

# **AFFORDABLE HOUSING TASK FORCE REPORT**

## **January 2004**

### **I. INTRODUCTION**

#### Purpose and Goals of the Mayor's 90-Day Affordable Housing Task Force

The City of Bainbridge Island, as mandated by the Washington State Growth Management Act, has developed housing goals and policies that are “intended to encourage the availability of affordable housing to all economic segments of the population, promote a variety of densities and housing types, and encourage preservation of existing housing stock.” These goals and policies are included in the Housing Element of the City's Comprehensive Plan, adopted in 1994. In 1997 the City established an affordable housing program to implement the housing goals and policies.

The City has now had enough experience with the affordable housing program to know that it isn't working as originally intended, and that the goals of our Housing Element are not being fully met. In the fall of 2003, Mayor Darlene Kordonowy appointed the Mayor's 90-Day Affordable Housing Task Force, comprised of a diverse group of members with expertise in housing, land use planning, real estate and financing, architecture, construction and law. In addition, several of the members have experience with non-profit agencies such as Housing Resources Board and Health, Housing and Human Services. The task force was charged with reviewing the City's current housing program, identifying opportunities and constraints in providing affordable housing on the Island, and recommending how the program could be revised to better meet the requirements of the Growth Management Act and goals and policies in our Comprehensive Plan. In their review, the Task Force was asked to consider housing programs in other jurisdictions, as well as projects supported by local housing agencies such as Housing Resources Board and Kitsap County Consolidated Housing Authority.

### **II. RESOURCES AND BACKGROUND MATERIAL**

#### The Growth Management Act

The Task Force began their work by reviewing Growth Management Act (GMA) requirements for affordable housing. One of the thirteen major goals of the Growth Management Act (GMA) is directed at housing:

“Housing: Encourage the availability of affordable housing to all economic segments of this state, promote a variety of densities and housing types, and encourage preservation of existing housing stock.

The GMA defines affordable housing as follows:

“The term applies to the adequacy of the housing stocks to fulfill the housing needs of all economic segments of the population. The underlying assumption is that the market place will guarantee adequate housing for those in the upper economic brackets, but that some combination of appropriately zoned land, regulatory incentives, financial subsidies,

and innovate planning techniques will be necessary to make adequate provisions for the needs of middle and lower income persons.”

To this end, the Growth Management Act requires that Comprehensive Plans include a Housing Element aimed at:

“...ensuring the vitality and character of established neighborhoods that: a) includes and inventory and analysis of existing and projected housing needs; (b) includes a statement of goals, policies, objectives and mandatory provisions for the preservation , improvement and development of housing, including single-family residences; c) identifies sufficient land for housing, including but not limited to, government-assisted housing, housing for low-income families, manufactured housing, multi-family housing, and group homes and foster care facilities; and (d) makes adequate provisions for existing and projected needs for all economic segments of the community.”

### The City’s Housing Element

The Housing Element provides the basis for the City’s affordable housing program. Its goals and policies express the City’s commitment to maintaining economic diversity, preserving existing affordable housing stock and providing a variety of housing choices. The Housing Element also recognizes land cost as a key element in strategies for affordable housing and suggests programs to reduce it. Various other programs such as reduction of impact fees, purchase assistance and expediting and simplifying application procedures are addressed. Perhaps the most important provision in the housing element is the hiring of a Housing Planner to initiate, carry out and follow through with the programs.

The Task Force reviewed the Housing Element of the Comprehensive Plan, including the Planning Commission’s recommended revisions to the housing goals and policies, which were made as part of the state-mandated review of the Comprehensive Plan. Specific comments noted by the Task Force in its review of the Housing Element include:

- At present, the concept of “affordable housing” in the Housing Element is closely tied to income qualification when in fact affordability can be achieved through varied housing types, unit sizes, zoning etc., The Task Force recommends using the GMA definition as an “umbrella” and then making a distinction when a policy applies to regulated, income-qualified housing.
- The “tools” identified in the Housing Element for creating affordable housing should be broadened to reflect the GMA definition.
- Adequate staffing is essential to the successful implementation of the City’s housing goals and policies.
- Uniform dispersal of affordable housing is not always practical and other factors, such as zoning, availability of public water and sewer and land costs need to be considered
- The City should pursue effective strategies to reduce the land cost component of for-purchase housing by: a) broadening its policy to allow flexibility in the city’s programs, and b) using publicly owned (City, Schools, Parks) land as an important tool in creating income-qualified housing.

### 2003 Housing Needs Assessment

In October 2002, upon recommendation of the Housing Trust Fund Executive Committee, the City Council approved a contract with consultant Karen Monson for the development of a comprehensive and up-to-date housing needs assessment for Bainbridge Island, including an in-depth analysis of affordable housing needs across all households. The 2003 Housing Needs Assessment updates the Needs Assessment in the 1994 Housing Element and fulfills reporting requirements contained in the Housing Element. It also provided invaluable information to the Mayor's Affordable Housing Task Force, including the following:

- There is a shortage of housing affordable to island residents in the \$35,000 to \$60,000 a year income bracket.
- Multifamily housing developments did not keep pace with growth and need, especially studio and 3 bedroom apartments. (Excludes developments completed after June 2003)
- Vacancy rates in established multifamily projects are less than 1% indicating a high demand.
- The demand for income qualified housing exceeds the current supply.
- The market is meeting the needs for those earning over \$60,000 a year.
- The land development costs on Bainbridge Island are not conducive to affordable housing without public water/sewer availability.
- There is a need for community education on financing options available
- There has been a significant decline in the 18-34 year age group.
- There has been a significant increase in the 35-59 year age group and the 60+ age group.
- There is a lack of entry level housing for young families.
- There is a lack of permanent affordable rental housing.
- The increase in cost-burdened households, both rental and home-ownership. In both categories the Needs Assessment documents an increased need over the past decade for assistance in meeting basic housing costs
- Increasing taxes could force modest- income households and retired citizens living on fixed incomes off the Island.

### **III Assessment of the City's Existing Programs**

#### Staffing

In the first three years of the its affordable housing program, the City had a Housing Planner with expertise in a wide array of housing issues. That position has since been cut, and the program is managed by in-house staff with limited time availability. Reduction in staff has coincided with an in increase in both the number of affordable units constructed and the complexity of problems associated with the program. This has hampered the City's ability to revise the current program and develop other housing policies identified in the Housing Element.

#### The Affordable Housing Ordinance: Income Qualified Housing for Purchase

The main component of the City's affordable housing program is a requirement that most multifamily and single-family residential projects provide ten percent of the residential development for moderate-income households, with density bonuses available to the developer in return for providing the income-qualified housing. The density bonus is considered to be a "subsidy" provided by the City, in that it facilitates the sale of the home at less than fair market value. The difference between the fair market value and the actual sales price is calculated at the time of initial purchase, and this amount then represents the City's subsidy. The initial income-

qualified buyer may resell at market-rate at any time. Upon resale, the “subsidy” is repaid to the City, along with a portion of the appreciation. (This latter amount is based on the ratio between the fair market value and the subsidy.) In order for the program to work, the program preconceives that the appraised value will be higher than the sales price. This can be achieved by real market differences or by the developer lowering the price of the unit for an income-qualified buyer. The targeted income group for this program is the moderate-income group based on Seattle-Bellevue-Everett median household income.

There are several basic problems with this program.

- 1) It has become increasingly difficult to mingle “affordable” units in subdivisions or condominium developments where market rate units are selling for upwards of \$375,000. The appraised value of the affordable units is close to market rate. Even with a significant reduction in the sales price, the homes are not affordable to the targeted user group.
- 2) The program is applied to almost all subdivisions regardless of density or land cost.. It’s unrealistic to expect that affordable housing can be provided in all areas, for example in R-0.4 zoning (1 home per 2.5 acres) or on the shoreline.
- 3) The income qualification does not consider cash assets and, therefore, a buyer who has assets and meets the income qualifications can buy down the loan and purchase the unit.
- 4) Because the units may be resold at market rate, the program does not result in sustained affordability. Over time the affordable housing stock is reduced. However, the density bonuses associated with the program are permanent.
- 5) The program is extremely expensive to manage with renegotiation of mortgages, purchase and sale agreements, recapture provisions, refinancing and new mortgages, many of which are driven by the market and, therefore, cannot be controlled. The City is put in the role of a “banker.”
- 6) The paperwork required of the buyer to participate in the program is difficult to understand, as is the equity recapture, and potential buyers are scared away.

#### Income Qualified Housing for Rent

Need to add section here

#### Fee In Lieu Ordinance

The program described above was amended in 2003 to include a fee-in-lieu option, which allows developers in the downtown area to meet the requirement by paying a fee to the Housing Trust Fund. The fee is based on the amount of floor area ratio that would have been required for affordable housing. The fee in-lieu option was implemented to provide flexibility to developers, and there has been discussion in the City of extending to all residential zones. However, the Task Force has identified an important issue which needs further consideration. The fee-in-lieu of funds are generated from projects where affordable units would have served moderate income

households. Because the funds are directed to the Housing Trust Fund, they must be used to benefit lower income groups (see discussion below.) This further reduces the opportunities available to the moderate income group.

#### Housing Trust Fund

The Housing Trust Fund was established in 1999 for the "promotion, retention, preservation and creation of affordable housing." Due to an internal policy decisions and restrictions based on public funds, the Trust Fund may support only projects that will retain, over a 30-year time period, income qualifications based on 50% of Kitsap County's median household incomes.

#### Affordable Non-Profits

Housing Resources Board (HRB). Since its inception in 1989, the HRB has developed 40 rental units and plans to develop another 10 units and purchase an additional 48 units in the near future. HRB has developed only rental units. According to Bill Reddy, Executive Director, HRB is constrained by the City's current rental housing programs and the lack of available funds from the Housing Trust Fund.

#### Habitat for Humanity

There are currently three Habitat homes being developed on Bainbridge Island. The barrier for these houses was land cost, which was paid for by donations and a matching Community Development Block Grant from the Windermere Foundation. Without these grants and donations, the projects would not have been possible. Habitat cannot accept government funds to build houses, but can accept funds for infrastructure and set-up costs. Homeowners are typically in the 25%-50% of Kitsap County 's median income bracket. The ongoing difficulty for the homeowner is property taxes, which are based on the total value of the property, including the value of donated land. Also, Habitat has found that the high cost of impact fees and building permits severely impacts the cost of their houses.

#### Kitsap County Consolidated Housing Authority (KCCHA)

KCCHA has its own program and does not incorporate any City programs. This is partially because according to KCCHA Deputy Director Roger Waid, any program requiring 30-year fixed affordability does not work. However, they feel it is very important to maintain long-term affordability for both purchase and rental housing, just not through the City program. Suggestions from KCCHA include a second mortgage through the Housing Trust Fund for down payment assistance and a good program of equity recapture upon sale of the for-purchase units.

### **IV. Identifying Need for Economic Segments**

The City's affordable housing program identifies five economic segments: extremely low income (30% or less of median), very low income (30%-50% of median), low income (50%-80% of median), moderate income (80%-95%) and middle income (95%-120% of median).

In terms of rental housing assistance, the Housing Resources Board provides rental assistance to approximately 1,000 Bainbridge Island residents, serving principally the very low and extremely low income groups. Additional subsidized homeownership is being provided through the efforts of Kitsap Housing Authority (self-help and silent seconds) and Habitat for Humanity. However,

subsidized housing for homeownership over the last 10 years on Bainbridge Island totals some XX units.

The data provided in the 2003 Housing Needs Assessment shows that market rate housing consistently serves all households in terms of homeownership, with the least impact on the lowest income segments and the greatest impact on the higher income segments.

Overall, Bainbridge Island averages about 425 home sales per year. Approximately 16% of all market rate homes sold on Bainbridge Island over the past three years serve these five economic segments. In raw numbers this has averaged over 60 homes per year over the last few years sold to those with household incomes from \$20,000 to \$75,000.

The breakdown of identified economic segments served by market rate housing -- and using 2001 as an example (419 single-family and condo sales with 61 sold within the identified economic segments): approximately 7% of extremely low and very low income, 17% of low income, and 77% of moderate and middle income (\$51,775 to \$75,000 – can't breakdown further due to lack of household size information on home sales) households.

While the data suggests there is a housing gap at each economic segment and that the gap widens as family household income increases, the data is unable to provide a specific numerical gap for each segment as the information needed to accurately measure the housing gap is simply not available.

What we do know is that the greater the housing gap, the more financial resources are required. We also know that the rate of homeownership on Bainbridge Island is a remarkable 78.3%, compared to the homeownership rates of 48.4% in Seattle, 61.5% in Bellevue, 67.4% in Kitsap County, 64.6% in the state of Washington, and 66.2% in the US (based on 2000 Census data). One must keep in mind that there is a significant segment of any population that chooses to rent and have no desire to become homeowners.

While market rate housing clearly has well served many economic segments on Bainbridge Island, and despite the fact that Bainbridge Island enjoys one of the highest homeownership rates in the nation, there are many housing gaps that remain and need to be addresses by the City and its housing partners.

## HOW MUCH AFFORDABLE HOUSING ARE WE LOSING EACH YEAR?

There are two types of “affordable housing” this question addresses:

1. Subsidized housing that provides assistance to renters or homebuyers; and,
2. Market rate housing that statistically falls within a range that a household in a targeted economic segment can qualify to purchase.

In terms of subsidized housing, the loss or gain is clearly measurable and the City and the Housing Resources Board and Kitsap County Housing Authority have all assisted in retaining subsidized housing.

In terms of measuring the “loss” of affordable housing, this is a statistical challenge as the case can be made that housing on the island has clearly seen a net gain, that the sales of housing in the affordable range have been steady, and that household incomes have also increased as housing prices have increased (and decreased).

According to the 2000 Census, there were 7,979 households on Bainbridge Island, 5,287 owner-occupied of which 42% of these homes had a value of under \$300,000. The 1990 Census shows 6,616 households on Bainbridge Island, a net increase of 1,363 households or a 20% net gain in housing units in the last decade.

To calculate any “loss” in market-rate affordable owner-occupied housing, more data analysis and research is needed.

## AVERAGE HOME PRICE V'S WHAT IS AFFORDABLE

Although the average home price is approximately \$475,000 there is still an active market under \$300,000.

Approximately 232 homes under \$300,000 were sold 2001 and Oct 2003 for an average of 75 homes per year. Half of this total was new construction.

The new construction is supplying approx 7-8% of the market under \$300,000 per year and combined with resale the under \$300,000 is supplying approx 15% of the total annual market.

All housing under \$300,000 would be considered affordable to families with a \$70,000 income.

Approximately 65 new apartment rental units have been constructed and occupied in the last 18 months. All of these units would meet the affordable guide lines.

## **V. Policy Issues**

The COBI needs to develop an effective affordable housing policy that multi-faceted, flexible and sustainable. Programs to address the housing needs of various level income households combined with zoning changes, regulatory incentives, innovative planning and financial subsidies will make significant gains in affordable housing opportunities in the future. Policy areas to consider:

- 4.1. Identify and mitigate the factors that contribute to the high cost of housing on BI: land values, permitting costs, land use regulations and restrictions.
- 4.2. Address and solve problems with the existing programs, with periodic review and assessment of housing programs and initiatives.
- 4.3. Establish acceptable levels or targets to make a significant impact in closing the housing gap for extremely low to moderate income households.

4.4. Encourage levels and types of housing opportunities (for purchase and rental) the following groups can provide: city, non-profits, private developers, financial sector.

4.5. Recognize the need for changes in zoning that support affordable housing such as increased density and height bonuses, increased FAR for residential uses, reduced lot sizes, and other changes that encourage innovation in housing type and size.

4.6. Establish effective management and monitoring of income qualified housing programs by city staff or other appropriate entities.

4.7. Develop a city policy to minimize the loss of existing affordable housing stock and addresses the displacement of lower income people as lower rent housing stock is demolished and replaced by higher cost housing.

## **Discussion**

### **4.1. Identify and mitigate the factors that contribute to the high cost of housing on BI: land values, permitting costs, land use regulations and restrictions.**

The ability for an individual or family to purchase or rent a living unit depends on their income and net worth. In desirable communities such as Bainbridge Island, the demand for living units is high and the price rises accordingly. Lower income individuals or families who cannot afford the high price become excluded from the market. The price of housing on Bainbridge Island is higher than surrounding communities (except Seattle and Mercer Island) due to the higher cost of land, higher permitting costs and land use regulations and restrictions.

#### **Land values**

The cost of land is higher because of Bainbridge Island's unique access to metropolitan Seattle and because land-use policies have limited density. In recent years, the Island has attracted higher income families (most relying on the ferry to commute to Seattle) who benefit from living in a vital community with excellent schools, parks and cultural activities, while maintaining rural or suburban surroundings. The combination of the rural character and mass transportation to a major metropolitan center has resulting in high priced land.

#### **Land use regulations and restrictions**

Because of the unique environment of the Island, new members of the community frequently have a feeling of discovery and wish to retain the Island as it was upon their arrival. Each newcomer adds an increment of resisting growth and change. This NIMBY (Not In My Back Yard) environment gives rise to cumbersome land use processes and restrictive land use regulations. Permitting costs are relatively higher. The additional cost to develop on Bainbridge is between 10% and 15%. (Is this compared to Kitsap County, or other communities surrounding Seattle?)

#### **Creating more affordable housing: mitigation of factors**

A combination of land use changes, regulatory incentives for constructing affordable housing, encouragement of innovative planning techniques and expansion of public utilities (water and sewer) would contribute to the creation of additional affordable housing. A community land trust for affordable housing would eliminate the high cost of land from the housing equation. The following section of this report, Section 5, offers specific recommendations for these changes.

#### **4.2. Address and solve problems with the existing programs, with periodic review and assessment of housing programs and initiatives.**

##### **Overview**

In Section 2 of this report, problems with the city's housing programs have been identified, particularly the recapture issue on the current program and the limited scope of the HTF. A fee-in-lieu program has been implemented in Winslow and is proposed for the entire island; however, currently the fees go to the HTF which only provides for the extremely low income households (50% Kitsap County median income). The affordable housing needs of low to moderate income households groups are not addressed with the fee-in-lieu program and the HTF.

##### **City housing programs**

As an incentive, the city should give options to developers that offers some flexibility in siting and building affordable housing units. The current 10% requirement (with the bonus density) for projects over a certain size work is a fair number which works well on some building sites (although the recapture problem needs to be solved). Another option, the fee-in-lieu of program should be extended to all zones. This allows more flexibility in use of land and can provide funds for support of programs oriented towards people instead of units (in the form of the city's "silent second" which will be discussed in Section 5 of this report).

##### **Definition of Affordable Housing**

Affordable housing units are housing, single family or multi-family, that can be purchased or rented at a market rate by a household with income at or below the 95% of the moderate income as defined by Seattle-Bellevue-Everett PMSA. This definition is consistent with the Cities current definition of income.

The price of a unit depends on the density, size of the unit, construction materials and other factors market determined. Units conforming to the affordable definition will likely remain affordable, relative to other housing, in perpetuity. The City has many tools available to encourage construction of affordable housing.

Non-profit groups such as Housing Resources Board and KCCHA offer subsidized rental housing for low income households (80% or below Kitsap Median Income). Subsidized housing is distinguished from affordable housing because it addresses the needs of the individual or family and not the physical housing unit. Subsidized housing are units that have financial assistance provided to the occupant. The actual unit may or may not be classified as affordable, but in most cases would likely qualify. Affordable housing, in contrast, is defined by the market

price. To be affordable the unit must sell or rent at or below the prices determined by the income thresholds.

### **The Income Criteria problem**

Only qualified individuals or families should benefit from programs or regulations consuming public funds. The existing affordable housing program has resulted in some (how many?) sales of designated affordable units to individuals who have low incomes but high net worth. This is clearly not the intent of the existing ordinances and indicates change to the program is required. Net worth of an applicant for any housing program should be evaluated along with income.

### **Periodic review and assessment of housing programs and initiatives**

Housing programs run by the city, as well as zoning and regulatory changes, need periodic review to assess the success in maintaining a supply of affordable housing that is desirable to buyers and renters. Any new program is bound to need some review and revision as unforeseen flaws arise; this was true with the recapture method of the city's current housing program as demonstrated earlier in this report. The review may be done by city staff and an advisory housing commission (similar to the Open Space Commission).

4.3. Establish acceptable levels or targets to make a significant impact in closing the housing gap for extremely low to moderate income households.

The city needs to establish levels of housing and targets to meet as part of an overall housing policy. In addition to city run programs, the city can encourage non-profits, private developers, and the financial sector to help meet these targets. As seen in the previous section of this report, data indicates that while some housing for purchase and for rent is available for households at or below the 95% of the moderate income as defined by Seattle-Bellevue-Everett PMSA, there are relatively fewer housing opportunities for these households. As the cost of housing rises, and as more lower cost housing is demolished, the housing gap widens.

The city will also need to establish income targets relative to affordability given fluctuations in the market place for mortgage rates, housing and land values, and other factors. Price variables influence the availability of market rate housing (not subsidized housing).

### **Price Variables**

The affordability of a living unit depends on the purchase price, the mortgage rate of interest, length of loan, down payment and percent of income available for housing. The affordability of a rental unit depends on the percent of income available for housing. There is a one-to-one relationship between the affordable purchase price or rent once the variables are defined.

Price Variables:

Interest rate =  $i$  %

Period of loan =  $n$  years

Down payment =  $d$  %

Mortgage percent of income =  $Pp$  % (not including insurance, tax, utilities and other housing expense)

Rent percent of income =  $Pr$ %

The price variables should be defined in order to provide for long-term stability and predictability of the affordable housing program. For example, the interest rate used to determine the price of an affordable unit should be a long-term average rate not the current rate. This will mean that in periods of high interest rates units that were once affordable will become unaffordable. When low interest rates return, units will return to affordable.

The following values of the pricing variables are suggested as values necessary for maintenance of a long-term affordable housing program:

- Interest rate = 8.0 % (average value over the last 23 years)
- Period of loan = 30 years (Maximum normally available)
- Down payment = 10 %
- Mortgage percent of income = 25 % (not including insurance, tax, utilities and other housing expense)
- Rent percent of income = 20%

With these values, the purchase price of a living unit is 38 times annual income. With these values, affordable rentals are .017 times annual income. To define affordable, it is only required to define income.

Defining income is not an easy task. The different private and public groups operating affordable programs on Bainbridge Island do not consistently apply the definition of income. The City currently uses below the 95% of the moderate income as defined by Seattle-Bellevue-Everett PMSA. The Housing Trust Fund uses below 50% of Kitsap Median Income as a funding requirement for projects. The third is a combined King County/ Kitsap County median used for ....

#### **4.4. Encourage levels and types of housing opportunities (for purchase and rental) the following groups can provide: city, non-profits, private developers, financial sector.**

The city should set policies that encourage, and in some cases assist, the non-profit sector, private developers and the financial sector in providing affordable housing. The city should also recognize the role in these sectors in providing housing and include these groups both in its targets for housing and its review and assessment of housing programs in meeting affordable housing needs on the Island.

#### **Maintaining a “housing ladder”**

The city should develop multi-faceted and flexible approach to the issue of affordable housing gaps by embracing the concept of a “housing ladder” to provide both rental and for purchase housing both new construction and existing housing stock for a broad range of income level groups from very low to middle income level. (Add a diagram of the housing ladder). This will enable families to move up the ladder from rental housing to the various options in for-purchase housing as families grow and become more financially stable.

A good example is a new teacher earning the entry level low income allowed by the state who will gradually increase earnings with seniority and continued higher education. At a minimum, initially this teacher requires low cost rental housing but in order to settle down in the community, the same teacher will need affordable for purchase housing.

#### **Dispersal of housing opportunities versus clustering affordable housing:**

Both the dispersal of housing opportunities as well as clustering affordable housing (such as multi-family housing) are acceptable ways to provide affordable housing. Maintaining the existing stock of affordable housing can include financial subsidies for enabling low to moderate income people (such as teachers) to purchase existing houses. Market rate affordable housing may be achieved through zoning changes that encourage smaller housing units on smaller lots, or in areas of increased density. The city's role is to encourage both non profit and for profit entities to develop housing models that falls into two categories: those that provide housing units at affordable prices or rents and those that assist individuals or families to purchase or rent housing.

The city can broaden Housing Trust Fund mission to support new and existing single-family home ownership while continuing to support subsidized rental housing for those at the lowest income levels.

#### **4.5. Recognize the need for changes in zoning that support affordable housing such as increased density and height bonuses, increased FAR for residential uses, reduced lot sizes, and other changes that encourage innovation in housing type and size.**

##### **Increased density**

Land cost can be reduced by increased density. Simply by placing more living units on the same piece of ground will result in a proportional reduction in the cost of the land per unit. Density increases for affordable housing may be offset with shared open space to maintain the rural character of the island. The city can encourage affordable housing by continuing to give density credits for developing affordable units by the private sector.

##### **100% residential FAR in mixed use zone**

Another incentive for creating affordable housing includes allowing 100% residential in the mixed-use zone. The requirement for commercial in combination with residential in the Winslow mixed-use zone has resulted in a loss of market rate affordable units. The requirement for parking for the commercial use is one of the factors. The mixed-use zones were identified many years ago with a vision of Winslow somewhat different than that of today. There are properties that are zoned for mixed-use that are poor candidates for commercial development today and the result is underdevelopment of the residential use. The elimination of the requirement for commercial in the mixed-use zones would result in an increased number of market rate affordable units.

##### **Flexible regulations**

Another approach to reducing land cost is to increase the flexibility of regulations. The pending cottage-housing ordinance is an example.

### **Simplifying setback and buffer regulations**

Providing flexibility at each site would also reduce land cost. The city currently requires setbacks from buffers in certain instances. The effect is to reduce density, increasing land cost, and increasing the permitting cost. In many situations setbacks can be eliminated or reduced without any impact on the protected land element. Setbacks and buffers have been set at fixed values to address the worst-case situation, which in most cases is not necessary. The relationship between open-space requirements and buffers continues to complicate the regulations and result in an appearance of inconsistent enforcement. This slows the time for permitting and increases cost to both the city and the developer.

### **Incentives**

Regulatory changes to encourage the development of ADUs enable private citizens to participate in the process of providing affordable housing.

### **4.6. Establish effective management and monitoring of income qualified housing programs by city staff or other appropriate entities.**

#### **Conformance with Qualifications**

Conformance with income qualification regulations should be simplified and assigned to the most capable. The most qualified could be city staff or a non-profit agency. Individuals or families that qualify as a targeted group may not remain qualified as time passes. Many factors come into play, including change in income, inheritance, change in marital status and others.

(Discussion point: It is unreasonable to expect an individual or family to volunteer a change in qualifications that removes the qualified status, particularly when it results in real loss of current benefits. Moreover, regulations requiring periodic reporting of status encourage inaccurate information, particularly if the accurate data indicates values just exceeding threshold numbers. And, periodic monitoring of qualifications by public employees can be more time consuming and costly than the cost of the abuse.)

#### **Recapture Subsidized Housing**

Existing ordinances recapturing equity are a barrier to using the existing program. The program needs revision so the package, including the recapture issue, becomes a viable option for income qualified homebuyers and developers.

#### **City Staff**

Fund and hire a housing director/ planner to manage HTF programs and funding; develop housing programs and initiatives like zoning changes, incentive plans, innovations in planning techniques; GMA housing assessment monitoring; community education and outreach to public/ financial sector/ real estate sector/ developers about affordable housing.

City staff should be aware of the affordable housing issue. Staff should be encouraged to bring forward projects and programs that add to the affordable housing stock. Relying on a single staff person is insufficient. Affordable housing and subsidized housing are issues fundamental to many city functions, policies and decision. Success with affordable and subsidized housing programs will require a cultural, global change to the way the city approaches its responsibilities

to regulate land division and development, construction and renovation and preservation of existing inventory.

The city staff and its public reporting systems can provide better community education and outreach efforts about affordable housing.

**4.7. Develop a city policy to minimize the loss of existing affordable housing stock and addresses the displacement of lower income people as lower rent housing stock is demolished and replaced by higher cost housing.**

Existing affordable housing should be encouraged to remain affordable. The city should respond to the issue of loss of affordable housing stock as lower rent housing is demolished and replaced by higher cost for-purchase housing. (This section needs more work)

**5) Priority Options**

The following options were discussed as possible solutions or directions towards solving the perceived problems with the current affordable housing programs. Of the options considered to meet the affordable housing goal, most could be realized through modifications to existing City funded programs, policies and zoning. Many of these options will require greater study to determine possible impacts and compatibility with current regulations. These options recognize the role the public and private sectors will each need to lay in order to provide new housing units.

The options are intended to strengthen the intended purpose of the comprehensive plan goals. Once the options were identified, the task force prioritized the options to reflect those it felt would have the greatest impact. The priority options, listed below, are comprised primarily of modifications to existing programs. The task force felt it was important to continue with the programs in place while strengthening their effect. In some cases, the priority options also include some policies in the works, but not yet adopted as regulation.

(insert priority options)

**6) Other Options Considered**

Following the list of the priority options, is a list of the other options considered by the task force. These should be given additional study as land use policies are reviewed. Many of the incentives for the market to provide affordable housing will come through changes to land use policy. The market place will continue to be one of the best opportunities to achieve greater numbers of affordable housing, but not without simple incentives versus complicated programs.

The task force organized the options into four sections identified in the Growth Management Act describing methods for the creation of affordable housing; 1) appropriate zoning; 2) regulatory

incentives; 3) financial subsidies; and 4) innovative planning. Each option identifies the purpose of the change, its desired effect, and is related to its supporting goal in the Housing Element from the Comprehensive Plan (shown in parenthesis). While these are shown as options versus priority recommendations, each option should be considered for implementation.

### **APPROPRIATE ZONING:**

(delete options shown above)

a) Allow multi-family residential as a conditional use in Winslow (H3): Currently all land outside of Winslow allows multi-family as a conditional use in a residential zone, whereas within Winslow, several residential zones do not allow this. This is inconsistent with the comprehensive plan goal of accommodating growth within Winslow. The proposed zoning change would simply allow multifamily as a conditional use in those residential zones currently excluded, there by increasing the opportunity for expanded housing choices without changing the density. Status: no revisions proposed: recommend zoning change.

b) Cottage Housing (H1, H3): Over the last few years, a proposed ordinance has been initiated to create a cottage ordinance. This would allow moderate density increases in exchange for limiting the size of the residences. This type of ordinance has been created in several local communities as a method to encourage the creation of small size homes. Because the size limitations and open space requirements, the resulting intensity of development is equal or less than the comparable residential development. Status: comp plan allows cottage housing; cottage ordinance has been reviewed by planning commission; awaiting city council decision.

### **REGULATORY INCENTIVES:**

a) Increased Height For Affordable Units (H4): This is primarily an incentive to encourage the creation of more affordable housing. The proposal would allow increased height of 10' where added height is use for providing affordable units. This would create a similar incentive to the 10' height increase allowed when parking is placed under a building. This provision would also encourage projects with existing affordable units, threatened with removal, to be replaced. The goal is to create a market incentive to increase the numbers of units built. This could apply in all zones, including neighborhood service centers. Status: recommend zoning change.

b) Reduce Parking Requirements (H4): One significant limitation to the number of housing units on a given parcel, particularly in the downtown, is the site area that must be dedicated to parking needs. The current code allows reductions for proximity to the ferry, or for housing place above commercial. This provision would allow similar reduction for affordable units. The recommendation is 1 space per unit with a reduction to a minimum of .5 spaces per unit where above commercial. Status: recommend modifying use chart.

c) Legalize non-conforming affordable uses (H2): This would allow existing housing which is affordable, to be grandfathered as a conforming use for the life of the building, so long as it remains affordable. The non-conforming status has proved to be a significant obstacle to

obtaining financing and grant, or renovating older structures. Many of our existing affordable units are in older building. Status: recommend zoning change

d) Allow Both Residence and ADU To Be Rental (H1, H3, H4): ADUs are allowed in all residential zones, but are not being built to the extent anticipated. This is in part to the restriction that requires one unit to be owner occupied. The regulations should be changed to allow both units to be renter occupied.

e) Incentives for Small Size Market Rate Units (H1, H3): Currently the code only recognizes income-qualified units as meeting the definition of affordable. Part of the solution to affordable housing is creating more small units, as a means to both increase the number of units provided and reduce cost due to reduced sizes. Small 1-2 person households have limited housing choices due in large part that zoning that favors the creation of large single family residences. At present, parking, FAR and height limits discourage these types of units. The code could recognize small units (less than 900sf) as meeting the definition of affordable and be eligible for bonus FAR. These units would need to have a market price serving moderate income or below. These units should be allowed under the affordable bonus FAR.

#### FINANCIAL SUBSIDIES:

a) Community Land Trusts (H4): One of the significant obstacles to affordability is the high cost of land. The land trust model relies on the land being held with a long-term lease, such that the cost of land is removed from the purchase price of a home. This ensures the long-term affordability of the homes. The land can be privately donated, purchased with public money and held as a long-term asset of the community. At present, Trust For Working Landscapes uses such a model to preserve farmland. The most typical use of a CLT is to create housing in communities.

b) Subsidies for 1<sup>st</sup> time buyers & rent to own (H1): See existing programs above.

c) HTF Funds for pre-development of teacher housing (H1): See existing programs above.

#### INNOVATIVE PLANNING:

a) Reduced Lot Sizes or Lot Split (H4): Currently subdivisions are required to provide affordable houses on typical lots within developments. The result is small homes are being build on oversized lots burdening the home with added land costs, diminishing its affordability. The land costs could be reduced if the required lot size could be split into two lots, and two smaller units could be created versus one. This would create more units, reduce land costs, and offer an incentive for developers. Status: At present, the subdivision ordinance is considering the use of reduced lot areas where increased open space is provided.

b) Zero Lot Line for Affordable Units (H1, H3, H4): Similar to option shown above (“Reduced Lot Sizes”), the zero lot line option allows two units to be combined into a single larger building in keeping with the scale of other homes in a development. The home must match the design of typical homes.

- c) Density Bonus for Small Size Housing (H3, H4): The zoning regulations offer various incentives to encourage aspects of the Winslow Master Plan, including affordable housing, mixed use developments, and underground parking. While Winslow is attracting small scale higher density housing, areas outside Winslow are continuing to develop with conventional large size homes. The current codes do little to encourage small scale homes and in effect discourages it. Similar to cottage housing, incentives such as density bonuses or reduced lot sizes when home size is restricted.
- d) Preserving Existing Affordable Units (H2): Several of the above mentioned incentives could be used to provide incentives to preserve housing units threatened with demolition such as increased FAR or building height, and density bonuses.

## **7) Conclusions**

### *Housing Commission*

One critical element to the long range success of these recommendations is the follow through after the report is completed. The task force strongly recommends that the city appoint a Community Housing Committee to establish a work plan leading to the formation of a Community Housing Commission, similar to the recently formed Community Forestry Commission. The interim committee would focus on a mission statement, a work plan to carry forward the priority options, and the organization of the Housing Commission. Without such a body in place, or a city staffed housing planner, it is unclear how these options will move forward.

### *Need for Further Study*

Many of the conclusions of this report are the result of the combined first hand experience of its members with affordable housing on the island. While each member brings a unique perspective, there was simply not enough time to investigate the nature of the housing problem or the actual needs in a detailed manner. Furthermore, the creation of affordable housing and the programs which support it are in constant flux due to changing economic conditions. Issues we see today and the proposed solutions may be ineffective under different conditions. It is essential therefore to monitor the successes and failures and be willing to try new approaches.

### *Variety of Options*

The task force recognizes the many strengths of our affordable housing programs currently in place. While the report has taken issue with each of them, it has also recommended to maintain them with modifications. These first few years have given the chance to observe success and failures, and now make refinements. The task force has identified the critical role the market place should play, and the need to create stronger incentives. While the city should continue to set policy, it must provide a variety of options both for non-profit and for profit developers. We hope the options listed are considered for that purpose.

### *Community Acceptance*

While the community has stated its desire to have a diverse population, the reality of sustaining this will continue to be a challenge. The concept of an affordable project or home next door is unsettling to many, or so it would seem. Part of the solution is to recognize that most of the residents of these homes already are a part of the community and are part of its stability. Well designed affordable homes look identical to conventional homes. Aside from community receptiveness, there will be limited opportunities for more housing without making more land available. This means higher densities or innovative land uses which again may not be readily accepted. Bainbridge will always be faced with ever increasing land and home values, making it harder to maintain a semblance of diversity. We hope the city leaders and citizens can see the bigger picture where a variety of community goals must be balanced in order to make modest gains.