



CITY OF
BAINBRIDGE ISLAND

AFFORDABLE HOUSING TASK FORCE
REGULAR MEETING
WEDNESDAY, JUNE 27, 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

Stephen Deines

Ann Lovejoy

Jeffrey Brown

Phedra Elliott

Bill Luria

Pat Callahan

Sharon Gilpin

Pegeen Mulhern

Corey Christopherson

Stuart Grogan

David Shorett

Jonathan Davis

Edward Kushner

Charlie Wenzlau

Liaisons:

Deputy Mayor Blossom, City Councilmember Schneider
Planning 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 June 19, 2018 Meeting

6:10 PM

Public Comment

6:20 PM

Review DRAFT Final Report

7:45 PM

Public Comment

7:55 PM

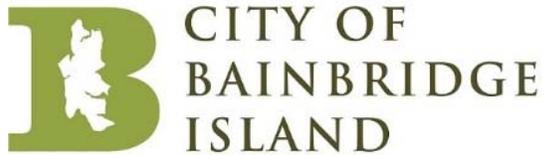
Discuss Agenda for Next Meeting: July 11

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
SPECIAL MEETING
TUESDAY, JUNE 19, 2018
4:30 PM – 6:00 PM
MAP ROOM- CITY HALL
280 MADISON AVE. N
BAINBRIDGE ISLAND, WA 98110

MINUTES

TASK FORCE MEMBERS PRESENT:

Althea Paulson, Chair
Corey Christopherson
Stephen Deines
Sharon Gilpin
Stuart Grogan
Ed Kushner

Ann Lovejoy
Bill Luria
Pegeen Mulhern
David Shorett
Charlie Wenzlau

LIAISONS PRESENT: Councilmember Leslie Schneider, Planning Commissioner Bill Chester

COBI STAFF PRESENT: Jennifer Sutton, Senior City Planner

MEMBERS OF THE PUBLIC PRESENT: Marci Burkel, Charlotte & Andy Rovelstad, Don Breiner, Elise Wright

CALL TO ORDER: Chair Althea Paulson called the meeting to order at 4:30 pm.

ADDITIONS & CORRECTIONS TO AGENDA: Motion to approve the agenda passed unanimously.

CONFLICTS OF INTEREST: There were no changes to previously disclosed conflicts.

APPROVAL OF MINUTES: The minutes of the May 23 meeting were unanimously approved without any changes.

PUBLIC COMMENT: None.

REVIEW DRAFT FINAL REPORT:

INCLUSIONARY ZONING ECONOMIC ANALYSIS WORK: Morgan Shook of ECONorthwest and Nick Bratton of Forterra gave an overview presentation of the economic analysis work that they will perform to produce information related to Inclusionary Zoning and improving the City's Transfer of Development Rights program. After the AHTF meeting, they were going to give the same presentation to the City Council.

PUBLIC COMMENT: Don Breiner wanted to give a presentation to the AHTF, but there was not enough time.

ADJOURN: Motion to adjourn at 6:00 p.m. approved by a unanimous vote.

**AFFORDABLE HOUSING TASK FORCE
FINAL REPORT
JUNE 30, 2018**

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Code Changes to Encourage Affordable Housing in Winslow and Neighborhood Centers

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-----Multi-Family Property Tax Exemption

Affordable Housing on Publicly Owned Land

Incentives for Accessory Dwelling Units

Innovation Program to Support New Ideas in Affordable Housing

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Quick Wins

Expanded Liveaboard Policies

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Permit Processing Priority and Reduced Fees for Affordable Housing

Housing Trust Fund Grants

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Appendices

A. City Council Instructions to the Affordable Housing Task Force

B. Housing Element of the Comprehensive Plan

C. Previously Delivered Recommendations and Correspondence

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1. Letter re Suzuki project to City Council, dated November 3, 2017
 2. Letter re Suzuki project to City Council, dated November 7, 2017 (revision to the November 3, 2017 letter)
 3. Letter to the Planning Commission re Liveboard Community, dated _____, 2017
 4. Letter to City Council re Liveboard Community, dated _____, 2018
 5. Letter to City Council re vacation rentals, dated _____, 2018
- D. Draft Cottage Housing Ordinance
- E. Sample Multi-Family Property Tax Exemption Ordinance

INTRODUCTION

Process

The Affordable Housing Task Force (AHTF) was created by City Council resolution on May 9, 2017, and its fifteen initial members, all citizen volunteers, were appointed by action of the City Council on June 20, 2017. It was instructed to make recommendations for specific actions, programs and strategies the City of Bainbridge Island (City) and the City Council can take in the near-term to improve access to affordable housing across the economic spectrum. While the AHTF was instructed to focus on the Housing Element of the Comprehensive Plan, it was also advised to consider all elements of the Comprehensive Plan. Where any of the goals and policies of the various elements seem to be in conflict, the AHTF was tasked with recommending solutions that balance costs and benefits to the community.

The AHTF had its first meeting on July 8, 2017. It next met on September 6, 2017 and then met twice monthly through June of 2018. In addition, it created small work groups that met independently to study tools and strategies based on specific policies in the Housing Element, reporting back to the full group on a regular basis. The AHTF also heard numerous presentations by City staff and other experts on specific topics, as well representatives of local governments, nonprofits and other groups that advised on shared concerns and interests. Public comment was accepted and encouraged at every meeting.

Two members of the AHTF resigned over the first few months due to personal circumstances. On February 27, 2018, two additional members were appointed by the Council.

The AHTF gave an Interim Report to the Council on March 6, 2018.

Housing Affordability on Bainbridge Island

According to a report from Realogic Sotheby's International Realty, Bainbridge Island broke three real estate records in 2017: highest median price for single family homes (\$840,000), most sales in a single year, and lowest inventory in a single year, continuing a five-year trend of record low inventory. The report noted, "Inventory is still historically low and buyer activity is elevated due to our strong job market. This is continuing to drive prices to record levels."

Prices have continued to climb in 2018. In May 2018, the median single family home price was \$875,000, and nearly half (44%) sold for over \$1 million. Single family residences account for about 80% of all housing units, in a very low density land use pattern that occupies about 90% of the island's land use area. Median condo prices are over \$500,000. Average rental rates are approaching \$2000 a month, but because rentals make up less than 7% of total housing units, vacancy rates are 1.5%, well below the 5% rate more typical of well-functioning rental markets.

In large part due to housing prices, the island's population is older, wealthier and far less racially diverse (91% white) than other communities in the region. The island has an increasing

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population of people over 60, and a declining population of young adults (ages 18 to 34). For more data on island demographics, see Appendix B, Housing Element of the Comprehensive Plan.

Both small businesses and major employers, including the City of Bainbridge Island, the Bainbridge Island School District, and the Bainbridge Island Parks Department, have told the AHTF that their employees have trouble finding housing on the island. Many commute from off-island, some from as far away as Port Orchard, a round trip of about 75 miles.

This data tells us that Bainbridge is becoming an increasingly exclusive and rarified place to live, with an older, whiter and richer population than comparable cities and towns in the Puget Sound area. We are missing out on the vibrancy and creativity that a diverse population—diverse in age, socioeconomics, race, ethnicity and background---brings to a community. As a result, housing affordability is crucial both to those who live here and those who cannot.

What is “affordable”?

The Council’s instructions to the AHTF provided that its “mandate is broader than simply considering low income housing. It should consider housing affordability on Bainbridge Island across the economic spectrum.”

HUD defines “cost-burdened” families as those who spend more than 30% of their income on housing, which may result in difficulty paying for necessities such as food, clothing, transportation, and medical care. The Housing Element of the Comprehensive Plan states that 34% of islanders of all income levels living in single family dwellings are cost burdened and almost 44% of island renters are cost burdened.

Some affordable housing projects use an income test to determine whether someone is eligible for housing. So-called “income qualified” housing is typically available to people whose incomes are 120% of Area Median Income (AMI) or less. Some housing is reserved for those with lower percentages of AMI. [insert the income levels]

The AHTF has not limited its recommendations to income-qualified projects. Many islanders, such as teachers and City employees, are cost burdened or cannot find housing at all on Bainbridge, but would not be eligible for income qualified housing. As instructed, we looked at affordability across the economic spectrum.

The AHTF finds that affordability may be achieved by a combination of factors, including:

-----Affordability by size: Creating smaller units for singles, couples and seniors, in both the rental market and the ownership market.

-----Affordability by subsidy: Provide financial incentives through tax abatement to subsidize affordable units, or through such incentives as increased density or fewer parking requirements.

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-----Affordability by location: Eliminating or reducing the cost of a car and related parking.

-----Affordability by increased supply: Incentivize both small size and rental housing.

Working understandings of the AHTF

The AHTF studied both commonly-used housing tools and out-of-the-box suggestions. From this work, we are certain of one thing about affordable housing: there are no magic bullets. Affordability must be addressed consistently, over time, with a multi-pronged approach. The community must be willing to experiment to see what works and what does not. Demanding certainty of outcome invites failure. We believe that Bainbridge Island should adopt the recommendations in this report, without undue delay or demand for risk-free and guaranteed outcomes. At the same time, if it becomes apparent that a policy or program is not working, it should be abandoned and new ideas should be considered and adopted.

Our Comprehensive Plan speaks to many community values, which sometimes seem to conflict with each other. That perceived conflict is particularly sharp when looking at housing and environmental policy. People are often prone to tunnel vision when trying to solve a particular problem. Sometimes we think of “the environment” as entirely separate from human beings, and try to come up with solutions for environmental problems by excluding the needs of people from our thinking. Equally one-sided would be to craft housing solutions without regard to the impact on the natural environment. The real world does not divide itself into categories but, rather, exists as a complex and ever-changing, mutually dependent and reinforcing whole. Good policy-making should try to reflect that real world reality.

The AHTF does not believe housing and the environment exist in conflict, though we understand that the current crises in both housing affordability and environmental degradation requires careful, intelligent, and respectful planning. We do not believe housing and the environment can ever exist to the exclusion of one another. All species create homes within the Earth’s generosity and limitations. Human beings are no different. The AHTF has taken a holistic point of view and has tried to craft intentional and sensitive recommendations, taking into account as many aspects of the real world as possible.

Keeping the real world in mind has policy implications. For example, the absence of housing that is affordable to people who work on the island has impact beyond the Housing Element of the Comprehensive Plan. Multiple elements of the Comprehensive Plan, not to mention multiple aspects of our lived experience, are impacted when large numbers of workers face increasingly longer commutes. For instance, the Economic Element of the Comprehensive Plan is impacted when people have long commutes, shouldering higher costs in money, time and stress. As a result, local employers have a harder time attracting and retaining people to fill island jobs. Employees have a lower quality of life. As anyone who has traveled Highway 305 during rush hour can attest, commuters to and from the island also impact the Transportation Element of the Comprehensive Plan.

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In addition, the Environmental Element—and the real-world environment--- is negatively affected. People who can't afford to live in the community in which they work move to less expensive areas, further away from work. That creates sprawl---the very result no one wants. Sprawl is harder to see on an island, but the ecosystem doesn't end at the Agate Pass Bridge. Carbon emissions from longer commutes do not end at the Bridge. Somewhere, the Earth bears the burden of sprawl, of traveling people, of vehicles going extra miles—even if that burden is not readily apparent on the island.

Nationwide, housing prices have been rising twice as fast as wages according the chief economist of the Mortgage Banker's Association interview on CNBC in March of 2018. The Seattle Times reported that homes in the Seattle area have been rising faster than anywhere else in the country since mid-2016 (Seattle Times, March 27, 2018.) These are realities each community must grapple with.

In spite of our growing housing inequality, Bainbridge Island has not implemented any significant affordable housing policies in a decade. The Housing Element of the Comprehensive Plan clearly and concisely states the problem and the obligation the City has undertaken:

Market forces alone will not address the urgent housing needs facing Bainbridge Island. In the face of daunting circumstances, the City aspires to an ambitious Vision of its future and commits to an innovative, aggressive and multi-faceted housing strategy.

The AHTF developed its recommendations for **near term action** by the City Council and the City of Bainbridge Island. Consistent with the Council's instructions to the AHTF, these recommendations address affordability at a range of incomes, from low income to middle income and workforce housing. Only two of the recommendations would create income-qualified housing. The rest are intended to create affordability due to size, appeal to a narrow demographic or other factors as described above under the heading, "What is 'affordable'?" Consistent with the Comprehensive Plan, zoning and code recommendations are focused within the Designated Centers, helping protect the rural areas of the island.

We hope they will be adopted and implemented as soon as possible.

EXECUTIVE SUMMARY

According to the Housing Element, “Some combination of appropriately zoned land, regulatory incentives, financial subsidies and innovative planning techniques will be necessary to make adequate provision for the needs of all segments of the population, but particularly middle and lower income persons.”

The AHTF submits the following priority recommendations in accordance with that guidance and with the Council’s instructions to the AHTF:

- 1. Draft and adopt code changes to encourage infill in the Designated Centers, with the assistance and advice of ECONorthwest. (pages __)**
 - A. Adopt a Mandatory Inclusionary Zoning Ordinance**
 - B. Enact changes in FAR to encourage affordable housing**
 - C. Adopt a Multi-Family Property Tax Exemption (Appendix E)**
- 2. Pursue opportunities to partner with the private and nonprofit sectors to build affordable housing on public lands. (page__)**
- 3. Adopt procedures to encourage Accessory Dwelling Units (page___)**
- 4. Adopt an “Innovations Program” that allows staff to permit experimental affordable housing projects, on a limited basis, that are not currently allowed by code. (page __)**
- 5. Create a permanent affordable housing committee and designate a City employee who will spend at least half-time on affordable housing strategies. (page__)**

In addition to our priority recommendations, the AHTF has identified the following “Quick Wins” that can be done immediately:

- 1. Adopt more generous policies to allow the maximum number of liveboards in Eagle Harbor. (Appendices C (3) and (4))**
- 2. Adopt Vacation Rental Ordinance (Appendix C (6))**
- 3. Give permit processing priority and reduced permit fees for all affordable housing projects. (page __)**
- 4. Award Housing Trust Fund Grants at least annually (page _)**
- 5. Adopt Cottage Housing Ordinance (Appendix D)**

Additional Strategies to Be Explored

Due to the time limitations placed on the AHTF, there are many worthwhile areas of study that we did not explore in depth. One of the reasons we believe that the City must engage in continuing housing efforts over the long-term is so these ideas, as well as new ideas that will undoubtedly emerge, can be pursued.

The AHTF urges future work on the following ideas:

Community Partnerships

Conversion of Single Family Homes to Duplexes/Triplexes

Programs to Preserve Existing Housing

Affordable Senior Housing

Addressing Limitations Due to Sewer and Septic

Homelessness and Housing Insecurity

Tiny Houses/Microhousing

Transportation Alternatives: Car2Go, Smart Cars, Public Transit

Advocacy for County, State, and National Affordable Housing Policies

Develop a more effective Transfer of Development Rights Program

PRIORITY RECOMMENDATIONS

1. Code changes to encourage affordable housing in Neighborhood Service Centers

The Housing Element of the Comprehensive Plan lists as one of its highest priority actions the following: “Amend the City’s development code to facilitate an increase in the diversity of housing types and supply of affordable housing.” (HO Action #2). It proposes revising “development standards for the High School Road and Ferry Terminal districts and other portions of the Winslow Area Master Plan to encourage the transformation of these areas from auto-oriented, low-rise, homogeneous commercial land use districts into walkable, transit-served, mid-rise, mixed-use neighborhoods with affordable housing.” (Policy HO 4.2).

Unless otherwise specified, the AHTF recommends these changes be applicable to the Winslow Master Plan area and the Neighborhood Centers, in furtherance of the Housing Element’s stated goal of changing “today’s 89/11% housing split between the Mixed Use Town Center and the Neighborhood Centers to 80/20% by 2036.” (Policy HO 1.6)

As referenced in Goals 1 and 2 of the Housing Element, the City is required to monitor provisions and changes to the zoning code and all affordable housing ordinances on a yearly basis to determine the effectiveness of the ordinances and code changes. At the end of every two years, the Department of Planning and Community Development will prepare a report based on data gathered through the monitoring program. The reports will be used by the City Planning Department and the Planning Commission as a basis to amend and update the code and ordinances as needed to achieve the affordability goals. The proposed amendments and updates will go to the City Council for approval. The time table for the updates should be coordinated such that amendments and updates are completed every 4 years.

Recommendation 1A: Mandatory Inclusionary Zoning Ordinance

The following is recommended to establish a new Inclusionary Zoning Code:

Applicability: Designated Centers which include the Winslow Master Plan/Winslow Sewer Area and Neighborhood Centers.

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Island wide applicability was not recommended due to the Comprehensive Plan goal to focus new development in the Designated Centers.

Base Requirement: 10% minimum affordability on all new residential development projects. Projects which exceed project threshold size of 10,000sf residential FAR are required to construct the inclusionary units. The 10% requirement is applied to the Base Residential FAR. Projects may exceed the 10% requirement by utilizing other zoning incentives. Staff should evaluate whether a higher percentage is feasible.

a. Staff will need to verify appropriate base requirement (percentage & minimum project size) in relation to offset (see 3, Offset). Projects on adjoining parcels shall be considered as a single project for determining project size. Controlling inclusionary threshold by project area (sf) will prevent projects from artificially increasing unit sizes to stay below minimum unit threshold.

b. Projects within the residential zones (R-zones) in the Designated Centers are regulated by units per acre, not FAR. Staff will need to determine minimum project size and related offset.

3) Offset: In order to effectively subsidize the inclusionary units, the FAR shall be increased to offset the financial impact to the project subject to the mandatory requirement. The Mixed-use Base FAR and Bonus FAR shall be increased by 0.2 (see MUTC 18.12 Dimensional Standards) for all zones subject to the inclusionary requirement.

The offset is the difference between the market rent and inclusionary rent, OR the difference between the market rate sales price and the affordable sale price. In order to meet state law, the financial impact related to this lost revenue to a project must be offset by an equivalent density or FAR increase.

In order to offset financial impact to the project, a significant increase is needed in the Base FAR. Under current code, any increase above the Base FAR is only available as Bonus FAR, by paying a fee to the City (or through other bonus provisions). The staff shall verify the proposed Base FAR increase is proportional to the financial impact to the project.

4) Fee in Lieu: Residential projects 10,000 sf or less, are eligible to pay a Fee in Lieu instead of constructing the inclusionary units. Fees shall be directed to Housing Trust Fund. Fee shall vary based upon project size.

a. Note that the Fee in Lieu is offset by the 0.2 FAR increase or density increase (in R zones).

b. Fee in Lieu is not available for larger projects to ensure inclusionary units are constructed as part of the project. Small projects typically have a more difficult time integrating inclusionary units due to their small site area.

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The Task Force did not want Fee in Lieu to be available for larger projects. It is important to have inclusionary units built within projects and to have them dispersed throughout the community. Communities which rely only on Fee in Lieu will typically use those funds to construct standalone multi-unit affordable projects.

Projects which are not eligible for offset are not required to pay Fee in Lieu.

5) Target Income Groups: Inclusionary units shall serve a range of Kitsap Area Median Income (AMI) between 50% and 120%. For projects which are required to provide multiple inclusionary units, those units shall serve **a range of income levels which equal an average of 80% AMI**. For projects with a single inclusionary unit, it shall be affordable to a household income shall be no more than 80% AMI.

6) Unit Size and Types: For projects with multiple inclusionary units, unit sizes shall reflect the proportionality of the bedroom mix of the market rate units. For projects with one inclusionary unit, the number of bedrooms shall reflect the average size in project. The inclusionary unit size may be smaller than typical market rate unit. The exterior design of the affordable dwelling unit(s) shall be similar in appearance to the market rate units. The units shall be geographically dispersed throughout the project.

The intent here is to ensure the affordable units reflect the overall character of the project to be fully integrated.

7) Duration: Affordability shall be permanently enforceable by a deed restriction placed on the property title report.

Recommendation 1B: Zoning Changes to Incentivize Affordability in Designated Centers:

The following incentives are intended to encourage mixed-use development and affordability within the Designated Centers. Emphasis has been given to the High School Road and Ferry Terminal Districts. Key outcomes include expanding residential uses within allowable building envelopes and the creation of mixed-use villages in areas currently developed as low rise commercial and parking lots. These concepts are consistent with the Comprehensive Plan to focus growth in Designated Centers, increase workforce housing and reduce environmental impacts of workforce commuting.

Proposed modifications to Chapter 18.12 Dimensional Standards:

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HIGH SCHOOL ROAD & FERRY TERMINAL DISTRICTS: High school Road and Ferry Terminal Districts shall have their **FAR set equal to Core district**. Consistent with the goal to have pedestrian oriented villages, these projects shall be **required to be mixed-use**.

These two zoning districts hold the greatest potential to become transit-orient development locations. The current code has the maximum amount of residential for the High School Road District set low to support auto-oriented commercial development. The proposed flexibility to increase the overall FAR and related residential component will take pressure off residential zones throughout the island.

Under current code, mixed-use is not required.

This ensures we get mixed-use pedestrian-oriented development in the commercial districts. So long as first floor commercial and/or retail is provided, residential use can be utilized for all remaining FAR.

The specific requirements to meeting the intent of mixed-use requirement shall be determined by staff. Mixed use shall provide retail at key frontages and public spaces.

FLEXIBLE FAR: Consistent with the Core district Base FAR and proposed mixed-use requirement, the commercial portion of mixed-use FAR may be converted to residential FAR.

The flexibility to convert commercial FAR to residential will have the benefit of producing more housing overall and a proportional increase in the inclusionary units. This has the potential to double the number of inclusionary units.

The current method of FAR allocation only allows a portion of the site development to be housing, with the rest being commercial. The intent was to encourage mixed-use projects. Under current market conditions, residential use has far greater market demand than commercial. Limiting amount of residential to current levels is resulting in sites being underbuilt.

This added flexibility with base residential FAR would not increase the building size or overall FAR since it is within current allowable mixed-use FAR.

For example, a mixed-use project in the Core District, with bonuses, under current zoning, has a maximum FAR of 1.5. That maximum must be divided between the commercial maximum of 0.5 FAR and the residential maximum of 1.0 FAR. Under the recommended approach, if the project is located in any of the following zones (High School Road, Ferry Terminal, and Core), and it is mixed-use with retail or commercial at the base of the project, then the mixture of commercial and residential FAR is flexible. For example, the residential could end up being 1.3 in this example so long the projects have sufficient commercial to meet the mixed-use requirement.

NEIGHBORHOOD CENTERS (NC): Change NC zoning from current method of determining density by units per acre to FAR method.

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Currently NCs have a low base density (2 units/acre) which doesn't support pedestrian-oriented villages. Basing density on units per acre encourages projects to build large units to maximize buildable area. The FAR approach would increase flexibility allowing smaller unit sizes and related affordability. Staff need to determine what appropriate FAR is in relation to density. The City's ability to extend infrastructure to the NCs will affect the number of housing units created.

BUILDING HEIGHT: Increase the maximum height from 45' to 55' when 1) underground parking is provided and 2) project exceeds both 20% affordability and 20% public space. Applies to High School Road District and Ferry Terminal District only.

This encourages pedestrian-oriented urban villages close to transit. Height increase would not be allowed in Core district in order to keep new development in scale with existing buildings. The staff should give consideration if the height increase is appropriate along Winslow Way.

PARKING: Allow lower parking requirements (.5 spaces/unit) for units within 1 mile of Ferry and unit size less than 600sf.

The cost of providing parking and related vehicle ownership costs impact affordability. On average, the cost of owning a vehicle can be as high as \$700/month. The cost of an underground parking stall ranges between \$25,000 to \$30,000 per stall. These costs affect both the renter's ability to afford housing and the cost of building the housing.

SUBDIVISIONS: Allow subdivisions within Mixed Use Town Center.

Currently, subdivisions are only allowed if approved under the Housing Design Demonstration Program (HDDP). This change would not require a density or FAR increase. This will encourage "missing middle" homes such as cottages, townhouses and small footprint homes. Home size would be limited to 1600sf and lot sizes would be restricted to a maximum size to ensure minimum densities are achieved.

Recommendation 1C. Multi-family property tax exemption

The AHTF recommends adopting a multi-family property tax exemption (MFTE) ordinance in accordance with RCW 84.14.005 et seq. This statute authorizes an exemption from property tax for any qualifying multi-family project of four units or more that sets aside at least 20% of its units for low to moderate income households (from 80% or below of AMI to 115% AMI), for a period of eight to twelve years (depending on the specifics of the project). In order to implement this state-allowed exemption, the City must adopt an ordinance specifying guidelines such as height and density restrictions, parking requirements, and targeted incomes. The ordinance must designate area(s) for applicability and would be

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applicable to both new construction and existing projects that are being rehabilitated or converted.

The AHTF recommends that the designated areas for the MFTE should be the Designated Centers. The RCW sets out procedures necessary to adopt an MFTE ordinance, which include a public hearing at which the designated residential targeted area(s) will be considered. All projects that use the MFTE must be regularly monitored for compliance, and the AHTF suggests that Housing Resources Bainbridge or other housing nonprofit be engaged as a partner to the City for public outreach and compliance monitoring.

The MFTE could be used in tandem with the Mandatory Inclusionary Zoning Ordinance to potentially set aside up to 30% of the units in a project as affordable units.

A sample MFTE ordinance is attached to this report as Appendix D (modeled after the City of Bellingham).

2. Affordable housing on publicly owned land

The City owns multiple parcels of land, some of which have identified uses and purposes and others that do not. The AHTF recommends that an inventory be taken of City-owned properties that may be appropriate for affordable housing. These properties could be sold at a discount to a housing nonprofit with deed restrictions requiring a specified number of units of affordable housing to identified income ranges. Alternatively, property could be developed by the City in partnership with private and nonprofit developers, similar to the development of the Suzuki property. The AHTF believes the Suzuki project has taught valuable lessons to the City, its consultants, partners and the community, and those lessons will inform and improve future efforts.

The AHTF met informally with several other local taxing districts, such as the Bainbridge island School District and the Bainbridge Island Metropolitan Parks Department. Although most of the taxing districts said their employees had difficulty securing housing on the island, they did not express any interest at this time in making any property they own available for affordable housing. The reluctance was in large part for reasons that may well be addressed satisfactorily in the future, so the AHTF recommends having future in-depth discussions with these taxing districts.

3. Adopt procedures to encourage Accessory Dwelling Units

An Accessory Dwelling Unit (ADU) is up to 900 square foot of separate living space, within or detached from a single-family dwelling. Although the City has allowed ADUs for many years, the number of ADUs on the island has remained relatively small [Note--need numbers: 197?]. The Final Report of the Community Housing Coalition in December of 2007 identified ADUs as a priority recommendation, giving several suggestions to encourage the use of

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ADUs as affordable rentals. Among them were to increase the maximum size of an ADU from 800 to 900 square feet, which was done in 2015.

That report also suggested evaluating the building application process for ways to shorten the process. It also recommended that pre-approved prototype ADU designs be made available to property owners. Those two recommendations were never implemented. The AHTF believes those proposals remain priority actions and strongly recommends that they be adopted. In addition, the AHTF recommends that building permit fees and sewer/water hookup fees be deferred or reduced if an ADU is used for income-qualified housing for a period of at least five years.

4. Adopt an “Innovations Program”

As we have noted, no single solution or program will solve the affordable housing crisis. The AHTF believes that a crucial part of any housing strategy is a multi-pronged approach and the willingness to experiment with new and innovative ideas. For that reason, we recommend that the City make the necessary changes in code and policy to allow City staff the flexibility to permit building projects on a limited basis that do not otherwise fit into zoning and land use code, if 100% of the housing units are affordable (affordability for this purpose will be 120% of AMI or less). The innovations Program would seek to encourage new ideas about affordability, whether achieved through building technique or materials, shared common areas, small size, or other means.

After it has developed and adopted the Innovations Program, the City should conduct outreach to the community to encourage property owners to make use of its flexibility. Projects should be monitored and evaluated to determine whether the idea is effective in producing affordable housing. If so, it should be adopted into code. If the idea is not effective, staff would not permit it in future projects.

5. Permanent support for affordable housing

Bainbridge Island has made efforts to address its affordable housing issues from time to time in the past. In 1997, the City adopted the original Affordable Housing Ordinance, requiring that new residential developments include a percentage of affordable housing. The program was the first of its kind in Washington. Over time, the City determined it was not working as intended for a variety of reasons, including loss of affordability because the units reverted to market rate with the first resale, and legal challenges. The ordinance was repealed in 2005, although an optional affordable housing program remained in place.

The City created the Community Housing Coalition (CHC) in 2005 under the umbrella of the City-funded nonprofit, Health, Housing and Human Services Council. It was charged with the

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task of researching and contributing to the development of effective public housing policy. With the economic downturn beginning in 2007, the City experienced financial setbacks. As a result, the City Council dissolved the CHC, along with the Health, Housing and Human Services Council. The CHC produced a report of its work and housing recommendations in December of 2007 and urged that its functions be transferred to a full-time City housing specialist. As the City's financial problems continued, the housing position was eliminated. Since then, the City has had no housing specialist on staff and no citizen advisory group to focus on housing issues, until the creation of the AHTF in 2017. In the intervening years, the median sales price of a single family home rose from \$680,000 in December of 2007 to \$848,000 in May of 2018 (after a steep drop in prices for several years during the Recession.) Undoubtedly there have been many lost opportunities for affordable housing projects in that time. The more time that passes without effective affordable housing policies in place, the more affordable housing opportunities will vanish, as properties are developed solely for the private market.

The AHTF believes that housing is a complex issue that requires consistent attention, multiple strategies, evolving programs and a willingness to experiment with new ideas. As the CHC Final Report said, "...crisis management, short-sighted funding and stop-start attempts do not produce sustained results." The AHTF is a short-term task force with limited scope. The one-year deadline for its work required that it focus on high priority, near term recommendations. There are many important aspects of housing that it was not able to study in depth.

For these reasons, we think it is crucial for the City to create permanent housing support. It should consider creating a standing advisory committee. It also should consider hiring or designating a housing specialist on City staff, at least on a part-time basis. Finally, we recommend that the City increase its financial commitment to Housing Resources Bainbridge, which has produced the only appreciable amount of income-qualified affordable housing on the island in the last decade.

QUICK WINS

The AHTF has identified the following actions the Council or staff could take with a minimum of additional research or preparation:

1. Adopt more generous policies with respect to liveaboards in Eagle Harbor.

The AHTF believes that residential vessels in Eagle Harbor can be an economical housing choice on the island for a limited but important demographic. We encourage City support for existing liveaboards and urge that the City amend its policies to allow additional

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residential boats to the maximum allowed by the state of Washington, as we have written in letters previously submitted to the Council and the Planning Commission. Additionally, we have recommended that the City expend the time-frame during which it accepts applications. See Appendices B3 and B4.

2. Adopt a Vacation Rental Ordinance.

Since 2011, the third-party analytics site AirDNA has measured a 41% annual growth in the number of Airbnb rentals on Bainbridge Island, with 133 active rentals currently recorded. Of these active rentals, 114 are for the entire home, a number that represents more than three months of inventory in the current real estate market. This stranded inventory worsens the affordable housing crisis by reducing the stock of long-term rentals and for-sale housing on Bainbridge Island. However, we also realize that many members of our community rely on the supplemental income generated by these short-term rentals to afford the ever-increasing cost of living, so it is necessary to control the growth of the short-term rental market without eliminating it all together. The City of Seattle passed an ordinance in 2017 limiting the number of “short term rentals” allowed. AirBnb has approved the ordinance and has given assurances it will not challenge the ordinance legally. The AHTF recommends that Bainbridge pass a similar law, based on the Seattle ordinance, except that we suggest the Council consider whether the number of “Short-term rentals” be limited to one rental on the owner’s primary residence property. To avoid significant impact the island’s existing lodging industry, we suggest adopting the exemptions in the Seattle ordinance. Exemptions would include hotels, motels, inns, and licensed bed and breakfasts. See Appendix B5.

3. Permit processing priority and reduced fees for affordable housing projects.

All affordable housing projects should be given priority in the City’s permitting process. These projects should also be charged reduced permitting fees. The City should also defer or waive building permit and/or sewer/water hookups for ADU’s that rent to income qualified individuals for at least five years.

4. Housing Trust Fund grants.

Make grants from the Housing Trust Fund at least annually, prioritizing assistance to those who are homeless or housing insecure. Provide that the Fee-in-Lieu program established under Priority Recommendation 1A be added to the Housing Trust Fund.

5. Adopt a Cottage Housing ordinance.

As the CHC Final Report found, “Cottage housing is another way to increase density in existing neighborhoods while still preserving their single-family character. These projects typically consist of a cluster of small houses with a shared central space. Cottages typically range from 800 to 1000 square feet, and the typical density is 10 to 11 units per acre. The Erickson Avenue Cottages on Bainbridge Island are an example of this kind of housing. Cottage housing is typically used on infill lots in established neighborhoods.” The CHC drafted a Cottage Housing ordinance that was never adopted. The City could update that ordinance for Council consideration with a minimum of effort. See Appendix D.

Additional Strategies to be Explored

The AHTF discussed multiple strategies and ideas for increasing the island's supply of affordable housing. As our work continued, we began focusing on the Priority Recommendations. Other ideas that we consider worthwhile were not included in these recommendations, generally because we considered them to be longer-term in nature. After the Council has accepted this Final Report and the AHTF is dissolved by the terms of its authorizing resolution, we urge City staff and/or a citizen committee to continue work on these ideas and issues:

Community Partnerships

Conversion of Single Family Homes to Duplexes/Triplexes

Programs to Preserve Existing Housing

Affordable Senior Housing

Addressing Limitations Due to Sewer and Septic

Homelessness and Housing Insecurity

Tiny Houses/Microhousing

Transportation Alternatives: Car2Go, Smart Cars, Public Transit

Advocacy for County, State, and National Affordable Housing Policies

Work with Forterra to adopt a more effective Transfer of Development Rights program

Respectfully submitted,

The Affordable Housing Task Force

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