

## II. NEEDS ANALYSIS SUPPLEMENT: MERCER ISLAND

This report supplements information provided in the East King County Needs Analysis. Its purpose is to: highlight demographic and housing data for Mercer Island that varies from the material presented in the East King County Needs Analysis; describe areas of potential focus in the City; and summarize housing programs utilized by the City.

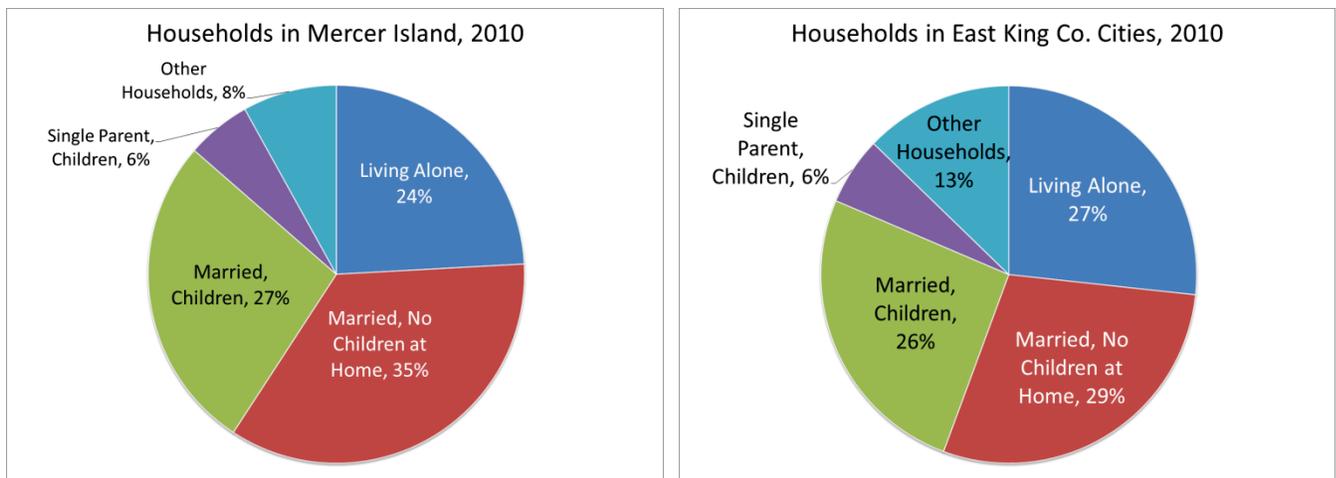
### LOCAL DEMOGRAPHIC-HOUSING DATA

#### Housing Demand Factors

Mercer Island’s population changed very little (just 3%) from 2000 to 2010, but the number of households grew by 15% (Appendix, **Exhibits A and B**). This implies smaller households, which is reflected in the city’s household types.

What differentiates Mercer Island from other East King County (EKC) cities (aside from the Point Cities) is the relatively high percentage of *married couples without children—35% of all households* (**Chart M-1** and Appendix, **Exhibit B**). As in other “maturing suburbs” (typically incorporated before 1990, little or no annexation), the city has many empty nesters who continue to live where they raised their families (as well as several nursing homes and assisted living facilities; Appendix, **Exhibit C-1**). And unlike most of the rest of East King County, Mercer

**CHART M-1 Household Types**

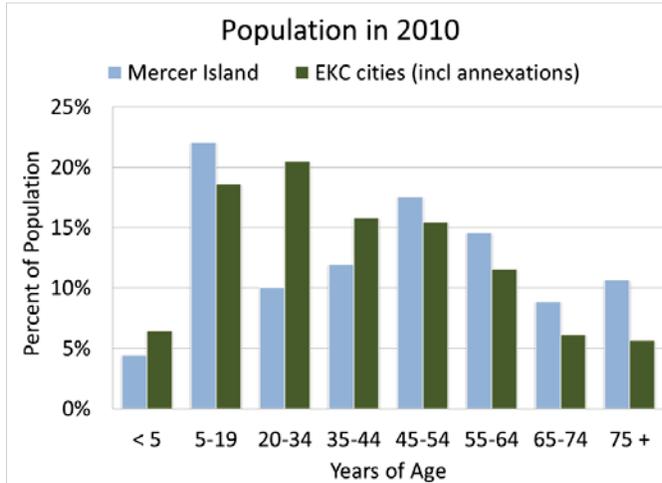


Source: U.S. Census Bureau (2010)

Island experienced an actual small decline in married couples with children.

Population age data distinguish Mercer Island from the rest of the county (**Chart M-2**). *Mercer Island has a larger proportion of school-age children and senior adults* and lower percentages of younger (age 20 to 44) adults. Note that, according to the Mercer Island School District, more than 100 students now live in the Town Center, a demographic believed to be rising. In addition, the 34-to-44 age group fell in proportion, while the 55-to-64 age group rose.

## CHART M-2 Population Age



Source: 2010 U.S. Census

County cities, cost-burdened households are primarily lower-income and relatively young (under 25 years of age) or relatively old (65 or over).

**Chart 5** shows that East King County's jobs-housing<sup>2</sup> ratio has increased from well below 1.0 in 1970 to 1.3 in 2006. While Mercer Island's ratio has also increased during this period, it remains below 1.0. *Planned for growth in Mercer Island through the year 2031 would slightly reduce its jobs-housing ratio*, while the East King County ratio would continue to increase (Appendix, **Exhibit I**).

Certain employment-related information about Mercer Island's work force could have housing implications. The community's employment mix is somewhat unusual compared to other cities its size in King County. In 2012, 20% of its workforce works in finance, insurance, or real estate (FIRE), the highest concentration of any EKC city (Appendix, **Exhibit J-1**). Nevertheless, *the average private-sector wage in Mercer Island in 2010 was 67% of that across all East King County cities, mainly because nearly half of the community's occupations are lower-paying, service-sector jobs* (Appendix, **Exhibit J-2**).<sup>3</sup> A household at the average Services wage on the Island (\$39,722) would be able to afford housing costs of \$993 per month.

### Housing Supply Factors

Mercer Island has consistently met its overall housing growth targets (Appendix, **Exhibit R-2**), and since 1992 almost 60% of that growth came from multi-family homes, or about the same percentage as King County overall (Appendix, **Exhibit L-2**). This corresponds to the development of mixed-use multi-family housing in the town center. Consequently, single-family

Outside the Point Cities, only Sammamish had a higher median household income or proportion of incomes greater than 120% of median in 2011 (Appendix, **Exhibit F-1**). Nevertheless, *"housing cost-burden"<sup>1</sup> is more common (40%) among Mercer Island renters than the rest of EKC (37%)* (Appendix, **Exhibit H-1**). The same holds true at the higher level of "severe cost burden" (Appendix, **Exhibit H-4**). Cost burden is lower among homeowners, but as in most cities, that rate increased significantly during the recent recession. As in other East King

<sup>1</sup> See Section I, page I-10, for definitions of housing cost burden and severe cost burden.

<sup>2</sup> See Section I, page I-11, for a description of the jobs-housing balance ratio.

<sup>3</sup> The average does not include public-sector wages. See Section I, page I-12 for a description of jobs included in the Services sector.

detached homes have declined as a share of the city's total housing stock, but are still greater than in most EKC cities (Appendix, **Exhibit L-1**).

According to a new Buildable Lands analysis, the city has plenty of housing capacity for its 2031 growth target with 62% of its capacity in mixed-use zones (i.e., Town Center).

Mercer Island's housing is still heavily owner-occupied (72% versus 65% across EKC). However, the proportion of owner-occupied housing over the past decade has decreased more than overall EKC. This appears to be due to the new housing in town center being primarily rental housing, though as noted below, relatively high cost rental housing. (Appendix, **Exhibit L-4**).

The city has 13 licensed facilities offering adult day care, skilled nursing, or assisted living for seniors, with a combined 46 beds for every 1,000 seniors living in Mercer Island (compared to 86 across EKC; Appendix, **Exhibit Q-2**).

*Average rents on the Island rose 53% since 2000, taking Mercer Island from one of the more affordable places to rent in EKC to one of the most expensive* (Appendix, **Exhibit P-2**).

Virtually none of the city's multi-family housing built since 1994 was affordable to moderate-income households (Appendix, **Exhibit N-2**). Sixteen percent (16%) of the city's rental housing is still affordable to low-income households—slightly higher than the EKC average—but 62% are too expensive for moderate-income households, compared to 41% in EKC (Appendix, **Exhibit M-2**).

Average prices of homes that sold in Mercer Island dropped more than 60% from 2008 to 2012, but had gained almost 40% in 2012 (compared to a 21% decline, and 9% recovery, across all East King County cities; Appendix, **Exhibit P-1**). Ninety-seven percent (97%) of owner-occupied housing had a value greater than what is affordable for a median-income family. This compares to 90% for East King County (Appendix, **Exhibit M-2**).

Including the affordable housing that the city has helped fund outside of Mercer Island, the city has met 23% of its 2012 low-income affordable housing target, and 120% of its moderate-income target. (A majority of the latter are accessory dwelling units (ADUs) in Mercer Island.) Overall, 5% of the city's housing units are affordable for low-income families (compared to 7% across EKC and 15% countywide) and an additional 6% for moderate-income families (compared to 17% in EKC and 20% countywide; **Exhibits M-1 and M-2**).

In summary, Mercer Island's population profile has not changed a great deal, and remains distinctive in some ways; and yet presents similar housing needs as many other communities of East King County:

- A large proportion of smaller households.
- A large and growing percentage of households with seniors.
- A predominance of lower-wage jobs and expensive rents.
- A high percentage of cost-burdened households, especially among renters.

## SUMMARY OF LOCAL HOUSING STRATEGIES

The City of Mercer Island has initiated a range of strategies to increase the diversity and affordability of housing in the city.

### Neighborhood Quality

- Since the 2005 Comprehensive Plan update, the most noticeable change to the built environment of Mercer Island has been redevelopment of the Town Center. The Center has captured most of the city's housing growth and remained walkable, mixed-use, and attractive.

### Housing Supply

- The Town Center's housing growth has come in the form of multi-family projects of different types (about 80% of it rental, the rest divided between condos and senior housing), diversifying the city's opportunities for a variety of households. Town Center comprises over 60% of the city's housing growth capacity.

### Housing Options

- Mercer Island has been a leader in King County with respect to ADUs. The city has almost 40% of the ADUs permitted across EKC, even though it makes up just 6% of the total housing units (Appendix, **Exhibit Q-1**).
- The Town Center now offers incentives for moderate-income affordable housing in the form of density bonuses, permit fee reductions, and property tax reductions.
- The city's code ensures, in accordance with state law, that homes occupied by people with disabilities and group homes for children are regulated the same as other homes.
- The city has contributed consistently to the ARCH housing trust fund, supporting the creation or preservation of approximately 67 low- or moderate-income units across East King County.

### Implementation/Tracking

- The city approved a Housing Strategy Plan in 1995, but has not updated it since.