

Mercer Island Comprehensive Plan

Displacement Risk Evaluation

Evaluating displacement risk in the Mercer Island Town Center to develop anti-displacement policies prior to upzoning strategy for Comprehensive Plan GMA Compliance.

April 17, 2026

Displacement Risk Evaluation

INTRODUCTION

To implement policies adopted in the 2024 Comprehensive Plan periodic update and King County Countywide Planning Policies, the City of Mercer Island must mitigate displacement risk when increasing development capacity in multifamily or mixed-use zones. The [Racially Disparate Impacts Evaluation \(RDIE\)\(2024\)](#) identified displacement risk in the south end of Town Center and multifamily zones adjacent to Town Center. Development capacity in the Town Center and adjacent multifamily zones is expected to increase during Phase 1 of the Station Subarea Plan that will be adopted to respond to the Growth Management Hearings Board Order dated August 1, 2025. To mitigate the displacement risk, staff propose the following policies:

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

BACKGROUND

The adopted 2024 Comprehensive Plan requires changes in development capacity in zones where multifamily or mixed-use residential development is allowed must be accompanied by findings that displacement risk has been adequately reduced and mitigated (CP Housing Element 4.4.). King County has established Countywide Planning Policies (CPPs) requiring anti-displacement measures be adopted prior or concurrent with development capacity increases and public capital investments (CPP H-21). These two policies require the City of Mercer Island to assess the displacement risk for the Town Center and adjacent multifamily zones and identify city actions to mitigate risk.

Displacement is when a household is forced or pressured to move from their community by factors outside of their control. Displacement is understood to come from three sources:

- Economic: Displacement due to inability to afford rising rents or costs of homeownership-like property taxes;
- Physical: Displacement resulting from eviction, acquisition, rehabilitation or demolition of property, or the expiration of covenants on rent-or income restricted housing; and
- Cultural: Residents are compelled to move because the people and institutions that make up their cultural community have left the area (Guidance to Address Racially Disparate Impacts, 2023).

The majority of displacement in Mercer Island is connected to economic factors. Households at the greatest risk of displacement are financially constrained by low income and high housing costs. Housing policies can increase or decrease economic and physical displacement. Both market pressure to redevelop an area and household financial constraints can increase displacement risk.

The RDIE (2024) identifies displacement risk in the south end of Town Center, multifamily zones adjacent to Town Center, and multifamily zones east of Town Center. The policies proposed are intended to mitigate the risk of displacement identified in the Town Center and adjacent multifamily zones where zoning

changes are proposed. Displacement risk was linked to cost burdened households, low-income households, renting households, and rising housing costs.

Station Subarea Plan – Phase 1

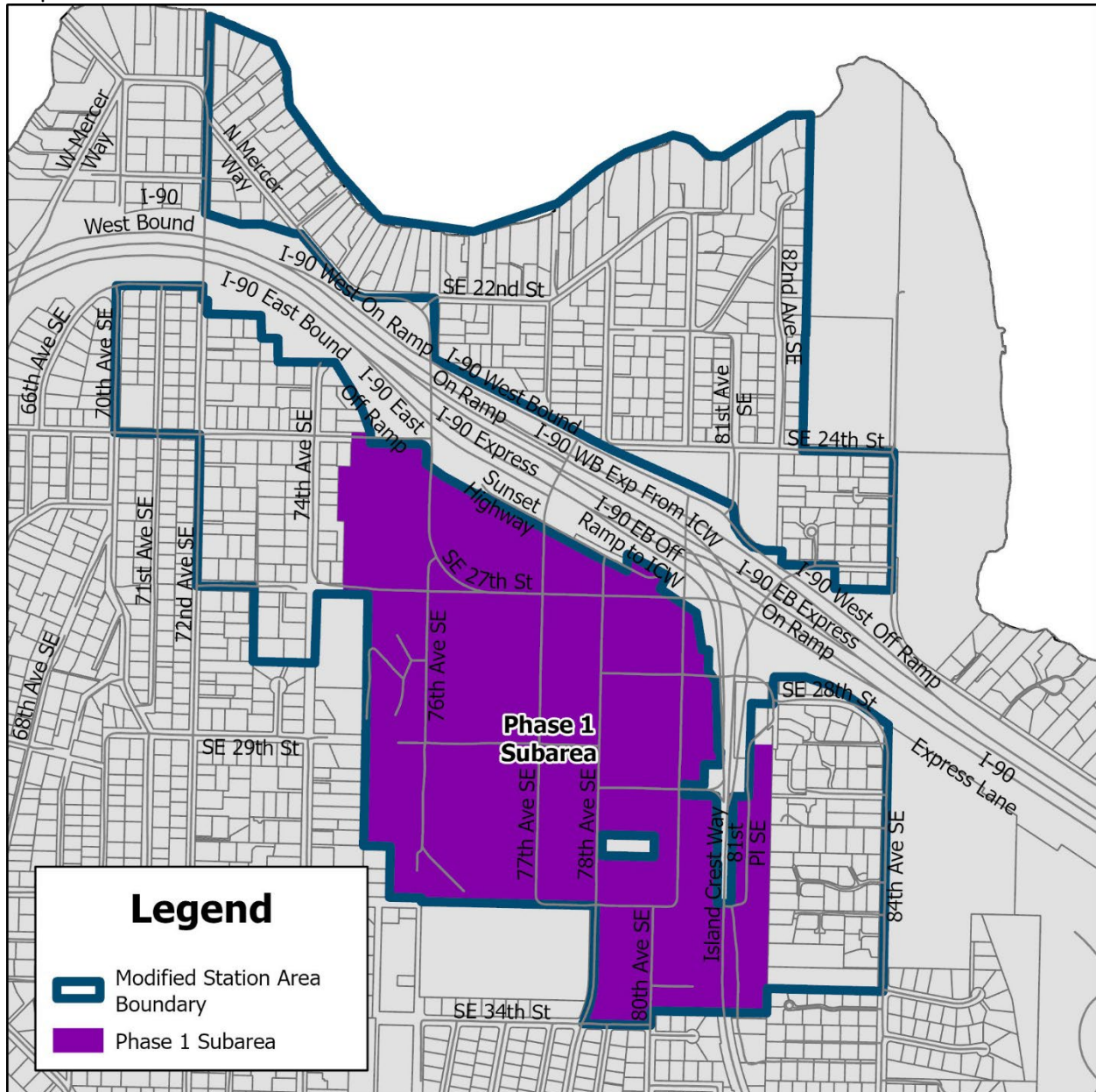
The Puget Sound Regional Council (PSRC) requires cities with a light rail transit station area to develop a subarea plan for the designated station area (MPP DP-Action-8). In 2025, the WA Legislature adopted House Bill 1491 (HB 1491) which requires cities to allow transit-oriented development (TOD) on all lots fully or partially within one-half mile walking distance of the light rail station no later than 2029. After reviewing the requirements of the GMHB Order and HB 1491, the City Council decided to combine the subarea plan and TOD requirements using a phased approach. The Station Subarea Plan will have two phases:

Phase 1 – Designate a station area and increase development capacity in the Town Center and adjacent multifamily zones.

Phase 2 – Following the Comprehensive Plan GMA Compliance project, comply with HB 1491 throughout the station area.

During Phase 1 of the Station Subarea Plan, the maximum building height in the existing Town Center zone will be increased to eight stories throughout the zone to add development capacity. The multifamily zone adjacent to the Town Center will also be upzoned to allow up to six stories of development. Figure 1 shows the areas that will have increased development capacity under Phase 1 of the Station Subarea Plan.

Map 1. Station Subarea Plan Phase 1.



Source: Mercer Island GIS.

The zoning in the Phase 1 area will be changed to increase development capacity in mixed-use and multifamily zones, requiring the displacement risk to be evaluated and mitigated. This report evaluates the potential displacement risk in the Phase 1 subarea and recommends displacement risk mitigation measures.

DISPLACEMENT FACTORS

To identify displacement factors, staff analyzed two reports; the [Housing Needs Assessment](#) (HNA)(2022) prepared by consultant Community Attributes Inc (CAI) analyzes conditions, trends, and gaps in Mercer Island's housing stock; the Racially Disparate Impacts Evaluation (RDIE)(2024) prepared by Community

Planning & Development (CPD) analyzes housing policies to identify those that might have resulted in racially disparate outcomes and identify areas at a higher risk of displacement. Together, these two reports provide a comprehensive view of the displacement risk associated with a Town Center upzone. Displacement risk was identified in the south end of Town Center and adjacent multifamily areas. Cost burdened and low-income renters were strongly correlated with risk of displacement. Households are generally considered cost burdened if housing, including utilities, costs more than 30 percent of their income (RDIE, 2024). A household's housing costs are considered *severely* housing cost burdened if they spend greater than 50 percent of their income on housing (RDIE, 2024). The risk of displacement is exacerbated by rapidly rising housing costs and aging structures prime for redevelopment in Town Center.

Housing cost burdened households at greater risk of displacement

While Mercer Island has a significantly higher median income than King County, many of the City's residents struggle with housing costs. Homeowners on Mercer Island experienced lower rates of housing cost burden from 2014 to 2018 compared to renting households (HNA, 2022). Three-quarters of homeownership households are not cost burdened, compared to 65% of renter-occupied households (HNA, 2022). Nearly one in four renter households are severely cost burdened (HNA, 2022). Cost-burdened households have a greater displacement risk because they are already spending a higher share of their income on housing than other households.

Out of the 9,758 households in Mercer Island, 2,538 (26 percent) are either cost burdened or severely cost burdened, including 1,469 severely cost burdened households (RDIE, 2024). Households were more likely to be housing cost burdened when they had lower incomes. About half of all households earning between 51% to 100% AMI are cost burdened (HNA, 2022). A majority of the City's low-income renting (under 80% AMI) households are severely cost burdened (HNA, 2022). Severe cost burden is most prevalent in rental households earning less than or equal to 50% of area median income and tapers off significantly for households earning more than 50% of the area median income (HNA, 2022).

Renting was also associated with being cost burdened and being at risk of displacement. In general, homeownership households tend to have a lower cost-burden rate, 10 percent, compared to renting households, of which 39 percent are cost-burdened (RDIE, 2024). Renting households with income below \$75,000 annually have the highest rate of being cost burdened at 66%. Homeownership households earning between \$75,000 and \$100,000 annually have the highest rate of being cost-burdened at 45 percent (RDIE, 2024). Renters are at a greater risk of displacement because they don't own their homes and don't have an ability to agree or disagree to their homes being redeveloped, as opposed to a homeowner who can voluntarily choose to proceed with redevelopment projects.

Households of color are cost burdened at a seven-percentage point higher rate than white households (33 percent to 26 percent) (RDIE, 2024). Households of color are more than twice as likely to be severely cost burdened compared to white households (24 percent to 11 percent) (RDIE, 2024).

- 30 percent of Asian households were cost burdened;
- 64 percent of Black or African American households were severely cost burdened. Black or African American households are cost burdened at a much higher rate than other racial groups. About 86 percent of black households have a household income below \$150,000;
- 37 percent of Hispanic or Latino households are cost burdened;
- 33 percent of households categorized as other race are cost burdened;
- 26 percent of White households are cost burdened. White households are cost burdened at the lowest rate of the groups (RDIE, 2024).

Mercer Island household characteristics differ from King County in some key categories. The City has a higher share of households with children (35%) compared to King County (27%) overall. Mercer Island has a greater proportion of households with persons over 65 (14%) than King County (9%). The City (11%) and King County (10%) have similar proportions of households with a person living with a disability.

Low-income residents are more likely to be housing cost burdened

Mercer Island is a high-income community relative to the region. The 2020 median income for Mercer Island is \$150,506, above King County's median income of \$99,158 (HNA, 2022). While the median income for the City is high, approximately 31% of households in Mercer Island are considered low income (under 80% AMI) (RDIE, 2024). Mercer Island's current poverty rate is at 5.3% (income below \$25,000), which is similar to neighboring cities including Bainbridge Island, Bellevue, and Issaquah, but lower than King County's share (HNA, 2022). Of those residents living in poverty, nearly two-thirds are women, and more than half are Black, Indigenous, People of Color (BIPOC). Nearly 30% are children. 14% identify as Hispanic or Latinx. 14% of people in poverty are seniors (65 years+). Most families living in poverty are married-couple families. Single mother households are more likely to live in poverty than single father households (HNA, 2022). While the City is commonly understood to have a notable population of high-income residents, almost a third of residents are low income. Low-income households have limited housing choice in a rising rental market and suffer from an elevated risk of displacement.

Housing Cost and Housing Cost Burden

Mercer Island's home prices have risen since 2012. Mercer Island's home sale prices nearly doubled in just 8 years, increasing from \$500,000 in 2012 to \$905,000 in 2020 (HNA, 2022). From 2012 to 2020, median household income increased by about \$30,000 – an increase of 24%. As of 2020, the difference in household income and home prices was more than \$750,000, compared to approximately \$373,000 in 2012. About 6% of available homes cost less than \$500,000, compared to 40% of all homes across King County. Mercer Island has no homes valued at \$200,000 or less, and there are few homes at this value across King County and neighboring cities. Homeownership has been increasingly difficult for low-income residents to access (HNA, 2022).

Median rent has been on the rise in Mercer Island since 2010. Rent in Mercer Island has increased by about \$800 a month from 2010 to 2020, a 52% increase (HNA, 2022). It remains one of the most expensive rental markets within King County. Rent prices have steadily increased in recent years and renters are spending a larger share of their income on housing now than they did 10 years ago. Renters in Mercer Island are increasingly cost-burdened, with 9% more residents paying more than 35% of their income on housing costs in 2020 than in 2010 (HNA, 2022). Nearly half of all renters in Mercer Island are now considered to be cost burdened. The Town Center has a notable population of renters in the south end and surrounding multifamily zones. The limited supply of affordable housing in the City means residents displaced from redeveloped properties would likely have to move outside the City to find appropriate housing options.

There were 998 rental units priced between \$1,500 to \$2,000 a month in 2020 (RDIE, 2024). These units were priced within a range affordable to households earning between \$54,000 and \$72,000 annually. In 2021, there were 392 renting households earning between \$50,000 and \$75,000. Of those 392 households, 84 percent were housing cost burdened. This suggests that, despite there being enough total units affordable to these households, they are crowded out of that price range by higher income renters. The crowding indicates that there are not enough rental housing units to allow households to find housing that can fit their budget (RDIE, 2024).

Many of Mercer Island's lowest income renters are in or adjacent to the Town Center (RDIE, 2024). The U.S. Department of Housing and Urban Development (HUD) operates the Housing Choice Voucher program. The housing choice voucher program is sometimes referred to as 'Section 8' housing. All 29 of the housing choice vouchers used in the City in 2022 are in the north of the island. Housing choice vouchers are only available for rental housing and the majority of multifamily housing, where rental housing is concentrated, is located in and around Town Center. The vast majority (83%) of renter-occupied housing is in multifamily or mixed-use buildings with 5 or more units. There are no housing choice vouchers used in the south end of the island where the vast majority of housing is single-family residences (RDIE, 2024).

Aging Buildings are at higher risk of redevelopment

Areas with older structures are more likely to redevelop. The likelihood of redevelopment of areas with older structures increases when zoning is changed to increase development capacity above what it was when the area was originally developed (RDIE, 2024). Renting households are more likely than homeownership households to be displaced as areas redevelop because they are physically displaced during construction and can be economically displaced by higher rents in newer structures (RDIE, 2024). The intent of the Comprehensive Plan policy 4.4 in the Housing Element is to address the greater risk of displacement associated with redevelopment of Town Center and adjacent Multifamily zones.

RECOMMENDED POLICIES TO MITIGATE DISPLACEMENT RISK

Implementing three existing policies from the Housing Element of the Comprehensive Plan can mitigate displacement risk when upzoning Town Center and adjacent Multifamily zones. These policies are centered on tenant protections to offer aid for low income and/or cost burdened renters which were identified to be at the greatest risk of displacement. The recommended policies from the Comprehensive Plan are Housing Element Policies 4.2.1 through 4.2.3, which state:

- 4.2 Evaluate and consider implementing the following tenant protections:
 - 4.2.1 Required advance notice of rent increases;
 - 4.2.2 Relocation assistance; and
 - 4.2.3 Right of first refusal or tenant opportunity to purchase requirements when an apartment building is converted to a condominium.

Advance Notice of Rent Increases

Advance notice of rent increases is a common tenant protection throughout the region. It would require landlords to provide early notice to residents about any rent increases imposed on their property. In nearby jurisdictions, the code requires rental agreements to state that at least 180 days' prior written notice will be provided for rent increases. The advance notice gives tenants time to adjust their finances to the increase or find more suitable housing if the increased rent is unaffordable. The larger time window allows the tenants to make an informed decision regarding their housing choices.

Advance notice of rent increases is a tenant protection used by several neighboring jurisdictions including King County, Seattle, SeaTac, Redmond, and Issaquah. These jurisdictions require between 120 and 180 days' notice ([Request for Rent Change](#)). Notices of rent increases are currently required under the Washington law which requires 90 days' notice for rent increases ([RCW 59.18.720](#), RCW 59.18.140). King

County Code requires at least 120 days for 3% rent increases for tenants in unincorporated King County (King County Code ([KCC 12.25.070 Rent increases - notice](#))).

Implementing advance notice of rent increases would be done through a code amendment. A new code section to regulate rent increases by requiring between 120 and 180 days prior notice would need to be added to the Mercer Island City Code (MICC).

Relocation Assistance

Relocation assistance is a valuable tool to assist low income and housing cost burdened households during unavoidable displacement, such as during redevelopment of buildings. The Town Center upzone is likely to encourage the redevelopment of some existing buildings in the area given the increase in development capacity. The older multifamily buildings in the south end of Town Center and adjacent multifamily zones are more likely to redevelop and displace the households currently living in these buildings. Relocation assistance is typically a sum of money provided by the developer to the displaced residents to assist with finding new suitable housing. Moving can be expensive, particularly if the move is unexpected or involuntary. The money provided is intended to help with the expenses of moving to keep households from being unable to recover financially from the unexpected costs. Some municipalities do a split between developer's funds and city funds or require developers to pay the entirety of the fund. Cities that split the payment, typically charge the developer a fee as part of the permit process, then disperse that fee to the households being displaced.

Other cities in the region have programs that could serve as a model for a relocation assistance program for the City of Mercer Island. Seattle provides low-income renters relocation assistance of \$5,354.00 in the event they are displaced by demolition, substantial rehabilitation, or change of use of the property (Tenant Relocation Assistance Ordinance). The property owners pay half of that amount and the city pays the other half (\$2,677.00)([Seattle Municipal Code \(SMC\) 22.210.130 – Relocation assistance payments](#)). Seattle provides additional protections by prohibiting rent increases linked to covering the cost of relocation assistance. Bellevue requires relocation assistance for residents of properties benefiting from multifamily tax exemption (MFTE) when the MFTE expires after 12 years ([Bellevue City Code \(BCC\) 4.52.096 Rent Relocation Assistance](#)). In Bellevue, the relocation assistance must be equal to one month's affordable rent to an eligible household within the final month of the eligible household's lease. Portland requires landlords pay relocation assistance when terminating a tenancy, such as during a no cause eviction, nonrenewal of lease, qualified landlord reason for termination, rent increase of 10% or more over a 12-month period, or substantial change of lease terms. The fee paid ranges from \$2,900 for a studio apartment, or \$4,500 for a 3+ bedroom unit. Landlords are required to notify Portland Housing Bureau of all relocation assistance payments within 30 days of making a payment ([Mandatory Renter Relocation Assistance, 2026](#)).

Relocation assistance would be implemented through a code amendment adopted by City Council. The code amendment would require developers or landlords to provide a lump sum to residents facing displacement. The sum would be required to be provided to tenants following the issuance of the notice to vacate.

Right of First Refusal or Tenant Opportunity to Purchase

The right of first refusal (ROFR) is a contract giving the existing renters the first option to renew a lease in case of a lease expiring or the first option to purchase units if they are converted to condominiums before the units can be offered publicly. Giving the existing tenants ROFR allows tenants to have more opportunities to stay in their homes.

Seattle requires that landlords must offer ROFR for a new lease between 60 to 90 days before the expiration of the existing lease. This notice is required before the unit can be offered to a third party. The City of Los Angeles requires landlords provide tenants of any proposed residential conversion project written notice of an exclusive right to contract for the purchase of the dwelling unit occupied by the tenant or purchase of a share in the corporation entitling the shareholder to enjoy exclusive occupancy of the unit upon the same or more favorable terms and conditions than those on which such unit or share will be initially offered to the general public ([Los Angeles Municipal Code \(LAMC\) 47.80 Rights of Tenants](#)). The time period granted to the tenant for decision is 90 days. The 2024 Tacoma Anti-Displacement Strategy identified ROFR as a valuable tool to preserve rental housing by preserving the availability of rental units and in some cases facilitate conversion to dedicated affordable rentals ([Anti-Displacement Strategy, 2024](#)).

Right of first refusal (ROFR) would be implemented through a code amendment adopted by City Council. The existing condominium conversion code section in [MICC 19.08.060 - Condominium conversions](#) would be expanded to include ROFR requirements. The ROFR would require the units undergoing a conversion from rental property to condominium to first be offered to the tenants currently living in the unit before the unit can be sold through public market. ROFR could also be expanded to require lease renewals be offered to the existing tenant of the unit before going to public market. This would require a new code section regulating tenant housing to require existing residents have ROFR on lease renewals for the same unit.

Citations:

[Anti-Displacement Strategy City of Tacoma 2024](#), 2024, City of Tacoma,

[City of Mercer Island Housing Needs Assessment](#) (HNA), November 2022. Prepared by Community Attributes Inc., (CAI).

[Guidance to Address Racially Disparate Impacts](#), April 2023, Washington Department of Commerce.

[Racially Disparate Impacts Evaluation](#) (RDIE), December 15, 2023. City of Mercer Island Community Planning and Development Department.

[“Request for Rent Change.”](#) King County Housing Authority (KCHA)

[“Mandatory Renter Relocation Assistance.”](#) *Portland.Gov*, City of Portland.