$2,620,986	\$15,867
Low Density	Detached Single-Family	\$2,620,986	\$15,867
Medium-Low Density	Condominium	\$662,179	\$4,085
Medium-High Density	Multifamily – Rental	\$2,528/Month	\$2,528
High Density	Multifamily – Rental	\$2,528/Month	\$2,528

Sources:

1. Average price comes from the WCRER, see Table 4.
2. Monthly cost for single-family homes and condominiums was calculated using the Fannie Mae Mortgage Calculator at <https://yourhome.fanniemae.com/calculators-tools/mortgage-calculator>

The average monthly payment for each zone category was then used to calculate the approximate annual household income needed to afford a home in each zone category. The annual housing income needed was then compared with the area median income (AMI) to determine the affordability of each zone category relative to the AMI. This analysis uses the King County AMI. The following formulas were used to calculate annual household income needed and income level as a percent of AMI as shown in Table 6.

$$\text{Annual Household Income Needed} = (\text{Monthly payment} / 0.3) * 12.$$

$$\text{Income level as percent of AMI} = \text{Annual household income needed} / \text{Area Median Income (AMI)}.$$

Table 6 shows the affordability without subsidies for each zone category based on the average housing cost shown in Table 5. The table shows that single-family homes on Mercer Island typically require a household income of 433 percent of the AMI. Condos and townhouses usually require a household income of 112 percent of the AMI. Rental housing is more affordable, the average rent requiring a household income of 69 percent of the AMI.

Table 6. Income Level Without Subsidies by Housing Type.

Housing Type	Average Cost Without Subsidies	Annual Household Income Needed	Annual Income Level as a Percent of AMI ^{1, 2}
Single-Family	\$15,867 /month	$(15,867 / 0.3) * 12 = 634,680$	$634,680 / 146,500 = 433\%$
Condos and Townhomes	\$4,085/month	$(4,085 / 0.3) * 12 = 163,400$	$163,400 / 146,500 = 112\%$
Apartments	\$2,528/month	$(2,528 / 0.3) * 12 = 101,120$	$101,120 / 146,500 = 69\%$

Note:

1. Area Median Income (AMI) used is the King County AMI which was \$146,500 in 2022 according to the U.S. Department of Housing and Urban Development (HUD). Source: https://www.huduser.gov/portal/datasets/il/il2023/2023summary.odn?STATES=53.0&INPUTNAME=METRO42660MM7600*5303399999*2BKing+County&statelist=&stname=Washington&where

[from=%24wherefrom%24&statefp=53&year=2023&ne_flag=&selection_type=county&incpath=%24incpath%24&data=2023&SubmitButton=View+County+Calculations.](#)

- Annual income level needed to afford each housing type without subsidy.

D. Capacity by Zone Category and Affordability Level

Table 7 combines these pieces of information from other tables in this report. Table 7 shows the housing capacity from Table 2, the average cost from Table 4, and the income level as a percent of AMI from Table 6.

Table 7. Housing Capacity by Zone Category and Affordability Level.

Zone Category	Capacity ¹	Average Cost ²	Affordability Level Without Subsidy ³
Very Low Density	120	\$2,620,986	433%
Low Density	235	\$2,620,986	433%
Medium-Low Density	10	\$662,179 (Condos) and \$2,528/Month (apartments)	69 - 112%
Medium-High Density	535	\$662,179 (Condos) and \$2,528/Month (apartments)	69 - 112%
High Density	528	\$662,179 (Condos) and \$2,528/Month (apartments)	69 - 112%
Total	1,428	-	-

Notes:

- Capacity for each zone category comes from Table 2.
- Average Cost comes from Table 4.
- Affordability level without subsidy comes from Table 6.

Table 8 compares the zone categories, the housing types allowed in those zones, and the income levels served by the typical housing in each zone both with and without subsidies. Comparison of these factors allows the City to determine the affordability level for housing in each of the zone categories, linking capacity to affordability level. Single-family housing in Mercer island is typically high cost with the average sale price necessitating more than four times the AMI (Table 7). Given the cost of housing in these zones, subsidies to support housing affordable to households earning below 120 percent of the AMI is not feasible at the city scale. Single-family zones are assumed to only provide capacity for households earning more than 120 percent of the AMI. Though single-family zones tend to only be affordable at the upper end of the income distribution, multifamily zones have more variation.

Without subsidies, multifamily and mixed-use zones in Mercer Island are more affordable for families earning moderate income (80-120 percent of the AMI). The average sale price of owner-occupied multifamily housing, condominiums, and townhomes, is affordable to households earning 112 percent of the AMI (Table 7). The average monthly rent is affordable to households earning around 70 percent of the AMI (Table 7).

Multifamily zones are also the most likely to produce affordable units if a subsidy is provided. For the purpose of Table 8, subsidies can include affordability requirements

like the height bonus in Town Center zones. Currently, the base building height in Town Center zones is two stories ([MICC 19.11.030\(A\)\(1\) – Bulk Regulations](#)). Buildings are allowed to exceed the base building height for residential buildings if at least ten percent of dwelling units are reserved for households earning 70 percent of the AMI for rental housing and 90 percent of the AMI for owner-occupied housing ([MICC 19.11.040 - Affordable Housing](#)). Because multifamily units, including owner-occupied units, tend to be lower-cost on a per-unit basis, subsidies and incentives can produce more affordable units at scale in zones that allow multifamily and mixed-use housing.

Table 8 shows that multifamily and mixed-use zones are the zones that can accommodate the City's housing need for households earning below 120 percent of the AMI. It lists the capacity for each zone category in the column on the right side of the table, taken from Table 2. In the analysis that follows Table 8, that capacity and the housing need from Table 1 will be compared.

Table 8. Zone Categories, Housing Types, and Income Levels Served.

Zone Category	Typical Housing Types Allowed	Assumed Density Range	Lowest Potential Income Level Served		Assumed Affordability Level for Capacity Analysis	Capacity
			Without Subsidies	With Subsidies		
Very Low Density	Single-Family Residences	2.6-3.3 dwellings per acre	High income (>120%)	Not feasible at scale	>120% AMI	120
Low Density	Single-Family Residences	4.6-6.1 dwellings per acre	High income (>120%)	Not feasible at scale	>120% AMI	235
Medium-Low Density	Apartments and Owner-Occupied Multifamily	22.7 dwellings per acre	Moderate Income ¹ (>80-≤120% AMI)	PSH, Extremely Low, Very Low, and Low-Income (0-≤80% AMI)	0-120% AMI and PSH	10
Medium-High Density	Apartments and Owner-Occupied Multifamily	26 dwellings per acre	Moderate Income ¹ (>80-≤120% AMI)	PSH, Extremely Low, Very Low, and Low-Income (0-≤80% AMI)	0-120% AMI and PSH	535
High Density	Apartments and Owner-Occupied Multifamily	>100 dwellings per acre	Moderate Income ¹ (>80-≤120% AMI)	PSH, Extremely Low, Very Low, and Low-Income (0-≤80% AMI)	0-120% AMI and PSH	528

Note:

1. Owner-occupied multifamily housing tends to be affordable to households earning about 112% of the AMI. On the other hand, the average monthly rent in renter-occupied multifamily housing is affordable to households earning around 70% of the AMI. Though the average rent is affordable at 70% of AMI, housing need allocated from the County is split into 50-80% and 80-100% of AMI categories. To avoid overestimating the affordability of apartments, it is assumed in this table that without subsidies, apartments are affordable to households earning at least 80% of the AMI. See Table 6 for more information about affordability levels without subsidies.
2. Subsidies include income restricted units created by incentives such as height bonuses or other required affordable units.

E. Comparison of Projected Housing Needs To Capacity

To determine whether the City has adequate capacity to accommodate its growth targets by income segment, the zone categories and housing costs determined in previous steps were compared with land capacity and housing targets. Housing need was subtracted from housing capacity for each zone category as assigned based on the affordability level of each housing type. The difference between housing need and housing capacity gives the City a capacity surplus or deficit. Because all housing need for households earning below 120 percent of the AMI can only be accommodated in the multifamily and mixed-use zone categories, the capacity for those zone categories and the housing need in those income ranges were aggregated together. In other words, the total housing need below 120 percent of the AMI will be accommodated in all of the multifamily and mixed-use zones (Tables 7 and 8).

For the purposes of this analysis, any zone that fits into the medium-low, medium-high, and high density categories will be considered a multifamily or mixed-use zone. These zones are characterized by densities from around 22 units per acre and higher. That density range (greater than 22 units per acre) is typically made up of apartment buildings, mixed-use buildings, townhomes, and condominiums.

Table 9 shows the capacity surplus or deficit in each zone category based on the affordability levels determined earlier in the analysis. Though there is enough total capacity (1,428 units) to accommodate the overall growth target (1,239 units), there is a capacity deficit for accommodating households earning less than 120 percent of the AMI in multifamily and mixed-use zones. In multifamily and mixed-use zones there is capacity for 1,073 additional units and the housing need for households earning less than 120 percent of the AMI is 1,216 additional units. This means there is a capacity deficit of 143 units in multifamily and mixed-use zones. In the very low and low density zone categories, typified by single-family homes, there is capacity for 355 additional units. Very low and low density zones can accommodate households earning more than 120 percent of the AMI, of which the City has a need for 23 additional units. There is a capacity surplus of 332 units in the very low and low density zone categories.

Table 9. Capacity Surplus or Deficit by Zone Category and Affordability.

Zone Category	Income Level as a Percent of AMI ¹	Capacity ² in Number of Dwellings	Housing Need at Income Level ³ in Number of Households	Surplus/Deficit
Emergency Housing	N/A	N/A	237	N/A ⁵
Very-Low and Low Density	>120%	355	23	332
Medium-Low, Medium-High, and High Density	0-≤120%	1,073	1,216	(- 143)

A capacity deficit means Mercer Island will need to increase the capacity in those zone categories enough to allow additional dwelling units. Because there is a capacity deficit in multifamily and mixed-use zones of 143 units, the City will need to find ways to increase the total number of dwellings allowed in those zones by at least 143. This can include amending building bulk and intensity to allow more use on the land already zoned for multifamily or mixed-use. For example, increasing the building height to allow bigger apartment buildings would increase capacity because more apartments could be built in the larger buildings. Alternatives for addressing the capacity deficit are discussed later in this report.

A capacity surplus means that Mercer Island has enough capacity in that zone category to accommodate its projected need at the related income level. Cities are not required to reduce capacity to account for a capacity surplus. Page 39 of the Commerce guidance states, “as long as jurisdictions have sufficient capacity to meet their housing needs at all income levels, there is no requirement that jurisdictions need to downzone other areas if capacity exceeds housing needs.” No changes to single-family zones are expected to result from the capacity surplus found in Table 9.

F. Emergency Housing Capacity

According to the Commerce guidance, cities are not required to analyze land capacity for emergency housing if they can provide supporting documentation demonstrating both of the following conditions:

- Emergency housing is allowed in all zones that allow hotels. Alternatively, this condition may be met by demonstrating that emergency housing is allowed in a majority of zones within a one-mile proximity to transit, per RCW 35A.21.430 and RCW 35.21.683 (sections 3 and 4 of HB 1220, laws of 2021); and
- The jurisdiction has no regulations that limit the occupancy, spacing or intensity of emergency housing.

In 2021, Mercer Island adopted interim regulations to address this requirement in response to HB 1220 (Ord. No. 21C-23, renewed by 22C-14 and 23C-11). The interim regulations amended the definition of “social service transitional housing” to clarify that this use includes emergency housing as defined in state law. Social service transitional housing is a land use that is allowed by conditional use permit in a majority of zones within one mile of transit. If those interim regulations are made permanent during the Comprehensive Plan periodic review and the regulations are reviewed to ensure that they do not limit occupancy, spacing, or intensity of emergency housing, Mercer Island is not required to further analyze whether there is sufficient capacity of land to accommodate its emergency housing need.

III. Summary and Conclusions

Under the current conditions, single-family home ownership is mostly limited to households making more than four times the AMI. Condo ownership will only be affordable to households slightly more than the AMI. Households earning less than 120 percent AMI are most likely to be accommodated in multifamily and mixed-use

zones. Without affordable housing subsidies and incentives, households making less than 70 percent of the AMI will be at risk of either being cost-burdened or priced out of Mercer Island altogether.

Summary of Analysis

- Mercer Island must plan to accommodate 1,239 new dwelling units by 2044. This housing growth target is disaggregated by income level as follows:
 - Emergency Housing – 237 Units;
 - Extremely Low ($\leq 30\%$ AMI) – 517 Units (178 PSH, 339 non-PSH);
 - Very Low ($>30 - \leq 50\%$ AMI) – 202;
 - Low Income ($>50 - \leq 80\%$ AMI) – 488;
 - Moderate Income ($>80 - \leq 120\%$ AMI) – 9;
 - High Income ($>120\%$ AMI) – 23 (Table 1);
- Mercer Island has capacity for 1,428 dwelling units as follows
 - Very low density – 120 units;
 - Low density – 235 units;
 - Medium low density – 10 units;
 - Medium high density – 535 units;
 - High density – 528 units (Table 2);
- The average home sale price in 2022 was:
 - Single-Family Home – \$2,620,986;
 - Condominium – \$662,179 (Table 3);
- The average monthly cost by housing type in 2022 was:
 - Single-Family Home – \$15,867;
 - Condominium – \$4,085;
 - Apartment – \$2,528 (Table 5);
- Based on the average monthly cost and without subsidies, different types of housing are affordable to households with in the following income ranges:
 - Single-Family Home – 433% of AMI;
 - Condominium – 112% of AMI;
 - Apartment – 69% of AMI (Table 6);
- Single-family homes are generally affordable to only the highest income households and do not contribute to accommodating housing needs for households earning below 120 percent of the AMI;
- Without subsidies, the cost of multifamily housing varies by tenure.
 - Owner-occupied multifamily housing such as condominiums and townhomes is affordable to households earning around 112 percent of the AMI, on average;
 - On average, renter-occupied multifamily housing is affordable to households earning around 70 percent of the AMI (Table 6);
- Subsidies and incentives are needed to provide housing that is affordable to households earning less than 70 percent of the AMI. Multifamily and mixed-use zones are the most likely to provide affordable units with subsidies and incentives (Tables 6 through 8);
 - Subsidies and incentives can include strategies such as height bonuses, density bonuses, or multifamily tax exemptions (MFTE) in exchange for construction of income-restricted units;

- Multifamily and mixed-use zones need 143 additional units of capacity to accommodate the projected need for households earning less than 120 percent of the AMI:
 - Multifamily housing is the primary type of housing affordable to households earning below 120 percent of the AMI;
 - Mercer Island must plan to accommodate 1,216 households earning up-to and below 120 percent of the AMI; and
 - Mercer Island has capacity for 1,073 dwelling units in multifamily and mixed-use zones (Table 9).

A. Capacity Needs by Household Income Segment

1. Households With Income Greater Than 120 Percent of the AMI

Housing Need: 23 units (Table 1)

Accommodating Zone Type: Very-Low to Low Density (Single-Family Zones) (Table 8)

Capacity: 355 units (Table 2)

Capacity Surplus/Deficit: +332 units (Table 9)

2. Households Earning Below 120 Percent of the AMI

Housing Need: 1,216 units (Table 1)

Accommodating Zone Type: Medium-Low to High Density (Multifamily and Mixed-Use Zones) (Table 8)

Capacity: 1,073 units (Table 2)

Capacity Surplus/Deficit: (-)143 units (Table 9)

In general, all households that earn less than 120 percent of the AMI will be accommodated by capacity in multifamily and mixed-use zones, in a mix of condominiums and apartments. The total capacity in multifamily and mixed-use zones will need to increase by 143 units to ensure that there is enough capacity to accommodate the City's housing need for households earning below 120 percent of the AMI. As part of its Comprehensive Plan update, Mercer Island will also need to examine its incentives and subsidies for affordable housing to ensure that it is planning for its projected housing need. This review of incentives and subsidies will be conducted in a separate report addressing the 'adequate provisions' guidance provided by Commerce. Each income range below 120 percent of the AMI is discussed below.

a. Households With Income More than 100 and Less Than or Equal to 120 Percent of the AMI

The City must plan for 5 new households earning between 100 and 120 percent of the AMI through the planning period (Table 1). The housing types affordable to these households are single-family dwellings priced below the average, owner-occupied multifamily (i.e., condominiums and town homes), and higher-cost apartments.

Middle housing forms also increase opportunities for home ownership at a lower price than detached single-family homes because they are smaller units on smaller lots compared to detached single-family homes. These characteristics make middle housing more affordable than larger single-family homes. In responding to HB 1110 during the Comprehensive Plan Update, the City will add more middle-housing capacity that will contribute to accommodating households in this income range.

b. Households With Income More than 80 and Less Than or Equal to 100 Percent of the AMI

According to the City's allocated housing need, the City must plan for an additional 4 households earning between 80 and 100 percent of the AMI. Based on the analysis in Table 6, market-rate condominiums and apartments are typically affordable at this income range. The City has over capacity for 1,073 higher density dwelling units (apartments and condos). Though there is a high-density housing capacity shortfall per the analysis in Table 9, the deficit is primarily in the number units affordable below market rate.

c. Households With Income More than 50 and Less Than or Equal to 80 Percent of the AMI

The City must plan to accommodate 488 additional households that earn between 50 and 80 percent of the AMI. Some households in this income segment can afford market-rate rental housing, which on average is affordable to households earning around 70 percent of the AMI (Table 6). Households earning below 69 percent of the AMI are likely to begin to be cost-burdened in market-rate rentals. Without subsidies, incentives, income-restricted units, and/or other housing cost mitigation measures, households at the lower-end of this income segment are at risk of becoming severely cost-burdened or potentially priced out of Mercer Island altogether. This income segment is expected to be accommodated in higher-density, lower-cost, housing.

d. Households With Income More than 30 and Less Than or Equal to 50 Percent of the AMI

The City must plan to accommodate 202 additional households that earn between 30 and 50 percent of the AMI. The average owner-occupied and renter-occupied market rate housing in Mercer Island is priced beyond what a household in this income segment can afford. Subsidies and/or incentives will be required to accommodate this income segment.

e. Households With Income Less Than or Equal to 30 Percent of the AMI

The City must plan to accommodate 339 additional households that earn below 30 percent of the AMI. The average owner-occupied and renter-occupied market rate housing in Mercer Island is priced beyond what a household in this income segment can afford. Subsidies and/or incentives will be required to accommodate this income segment because the market is not providing affordable units at this income level.

f. Permanent Supportive Housing

The City must plan to accommodate 178 units of permanent supportive housing (PSH). Subsidies and/or incentives will be required to accommodate PSH because the market is not providing affordable units at this income level.

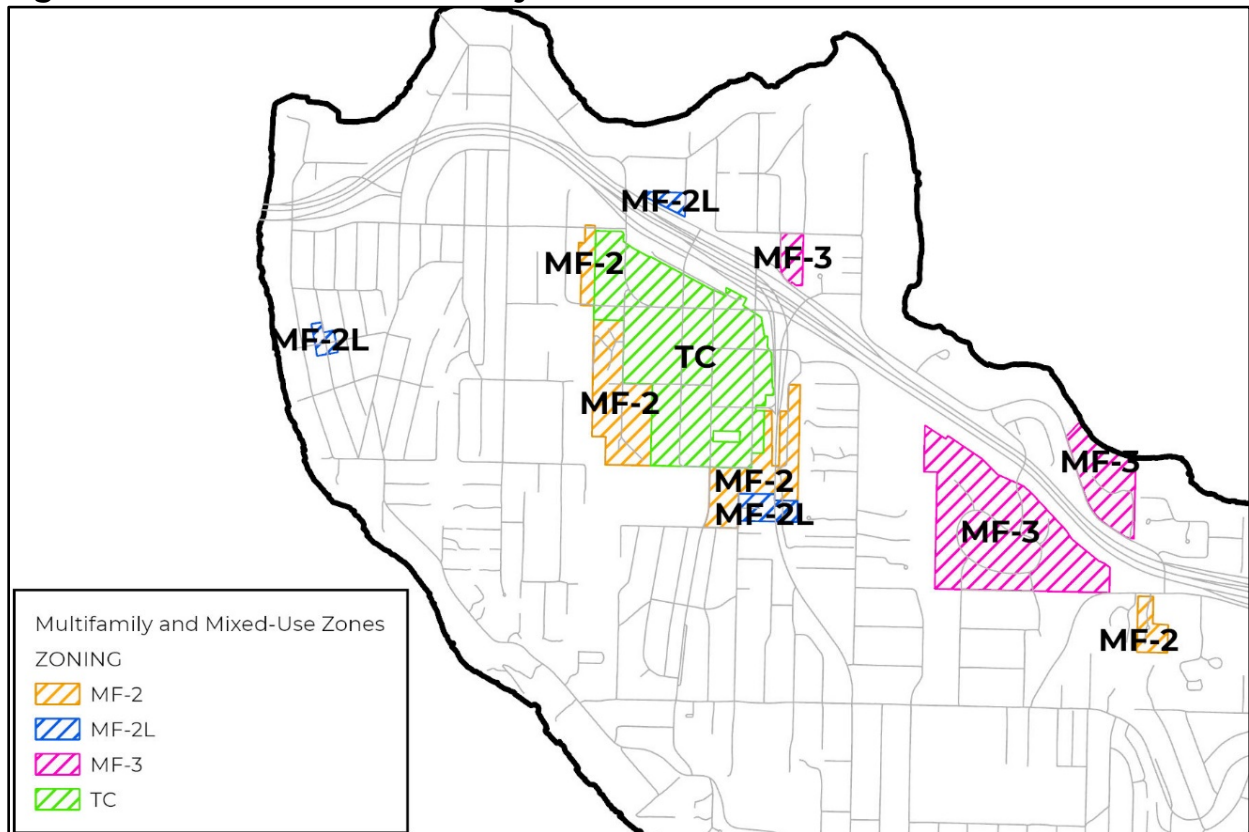
3. Emergency Housing

The City must plan to accommodate 237 units of emergency housing. Emergency housing units are sometimes referred to as beds because these units are not full dwelling units (a unit with living, cooking, and sanitation facilities). As stated elsewhere, additional capacity analysis for emergency housing is not necessary if the City makes interim regulations for emergency housing permanent and review those regulations for spacing requirements.

B. Multifamily and Mixed-Use Zones

Multifamily and mixed-use zones provide capacity to accommodate households earning less than 120 percent of the AMI (Table 8). Relative to the projected housing need, there is a 143-unit capacity deficit in multifamily and mixed-use zones (Table 9). This deficit is small enough that it can be addressed by changes to the regulations in multifamily and mixed-use zones without amending the existing zoning boundaries. Figure 1 shows a map of the multifamily (MF-2, MF-2L, and MF-3) and mixed-use (TC) zones in Mercer Island.

Figure 1. Mercer Island Multifamily and Mixed-Use Zones.



Source: Mercer Island Zoning Map, current through Ordinance 18C-14, Mercer Island City Code (MICC) Appendix D.

Mercer Island has three multifamily zones: MF-2, MF-2L, and MF-3. The development regulations for the multifamily zones are established in Chapter 19.03 Mercer Island City Code (MICC). The last amendment to the multifamily zone development regulations that affected development capacity was made in 2006 by Ordinance 06C-04. In the current Comprehensive Plan, only Land Use Element Policy 15.3 specifically addresses multifamily zones. Table D.1 in Appendix C details the Comprehensive Plan policies and development regulations that apply to multifamily zones.

Mercer Island's mixed-use Town Center zone (TC) has six subareas: TCMF-3, TCMF-4, TC-3, TC-4, TC-4 Plus, and TC-5. The development regulations for the Town Center are established in Chapter 19.11 MICC. The Town Center policies and development regulations were updated during the previous comprehensive plan periodic review that concluded in 2017. Land Use Element Goals 1 through 14 and their associated policies address development in TC zones. Table C.2 in Appendix C details the Comprehensive Plan policies and development regulations that apply to the Town Center.

IV. Addressing Capacity

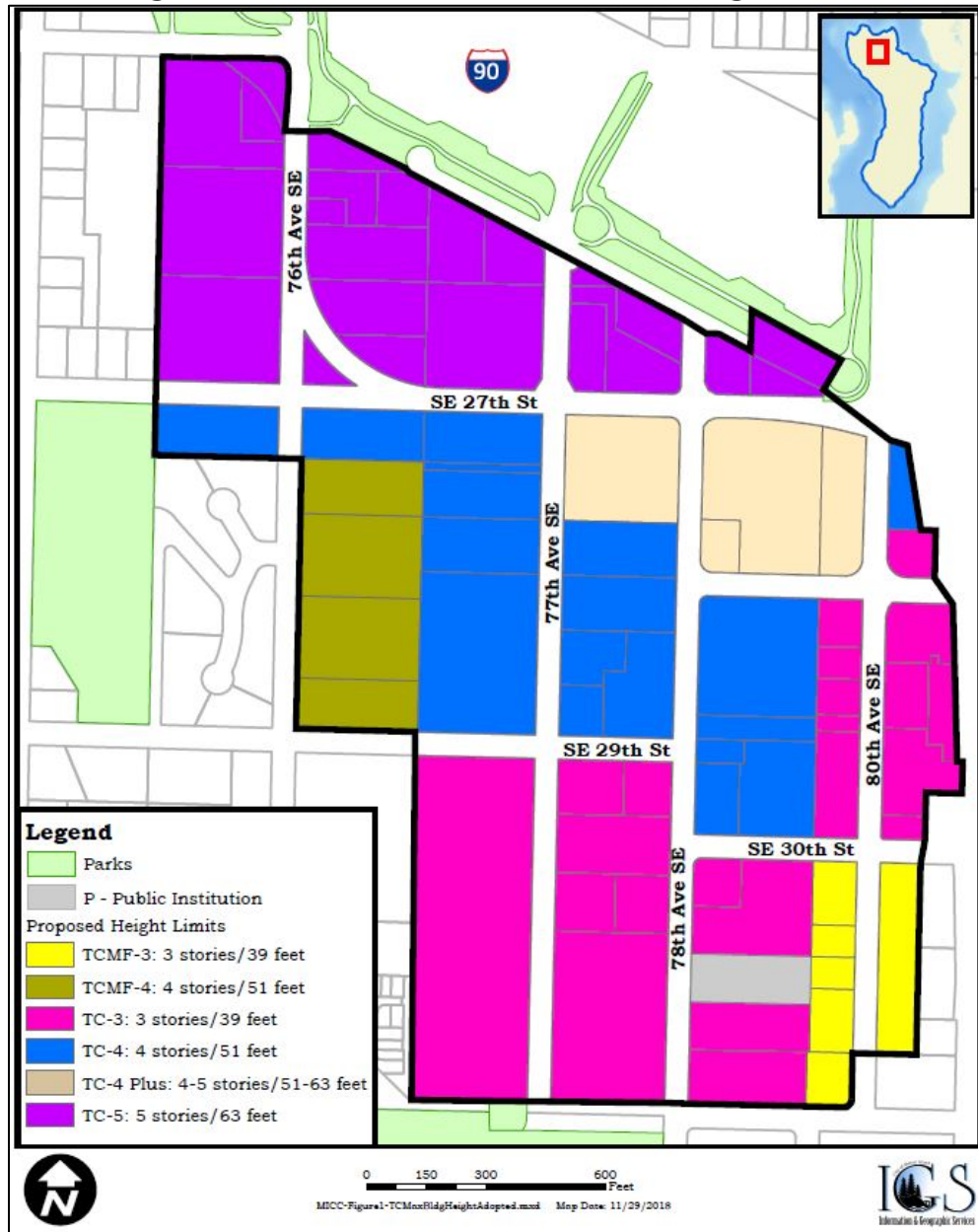
The capacity shortfall identified in Table 9 can be addressed in many ways. Three options for addressing the capacity shortfall are analyzed in this report:

- 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.

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

Figure 2 shows the six Town Center subareas and their corresponding height limit.

Figure 2. Town Center Subareas and Height Limit.



Source: Mercer Island City Code (MICC) 19.11.015 – Town Center Subareas.

Increasing the building height by one story in the Town Center subareas would increase mixed-use development capacity. The maximum building height in the subareas can be increased as follows:

- TC-3 and TCMF-3 from three to four stories;
- TCMF-4, and TC-4 from four to five stories; and
- TC-5 and TC-4 plus from five stories to six.

The UGC Report lists the total capacity in the Town Center as 528 dwelling units. To analyze the effect of increasing the maximum building height in Town Center, staff

developed the analysis detailed in Table 10. The formula to determine capacity has five steps:

1. **Redevelopable area**, in square feet, from the UGC Report is reduced by 13.5 percent. This is the market and public purpose factor used in the UGC Report. The result is the **gross developable area**;
2. The gross developable area does not consider the other development regulations that apply such as maximum lot coverage and building bulk requirements. After reviewing the development standards, roughly 75 percent of lot area is developable after regulations are applied. A 0.75 assumed building coverage factor was applied to the gross building square footage to arrive at a **net developable area**;
3. Next, the net developable area is multiplied by the expected number of residential stories in each Town Center subarea. This analysis assumes that the first floor will be used for commercial uses, so the expected number of residential stories is the total allowed minus one. The result of this step is the **residential building square footage**;
4. To convert the residential building square footage to a number of dwelling units, the residential building square footage was divided by an assumed unit size of 925 square feet. Since the year 2000, the average unit size permitted in Town Center was 928 square feet. The average unit size was rounded down to 925 because unit sizes have been trending smaller in recent years. The result is the **gross dwelling unit capacity**;
5. The final step is subtracting the existing dwelling units on redevelopable lots from the gross dwelling unit capacity. The result is the **net dwelling unit capacity (proposed)**.

The net dwelling unit capacity formula is:

$$\text{((Redevelopable Square Footage X (1 - Market Factor) X Building Coverage X Stories Allowed)/Assumed Unit Size) - Existing Dwelling Units}$$

Table 10 shows the development capacity in Town Center after an additional story is allowed. Increasing the maximum building height as proposed would increase development capacity from 528 dwellings to 681 dwellings; adding capacity for 153 additional dwelling units, enough to accommodate the capacity shortfall identified in this report.

Table 10. Town Center Capacity With Proposed Height Increase.

Subarea	A Total Redevelopable Area ²	B Proposed Stories Allowed	C Assumed Building Coverage	D Assumed Unit Size ³	E Market Factor ⁴	F Existing Dwelling Units on Redevelopable Parcels	G Net Dwelling Unit Capacity (Proposed) ¹
	From UGC Report		MICC 19.11.030	MICC 19.11.070		UGC Report	
TCMF-3	41,382.00	4	0.75	925	0.135	94	0 ⁵
TCMF-4	-	5	0.75	925	0.135	0	0
TC-3	612,889.20	4	0.75	925	0.135	841	449
TC-4	337,590.00	5	0.75	925	0.135	896	52
TC-4 Plus	75,794.40	6	0.75	925	0.135	233	33
TC-5	141,570.00	6	0.75	925	0.135	350	147
TOTAL CAPACITY							681

Notes:

- 1 Proposed capacity formula for Column G: $((A * E) (B-1) C) / D - F$. Note, most of Town Center requires commercial development on the first floor. The height term in the equation is column B minus 1 to account for first floor commercial, assuming new development will be mixed-use.
- 2 Total redevelopable area is shown in square footage.
- 3 Between 2000 and 2023, ten mixed-use developments were permitted in Town Center. The total residential square footage in those ten developments was 1,135,212 for 1,223 dwelling units, a rate of 928 square feet per dwelling. A table of the permitted mixed-use development in Town Center is provided in Appendix D.
- 4 The market factor is a reduction of 13.5%. This reduction in capacity is included to represent that some property will not be developed or redeveloped during the planning period. The UGC Report reduced capacity by 10% for a market factor and 3.5% for a public purposes factor. The 0.865 market factor in Column E is used to allow multiplication to show capacity is reduced by 13.5%.
- 5 Per guidance from the County when preparing data for the UGC Report, in zones where capacity is less than existing dwelling units, the final capacity is zeroed out.

Benefits, Drawbacks, and Future Considerations For This Alternative

Benefits

- Would focus additional development capacity in Mercer Island's most intensely developed area, limiting potential impacts to surrounding lower-intensity residential areas;
- Would place additional development capacity near the light rail station and I-90 onramps, providing ample transportation connections. Additional households accommodated in this capacity would be within walking distance to key transportation infrastructure;
- Would locate additional development capacity in an area with existing employment opportunities and services, reducing the need to travel elsewhere. Locating additional residential capacity near the City's largest commercial area could also further economic development goals by increasing the customer base; and
- In addition to increasing capacity by adding another story to maximum building height, this would also give the City the opportunity to explore adjusting its affordability requirements in the Town Center to leverage the additional height allow for more affordable housing units.

Drawbacks

- Keeping the majority of residential development capacity focused in Town Center does not address the lack of affordable places to live throughout the City;
- Would increase capacity in an area with some displacement risks. The southern area of the Town Center is has older residential development and increasing the capacity in that area might spur redevelopment of older, lower-priced units; and
- Increased development activity in Town Center could displace some small businesses in the areas where redevelopment occurs. In general, redevelopment is more likely to occur after development capacity is increased. Care would be needed to address potential displacement of existing businesses and avoid a net reduction in commercial capacity so local businesses have room to start and grow.

Future Considerations

- As a mixed-use zone, the Town Center is a residential *and* commercial center for the City. As the core redevelops and has more intense land use, the Town Center Subarea Plan may need some updates to reflect the changing circumstances, and
 - If this change does not add enough capacity in Town Center to spur redevelopment and increase the amount of affordable housing supplied, the City will need to explore additional ways to increase development capacity before the next periodic review.
-

Conclusion

Increasing the maximum building height as proposed would increase development capacity from 528 dwellings to 681 dwellings; adding capacity for 153 additional dwelling units, enough to accommodate the capacity shortfall identified in Table 9.

B. Allow Multifamily Residential Use in the Commercial Office Zone

An option for addressing the capacity shortfall identified in this report is amending the Commercial Office (C-O) zone regulations from allowing primarily commercial and office type uses to a mixed-use zone through the addition of higher density multifamily residential uses.

The C-O zone is shown in Figure 3.

Figure 3. Commercial Office Zone.



Source: Mercer Island Zoning Map, current through Ordinance 18C-14, Mercer Island City Code (MICC) Appendix D.

The Commercial Office (C-O) zone is located at the north end of the island, immediately south of I-90 between East Mercer Way and 93rd Avenue Southeast. There are currently 10 lots in the C-O Zone. There is a single lot zoned C-O that is west of North Mercer Way which is part of the Gallagher Hill open space. This open space lot is expected to be rezoned with parks/open space designation during the Comprehensive Plan update. The remaining nine lots are developed primarily for commercial and institutional uses. The majority of buildings in this area were constructed between 1957 and 1981. Development in this area is typically composed

of one- and two-story buildings surrounded by surface parking lots. The commercial land uses in this area are offices for professional services and services such as daycares and private schools. City hall is located in this area. The intersection of E Mercer Way, SE 36th Street and eastbound I-90 ramps is located in the eastern portion of this area. As a major entrance and exit to the interstate, this intersection experiences significant traffic levels during peak travel hours.

Residential Capacity

Given that there is 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 residential capacity in the densities needed to address Mercer Island's housing need. To analyze the potential capacity increase allowing multifamily development in the C-O zone, staff used the following steps:

1. Parcels were analyzed for whether they are vacant or redevelopable using the same method deployed in the UGC Report. In that report commercial and mixed-use parcels were considered redevelopable if the ratio of improvement value to land value was less than 0.5 ($\text{Improvement Value} \div \text{Land Value} < 0.5$). Then, all parcels with a ratio below 0.5 were combined to determine the **gross developable area**.
2. The gross redevelopable area, was then reduced by two factors to arrive at the **net developable area**. The two factors were:
 - a. Public use and market factors: 13.5 percent. This is the market and public purpose factor used in the UGC Report.
 - b. Critical areas and their buffers were removed.
3. The net developable area is then multiplied by the expected stories of residential development. The result of this step is the **gross residential building square footage**. This analysis assumes the following:
 - a. The maximum building height will allow four stories total, and
 - b. The first floor will be used for commercial uses, so three stories of residential development are expected.
4. The gross residential building square footage does not take into account the other development regulations that apply such as maximum lot coverage and building bulk requirements. After reviewing the development standards, roughly 75 percent of lot area is developable after regulations are applied. A 0.75 assumed building coverage factor was applied to the gross building square footage to arrive at a **net building residential square footage**;
5. To convert the net residential building square footage to a number of dwelling units, the net residential building square footage was divided by an assumed unit size of 925 square feet. Since the year 2000, the average unit size permitted in Town Center was 928 square feet. The average unit size was rounded down to 925 because unit sizes have been trending smaller in recent years. The result is the **gross dwelling unit capacity**;
6. The final step is subtracting the existing dwelling units on redevelopable lots from the gross dwelling unit capacity. The result is the **net dwelling unit capacity**.

Gross Developable Area

Six of the ten parcels in the C-O zone have an improvement value to land value ratio less than 0.5, meaning they are developable. One of the parcels is part of the Gallagher Hill open space and is expected to be rezoned to the parks zone during the Comp Plan update and so, for the purposes of calculating capacity, it will be excluded from the developable land totals. The remaining 5 redevelopable parcels make up a total of 11.38 acres (495,856.65 square feet). Figure 4 shows the gross developable area in the C-O zone.

Figure 4. Commercial Office Zone Gross Developable Area.



Source: Mercer Island Zoning Map, current through Ordinance 18C-14, Mercer Island City Code (MICC) Appendix D, and King County Assessor's Data.

Net Developable Area

Once the redevelopable parcels have been identified, any critical areas and their buffers must be removed because development is limited or prohibited in those areas. Critical areas and buffers were removed from the gross developable area. Figure 5 shows the gross developable area with the critical areas removed. This reduced the developable land to 9.77 acres (425,625.08 square feet).

Figure 5. Commercial Office Zone Gross Developable Area Minus Critical Areas and Their Buffers.



Source: Mercer Island Zoning Map, current through Ordinance 18C-14, Mercer Island City Code (MICC) Appendix D, Mercer Island Critical Area Maps, and King County Assessor's Data.

Next, the 425,625.08 square feet of gross developable area minus the critical areas was reduced by the public purpose (3.5%) and market (10%) factors for a total reduction of 13.5 percent. The resultant metric is the net developable area: 368,165.69 square feet.

Residential Capacity

Table 11 shows the residential development capacity if the C-O zone allowed up to 4 story mixed-use development. For calculating the development capacity, staff used the same assumptions used for calculating capacity in the Town Center subarea TC-4. The assumptions are as follows:

- The parcel data, including land area, values, and improvement values, was gathered from the King County Assessor's website.
- It is assumed that the first floor of buildings will be used for commercial land uses.
- Only 75 percent of the site will be covered by new buildings to meet open space requirements and to account for building design constraints in Chapter 19.11 MICC.
- The average size of a dwelling unit in a multi-family building is 925 square feet. This is based on the average unit size in permitted development in Town Center from 2000 to 2023. During that time period, the average unit size was 928 square feet (1,135,212 residential square feet of development, 1,223 dwelling

units). The average unit size was rounded down to 925 because unit sizes have been trending smaller in recent years.

- Parcel 4139300250 is excluded because it is an open space parcel and is expected to be rezoned to match the rest of the Gallagher Hill open space.
- Buildings exceeding 2 stories in TC-4 must include at least ten percent of units as affordable housing units (MICC 19.11.140(B)). A similar requirement is expected to be included in some capacity in a mixed-use zone in this area.
- The calculations for mixed-use zone capacity in the UGC Report used an assumed density to determine residential capacity. The assumed density was based on the rate of dwelling units per acre previously achieved in the zone. Because mixed-use development has not been allowed in the C-O zone, there is no achieved density to determine capacity. Instead of using the assumed density, staff developed a formula to account for the development standards' effects on maximum building size.
- In Town Center zones, the UGC Report reduced capacity by a market factor of 10 percent and a public purposes factor of 3.5 percent for a total reduction of 13.5 percent. This means that net capacity after the market and public purposes reduction is 86.5 percent of the gross capacity.

Table 11. Residential Capacity in the C-O Zone if Rezoned to Mixed-Use (TC-4).

Redevelopable Square Footage	Stories Allowed	Assumed Building Coverage	Assumed Unit Size	Market Factor	Capacity	Affordable Units
425,625.08	4	0.75	925	0.135	895	90

Residential Capacity formula:

(redevelopable square footage X (1 - market factor) X 3 stories X building coverage)/assumed unit size

$$(425,625.08 \times 0.75 \times 0.865 \times 3) / 925 = 895$$

Developable Square Footage	X	1 - Market Factor	X	Residential Stories	X	Building Coverage	/	Unit Size	=	Residential Capacity
425,625.08		0.865		3		0.75		925		895

Additional Development Standards

If multifamily residential land uses are allowed in the C-O zone, the City would likely also adopt new development standards to ensure that new development would be compatible with the lower-intensity residential land uses in neighboring zones. This could include dimensional and bulk standards that might affect residential capacity in the zone. The 895-unit capacity found above could be reduced by development standards, but given the amount of developable land in the C-O zone, development standards are not expected to reduce the residential capacity below the 143-unit level needed to address the capacity shortfall.

Commercial Capacity

In addition to residential development, allowing mixed-use development in the C-O zone would allow commercial development. Table 12 shows the commercial development capacity on the developable parcels in the C-O zone should mixed-use be allowed. To estimate the employment capacity impacts of allowing mixed-use development in this area, staff used the following assumptions:

- Commercial development capacity in this zone will increase because this analysis considers the former City Hall lot to be redevelopable whereas the UGC Report considered this lot as fully developed;
- Jobs will occur at a rate of 200 square feet per job, the same assumption used in the UGC Report;
- There is 55,520 square feet of existing commercial square footage pre the UGC Report; and
- The assumed density of commercial development will be a floor area ratio (FAR) or 0.50, the same assumed FAR used for TC-4 in the UGC Report.

Table 12. Commercial Capacity in the C-O Zone if Rezoned to Mixed-Use (TC-4).

Developable Square Footage	Market Factor	Assumed FAR	Existing Commercial Square Footage	Square Feet Per Job	Job Capacity
425,625.08	0.865	0.50	55,520	200	643

Commercial Capacity Formula:

$$\text{(Redevelopable Square Footage X (1 - Market Factor) X Assumed FAR - Existing Commercial Square Footage) / 200 Square Feet Per Job}$$

Developable Square Footage	X	1-Market Factor	X	Assumed FAR	-	Existing Commercial Square Footage	/	Square Feet Per Job	=	Jobs Capacity
425,625.08		0.865		0.50		55,520		200		643

The UGC Report estimates the C-O zone has 177 jobs worth of existing commercial development capacity. Increasing the commercial development capacity to 643 jobs would add capacity for 466 jobs.

Benefits, Drawbacks, and Future Considerations Summary For This Alternative

Benefits	<ul style="list-style-type: none"> • Would produce the largest increase in development capacity of the three alternatives considered in this report. A larger capacity increase gives more latitude for accommodating the City’s housing needs; • Adding another mixed-use area in the City would add employment capacity in addition to residential capacity. This will help to ensure that the City continues to have adequate capacity to accommodate employment growth; and • Overshooting the capacity needs today can help the City prepare for growth that will occur in the years following the planning period.
Drawbacks	<ul style="list-style-type: none"> • The additional traffic generated by mixed-use development in this area will only be able to move through a few intersections, concentrating traffic impacts, and • The risk of displacement of existing businesses in this area may increase as increasing development capacity makes redevelopment more likely.
Future Considerations	<ul style="list-style-type: none"> • Increased traffic could necessitate infrastructure improvements to intersections in the area; • Additional development regulations to address compatibility with the neighboring zones could be required. These development regulations could include upper-story step backs and dimensional standards; and • Amendments to allow multifamily residential in the C-O zone should include an affordable housing incentive similar to the height bonus in Town Center to help ensure that new development in this zone adds to City’s the affordable housing stock.
Conclusion	<ul style="list-style-type: none"> • Allowing multifamily residential uses in the C-O zone would add capacity for up to 895 more dwellings. This is enough to address the 143 dwelling unit shortfall identified in Table 9. • If the C-O zone developed with mixed-use development, there would be capacity for around 643 jobs, a 466 job increase.

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 area 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.

According to the UGC Report, 56.92 acres zoned multifamily provide development capacity for 535 dwelling units. All of the development capacity in multifamily zones is in the MF-3 zone. All of this development capacity is in redevelopable land rather than vacant land, meaning that development is only expected on land with existing development. At the time the UGC Report was prepared there were 597 existing dwelling units on the MF-3 zoned land that was considered redevelopable. Of the 56.92 acres that are redevelopable, about 45 come from a single parcel. That parcel has an existing multifamily development called Shorewood.

The UGC Report method for calculating development capacity does not allow for considering the effect of amending any development regulations other than the maximum density. Table 13 shows the development capacity in multifamily zones and the factors used to calculate capacity. The UGC Report capacity formula is:

$$\text{(Developable Acreage X (1 - (Market Factor + Public Purpose Factor))) X Assumed Density} - \text{Existing Dwelling Units}$$

Table 13. Multifamily Zone Development Capacity.

Zone	Developable Acreage	Market Factor	Public Purpose Factor	Assumed Density ¹	Existing Dwelling Units ²	Final Capacity
MF-2L	0.21	0.20	0.035	26	5	0 ³
MF-2	2.07	0.20	0.035	38	101	0 ³
MF-3	56.92	0.20	0.035	26	597	535 ⁴

Notes:

1. Maximum density in multifamily zones is established in MICC 19.03.010(F).
2. Existing dwelling units from UGC Report source data.
3. Capacity is zeroed out in cases where the capacity formula yields a negative number because there are more existing dwelling units than the product of developable acreage times the sum of market factor and public purpose factor times the allowed density.
4. Due to a difference in rounding, the final capacity for multifamily zones was listed as 535 in the UGC Report though running the calculations with the figures above produces a result of 536.

Increasing the assumed density would increase development capacity. 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 dwellings. This is enough to address the 143 dwelling unit shortfall identified in Table 9. Table 14 shows the capacity that would result from increasing density to 30 dwellings per acre in the MF-3 zone.

Table 14. Multifamily Zone Development Capacity With Increased Density.

Zone	Developable Acreage	Market Factor	Public Purpose Factor	Proposed Density ¹	Existing Dwelling Units ²	Final Capacity
MF-2L	0.21	0.20	0.035	30	5	0 ³
MF-2	2.07	0.20	0.035	38	101	0 ³
MF-3	56.92	0.20	0.035	30	597	709

Notes:

1. Maximum density in multifamily zones is established in MICC 19.03.010(F). This table examines how increasing the maximum density in MF-2L and MF-3 from 26 to 30 dwelling units per acre would affect development capacity. In the table, MF-2L and MF-3 are linked because the maximum density for both zones is set in the same line of development code. The City could decide to only amend the maximum density in the MF-3 zone and the capacity increase would be the same.
2. Existing dwelling units from UGC Report source data.
3. Capacity is zeroed out in cases where the capacity formula yields a negative number because there are more existing dwelling units than the product of developable acreage times the sum of market factor and public purpose factor times the allowed density.

Benefits, Drawbacks, and Future Considerations For This Alternative

- Benefits**
- Simple development code amendment to add enough development capacity in multifamily zones to address the shortfall identified in Table 9;
 - Would focus increased capacity in a zone that already allows multifamily development;
 - Increase of density from 26 to 30 dwelling units per acre is only a minor increase in the allowed development intensity in the MF-3 zone; and
 - Other development regulations will help mitigate the effects of increasing the maximum density.

- Drawbacks**
- Would not address the other development regulations that might make affordable housing development more challenging;
 - Other regulations such as maximum lot coverage and parking standards might still need amendments to support affordable housing;
 - For example, the cost of providing parking spaces typically increases per-unit construction costs and residential development in the multifamily zones is required to include two parking spaces per dwelling unit (MICC 19.03.020(B)(1)). Requiring two parking spaces per unit adds to the cost of construction for any potential affordable housing in this zone; and
 - Would increase capacity in an area with some displacement risks. About 80 percent of the developable land in the MF-3 zone is found in the parcel containing the Shorewood apartment complex. These apartment homes are older and can be more affordable than newer apartments. Increasing development capacity in this area could incentivize redevelopment that would replace more-affordable existing homes in this area with more-expensive new homes.

- Future Considerations**
- Comprehensive Plan needs policies that address multifamily zones, and
 - Multifamily development regulations should be analyzed in the near future for potential amendments to ensure that multifamily zones can accommodate affordable housing needs.

Conclusion

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 dwellings. This is enough to address the 143 dwelling unit shortfall identified in Table 9.

D. Other Housing Element Amendments

In addition to addressing the housing capacity for projected affordable housing needs, the City will be required to amend housing policies to address other topics. This includes:

- Make adequate provisions for the existing and projected needs of all economic segments of the community as required by RCW 36.70A.070(2)(d);
- Anti-displacement policies and amendments to address racially disparate impacts as required by RCW 36.70A.070(2)(e)-(h); and
- Address middle housing and accessory dwelling units to comply with recent statewide legislation.

1. Adequate Provisions

To make adequate provisions for the existing and projected needs of all economic segments of the community the City will identify barriers to housing production and adopt policies to address those barriers. Commerce has provided guidance for identifying barriers to housing production. The Commerce guidance outlines a process of listing barriers such as high cost of land and preparing a list of potential policies to address that barrier such as making surplus city-owned land available for affordable housing development. Prior to drafting the Housing Element, staff will identify barriers to housing production and develop policy options for addressing barriers that can be considered with the draft of the element. The policy options added to the Housing Element that address the identified barriers will constitute adequate provisions for existing and projected housing needs.

2. Racially Disparate Impacts and Anti-Displacement Policies

One of the requirements added by HB 1220 is that cities and counties must analyze housing policies for potential racially disparate impacts, identify areas at risk of displacement as development occurs, and establish anti-displacement policies. A report based on the Commerce guidance will be prepared that identifies existing policies that might need to be amended to address potential impacts. That report will also provide anti-displacement policies that can be considered during the Comprehensive Plan periodic review.

3. Middle Housing and Accessory Dwelling Units (ADUs)

In 2023, the WA State Legislature enacted House Bills 1110 and 1337. House Bill 1110 requires development code amendments to allow middle housing types in zones that allow single-family residences. House Bill 1337 establishes required development standards for ADUs. Policy amendments may be required by these two bills. The

Housing Element will be reviewed during the drafting process to ensure that it is consistent with state law.

Middle housing and ADUs tend to be more affordable dwelling units because they are smaller and carry lower land costs. Because they tend to be more affordable, middle housing units and ADUs can also be considered part of the City's strategy for accommodating housing needs.

Appendix A - Land Capacity Analysis Supplement Methodology

Methodology Introduction

The City of Mercer Island (City) is in the process of completing a periodic review of its Comprehensive Plan. The periodic review must be completed by December 31, 2024 (RCW 36.70A.130). RCW 36.70A.070(2) requires that that Comprehensive Plan include a Housing Element. The requirements for the Housing Element were amended in 2021 by Engrossed Second Substitute House Bill 1220 (HB 1220). These amendments require cities to analyze development capacity and make adequate provisions to accommodate housing for households throughout the income distribution. In 2023, the WA Department of Commerce (Commerce) issued [guidance for meeting the new planning requirements](#) added by HB 1220. The guidance recommends cities conduct additional analysis of development capacity to identify existing capacity affordable at varying income levels and inform the process of making adequate provisions to accommodate housing for all income levels. This methodology outlines the steps the City will undertake to perform that additional land capacity analysis.

Existing Land Capacity Analysis

The City completed a land capacity analysis in 2020, at the same time as other cities in King County in preparation for the periodic review. The 2020 land capacity analysis looked at development capacity under the previous planning framework, subject to standards that predated the enactment of HB 1220. HB 1220 added requirements to the previous planning framework, which means the land capacity analysis can be used as a foundation for the additional analysis now required under HB 1220. For that reason, the methodology provided in this document details an analysis that will supplement the 2021 land capacity analysis. This supplement is necessary to comply with the new requirements in RCW 36.70A.070(2)(c).

RCW 36.70A.070(2)

The Growth Management Act (GMA) requirements for what must be included in a Housing Element are established in [RCW 36.70A.070\(2\)](#). Specifically, RCW 36.70A.070(2)(c) states:

(2) A housing element ensuring the vitality and character of established residential neighborhoods that: [...]

(c) Identifies sufficient capacity of land for housing including, but not limited to, government-assisted housing, housing for moderate, low, very low, and extremely low-income households, manufactured housing, multifamily housing, group homes, foster care facilities, emergency housing, emergency shelters, permanent supportive housing, and within an urban growth area boundary, consideration of duplexes, triplexes, and townhomes; [...]

This requirement was amended by HB 1220 to include identification of housing capacity for moderate, low, very low, and extremely low-income households. HB 1220 also amendment RCW 36.70A.070(2)(c) to require cities and counties to determine the development capacity for emergency housing, emergency shelters, permanent

supportive housing, and within an urban growth area boundary, consideration of duplexes, triplexes, and townhomes.

The identification of land capacity for housing affordable at varying income levels is directly related to another GMA requirement that cities make adequate provisions to accommodate housing for all economic segments. That requirement is established in RCW 36.70A.070(2)(d), which states:

(2) A housing element ensuring the vitality and character of established residential neighborhoods that: [...]

(d) Makes adequate provisions for existing and projected needs of all economic segments of the community, including:

(i) Incorporating consideration for low, very low, extremely low, and moderate-income households;

(ii) Documenting programs and actions needed to achieve housing availability including gaps in local funding, barriers such as development regulations, and other limitations;

(iii) Consideration of housing locations in relation to employment location; and

(iv) Consideration of the role of accessory dwelling units in meeting housing needs; [...]

The purpose of the land capacity analysis supplement, the methodology for which is detailed in this document, is to identify land capacity for all income segments as required by RCW 36.70A.070(2)(c). That analysis will then inform the decision-making process to ensure the City makes adequate provisions for projected housing needs as required by RCW 36.70A.070(2)(d). Commerce has provided cities with guidance for satisfying these requirements.

Commerce Guidance

Commerce has issued guidance for compliance with the updated Housing Element requirements established by HB 1220. The steps and tasks detailed in this methodology are adapted from the Commerce guidance.

Data Sources

Conducting the supplemental land capacity analysis will include analysis of several data sources. The City will use the following data sources.

King County Urban Growth Capacity Report

In 2021, King County issued the [Urban Growth Capacity Report](#) (UGC Report). This report provides the development capacity for all cities within the County, including Mercer Island. The UGC Report was prepared based on the land capacity analysis

requirements prior to HB 1220. The capacity detailed in this report will be the foundation of the additional analysis of the land capacity analysis supplement.

King County Assessor's Parcel Data

The King County Assessor maintains a data set of parcel-level data. This data shows the size of lots throughout the City, the assessed value of the land and improvements, and when the lot was developed. This information is central to determining whether a lot is fully developed or has potential development capacity.

Mercer Island Zoning Map

The Mercer Island Zoning Map shows the location of the different zones throughout the City. This is integral to determining development capacity because zoning sets the maximum density and performance standards that shape the type of development allowed in each zone.

Critical Area Maps

The City of Mercer Island maintains maps of the possible location of critical areas such as wetlands and watercourses. Critical areas and their buffers are parts of the City where development capacity can be limited by environmental regulations. For example, wetlands have buffers within which additional lot coverage and hardscape are prohibited which limits the developability of that area. The critical area maps will be used in this analysis to identify those areas of the City where capacity is constrained by environmental regulations.

Mercer Island Permit Data

The City of Mercer Island maintains data on permitted activity. This data provides a record of what development has occurred and will inform assumptions about achieved housing density. Understanding achieved development is vital to understanding what development is likely in the near future.

King County Housing Need Projection

King County has allocated housing needs to cities based on the Housing For All Planning Tool (HAPT) provided by Commerce. The housing need assigned to the City of Mercer Island is shown in Table 1 below.

Table 1. Mercer Island Housing Need.

	Total	<30%		>30 to >50%	>50 to <80%	>80 to <100%	>100 to >120%	>120%	Emergency Housing
		Non- PSH ¹	PSH ¹						
Future Need (2044)	11,808	613	178	487	674	1,510	1,239	7,107	237
Baseline Supply (2019)	10,569	274	N/A ²	285	186	1,506	1,234	7,084	N/A ²
Net New Need: 2019- 2044	1,239	339	178	202	488	4	5	23	237

Source: King County Growth Management Planning Council Motion 23-1.

Notes:

3. Permanent Supportive Housing (PSH)
4. There was no PSH or emergency housing supply in the City in 2019.

Washington Center for Real Estate Research Housing Market Data Toolkit

The Washington Center for Real Estate Research (WCRER) provides data on housing, including average housing costs. The WCRER website is: <https://wcrer.be.uw.edu/housing-market-data-toolkit/>

Assumptions

Assumptions form the basis of extrapolating meaning from data. They are a key component of any data analysis. The City will make the following assumptions related to housing capacity.

An Affordable Home Does Not Cost More Than 30 Percent of Household Income

The crux of this supplemental land capacity analysis is analyzing housing affordability for all income segments. Housing affordability is defined in the Growth Management Act (GMA) as housing with a cost that does not exceed thirty percent of a household's income ([RCW 36.70A.030\(2\)](#)). As the City analyzes housing data to determine capacity for all income segments, it will be assumed that the affordable cost is roughly equal to thirty percent of household income.

Existing Residential Capacity

This methodology will use the residential capacity shown in the 2021 UGC Report as the existing capacity. Though a few years old at the time this Land Capacity Analysis Supplement will be performed, the UGC Report is the documentation of capacity the City should use during the current periodic review to ensure the Mercer Island Comprehensive Plan is using assumptions about capacity that are consistent with the comprehensive plans in all King County jurisdictions.

Higher Density is More Likely To Be Affordable

It is assumed that higher-density residential development is more likely to be affordable to lower-income households. The assumption here is that a two-bedroom apartment home is generally less expensive than a two-bedroom detached single-family home.

Permanent Supportive Housing Is Only Likely in High-Density Zones That Include an Incentive

Permanent supportive housing (PSH) is subsidized, leased housing with no limit on length of stay that prioritizes people who need comprehensive support services to retain tenancy and utilizes admissions practices designed to use lower barriers to entry than would be typical for other subsidized or unsubsidized rental housing, especially related to rental history, criminal history, and personal behaviors ([RCW 36.70A.030\(19\)](#)). HB 1220 requires cities to determine capacity for PSH as part of their housing need. Given the high cost of construction, reduced return on investment, and need for support services, this analysis will assume the following:

- PSH is only likely to be developed in higher density zones where dwelling units can be smaller and economies of scale are possible;
- PSH in Mercer Island likely requires substantial subsidies or land grants; and
- PSH is more likely in zones that provide an affordable housing incentive such as the height bonus in Town Center zones.

Based on these assumptions, this analysis will group PSH capacity with the 0 – 30% AMI capacity to determine the capacity as a number of units. Then, when analyzing alternatives in Step Five, policy changes to support PSH will be analyzed for the degree to which they affect PSH capacity. This analysis will be documented in the Land Capacity Analysis Supplemental Report to ensure that zoning allows sufficient capacity for the 178 units of PSH as allocated by the City's share of housing need.

The City Will Adopt Permanent Regulations to Allow Emergency Housing in The Majority of Zones Within One Mile of Transit

Cities are required by HB 1220 to allow emergency housing in any zone that allows hotels or in a majority of zones within one mile of transit. The City currently includes the GMA definition of 'emergency housing' in its definition of 'social service transitional housing' through an interim amendment made by Ordinance 21C-23. Social service transitional housing is allowed in a majority of zones within one mile of transit. This analysis assumes that during the Comprehensive Plan update, this amendment will be made permanent to comply with HB 1220. What this means is that further analysis of capacity for emergency housing is not required per the Commerce HB 1220 Guidance Book 2.

Steps

1. Gather Land Capacity By Zone and Zone Category
2. Relate Zone Categories To Potential Income Levels And Housing Types Served
3. Summarize Capacity By Zone Category

4. Compare Projected Housing Needs To Capacity
5. Develop and Analyze Alternatives as Needed

Step One: Gather Land Capacity By Zone and Zone Category

The analysis begins with gathering the land capacity that has already been calculated. The City prepared a land capacity analysis and provided the results to King County in 2021. The results of that land capacity analysis are provided in the UGC Report. During this step, staff will gather the housing capacity provided in the UGC Report and use this as the existing capacity. In preparing this report, the zones in the City were divided into categories based on the allowed density and housing types in each zone. For example, the R-15 zone was categorized as a low-density residential zone because it only allows single-family homes and has a minimum lot size of 15,000 square feet (roughly three dwellings per acre). The Housing Capacity on Mercer Island by zone and zone category from Chapter 7 of the UGC Report are shown in Table 2.

Table 2. Housing Capacity By Zone Category.

Zone Category	Density Range	Corresponding Zones	Net Residential Capacity
Very Low Density	2.6-3.3 dwellings/acre	R-15 and R-12	120
Low Density	4.6-6.1 dwellings/acre	R-9.6 and R-8.4	235
Medium-Low Density	22.7 dwellings/acre	MF-2L	10
Medium-High Density	26 dwellings/acre	MF-2 and MF-3	535
High Density	100.6-167 dwellings/acre	TC Zones	528
Total	-	-	1,429

Source: 2021 UGC Report.

Step Two: Relate Zone Categories to Income Levels

During Step Two the housing capacity by zone category summarized in Step One will be analyzed to determine which income levels may be accommodated in the existing capacity. The goal of this step is to answer, based on local market conditions, the following questions:

- Which income levels are likely to be served by new market-rate housing production in each zone category?
- In which zone categories is it feasible for affordable housing developers to produce new income-qualified affordable housing projects, assuming typical sources of funding and financing are available?
- In which zone categories is it feasible to produce new permanent supportive housing (PSH), assuming typical sources of funding and financing are available?

Task 2.A – Gather and Summarize Data on Housing Prices

During this task, staff will gather data on the cost of housing types in the City. This task’s purpose is to determine the income level each housing type is affordable to relative to AMI.

Task 2.A – Deliverables

This task will result in a completed version of Table 3.

Table 3. Average Cost by Housing Type.

Typical Housing Type	Average Cost	Notes
Single-Family Home	WCRER Data Toolkit Median Home Sale Price	
Townhomes and Condos	WCRER Data Toolkit Median Condo Sale Price	
Apartments	WCRER Data Toolkit Average Monthly Rent	

Task 2.B – Calculate Affordability Levels

During this task, each housing type will be analyzed to determine which income segments they are affordable to. For this step, it will be necessary to gather the monthly cost for housing types. Data on average home prices and rents are available from the WCRER. To calculate the monthly cost, the median sale price for each housing type will be used. The WCRER median sale price data is from the fourth quarter of 2022. For medium-low density zones, the median condominium sale price will be used. In medium-high and high-density zones, the mean rent will be used. Mean rents from the WCRER are from the first quarter of 2023.

For ownership housing, the Fannie Mae Mortgage Calculator will be used to determine a monthly payment. Using this calculator, the analysis will assume that the average buyer has a twenty percent down payment and a 30-year fixed-rate mortgage. Once the monthly payment is calculated, the formula to convert a monthly payment to household income needed is: **Annual Household Income Needed = (Monthly payment / 0.3) * 12**. Then, the income level as a percentage of AMI will be calculated as follows: **Income level as percent of AMI = Annual household income needed / Area Median Income (AMI)**.

Task 2.B – Deliverables

Task 2.B will result in a completed version of Tables 4 and 5.

Table 4. Average Housing Cost and Monthly Payment by Zone Category.

Typical Home Type	Average Price	Average Monthly Payment
Detached Single-Family	WCRER Q4 2022 Median Sale Price	From Fannie Mae Mortgage Calculator
Condominium	WCRER Q4 2022 Median Sale Price	From Fannie Mae Mortgage Calculator
Multifamily – Rental	WCRER Q1 2023 Average Rent	WCRER Q1 2023 Average Rent

Table 5. Affordability Without Subsidies by Zone Category.

Zone Category	Average Cost Without Subsidies	Annual Household Income Needed	Income Level as a Percent of AMI
Very Low Density	From Table 3	(Average Monthly payment / 0.3) * 12	Annual household income needed / Area Median Income (AMI)
Low Density	From Table 3	(Average Monthly payment / 0.3) * 12	Annual household income needed / Area Median Income (AMI)
Medium-Low Density	From Table 3	(Monthly payment / 0.3) * 12	Annual household income needed / Area Median Income (AMI)
Medium-High Density	From Table 3	(Monthly rent / 0.3) * 12	Annual household income needed / Area Median Income (AMI)
High Density	From Table 3	(Monthly rent / 0.3) * 12	Annual household income needed / Area Median Income (AMI)

Step Three: Summarize Capacity

During Step Three the results from Steps One and Two will be collated so that capacity and need can be compared in a later step.

Task 3.A – Summarize Capacity by Zone Category and Affordability Level

The results from previous steps will be placed in a single table that will allow the determination of where there may be a capacity surplus or deficit.

Task 3.A – Deliverable

A completed Table 6.

Table 6. Zone Capacity by Zone Category and Affordability Level.

Zone Category	Capacity	Average Cost	Income Level as a Percent of AMI
Very Low Density	From Table 2	From Table 3	From Table 5
Low Density	From Table 2	From Table 3	From Table 5
Medium-Low Density	From Table 2	From Table 3	From Table 5
Medium-High Density	From Table 2	From Table 3	From Table 5
High Density	From Table 2	From Table 3	From Table 5

Step Four: Compare Projected Housing Needs To Capacity

This is the final step in the process prior to developing and analyzing alternatives. Step Four will analyze zone categories where there may be surplus or deficient capacity based on the City’s allocated housing need. Zone categories with capacity deficits will require policy interventions during the Comprehensive Plan update. Those policy interventions will be developed and analyzed during Step Five.

Task 4.A – Determine Capacity Surplus or Deficit by Zone Category and Affordability

During this task, the results from Steps One, Two, and Three are compared to determine which zone categories have adequate capacity based on the projected need at each affordability level.

Task 4.A – Deliverable

A completed Table 7.

Table 7. Capacity Surplus or Deficit by Zone Category and Affordability.

Zone Category	Income Level as a Percent of AMI	Capacity	Housing Need at Income Level	Surplus/Deficit
Emergency Housing	N/A	From Table 6	From Table 1	Capacity – Need = Surplus or Deficit
Very Low Density	From Table 5	From Table 2	From Table 1	Capacity – Need = Surplus or Deficit
Low Density	From Table 5	From Table 2	From Table 1	Capacity – Need = Surplus or Deficit
Medium-Low Density	From Table 5	From Table 2	From Table 1	Capacity – Need = Surplus or Deficit
Medium-High Density	From Table 5	From Table 2	From Table 1	Capacity – Need = Surplus or Deficit
High Density	From Table 5	From Table 2	From Table 1	Capacity – Need = Surplus or Deficit
Total	N/A			

Step Five: Develop and Analyze Alternatives as Needed

After completing Steps One through Four the City will know which zone categories have a capacity surplus or deficit relative to the projected level of need. During Step Five alternatives to address deficits will be developed and analyzed. These alternatives will be presented to the City Council for their direction on the preferred method to address capacity deficits.

Task 5.A – Prepare a List of Zones In Categories With A Capacity Deficit

In earlier tasks zones were aggregated into categories. During this task the zones will be disaggregated. This will allow staff to analyze related policies and zoning regulations that might need to be amended to address capacity deficits.

Task 5.A – Deliverable

A completed Table 8.

Table 8. Zoning Categories by Zone and Deficit.

Zone Category	Zones	Capacity Deficit
Emergency Housing		From Table 7
Very Low Density	R-15 and R-12	From Table 7
Low Density	R-9.6 and R-8.4	From Table 7
Medium-Low Density	MF-2L	From Table 7
Medium-High Density	MF-2 and MF-3	From Table 7
High Density	TC Zones	From Table 7

Task 5.B – Map Policies and Regulations to Zones With A Capacity Deficit

During this step of developing alternatives, the related policies and regulations for each zone will be listed for each zone. Those policies will also be categorized by whether they have an effect on housing capacity.

Task 5.B – Deliverable

A completed Table 9 for each zone with a capacity deficit.

Table 9. Policy and Regulation Map for Zones With A Capacity Deficit.

Zone Name		
Comprehensive Plan Policy Number or Zoning Code Section		Related To Capacity? (Y or N)
Policies	Comprehensive Plan Policy Number	
	Comprehensive Plan Policy Number	
	Comprehensive Plan Policy Number	
	Comprehensive Plan Policy Number	
Regulations	City Code Section	
	City Code Section	
	City Code Section	
	City Code Section	
	City Code Section	

Task 5.C – Prepare Alternatives and Analyze Potential Impact On Capacity

After mapping policies and regulations to each zone with a capacity deficit and determining which policies and regulations relate to capacity, staff will prepare at least two alternatives to address capacity deficits. Each alternative will be analyzed for the degree to which that alternative will increase capacity. In general, potential capacity increases will be estimates. Each alternative should be analyzed using the framework in Table 10. That framework will be shared with the City Council for their consideration when providing guidance on the preferred alternative.

Table 10. Alternative Analysis Framework.

ALTERNATIVE A			
Amendment	Location	Expected Additional Capacity Type	Expected Additional Capacity
Policy or Code Amendment Description	Policy number or code section	Very Low, Low, Med-Low, Med-High, or High	
Policy or Code Amendment Description	Policy number or code section	Very Low, Low, Med-Low, Med-High, or High	
Policy or Code Amendment Description	Policy number or code section	Very Low, Low, Med-Low, Med-High, or High	
Total Expected Additional Capacity			
Sufficient to Address Deficit (Y/N)			

Task 5.C – Deliverable

A minimum of two alternatives that include:

- An analysis of alternatives using the framework in Table 10, and
- Supporting documentation detailing how expected additional capacity was calculated.

Glossary of Terms

Accessory Dwelling Unit (ADU) – A habitable dwelling unit added to, created within, or detached from a single-family dwelling that provides basic requirements for living, sleeping, eating, cooking and sanitation (see [MICC 19.16.010](#)).

Affordable Housing – means, unless the context clearly indicates otherwise, residential housing whose monthly costs, including utilities other than telephone, do not exceed thirty percent of the monthly income of a household whose income is:

- (a) For rental housing, sixty percent of the median household income adjusted for household size, for the county where the household is located, as reported by the United States department of housing and urban development; or
- (b) For owner-occupied housing, eighty percent of the median household income adjusted for household size, for the county where the household is located, as reported by the United States department of housing and urban development (see [RCW 36.70A.030\(2\)](#)).

Capacity Surplus and Deficit – Based on the level of housing need and available capacity in each zone category, some zone categories may either provide more capacity than needed or not enough capacity to accommodate the projected need. Those zone categories with a capacity surplus will not necessarily require changes. On

the other hand, zone categories with a deficit will require policy interventions to expand capacity to accommodate the projected need.

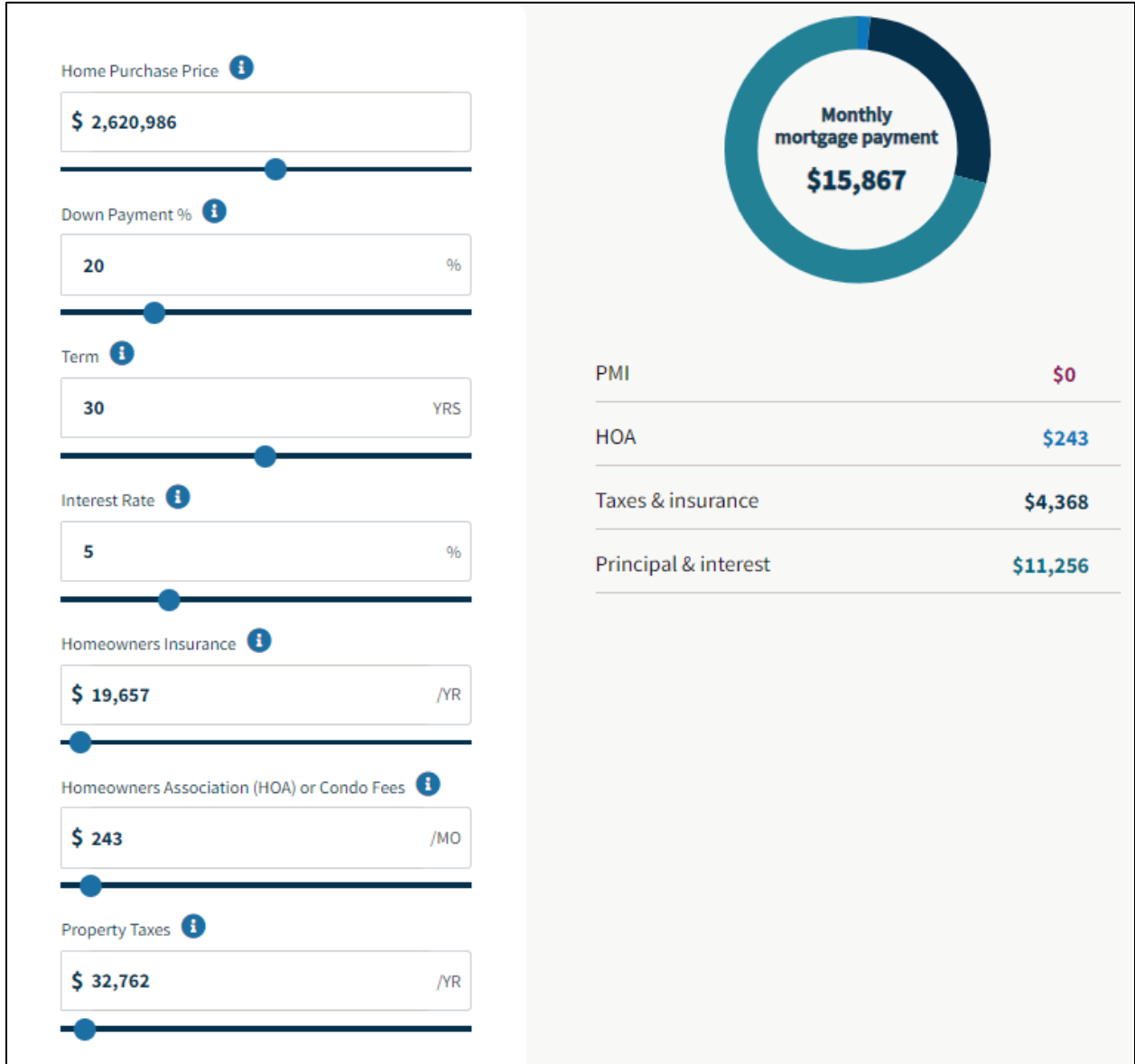
Emergency Housing – temporary indoor accommodations for individuals or families who are homeless or at imminent risk of becoming homeless that is intended to address the basic health, food, clothing, and personal hygiene needs of individuals or families. Emergency housing may or may not require occupants to enter into a lease or an occupancy agreement ([RCW 36.70A.030\(9\)](#)).

Major Transit Stop – (a) A stop on a high capacity transportation system funded or expanded under the provisions of chapter 81.104 RCW; (b) Commuter rail stops; (c) Stops on rail or fixed guideway systems; or (d) Stops on bus rapid transit routes (See House Bill 1110 Section 1).

Permanent Supportive Housing – subsidized, leased housing with no limit on length of stay that prioritizes people who need comprehensive support services to retain tenancy and utilizes admissions practices designed to use lower barriers to entry than would be typical for other subsidized or unsubsidized rental housing, especially related to rental history, criminal history, and personal behaviors. Permanent supportive housing is paired with on-site or off-site voluntary services designed to support a person living with a complex and disabling behavioral health or physical health condition who was experiencing homelessness or was at imminent risk of homelessness prior to moving into housing to retain their housing and be a successful tenant in a housing arrangement, improve the resident's health status, and connect the resident of the housing with community-based health care, treatment, or employment services (see [RCW 36.70A.030\(19\)](#)).

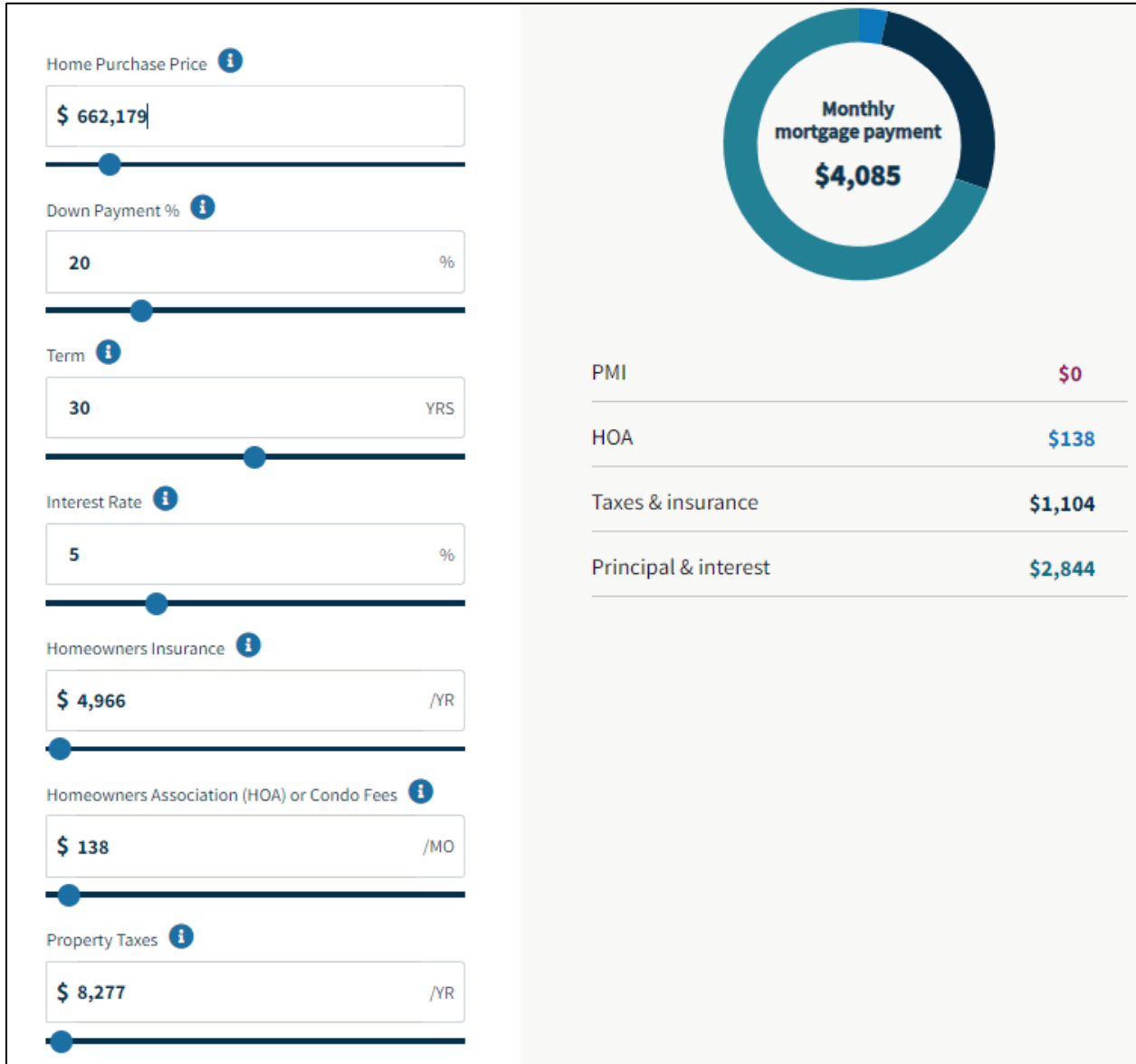
Appendix B – Mortgage Calculator Detail

Figure B.1. Mortgage Calculation for Single-Family Home Costing \$2,620,986.



Source: Fannie Mae Mortgage Calculator <https://yourhome.fanniemae.com/calculators-tools/mortgage-calculator>

Figure B.2. Mortgage Calculator for Condo Costing \$662,179.



Source: Fannie Mae Mortgage Calculator <https://yourhome.fanniemae.com/calculators-tools/mortgage-calculator>

The HOA fees (\$243/month or \$2,916/year) for the mortgage calculator are based on the 2021 average for the Seattle Metropolitan Area as determined by the U.S. Census Bureau’s American Housing Survey (https://www.census.gov/programs-surveys/ahs/data/interactive/ahstablecreator.html?s_areas=42660&s_year=2021&s_table=TABLE10&s_bygroup1=2&s_bygroup2=1&s_filtergroup1=1&s_filtergroup2=1):

Appendix C – Policy Maps

Table C.1. Multifamily Zone Policy and Development Regulation Map.

MF-2 and MF-3			
Comprehensive Plan Goal/Policy Number or Zoning Code Section		Related To Capacity? (Y or N)	Notes
Policies	Land Use Goal 15	N	Land Use Goal 15 states: “Mercer Island should remain principally a low density, single family residential community.” This goal does not specifically address multifamily or mixed-use development. Mixed-use development is addressed in the Town Center goals and policies because that is the zone where mixed-use is allowed. Ideally, the Land Use Element would have at least one specific goal and associated policies that address multifamily development.
	Land Use Policy 15.3	Y	Land Use Policy 15.3 is the only Land Use Element policy specifically directed at multifamily zones, it states: “Multi-family areas will continue to be low rise apartments and condos and duplex/triplex designs, and with the addition of the Commercial/Office (CO) zone, will be confined to those areas already designated as multi-family zones.” This is related to capacity because it directs two things: (1) that MF zones should be primarily low-rise apartments, condos, and duplex/triplex designs, and (2) that multifamily should be limited to only those areas already designated multifamily. The second direction constrains multifamily capacity to existing areas, which in turn constrains multifamily capacity.
	Figure 1 – Land Use Map	Y	The Land Use Map designates specific areas of the City for multifamily housing, defining what areas can be zoned for multifamily.
	Housing Goal 1	N	Housing Goal 1 states: “Ensure that single family and multi-family neighborhoods provide safe and attractive living environments, and are compatible in quality, design and intensity with surrounding land uses, traffic patterns, public facilities and sensitive environmental features.”

MF-2 and MF-3			
Comprehensive Plan Goal/Policy Number or Zoning Code Section	Related To Capacity? (Y or N)	Notes	
Housing Policy 1.1	N	Housing Policy 1.1 states: “Ensure that zoning and City code provisions protect residential areas from incompatible uses and promote bulk and scale consistent with the existing neighborhood character.” Protecting residential areas from incompatible uses should be better defined in policy so as to avoid excluding building types that might help the City achieve its housing targets.	
Regulations	MICC 19.03.010 – Multiple Family	Y	Height, bulk, density, yard, and lot coverage requirements constrain the types of buildings allowed in the MF-2 zone. This also limits the total development capacity.
	MICC 19.03.020 – Parking requirements	Y	Parking requirements can make new multifamily development more difficult. This is particularly true on smaller lots because space is limited. Parking requirements also add cost to new multifamily development. The cost of parking is typically bundled with the housing cost and gets passed on to buyers and renters. Specifically, MICC 19.03.020(B)(1) requires a minimum of two parking spaces per dwelling. Considering the height and density limits in MICC 19.03.010, the cost of providing parking combined with limits on the size of multifamily development likely makes many multifamily housing forms too expensive for developers.
	MICC 19.12.010 – General	Y	MICC 19.12.010 establishes the general requirements for design standards outside of Town Center. Specifically, the design vision in MICC 19.12.010(B) relates to building size and scale the MF-2 zone, both of which can affect capacity.

MF-2 and MF-3			
Comprehensive Plan Goal/Policy Number or Zoning Code Section		Related To Capacity? (Y or N)	Notes
	MICC 19.12.020 – Site features and context	Y	This code section refers to building height and size that can affect capacity.
	MICC 19.12.030 – Building design and visual interest	Y	The code section establishes design standards for building height and size that can affect capacity.
	MICC 19.12.040 – Landscape design and outdoor spaces.	Y	This code section requires landscaping on at least 40 percent of each lot developed in the MF-2 zone. This can limit development capacity on each MF-2 lot.

Table C.2. Town Center Zone Policy and Development Regulations Map.

Town Center Zones			
Comprehensive Plan Goal/Policy Number or Zoning Code Section		Related To Capacity? (Y or N)	Notes
Policies	Land Use Goal 1	N	Goal 1 states: “Create a mixed-use Town Center with pedestrian scale and connections.”
	Land Use Policy 1.1	Y	Policy 1.1 states: “A walkable mixed-use core should be located adjacent to a regional transit facility and be of sufficient size and intensity to create a focus for Mercer Island.” Referring to sufficient size and intensity for Town Center to be a focus for Mercer Island indicates that the Comprehensive Plan envisions a Town Center that is the primary source for the City’s development capacity.
	Land Use Goal 2	Y	Goal 2 states: “Create a policy and regulatory structure that will result in a diversity of uses that meets Islanders’ daily needs and helps create a

Town Center Zones		
Comprehensive Plan Goal/Policy Number or Zoning Code Section	Related To Capacity? (Y or N)	Notes
		vibrant, healthy Town Center serving as the City's business, social, cultural and entertainment center."
Land Use Policy 2.1	Y	Policy 2.1 states: "Use a variety of creative approaches to organize various land uses, building types and heights in different portions of the Town Center."
Land Use Goal 3	Y	Goal 3 states: "Have a mixture of building types, styles and ages that reflects the evolution of the Town Center over time, with human-scaled buildings, varied height, setbacks and step-backs and attractive facades."
Land Use Policy 3.1	Y	Policy 3.1 states: "Buildings taller than two stories may be permitted if appropriate public amenities and enhanced design features are provided."
Land Use Policy 3.2	Y	Policy 3.2 states: "Locate taller buildings on the north end of the Town Center and step down building height through the center to lower heights on the south end, bordering Mercerdale Park."
Land Use Policy 3.3	Y	Policy 3.3 states: "Calculate building height on sloping sites by measuring height on the lowest side of the building."
Land Use Policy 3.4	Y	Policy 3.4 states: "Mitigate the "canyon" effect of straight building facades along streets through use of upper floor step-backs, façade articulation, and similar techniques."
Land Use Policy 3.5	Y	Policy 3.5 states: "Buildings on larger parcels or with longer frontage should provide more variation of the building face, to allow for more light and create the appearance of a smaller scale, more organic, village-like development pattern. Building mass and long frontages resulting

Town Center Zones		
Comprehensive Plan Goal/Policy Number or Zoning Code Section	Related To Capacity? (Y or N)	Notes
		from a single user should be broken up by techniques such as creating a series of smaller buildings (like Island Square), providing public pedestrian connections within and through a parcel, and use of different but consistent architectural styles to create smaller building patterns.”
Land Use Policy 3.6	Y	Policy 3.6 states: “Building facades should provide visual interest to pedestrians. Street level windows, minimum building set-backs, on-street entrances, landscaping, and articulated walls should be encouraged.”
Land Use Goal 4	N	Goal 4 states: “Create an active, pedestrian-friendly, and accessible retail core.”
Land Use Policy 4.1	N	Policy 4.1 states: “Street-level retail, office, and service uses should reinforce the pedestrian-oriented circulation system.”
Land Use Policy 4.2	N	Policy 4.2 states: “Retail street frontages should be the area where the majority of retail activity is focused. Retail shops and restaurants should be the dominant use, with personal services also encouraged to a more limited extent.”
Land Use Goal 5	Y	Goal 5 states: “Encourage a variety of housing forms for all life stages, including townhomes, apartments and live-work units attractive to families, singles, and seniors at a range of price points.”
Land Use Policy 5.1	Y	Land Use Policy 5.1 states: “Land uses and architectural standards should provide for the development of a variety of housing types, sizes and styles.”

Town Center Zones		
Comprehensive Plan Goal/Policy Number or Zoning Code Section	Related To Capacity? (Y or N)	Notes
Land Use Policy 5.2	Y	Land Use Policy 5.2 states: “Encourage development of low-rise multi-family housing in the TCMF subareas of the Town Center.”
Land Use Policy 5.3	Y	Policy 5.3 states: “Encourage the development of affordable housing within the Town Center.”
Land Use Policy 5.4	Y	Policy 5.4 states: “Encourage the development of accessible and visitable housing within the Town Center.”
Land Use Policy 5.5	Y	Policy 5.5 states: “Encourage options for ownership housing within the Town Center.”
Land Use Goal 6	N	Goal 6 states: “Be convenient and accessible to people of all ages and abilities, including pedestrians, bicyclists, transit users and motorists.”
Land Use Goal 7	N	<p>Goal 7 states: “Town Center streets should be viewed as multiple-use facilities, providing for the following needs:</p> <ul style="list-style-type: none"> • Access to local businesses and residences. • Access for emergency vehicles. • Routes for through traffic. • Transit routes and stops. • On-street parking. • Pedestrian and bicycle travel. • Sidewalk activities, including limited advertising and merchandising and restaurant seating. • Occasional special events and outdoor entertainment.”

Town Center Zones		
Comprehensive Plan Goal/Policy Number or Zoning Code Section	Related To Capacity? (Y or N)	Notes
Land Use Goal 8	N	Goal 8 states: “Be pedestrian-friendly, with amenities, tree-lined streetscapes, wide sidewalks, storefronts with canopies, and cross-block connections that make it easy to walk around.”
Land Use Goal 9	Y	Goal 9 states: “Have ample parking, both on-street and off, and the ability to park once and walk to a variety of retail shops.”
Land Use Policy 9.1	Y	Policy 9.1 states: “Reduce the land area devoted to parking by encouraging structured and underground parking. If open-air, parking lots should be behind buildings.”
Land Use Policy 9.2	N	Policy 9.2 states: “Encourage improved access to transit, bicycle, pedestrian and shared parking facilities to reduce trip generation and provide transportation alternatives, particularly for secondary trips once users reach the Town Center.”
Land Use Policy 9.3	Y	Policy 9.3 states: “Consider a range of regulatory and incentive approaches that can increase the supply of public parking in conjunction with development proposals.”
Land Use Policy 9.4	N	Policy 9.4 states: “On and off-street parking should be well-lit, convenient and well-signed so that drivers can easily find and use parking.”
Land Use Policy 9.5	N	Policy 9.5 states: “Develop long-range plans for the development of additional commuter parking to serve Mercer Island residents.”
Land Use Policy 9.6	N	Policy 9.6 states: “Prioritize parking for Mercer Island residents within the Town Center.”

Town Center Zones		
Comprehensive Plan Goal/Policy Number or Zoning Code Section	Related To Capacity? (Y or N)	Notes
Land Use Goal 10	N	Goal 10 states: “Prioritize Town Center transportation investments that promote multi-modal access to regional transit facilities.”
Land Use Goal 11	N	Goal 11 states: “Promote the development of pedestrian linkages between public and private development and transit in and adjacent to the Town Center.”
Land Use Goal 12	N	Goal 12 states: “Have inviting, accessible outdoor spaces with seating, greenery, water features, and art that offer settings for outdoor entertainment and special events as well as for quiet contemplation.”
Land Use Policy 12.1	N	Policy 12.1 states: “Outdoor public spaces of various sizes in Town Center are important and should be encouraged.”
Land Use Goal 13	N	Land Use Goal 13 states: “Town Center buildings should meet a high standard of energy efficiency and sustainable construction practices as well as exhibiting other innovative green features, above and beyond what is required by the existing Construction Code.”
Land Use Goal 14	N	Land Use Goal 14 states: “Support the further economic development of Mercer Island, particularly in the Town Center.”
Land Use Goal 15	N	Land Use Goal 15 states: “Mercer Island should remain principally a low density, single family residential community.” This goal does not address multifamily or mixed-use development. For the most part, mixed-use development is addressed in the Town Center goals and policies because that is the primary zone where mixed-use is allowed. Ideally, the Land Use Element would have at least one specific goal and associated policies that address multifamily development.

Town Center Zones			
Comprehensive Plan Goal/Policy Number or Zoning Code Section		Related To Capacity? (Y or N)	Notes
	Land Use Policy 15.3	Y	Land Use Policy 15.5 is the only Land Use Element policy specifically directed at multifamily zones, it states: “Multi-family areas will continue to be low rise apartments and condos and duplex/triplex designs, and with the addition of the Commercial/Office (CO) zone, will be confined to those areas already designated as multi-family zones.” This is related to capacity because it directs two things: (1) that MF zones should be primarily low-rise apartments, condos, and duplex/triplex designs, and (2) that multifamily should be limited to only those areas already designated multifamily. The second direction constrains multifamily capacity to existing areas, which in turn constrains multifamily capacity.
	Housing Goal 1	N	Housing Goal 1 states: “Ensure that single family and multi-family neighborhoods provide safe and attractive living environments, and are compatible in quality, design and intensity with surrounding land uses, traffic patterns, public facilities and sensitive environmental features.”
	Housing Policy 1.1	N	Housing Policy 1.1 states: “Ensure that zoning and City code provisions protect residential areas from incompatible uses and promote bulk and scale consistent with the existing neighborhood character.” Protecting residential areas from incompatible uses should be better defined in policy so as to avoid excluding building types that might help the City achieve its housing targets.
Regulations			

Appendix D – Town Center Mixed-Use Development Since 2000

Table D.1. Town Center Mixed-Use Development Since 2000.

Building Nickname	Address	Building Permit	Year Finaled	Total Square Footage	Units	Average Unit Size	Methodology
Hadley	2615 76th Ave SE	1306-156	2017	148,293	209	709	Added up the listed area for residential units in the tables on sheets G0021 through G0023 of the (1)1306-156-APPR-GEN file (review dated 10-8-2014), then divided by the number of units.
Aviara	2441 76th Ave SE	0812-076	2013	141,323	166	851	The value for the total residential square footage was taken from sheet G0.03 of the permit set dated reviewed 1-20-2011. The total residential square footage was divided by the total number of units.
The Mercer I	7650 SE 27th St	0406-277	2010	145,930	159	918	The value for total square footage was taken from the Building Data table on sheet GEN-1 of the plan set review dated 7-20-2005. The total square footage was divided by the total number of units.
The Mercer II	2558 76th Ave SE	1111-126	2014	67,518	85	794	Measured the area of the building used for housing based on the plans from 7-12-2012 and divided by the number of units.
7800 Condos	7800 SE 27th St	0512-211	2011	39,199	24	1,633	Added up the area of each unit found on sheet A005 of the plan set (review dated 8-20-2007), then divided by the number of units.
77 Central	2630 77th Ave SE	0701-074	2009	164,507	171	962	The values for unit number and total residential area were taken from the tables on sheet G1.03 of the permit set dated reviewed 10-16-2007.
Aljoya	2430 76th Ave SE	0512-206	2008	131,284	112	1,172	The values for unit number and total residential area were taken from the tables on sheet A0.2 of the permit set dated received 6-28-2008 (dated 7-24-2006 in Onbase).
Island Square	2758 78th Ave SE	Multiple	2006	216,711	234	926	Added up the size of the units shown on sheets E2.10 through E2.23 on the plan set dated 12-6-2004 in Onbase. See the Island Market Square tab in this spreadsheet for more information.
Avellino	2836 78th Ave SE	0201-095	2005	41,169	23	1,790	The values for unit number and total residential area were taken from the table on sheet A0.1 on the permit set dated in Onbase 2-2-2005.
Average				113,521	122	1,073	The median unit size is 944 square feet.
Total				1,135,212	1,223	928.22	