



CITY OF
BAINBRIDGE ISLAND

AFFORDABLE HOUSING TASK FORCE
REGULAR MEETING
WEDNESDAY, JANUARY 24, 2018
6:00-8:00 PM
COUNCIL CHAMBER
CITY HALL, 280 MADISON AVE N
BAINBRIDGE ISLAND, WA 98110

AGENDA

Members: Althea Paulson, Chair
Emma Aubrey Sharon Gilpin Bill Luria
Jeffrey Brown Stuart Grogan Pegeen Mulhern
Pat Callahan Edward Kushner David Shorett
Stephen Deines Ann Lovejoy Charlie Wenzlau
Phedra Elliott

Liaisons: Deputy Mayor Blossom Councilmember Scott Commissioner Chester

6:00 PM Call to Order, Review and Approve Meeting Agenda, Conflict of Interest Disclosure

6:05 PM Review and Approve Notes from January 10, 2018 Meeting

6:10 PM Public Comment

6:20 PM Small to Midsize Housing Work Group Report

6:50 PM Discuss Work Group Reports & Confirm New Work Groups
🏠 Consider Incremental Development Work Group

7:20 PM Update on City Council Suzuki Property Project Discussion

7:40 PM Public Comment

7:50 PM Discuss Agenda for Next Meeting: February 14th (regular) or 15th

7:55 PM For the Good of the Order

8:00 PM Adjourn

***TIMES ARE ESTIMATES**

For special accommodations, please contact Jane Rasely, Planning & Community Development 206-780-3758 or at jrasely@bainbridgewa.gov



AFFORDABLE HOUSING TASK FORCE
REGULAR MEETING
WEDNESDAY, JANUARY 10, 2018
6:00 PM – 8:00 PM
COUNCIL CHAMBER
280 MADISON AVE. N
BAINBRIDGE ISLAND, WA 98110

MINUTES

TASK FORCE MEMBERS PRESENT:

Althea Paulson, Chair
Pat Callahan
Stephen Deines
Phedra Elliott
Sharon Gilpin
Stuart Grogan

Edward Kushner
Ann Lovejoy
Bill Luria
Pegeen Mulhern
David Shorett
Charlie Wenzlau

LIAISONS PRESENT: Deputy Mayor Sarah Blossom & Planning Commissioner Bill Chester

MEMBERS OF THE PUBLIC PRESENT: Marci Burkel, Corey Christopherson, Kat Gjovik, Jon Rose, Councilmember Ron Peltier.

CALL TO ORDER: Chair Althea Paulson called the meeting to order at 6:00 pm.

CONFLICT OF INTEREST DISCLOSURE –Stuart Grogan, Phedra Elliott disclosed that their organizations (Housing Kitsap, Housing Resources Bainbridge, respectively) are involved in the Suzuki project. Pat Callahan: Identified he owns property in Island Village

APPROVAL OF MINUTES: Minutes from December 6, 2017 Meeting were approved.

PUBLIC COMMENT: Corey Christopherson spoke about restrictions imposed by COA on one-time limitations to expansion of building footprint. Sarah Blossom pointed out this is limited to projects within critical area buffers, not critical recharge zone. She anticipates this will be address during revision process.

Councilman Peltier spoke about some concepts for addressing affordability. Ideas involved increasing impact fees; and reducing density for market rate developments to incentivize affordable housing.

STATUS UPDATE ON SUZUKI PROPERTY AGREEMENT: Most of meeting was spent discussing how to respond to council questions and concerns related to developer agreement. The Task Force will be preparing a memo to present to council before next meeting on Suzuki. Two questions were addressed by Task Force:

- 1) What income levels should be served?
- 2) How should the property be held as related to permanent affordability?

Jon Rose of Olympic Property Group (OPG) gave a summary overview of his upcoming presentation to council. Stuart Grogan of Housing Kitsap (HK) gave a summary of his presentation as well. His summary included a series of 4 recommendations related to income levels served, mix of rental and ownership units, 50% return on land value to COBI.

MOTION: Recommend the adoption of the Affordable Housing Goals as presented by Housing Kitsap to the AHTF on 1/10/2018. *Motion passed unanimously.*

Phedra Elliot of Housing Resources Bainbridge (HRB) gave an overview of preferred land ownership model for Suzuki. Housing types and related ownership model are as follows;

- 1) Multifamily Units (rental): Ownership under tax credit model with year deed restriction
- 2) Self Help Homes (ownership): Land held as Community Land Trust (CLT)
- 3) Home Ownership (ownership): Land held as Community Land Trust (CLT)
- 4) Open Space: Held by entity such as Bainbridge Land trust or BI Parks District

MOTION: Recommend ownership of the project after permit approvals have been obtained, as follows:

- a. Green space to be held in a land trust and administered by a nonprofit or governmental entity.
- b. Homes for sale to be held in a community land trust to be administered by Housing Resources Bainbridge or similar nonprofit. In addition, if necessary to assure permanent affordability, there should be deed restrictions/covenants providing for permanent affordability of the homes.
- c. Homes for rental to be held by a partnership of Housing Kitsap and tax credit investors. In addition, there should be deed restrictions/covenants providing for permanent affordability of the homes.

Motion passed unanimously.

There was additional discussion about council concerns and questions related to site density. The group felt this project presented a unique opportunity to create affordable homes and therefore the density should be maximized to achieve greatest possible community benefit. Density would be limited to buildable portion of site (outside of designated open spaces).

MOTION: Recommend that the number of housing units should be maximized, consistent with the Olympic Property Group proposal and current zoning.

Motion passed with one abstention.

The task force will summarize the above motions into a summary of recommendations for the next council meeting.

OTHER BUSINESS: Sarah Blossom informed group the AHTF presentation to council will need to be rescheduled. The planning department has allocated budget/staff time for forthcoming

recommendations from AHTF, so there is adequate time to finalize priority recommendations. Pat Callahan recommended the City consider updating Affordable Housing Needs Assessment due to changes in housing market since 2014.

Adjournment was at 8:05 p.m.

DRAFT

Jennifer Sutton

From: Althea Paulson
Sent: Thursday, January 4, 2018 9:10 AM
To: Jennifer Sutton
Subject: Fw: Affordable Housing Task Force Deliverables

From: Corey Christopherson <coreychristopherson@gmail.com>
Sent: Friday, December 29, 2017 7:35 AM
To: Althea Paulson; Sharon Gilpin
Subject: Affordable Housing Task Force Deliverables

Hello Sharon and Althea,

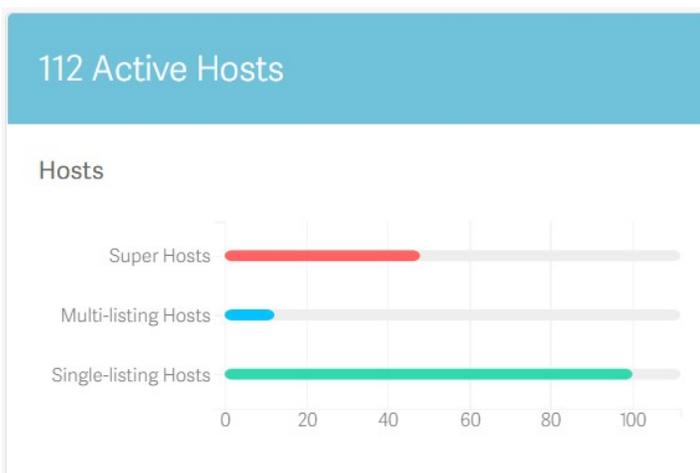
I'm sorry it took me so long to get this to you. The holidays really sneaked up on me this year. Below please find the items we discussed.

Airbnb Regulations

Seattle just passed a regulation on short term rentals that has been supported by community activists and Airbnb. The summary in the [Seattle Times](#) describes the new rules as

- New operators can have their primary residence and one additional unit
- Existing operators can have two units plus their primary residence if they add it at a later date
- There are exemptions to operators in the downtown core and on Capitol Hill

Below is a table from the Bainbridge Island Airbnb analysis from the AirDNA site. Of the 112 active hosts on the island only 12 are multi listing hosts (I don't know what the Super Host designation is).



I would like to discuss the impact of adopting the Seattle regulation at one of our next meetings.

Incremental Development

I think that incremental development is one of the most interesting housing theories being discussed today. I regularly read a blog/think tank called [Strong Towns](#) that has one of the best descriptions of the incremental development philosophy I've found in a series of articles linked below.

[The Power of Growing Incrementally](#)

There is also a great analysis of the affordability crisis in Portland that shows some examples of how top down planning (as opposed to incremental development) causes problems.

[Portland Case Study](#)

I've been thinking about how this philosophy could be applied to Bainbridge Island without the long and complex (and impossible) process of changing zoning, and I think there is a rare opportunity to get both sides of the issue to agree.

If we applied an incremental development philosophy to the island we would leave the existing zoning in place but limit the ability of a developer to jump densities. For example, a single family home in an R8 zone could not be developed to an 8 unit building right away. The owner would only be able to build to the next level of density by creating a duplex. This approach would be applied to Winslow, Lynwood Center, Rolling Bay, and Fletcher Bay.

At first, it seems like this approach would lead to less development. However, reducing the amount of density a lot could support would reduce land prices in our population centers. This would result in more small projects instead of occasional mega projects that balloon the cost of land and offend the local community. I'd much rather see 25 ADUs, 50 duplex conversions, and a dozen or so quads spread around than a single 100 unit apartment building.

As I mentioned above, this is a win-win for both sides of the issue. Anti-development citizens would effectively see an end to very large projects while pro-development citizens would see an increase in the total number projects. Obviously, anyone who has been holding a high density piece of property in the hopes a developer will come along and make them rich is going to be very opposed to this measure.

There are a lot of details that need to be ironed out of course, but I'm very interested to see what the task force thinks about this proposal. Hopefully we can discuss it at one of our future meetings.

Please let me know what you think.

Thank you for your time,
Corey Christophehrson

**REPORT
of
The AHTF Sub-Committee
on
Small to Mid-Size Housing Units**

The task of our subcommittee was to examine the following sections of the City's Comprehensive Plan:

HO ACTION #2 – AMEND THE CITY'S DEVELOPMENT CODE TO FACILITATE AN INCREASE IN THE DIVERSITY OF HOUSING TYPES AND SUPPLY OF AFFORDABLE HOUSING.

Policy HO 3.6 *Develop standards to encourage development of small to mid-size single-family housing units. These provisions may include a framework to permit small-unit housing development such as **tiny houses, micro units and cottage housing.***

Specific types of small unit housing we examined:

Micro Housing

Roughly defined as residential units from 100 square feet to possibly 450-500 sq feet. All have bathrooms, most have refrigerators, many have kitchenettes but the smaller tend to have a common area with kitchens and places to eat. Micro housing is built usually in what we might call apartment buildings, with most units micro. They can be made quite livable. Cities tend to zone for them next to public transportation, believing that few occupants will use cars.

Rents are lower but per square foot tend to be higher than traditional studio apts. There is no guarantee of affordability – market controls rents. Micro units are built almost entirely in highly dense cities. Most occupants spend a considerable amount of their time outside the micro unit. They are designed primarily for individuals and couples. It is commented that they are generally too small for families. The initial excitement about micro housing has diminished due to regulation but also due to the per unit cost considering bathrooms and a high level of design necessary to make the space livable. The market has not been as hot as anticipated.

Tiny Houses

Tiny houses have been problematic for most jurisdictions because most are constructed with wheels and are subject to regulations applicable to trailers, campers, etc. Septic, sewer and parking are also problems. Most jurisdictions use them as temporary housing for the homeless.

Small Houses

Construction of small houses should be encouraged, as they provide a form of affordable housing, where allowed. Consider reduction by code of the minimum and maximum allowable size of residential units, with the emphasis on encouraging small housing units.

Will the public resist lowering the minimum size to 250 feet for example? Will there be resistance to setting a maximum square footage, say 1500 square feet for a family of four, more for larger families, or some kind of formula that would limit very large homes and likely result in more units being built, though smaller?

ADU

ADUs have been relatively popular Bainbridge historically, often built over garages. ADU's should be encouraged, turning single family homes into duplexes, with one side rented. Parking and septic are issues. No guarantee of affordability. A negative trend from the AH viewpoint is conversion of many ADUs to Air BnB, taking them out of the rental market.

NOTE about Air BnB and vacation housing:

Many jurisdictions are very concerned about the loss of rentals, especially affordable rentals, caused when owners convert ADU's to Air BnB and entire homes to Air BnB and VRBOs, both a form of very short term rentals, some say mini-hotels, taking the units out of the market for long term rentals. Regulations and taxation are becoming the trend in most major cities. Air BnB is fighting back with litigation but in the long run, the cities are likely to prevail.

Cottage Housing

Cottage housing is generally defined as a grouping of small dwelling units (typically, between four and twelve units with 800-1000 sq ft foot prints) clustered around a common area and developed with a coherent plan for an entire site. Usually there are some shared amenities and areas and a coordinated design which usually allows for densities that are somewhat higher than in adjacent single family neighborhoods.

In recent years, cottage housing has experienced a resurgence in popularity although it still constitutes only a very modest share of the overall housing market. Cottage housing is increasingly seen as an attractive housing option because:

- It is infill development of small sites within existing developed areas which can offer residents the ability to move within, but still stay rooted in, their larger town or neighborhood.
- Its typical cluster configurations enhance the likelihood that while enjoying independence and privacy, residents can find a sense of “community” with others living in their small cluster.
- It is in synch with the growing ethos of the “live small” life style.
- Cottages typically cost less than traditional dwellings sited on larger so-called “single family” plots of land.
- Together, the above characteristics attract owners who: are mature adults (some studies have found that more than half of such owners are single women), have modest financial resources, are seeking relief from the financial and maintenance burdens of larger residences and who are not attracted to the high-density multi-unit apartment appearance and obligations of most condominium projects.
- Cottage housing is now also being seen as a partial solution for the challenges of the current shortage of housing inventory and low-supply/demand-driven escalating price increases.

All the above said, cottage housing is not without its opponents and detractors. Resistance to cottage housing often occurs because residents in neighborhoods slated for such projects object to these characteristics such as: increased density and vehicular traffic, perceived erosion of their neighborhood’s integrity, differing life styles, fear of diminished property values and loss of privacy. As a result, governments of entities with approved ordinances have frequently tweaked them.

For cottage housing to be a viable option in a community, especially on Bainbridge Island, four important factors must be present:

- An ordinance approved by appropriate governmental entities which establishes the legal framework for the planning and development of cottage housing.
- Suitably zoned and affordable land.
- Existence of ample water and sewer infrastructure, or the funding for its installation.
- Purchaser demand.

Measured against these factors, despite strong purchaser demand for cottage housing on Bainbridge Island, the prognosis for its construction here is not good because: our city does not have an approved cottage housing ordinance, the supply of relatively inexpensive and suitably zoned land is virtually non-existent and, for all practical purposes, the existing of water and sewer infrastructure serves only properties within the historic boundaries of Winslow and the few south island neighborhoods which are connected to Sewer District #7.

Notwithstanding the attractiveness of cottage housing and the fact that our City is obligated to provide for various types of housing, it's clear to us that cottage housing can be considered a significant component of affordable housing here only if the following actions are undertaken by the City's staff and City Council:

- **Establishment of a Cottage Housing Ordinance** based on the document first drafted by Charlie Wenzlau in 2002 and modified by him in 2005.
- **Expansion of the Island's existing water and sewer systems.** As an alternative, the feasibility of the use of a shared on-site residential sanitation systems should be explored.
- **Up-zone of properties to higher densities** which can be served by these expanded utility systems.

OVERALL, we have drawn these General Conclusions:

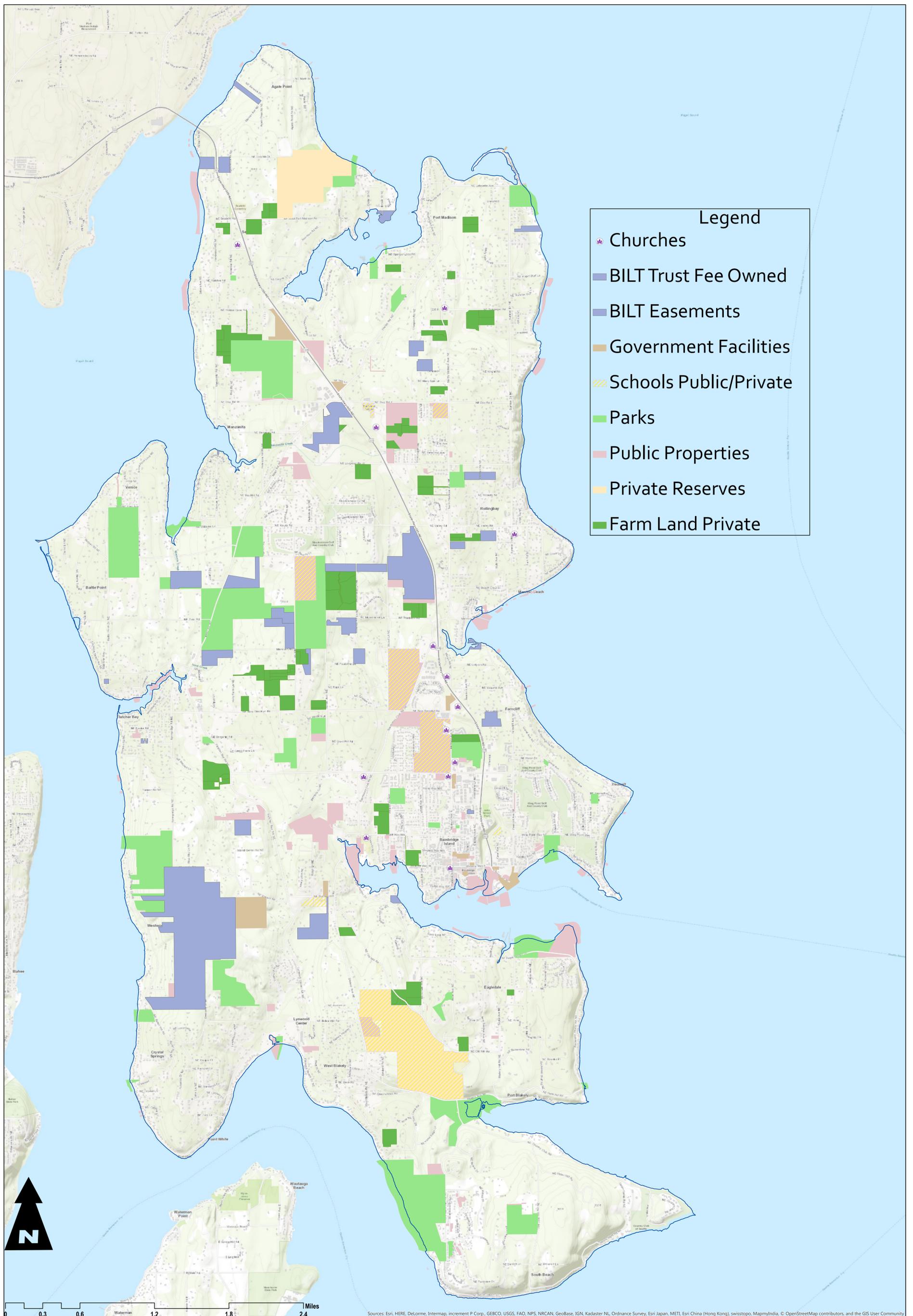
1. To the extent that the City can regulate **to encourage small to mid-size single family housing** units, this would be slightly helpful in increasing housing stock but not likely to increase affordable housing (AH) unless AH is required. Past regulatory incentives for AH have not yielded any meaningful numbers of AH units.
2. The City should regulate to **encourage small to mid-size multifamily** housing. This would likely yield higher numbers of mid range units and AH units provided AH units are mandatory. Without mandatory AH, this would still increase lower cost housing stock.
3. The City should consider allowing **conversion of single family homes to duplexes** wherever possible. This would likely require zoning changes along with other regulatory changes. Incentives for AH could accompany these changes.
4. **The trend toward small apartments is one that would seem to fit for Bainbridge Island and should be encouraged by City zoning and regulation.** Small rentals units appear to be the future of housing in most areas with housing shortages. Ownership is far less viable.
5. **Cottage Housing** is an attractive option but the conditions necessary for it to be viable on Bainbridge Island for anything other than a few projects are substantial.

Respectfully submitted:

Dave Shorett
Ed Kushner

NOTE: The membership of our sub-committee initially consisted of Emma Aubrey, Stuart Grogan, Ed Kushner and David Shorett. Due to unforeseen reasons, this proposal reflects only the thinking of the latter two members. Thus, we offer this caveat: neither of us have relevant personal expertise with this subject.

Affordable Housing Open Space/Public Properties



Define 4 Affordable Housing Goals

Recommendation based on the current site plan at 68 units

Affordable Housing Goal #1



37% at 50 % AMI: 25 rental units
 37% at 30% AMI: 25 rental units
 13% at 80% AMI: 9 Self Help/CLT
 13% at 120% AMI: 9 HRB/CLT
 or lower

	Income	Rent(HH4/2bdm)
80% AMI:	\$61,680	
50 % AMI:	\$38,550	\$867
30% AMI:	\$23,130	\$520

Affordable Housing Goal #2



Mix of rental and homeownership

Affordable Housing Goal #3



Permanent

Affordable Housing Goal #4



50% of land value

OPG, HK, HRB
 (What they do after ...)

Underwriting

Grants / tax credits

What financing needed?

Timeline

Contract

Best solution based on investor, lender and legal needs

Plan for 50% of value cash back to CoBI from transfer

Determine best mix based on design, density and market

Dear Council,

The Affordable Housing Task Force (AHTF) has discussed the Suzuki project at each of our meetings since Olympic Property Group presented its proposal to the Council last fall. We sent recommendations to you in November and December, and re-sent those recommendations at the beginning of January for the benefit of the new Council persons. We've heard from some of you in response. Based on that feedback as well as your comments at the Council meeting on January 2, we devoted our meeting on January 10 to crafting more detailed recommendations for you.

As a result, the Affordable Housing Task Force has adopted the following recommendations to Council:

1. Recommend the adoption of the Affordable Housing Goals as presented by Housing Kitsap to the AHTF on 1/10/2018 (see attachment.)
2. Recommend ownership of the project after permit approvals have been obtained, as follows:
 - a. Green space to be held in a land trust and administered by a nonprofit or governmental entity.
 - b. Homes for sale to be held in a community land trust to be administered by Housing Resources Bainbridge or similar nonprofit. In addition, if necessary to assure permanent affordability, there should be deed restrictions/covenants providing for permanent affordability of the homes.
 - c. Homes for rental to be held by a partnership of Housing Kitsap and tax credit investors. In addition, there should be deed restrictions/covenants providing for permanent affordability of the homes.
3. Recommend that the number of housing units should be maximized, consistent with the Olympic Property Group proposal and current zoning.

Development of the Suzuki property has been an ongoing, multi-year process. There are many steps still to come in this process, such as preliminary design and revisions, permit approvals, financing and more. The AHTF believes it is *crucial for the Council to advance the process* by approving a Development Agreement as soon as possible. We are aware of the risk of mounting costs associated with delay that could impact the viability of this project. Recognizing that the process is still in the early stages, and details (such as requirements for financing or engineering) may change as more information becomes known, we specifically decided against recommending inflexible requirements for the project, except as stated above. We have confidence in the ability of the nonprofit, public and private partners in this project to work together to make the proposal a reality.

When the AHTF was created last year, the Council instructed us to consider housing affordability across the economic spectrum and make recommendations for near-term action. We were also instructed that if goals and policies of the Comprehensive Plan seemed to conflict, we should recommend solutions that balance the costs and benefits to the community.

Members of the AHTF believe strongly that the Suzuki proposal satisfies these instructions and is

consistent with the Housing Element of the Comprehensive Plan, as well as the Land Use Element and other provisions of the Comprehensive Plan.

The recommended Affordable Housing Goals---from up to 30% of AMI (Area Median Income) at the low end of the goals, to 120% of AMI at the top end---will serve a broad range of people across the economic spectrum. These could include seniors, people with disabilities, single parents, students, those in need of supportive housing, restaurant and retail workers, families, teachers, government employees, and more. We think it's important that some housing be geared to the higher end of the recommended income levels, to provide a meaningful contribution to work force housing. This housing would serve people like teachers, police, fire fighters and City employees, for whom local market-rate housing is out of reach even at their relatively higher incomes (according to the most recent Windermere newsletter, December's median sales price for Island homes was a decidedly unaffordable \$775,000).

We also believe this project has been designed around the environmental goals and policies of the Comprehensive Plan in a respectful and sensitive manner. An ecological study has been done and the findings have been reflected in the updated site plan. The development will have a small footprint, clustered within approximately 30% of the site. The proposal would preserve the significant environmental features, leaving the pond undisturbed, providing a wildlife buffer, and retaining mature trees. Impervious surfaces are kept to a minimum. Clustered housing like this plan (also known as conservation development) is an important tool for sustainable development in communities around the country.

In sum, this project is an excellent balance of costs and benefits to Bainbridge Island. We believe it furthers the Comprehensive Plan's goals and policies, and is an embodiment of Guiding Principle #3 in the Comprehensive Plan, which calls for the City to "Foster diversity with a holistic approach to meeting the needs of the Island and the human needs of its residents consistent with the stewardship of our finite environmental resources."

Finally, the AHTF believes the Suzuki project is of tremendous significance to the Island's overall affordable housing strategy, both because of the number of homes it will offer, and because it is a long overdue, concrete demonstration of our community commitment to housing justice and affordability. If this project is not approved, or becomes non-viable due to delay or excessive requirements, we believe it would deal a significant blow to the Island's affordable housing efforts. We urge you to approve the Development Agreement as soon as possible, as the next step toward the realization of a new neighborhood of sustainable, diverse and affordable homes.

Very truly yours,
Althea Paulson, Chair

Affordable Housing Task Force

