



Affordable Housing Task Force Final Report



July 11, 2018

Table of Contents

INTRODUCTION	1
EXECUTIVE SUMMARY	10
PRIORITY RECOMMENDATIONS	12
1. Code Changes to Encourage Affordable Housing in Winslow and Neighborhood Centers....	12
• Mandatory Inclusionary Zoning Ordinance	
• Changes in FAR to Create Affordable Housing Incentives	
• Multi-Family Property Tax Exemption	
2. Affordable Housing on Publicly Owned Land.....	17
3. Incentives for Accessory Dwelling Units.....	17
4. Innovation Program to Support New Ideas in Affordable Housing.....	18
5. Permanent City Support for Affordable Housing.....	18
QUICK WINS	20
Expanded Liveaboard Policies.....	20
Vacation Rental Ordinance.....	20
Permit Processing Priority and Reduced Fees for Affordable Housing.....	20
Housing Trust Fund Grants.....	21
Cottage Housing Ordinance.....	21
ADDITIONAL STRATEGIES TO BE EXPLORED	22

APPENDICES

- A.** City Council Instructions to the Affordable Housing Task Force
- B.** Housing Element of the Comprehensive Plan
- C.** Previously Delivered Recommendations and Correspondence
 - 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 re Suzuki project to City Council, dated December 7, 2017
 - 4. Email re Suzuki project to City Council, dated January 14, 2018
 - 5. Letter to the Planning Commission re Liveaboard Community, dated November 20, 2017
 - 6. Email re Development Moratorium to City Council, dated February 25, 2018
 - 7. Letter to City Council re Liveaboard Community, dated March 29, 2018
 - 8. Letter to City Council re vacation rentals, dated May 9, 2018
- D.** 2018 Median Income Table Bremerton-Silverdale MSA
- E.** Draft Cottage Housing Ordinance (2002)
- F.** 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 were unable to attend meetings and two 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.

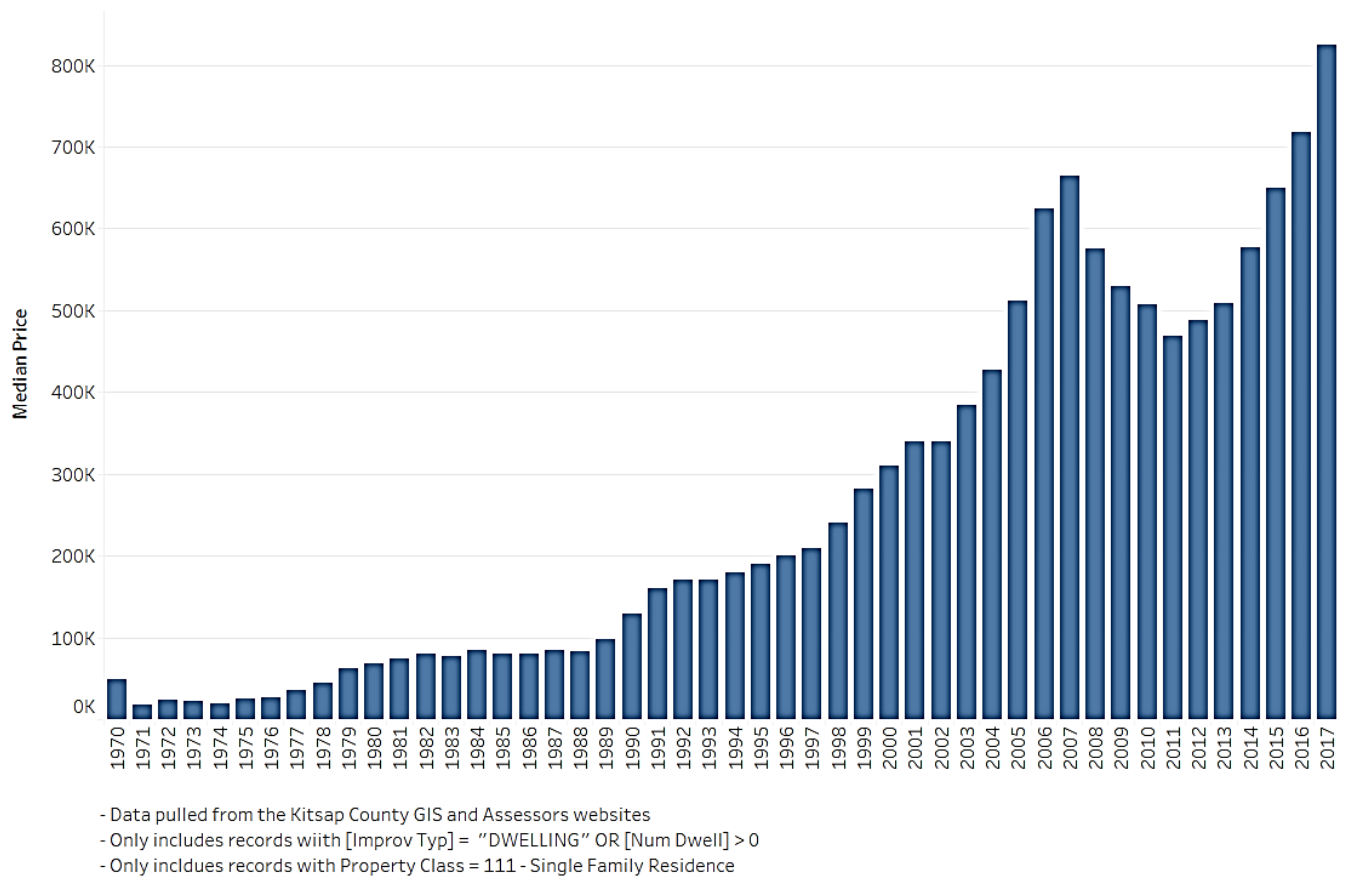
Housing Affordability on Bainbridge Island

Housing prices on Bainbridge Island have continued to climb, and affordability has worsened since the end of the Great Recession. Data from Kitsap County shows that in 2017 the median price of single family homes reached an all-time high of \$825,000, a full 24% higher than the peak of the housing bubble in 2007. According to Realogic/Sotheby's International Realty, buyer activity is elevated due to the Puget Sound region's strong job market.

At the same time, inventory is historically low on Bainbridge Island. Over the last nine years, from 2009 through 2018, the new supply of residential units, of all types, has been severely limited. In April of 2009, there were 10,469 units on Bainbridge Island. In April of 2018, there were 11,061 units. This translates into an average growth of 66 residential units per year. This represents a cumulative annual growth rate of .63% per year (less than 1% per year). This limited supply on Bainbridge Island is well below demand in a way that increases housing costs and creates an affordability crisis, minimizing housing opportunity for those of moderate incomes in our community.

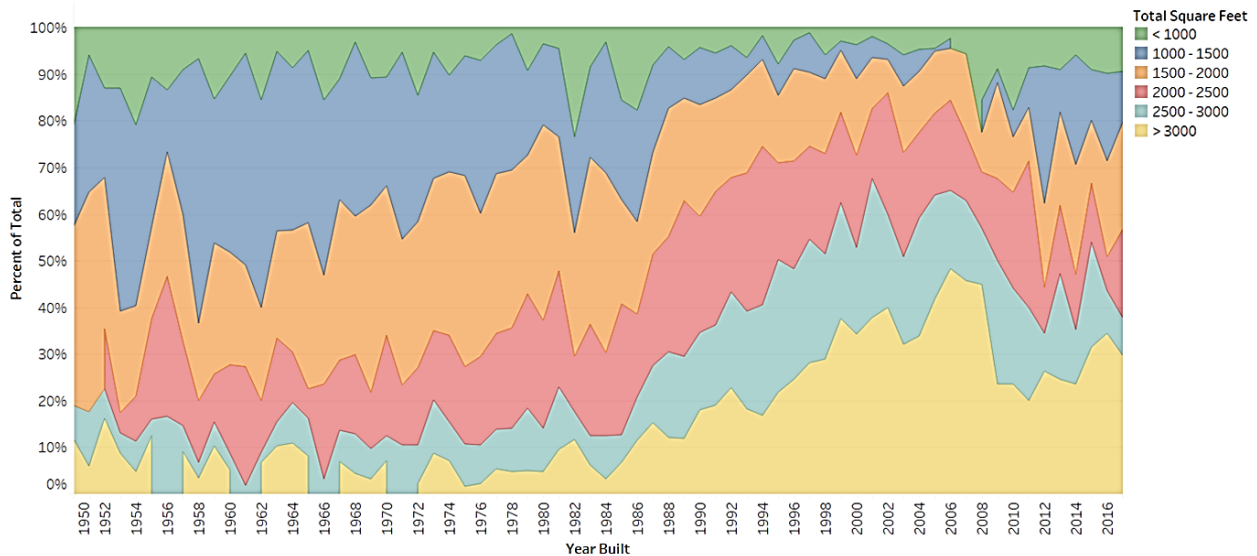
Prices have continued to climb in 2018. In May 2018, the median single family home price was \$875,000, and nearly half (44%) sold for over \$1 million. Single family residences account for about 80% of all housing units, in a very low density land use pattern that occupies almost 91% of the island’s land use area. Median condo prices are over \$500,000. Average rental rates are approaching \$2000 a month, and rental vacancy rates are 1.5%, well below the 5% rate more typical of well-functioning rental markets. In addition to high housing costs, the increasing property tax burden due to state, county and local taxes makes housing even less affordable, particularly for seniors on a fixed income.

Bainbridge Island Single Family Home Price Trend



Although homes being built now are not as large as they were during the last housing bubble, fully 30% of them are larger than 3,000 square feet. In addition, over the last 20 years, the vast majority (over 70%) of units have been over 2000 square feet. A significant contributor in the affordability crisis is the size of the units being delivered.

Bainbridge Island Home Size Trend

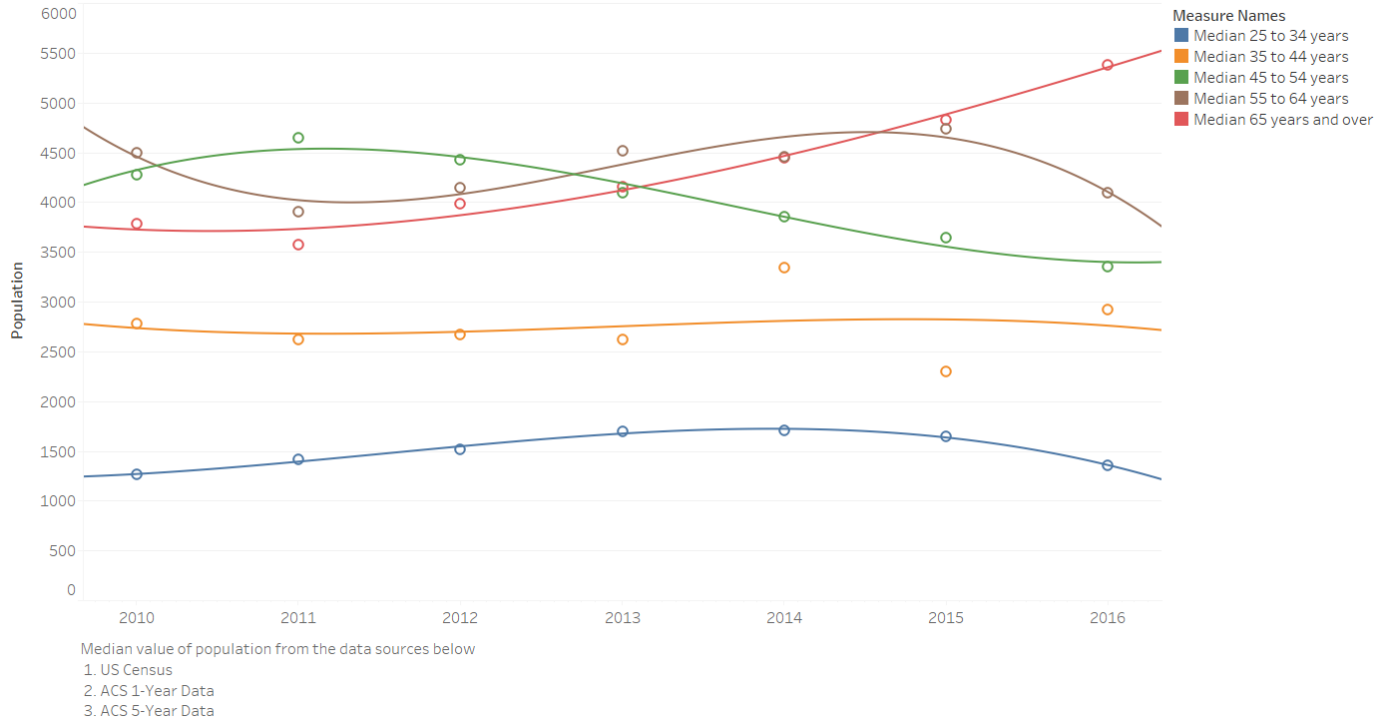


- Data pulled from the Kitsap County GIS and Assessors websites
- Removed buildings owned by COBI, BI Parks, BI School District, Arbor Fund, Islandwood
- Only includes records with [Improv Typ] = "DWELLING" OR [Num Dwell] > 0
- Only includes records with GIS Property Class = Single Family Residence OR Assessors records for dates after 2016 due to missing GIS records

Bainbridge Island had a population of 23,025 persons in the 2010 Census. According to the Washington State Office of Financial Management, the state agency that completes population estimates in between census years, the population of Bainbridge Island has grown from an estimated 23,190 persons in 2013 to 24,320 persons in 2018, after several years of no growth related to the Great Recession.

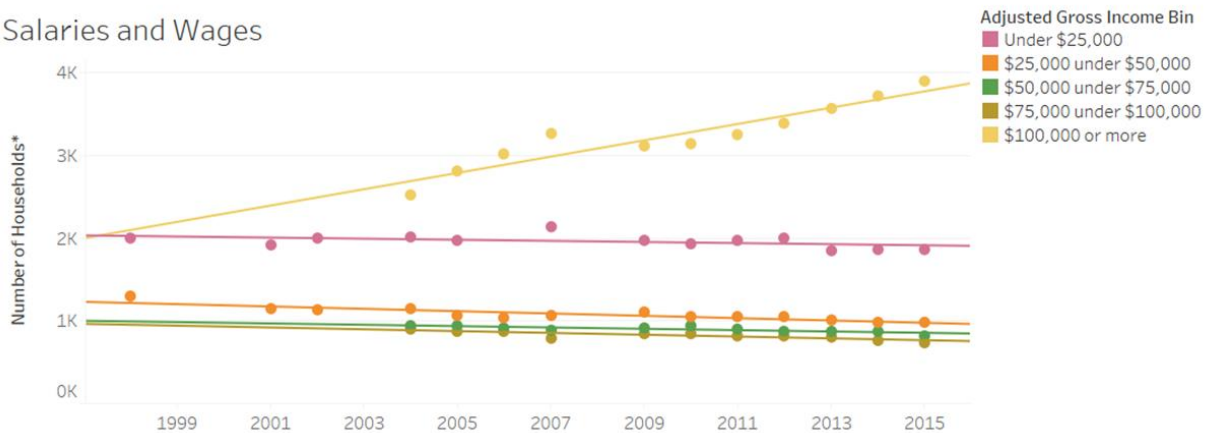
In part due to housing prices, the island’s demographics are shifting. Bainbridge Island is older, wealthier and far less racially diverse than other communities in the region. The island has an increasing population of people over 65, and a declining population of young adults (ages 25 to 34).

Bainbridge Island Population Trend by Age



We can also see that the number of households with income of over \$100,000 are increasing while households making less than \$100,000 per year are static or decreasing. The largest increases are in the number of households making over \$200,000 per year.

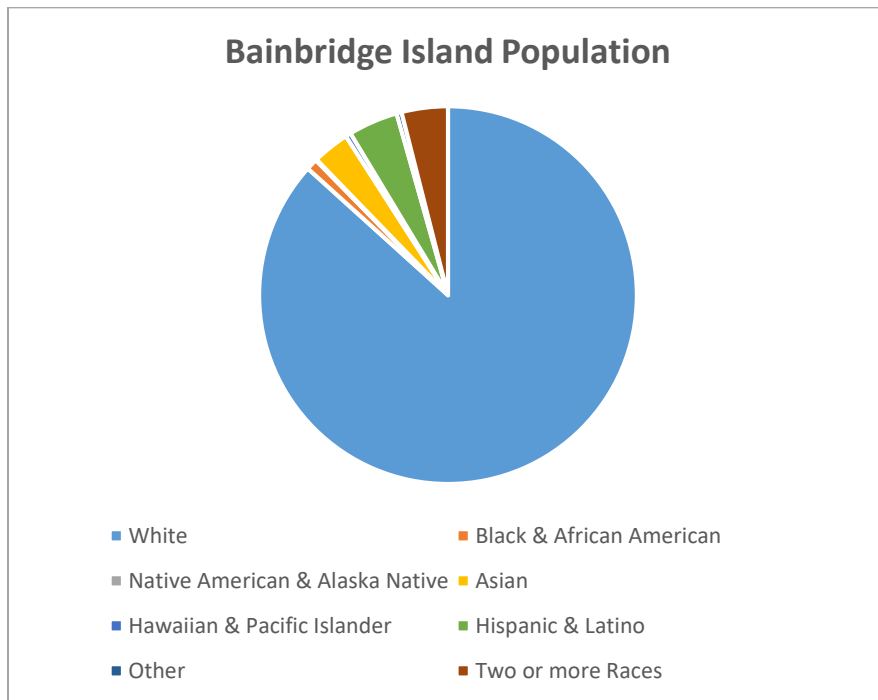
Salaries and Wages



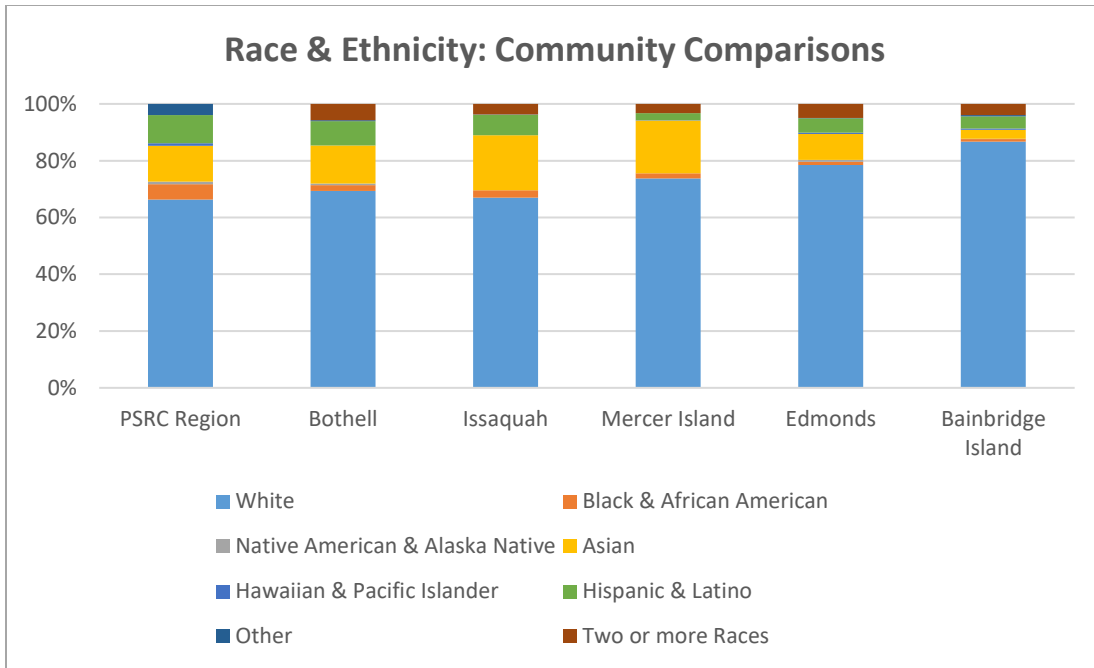
Bainbridge Island is about 91% white, according to the most recent census information. A 2014 report by the Puget Sound Regional Council noted the connection between lack of affordable housing and lack of racial and ethnic diversity:

“Persistent unaffordable housing costs, along with current and historic discrimination, have geographically separated lower-income households and households of color from higher income, white communities.....High-priced neighborhoods as well as neighborhoods with limited rental housing fail to provide feasible housing choices for low- and-moderate income households.”

In addition, the report found, "When a jurisdiction expands affordable housing opportunities in historically homogeneous communities with more opportunity, members of protected classes have access to good schools, employment, and healthy homes which they have been excluded from in the past."



Source: 2012-2016 ACS 5-yr Estimate



Source: 2012-2016 ACS 5-yr Estimate

This data tells us that Bainbridge is becoming an increasingly exclusive and rarified place to live. We are missing out on the vibrancy, creativity, economic benefit and sustainability 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.” Accordingly, we have looked at the various housing needs that are not being met in the island’s current housing market, both those who are cost-burdened and those who qualify for subsidized housing.

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 80% of Area Median Income (AMI) or less. Some publicly funded or subsidized housing is reserved for those whose incomes are 30% of AMI or less. (See Median Income Table, Appendix D). Waiting lists for subsidized housing on Bainbridge Island are two years or more.

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. 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 employees commute from off-island, some from as far away as Port Orchard, a round trip of about 75 miles. 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, lower parking requirements, or fewer required amenities.
- 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.

By any measure, Bainbridge Island has not implemented effective strategies to meet diverse housing needs. The island's housing nonprofit, Housing Resources Bainbridge, has produced the only appreciable amount of income qualified affordable housing on the island in the last twenty years.

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 think creatively and 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, and without undue delay or demand for risk-free or guaranteed outcomes. At the same time, if it becomes apparent that a policy or program is not working, the City should be prepared to change course quickly by abandoning ineffective strategies and adopting new policy measures appropriate to current circumstances.

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 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. 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.

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 Bankers 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.

Despite our growing housing inequality, Bainbridge Island has not implemented any significant affordable housing policies in a decade. The Housing Element (Appendix B) 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 of the Comprehensive Plan, “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 12-17)
 - 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 F)
- 2. Pursue opportunities to partner with the private and nonprofit sectors to build affordable housing on public lands.** (Page 17)
- 3. Adopt procedures to encourage Accessory Dwelling Units** (Page 17)
- 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 18)
- 5. Create a permanent affordable housing committee and designate a City employee who will spend at least half-time on affordable housing strategies.** (Page 18)

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 liveaboards in the Dave Ullin Open Water Marina in Eagle Harbor.** (Page 20; Appendices C (5) and (7))
- 2. Adopt vacation rental ordinance** (Page 20; Appendix C (8))
- 3. Institute permit processing fast-track and reduced permit fees for all affordable housing applications.** (Page 20)
- 4. Review and improve the Housing Trust Fund process, and award Housing Trust Fund grants at least annually** (Page 21)
- 5. Adopt Cottage Housing Ordinance** (Page 21; Appendix E)

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:

- **Work with Forterra to adopt a more effective Transfer of Development Rights program**
- **Community Partnerships**
- **Conversion of Single Family Homes to Duplexes/Triplexes**
- **Programs to Preserve Existing Housing**
- **Affordable Senior Housing/Accessible 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**

PRIORITY RECOMMENDATIONS

1. Code changes to encourage affordable housing in Designated Centers (Winslow and Neighborhood 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.

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 (the residential areas of Winslow) and Neighborhood Centers are regulated by units per acre, not FAR. Staff will need to determine minimum project size and related offset.

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 and the bonus 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.

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.

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.

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 or below**. For projects with a single inclusionary unit, it shall be affordable to a household income shall be no more than 80% AMI.

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.

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

NOTE: The City has enlisted ECONorthwest and Forterra to complete an economic analysis to support the development of a successful inclusionary zoning and transfer of development rights programs. That analysis is anticipated to be completed in November 2018, and may result in different thresholds for an inclusionary zoning program than those recommended by the AHTF above.

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. **The AHTF recommends the following modifications to Chapter 18.12 Dimensional Standards:**

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, including Max/bonus 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 is also likely to serve current demand for more senior housing, which is currently not being met adequately.

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 (which will be increased by inclusionary zoning). 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.

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.

This encourages pedestrian-oriented urban villages close to transit. The City should give consideration as to whether the height increase is appropriate within the Core District, subject to existing design guidelines and upper story setbacks for 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 construction 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 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 F (a copy of the ordinance adopted by the City of Bellingham).

2. Affordable housing on publicly owned land

The City owns 88 parcels of land totaling 250 acres, 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 donated or sold at a discount to a housing nonprofit or program, 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—according to City records, the island has approximately 196 permitted ADUs. 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 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 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 partnership and outreach commitment to other taxing districts, nonprofits, and entities such as faith-based housing providers that build affordable housing.

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 the Dave Ullin Open Water Marina 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 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 expand the time-frame during which it accepts applications. See Appendices C.5 and C.7.

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, applying to all current and future short-term rental properties and at least as restrictive as the Seattle ordinance. The AHTF also recommends that the Council consider whether short term rentals should be further limited exclusively to the owner’s primary residence property. To avoid significant impact on the island’s existing lodging industry, this restriction should not impact hotels, motels, inns, and licensed bed and breakfasts. See Appendix C.8.

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

The time required to complete a residential construction project is a significant factor in the final project cost. One element of this is the time required to obtain a building permit from the City of Bainbridge Island. A recent estimate from the Planning Department put the time to obtain a residential building permit at 10-12 weeks, at a minimum. This delay adds significant cost to all projects, but also provides us with a tool to incentivize certain types of development.

By establishing a building permit fast track for affordable housing, the City of Bainbridge Island could provide an incentive to developers to prioritize the construction of affordable housing at no additional cost to the city. This fast track would place affordable projects at the front of the permit approval line. Not only would this approach reduce the cost of affordable development, but would also increase the cost of luxury developments as the wait for non-affordable developments increased accordingly.

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.

The City should review the Housing Trust Fund criteria for grants and sources of funding to assure that this program is effective in encouraging the development and/or preservation of affordable housing options. The City should allocate funds to the Housing Trust Fund during each budget cycle. Also, the City should increase its outreach efforts to potential grantees. The City should make grants from the Housing Trust Fund at least annually. Money from the Fee-in-Lieu program established under Priority Recommendation 1A should be added to the Housing Trust Fund, in addition to the funds that are allocated from the City's general 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 E.

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:

- Work with Forterra to adopt a more effective Transfer of Development Rights program
- Community Partnerships
- Conversion of Single Family Homes to Duplexes/Triplexes
- Programs to Preserve Existing Housing
- Affordable Senior Housing/Accessible 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

Respectfully Submitted,

The Affordable Housing Task Force

Emma Aubrey (former member)

William Booth (former member)

Jeffrey Brown (former member)

Pat Callahan

Corey Christopherson (joined on 2/27/18)

Johnathan Davis (joined on 2/27/18)

Stephen Deines

Phedra Elliott

Sharon Gilpin

Stuart Grogan

Ann Huff (former member)

Edward Kushner

Ann Lovejoy

Bill Luria

Pegeen Mulhern

Althea Paulson, Chair

David Shorett

Charlie Wenzlau

Sarah Blossom, City Council Liaison

Michael Scott, former City Council Liaison

Leslie Schneider, City Council Liaison (joined April of 2018)

William Chester, Planning Commission Liaison

Jennifer Sutton, Senior City Planner

Bainbridge Island City Council Instructions to 2017 Affordable Housing Task Force

Among the high priority implementing actions of the 2017 revised Comprehensive Plan is the establishment of an Affordable Housing Task Force to consider the revised Housing Element and make specific recommendations to the Council for near-term action.

Members of the Task Force have been chosen both for their interest in working on this issue, and for their recognition that improving access to affordable housing on Bainbridge Island is critical to maintaining a diverse and vibrant community.

The Bainbridge Island Comprehensive Plan defines “affordable housing” as “...*housing affordable to all economic segments of the population of this state. This is a goal of the state Growth Management Act. RCW 36.70A.020(4). When residential housing for rental or private individual ownership is occupied by low-income households, it is considered affordable if it requires payment of monthly housing costs, including utilities other than telephone, of no more than thirty percent of the family's income. WAC 365- 200-030(1).*”

From this definition, the Task Force should understand that its mandate is broader than simply considering low-income housing. It should consider housing affordability on Bainbridge Island across the economic spectrum.

The Task Force should review affordable housing-related materials that have been generated by or for the City in recent years, review relevant resource material, and review the goals and policies of our current Comprehensive Plan. While Affordable Housing, and therefore the Housing Element of the Comprehensive Plan, is the focus of this Task Force, it will be important for it to consider the goals and policies of ALL elements of the Comprehensive Plan. Where goals and policies seem to be in conflict, it will be incumbent on the Task Force to recommend solutions that balance the costs and benefits for the community.

The Task Force will decide on what detailed work is necessary to deliver to the Council specific recommendations, including but not limited to recommended changes to City zoning codes and regulations, which would most effectively advance the stated goals of the Comprehensive Plan. The Task Force also may arrive at conclusions or recommendations that involve the work of non-governmental organizations, which can be shared with those organizations either as part of the Task Force’s work, or after its final report.

The Task Force is asked to deliver a report to the City Council by the end of June, 2018. The Task Force will be dissolved upon acceptance of its report by the Council.

HOUSING ELEMENT

TABLE OF CONTENTS

	PAGE
INTRODUCTION.....	HO- 1
BAINBRIDGE ISLAND SNAPSHOT: PEOPLE AND HOUSING.....	HO-1
GMA GOAL AND REQUIREMENTS FOR HOUSING.....	HO-1
HOUSING NEEDS.....	HO-2
HOUSING ELEMENT VISION	HO-3
GOALS AND POLICIES.....	HO-3
IMPLEMENTATION.....	HO-10

HOUSING ELEMENT INTRODUCTION

Decent and safe housing is a basic human need increasingly unavailable to many Americans, including many Bainbridge Island residents and workers. The Washington State *Growth Management Act (GMA)* provides direction for cities to address these needs in the Housing Element of the Comprehensive Plan. Many of the Plan's Guiding Principles and Policies carry this direction forward to be addressed in various Elements, including Housing.

The City's Housing Needs Assessment (HNA) documents current housing conditions on the Island and identifies trends and specific needs. The HNA is Appendix B to this Plan and adopted as a part of this Element. Many of the statistics below are excerpted from the HNA or the City's Economic Profile (Appendix A).

BAINBRIDGE ISLAND SNAPSHOT: PEOPLE AND HOUSING

Bainbridge Island's 2015 population of 23,390 is predominantly white (91%), well-educated and relatively affluent. The median household income (\$92,558) is 1.5 times the Kitsap County average. Almost 60% of residents have occupations with relatively high incomes. For example, the median wage for financial analysts, lawyers and marketing managers ranges between \$100,457 and \$122,618. Another third of Island residents work in the service sector, such as retail clerks, waiters and bank tellers have median wages between \$27,703 and \$30,972.

Over the past decade the population has experienced shifts in the age cohorts. Between 2000 and 2010 the Island's senior population (60+ years old) increased from 17% to 26%. The "young adult" cohort (between 18 and 34 years old) has declined from 15% of the Island's population in 1990 to less than 10% in 2016.

Bainbridge Island's housing stock is predominantly detached single-family homes (80% of all units) in a very low-density land use pattern that occupies about 90% of the Island's land area. The average single-family home price is just under \$700,000.

Multi-family units that constitute 16% of the housing stock are now concentrated in Winslow and Lynwood Center. While the *designated centers* total about 10% of the Island's land area, a significant portion of that area is occupied by commercial uses with no residential component. Rental apartments make up less than 7% of total housing units on the Island. Very few rental units have been built on the Island in the last decade which partly accounts for a vacancy rate of 1.5%, well below the 5% rate typical of well-functioning rental markets

GMA GOAL AND REQUIREMENTS FOR HOUSING

The *GMA* recognizes the importance of planning for adequate housing by requiring it as an element in Comprehensive Plans. Housing is addressed in one of the 14 major goals:

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

RCW 36.70A.020(4)

The requirements for a housing element mandated by the GMA include:

“A housing element recognizing the vitality and character of established *neighborhoods* that: a) includes an inventory and analysis of existing and projected housing needs; b) includes a statement of goals, policies, and objectives for the preservation, improvement, and development of housing; c) identifies sufficient land for housing, and group homes and foster care facilities; and d) makes adequate provisions for existing and projected needs of all economic segments of the community.”

RCW 36.70A.070(2)

HOUSING NEEDS

The Housing Needs Assessment for Bainbridge Island includes an inventory of the amount, location and condition of the Island’s housing stock and demographic and economic information about its population. It also includes an in-depth analysis of *affordable housing* needs on Bainbridge Island.



Almost 34% of individuals and families at all income levels who live in owner-occupied housing units are cost burdened meaning they spend over 30% of their income on housing. Almost 40% of individuals and families at all income levels who live in renter-occupied housing units are cost burdened. The majority (around 28%) of these residents have an annual income between zero and \$34,999.

This means that as of 2012, 569 renters on the Island that have an income of \$34,999 or less are housing cost burdened. This is concerning as lower income cost burdened households are more likely to have to choose between housing costs and other necessities.

The HNA analysis of Workforce Housing Affordability indicates that there is a gap in housing affordable for the Island’s workforce in service professions (e.g., restaurant workers, bank tellers, retail clerks, school bus drivers). Many of these workers are obliged therefore to commute from less-expensive off-Island housing, which increases their transportation costs, congestion on SR 305 and greenhouse gas emissions.

Bainbridge Island’s jobs/housing balance is 0.59 jobs for every housing unit, making it a “bedroom community.” The Puget Sound Regional Council suggests that housing-rich neighborhoods add employment in order to increase economic opportunities for current residents.

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 City’s success in achieving the housing Vision will also depend upon achieving the policy objectives identified in the Land Use, Transportation, Economic and Environmental Elements of this Plan.

HOUSING VISION 2036

Bainbridge Island in the year 2036 provides a broad diversity of housing. The broadest variety of *housing types* including rental homes, exists within the compact, walkable, transit-served, mixed-use *designated centers*. These include small detached homes on small lots, attached and detached *accessory dwelling units*, *cottage housing*, common-wall duplexes, triplexes and row houses, and stacked units on the upper floors of mixed-use, mid-rise buildings.

The residential *land use* pattern outside of *designated centers* remains at much lower densities and constitutes almost 90% of the Island's area. Houses built in the previous twenty years in the vicinity of designated centers and elsewhere in the Open Space Residential zones are compact, energy-efficient and well-integrated in their landscape. Typical *housing types* in these areas include detached houses on lots of various sizes, attached and detached *accessory dwelling units* and *conservation villages*.

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

GOALS & POLICIES

GOAL HO-1

Make steady progress toward the following aspirational targets for increasing the diversity of *housing types* and the supply of *affordable housing*.

Policy HO 1.1

Decrease to 20% or less the number of cost burdened families living in rental housing (down from 40%).

Policy HO 1.2

Decrease to 18% or less the number of cost burdened families owning homes (down from 34%).

Policy HO 1.3

Increase rental housing units to at least 11% of total housing units (up from 7%).

Policy HO 1.4

Increase the Island's percentage of *multifamily* homes to 18% or more of all homes (up from 16%).

Policy HO 1.5

Increase the number of *senior housing units* to 600 or more (up from 344.)

2/28/17

Policy HO 1.6

Change today's 89/11% housing split between the Mixed Use Town Center and Neighborhood Centers to 80/20% by 2036.

Policy HO 1.7

Achieve a jobs-housing balance of .8 (up from 0.59).

GOAL HO-2

Beginning in 2019, prepare biennial reports on the status of housing on Bainbridge Island. The report shall describe progress toward achieving the targets set forth in Policies HO 1.1 through HO 1.7.

Policy HO 2.1

The Housing report shall address the following aspects of housing:

1. Housing trends in general both regionally and on Bainbridge Island.
2. The number and location of *housing types* constructed or active applications in the permit process in the preceding two years.
3. An evaluation of the effectiveness of the City's measures and identification of additional or revised measures or targets.
4. The vacancy rate for rental apartments.
5. The number of cost burdened and extremely cost burdened households.
6. The status of efforts to address housing needs at the regional level.
7. The housing availability for special needs or difficult to serve populations.
8. The condition of the local housing market and the number of new housing units publicly and privately funded.
9. The use of density bonuses and the number of for-purchase *affordable housing* units provided in new developments.
10. A description of the various initiatives supporting *affordable housing* including activities of community non-profit organizations and local and regional entities.
11. Programs of housing repair and renovation that improve accessibility.
12. An analysis of how property taxes impact housing affordability.
13. If insufficient progress is made toward meeting the targets in Policies HO 1.1 through HO 1.7, determine what actions are not working and make adjustments.

Policy HO 2.2

Make the Biennial Housing Reports available to the public in various ways such as notice in the local newspaper, on the City's web page and on local media outlets. This Biennial Housing Report will be part of a comprehensive update of the Housing Needs Assessment in order to inform the next state-mandated update of the Comprehensive Plan in 2024.

GOAL HO-3

Promote and maintain a variety of *housing types* to meet the needs of present and future Bainbridge Island residents at all economic segments in a way that is compatible with the character of the Island and encourages more socio-economic diversity. Partner with community non-profit organizations and local and regional private and public entities in carrying out the following policies.

Policy HO 3.1

Encourage innovative zoning regulations that increase the variety of *housing types* and choices suitable to a range of household sizes and incomes in a way that is compatible with the character of existing neighborhoods. Examples of innovative approaches are *cottage housing* development, *conservation villages*, stacked or common-wall housing, *tiny houses* and *accessory dwelling units*.

Housing types are illustrated in: Figs. HO-1 through HO-3 (*detached housing*); Figs. HO-4 through HO-6 (*attached housing*); and Figs. HO-7 through HO-9 (*stacked housing*).



Fig. HO-1 Single-family Home



Fig. HO-2 Cottage Housing



Fig. HO-3 Tiny House/ADU



Fig. HO-4 Duplex



Fig. HO-5 Row House



Fig. HO-6 Zero Lot Line



Fig. HO-7 Garden Apartment



Fig. HO-8 Mixed-use, Mid-rise



Fig. HO-9 Micro Units



Fig. HO-10 Live-aboard Unit

Policy HO 3.2

Recognize that the City shares a housing and employment market as well as a transportation network with the larger region. Therefore, the City should work with the *Kitsap Regional Coordinating Council* and other regional entities to develop an equitable and effective county-wide planning policies and other strategies to locate, finance and build *affordable housing*.

Policy HO 3.3

Designate the appropriate staff or organizational entity to assist and advise the community, landowners and private and public entities about options for *affordable housing*, financing strategies and funding sources.

Policy HO 3.4

Partner with non-profit housing organizations, churches, the development community, local lending institutions, elected officials and the community at large to assist in meeting *affordable housing goals* and implementing strategies.

Policy HO 3.5

Support the efforts of community non-profit housing organizations and local and regional public and private entities in developing and managing *affordable housing* on Bainbridge Island.

Policy HO 3.6

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

Policy HO 3.7

Expand opportunities for infill in the residential neighborhoods of the Winslow Master Plan study area and the Neighborhood Centers. Allow the creation of small lots (e.g., in the 3,000 square foot range) as well as smaller footprint homes (e.g., under 1,200 square feet).

GOAL HO-4

Increase the supply of permanently affordable *multifamily* housing each year through the year 2036 with goals based on data provided by the Housing Needs Assessment and the City's housing reports.

Policy HO 4.1

Encourage new *multifamily* housing in a variety of sizes and forms in *designated centers*.

Policy HO 4.2

Increase the efficiency of the review process and revise 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 areas with *affordable housing*.

Policy HO 4.3

Partner with non-profit or for-profit housing sectors to create new *multifamily* housing in *designated centers* including a significant percentage of *affordable housing* through the joint or exclusive use of surplus publicly owned property or air space.

Policy HO 4.4

Partner with the for-profit sector to create *affordable housing* through the targeted use of the *multifamily* property tax exemptions in *designated centers*.

Policy HO 4.5

Remove barriers to the creation of new *multifamily* housing, particularly *affordable housing* through a variety of actions such as the adoption of regulations that “right-size” parking requirements, reduce certain *impact fees* and encourage the use of parking management programs to enable the more efficient use of parking.

Policy HO 4.6

Allow *accessory dwelling units* in all residential zones, except at Point Monroe, the Sandspit (R-6). Review and revise regulations as appropriate to create reasonable flexibility regarding development standards including lot coverage, setbacks, parking requirements and Health District requirements for water and sewage.

Policy HO 4.7

Encourage agencies whose mission is to develop *affordable housing* to create new subsidized *multifamily* rental housing by aggressively pursuing Kitsap County *Community Development Block Grant Funds*, state funds, donations from private individuals and organizations, public revenue sources and other available funding.

Policy HO 4.8

Evaluate the efficacy of existing regulations in facilitating the provision of assisted and independent living *senior housing* and take action to amend *development regulations* as needed.

GOAL HO-5

Maintain the existing stock of affordable and rent-assisted housing, in partnership with community non-profit organizations and local and regional public and private entities.

2/28/17

Policy HO 5.1

Develop a continuing strategy to maintain the Rural Development Agency and HUD subsidies on existing rent-assisted housing. The primary strategy shall be to support Housing Kitsap and non-profit organizations such as Housing Resources Bainbridge to purchase the units through the provisions of the 1990 Housing Act.

Policy HO 5.2

In the event of the potential loss of privately-owned subsidized housing, work with the appropriate public agencies and local non-profits to pursue the preservation of the subsidized units or relocation assistance for the residents.

Policy HO 5.3

Support water-based (live-aboard) housing as a viable component of the present and future housing stock of Bainbridge Island, subject to applicable environmental protection, seaworthiness, sanitation and safety standards, and authorized moorage.

GOAL HO-6

Facilitate the provision of a diverse *affordable housing* stock in all geographic areas of the community.

Policy HO 6.1

Encourage housing created by agencies such as a community land trust.

Policy HO 6.2

In order to provide for permanently *affordable housing* pursue effective strategies to reduce the land cost component of *affordable housing* which may include alternative land use zoning, *density bonuses* and other incentives.

Policy HO 6.3

Maintain an innovative housing program and clarify or adopt new flexible permit processes in all *designated centers* to promote an increase in the supply, diversity and access to housing including *affordable housing*.

Policy HO 6.4

Create a new *conservation villages* permit process to apply outside of *designated centers* to increase housing choices including *affordable housing* and requiring *green building* practices while better conserving *open space*.

Policy HO 6.5

Develop regulations and provide incentives to construct *affordable housing* for farm workers on or near farmlands.

Policy HO 6.6

Consider the merits of programs and regulations pioneered by other communities to discourage the land, energy and natural resource consumptive pattern of large single-family homes. Adopt amendments to City programs and *development regulations* as appropriate.

2/28/17

Policy HO 6.7

Support the development of *livable neighborhoods*.

GOAL HO-7

Promote and facilitate the provision of rental and for-purchase housing that is affordable to *income-qualified* households with a variety of income levels.

Policy HO 7.1

Exempt from City *impact fees* and other administrative development fees housing developments where all units are limited to residents in specified income groups.

Policy HO 7.2

All income-qualified rental housing units created as a result of the policies of this Housing Element shall remain affordable to *income-qualified households* for a period of not less than 50 years from the time of first occupancy.

Policy HO 7.3

Explore measures and the merits of source-of-income discrimination controls.

GOAL HO-8

Facilitate the siting and development of housing opportunities for *special needs populations*.

Policy HO 8.1

Support the services of community non-profit organizations and local and regional public or private entities in providing shelter for temporarily homeless singles and families with children, adolescents and victims of domestic violence on Bainbridge Island.

Policy HO 8.2

Support the development of programs to meet the housing needs of the developmentally, physically and emotionally disabled within the community.

Policy HO 8.3

Support programs that provide assistance to low-income, elderly and disabled persons to repair, rehabilitate or retrofit homes to be more accessible and safe.

GOAL HO-9

Explore the use of the City's bonding capacity and pursue other resources to support the creation of *affordable housing*.

2/28/17

Policy HO 9.1

The City recognizes the need to provide financing assistance for *affordable housing*. Accordingly, the City will actively pursue public and private funds that may include but are not limited to, real estate excise tax, grants and other available resources.

Policy HO 9.2

The City in partnership with local agencies producing *affordable housing*, may issue a General Obligation Bond to increase the production of housing affordable to *households* at or below 80% of median income for Kitsap County.

Policy HO 9.3

Consider the issuance of Limited Tax General Obligation Bonds (also called councilmanic bonds or non-voted debt) to support the development of housing affordable to *households* at or below 80% of median income for Kitsap County.

Policy HO 9.4

Increase City support of the Housing Trust Fund and explore new sources of funding for the development and preservation of *affordable housing*.

Policy HO 9.5

Consider the options for making City-owned land or air-space available through long-term leases or other mechanisms for the purpose of creating income-qualified housing and support other public entities that wish to use publicly-owned land for this purpose. Take into consideration however, the full range of uses that City-owned properties may serve over the long-term.

HOUSING IMPLEMENTATION

To implement the goals and policies in this Element, the City must take a number of actions, including adopting or amending regulations, creating partnerships and educational programs, and staffing or other budgetary decisions. Listed following each action are several of the plan's goals and policies that support that action.

HIGH PRIORITY ACTIONS

HO Action #1 Set targets for increasing the supply of moderately priced and *affordable housing*, measure progress, and if insufficient progress is being made toward meeting the housing targets, determine what actions are not working and make appropriate adjustments.

GOAL HO-1

Make steady progress toward the following aspirational targets for increasing the diversity of *housing types* and the supply of *affordable housing*.

2/28/17

GOAL HO-2

Beginning in 2019, prepare biennial reports on the status of housing on Bainbridge Island. The report shall describe progress toward achieving the targets set forth in Policies HO 1.1 through HO 1.7.

HO Action #2 Amend the City's development code to facilitate an increase in the diversity of housing types and supply of affordable housing.

Policy HO 3.6

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

Policy HO 4.2

Increase the efficiency of the review process and revise 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 neighborhood with *affordable housing*.

Policy HO 6.3

Maintain an innovative housing program and clarify or adopt new flexible permit processes in all *designated centers* to promote an increase in the supply, diversity, and access to housing, including *affordable housing*.

Policy HO 6.4

Create a new *conservation villages* permit processes to apply outside of *designated centers* to increase housing choices, including *affordable housing* and requiring *green building* practices, while better conserving *open space*.

HO Action #3 Partner with other jurisdictions, the development community, and non-profit organizations to increase the diversity of housing types and supply of affordable housing.

Policy HO 3.4

Partner with non-profit housing organizations, churches, the development community, local lending institutions, elected officials and the community at large to assist in meeting *affordable housing goals* and implementing strategies.

Policy HO 4.3

Partner with non-profit or for-profit housing sector to create new *multifamily* housing in *designated centers* including a percentage of *affordable housing*, through the joint or exclusive use of surplus publicly owned property or air space.

Policy HO 4.4

Partner with the for-profit sector to create *affordable housing* through the targeted use of the multifamily property tax exemptions in *designated centers*.

Policy HO 9.5

Consider the options for making City- owned land or air-space available through long-term leases or other mechanisms for the purpose of creating income-qualified housing and support other public entities that wish to use publicly-owned land for this purpose. Take into consideration however, the full range of uses that City-owned properties may serve over the long-term.

HO Action #4 Consider actions that can be taken to reduce financial barriers that inhibit the desired increase in diverse and affordable housing.

Policy HO 5.2

In the event of the potential loss of privately-owned subsidized housing, work with the appropriate public agencies and local non-profits to pursue the preservation of the subsidized units or relocation assistance for the residents.

Policy HO 7.1

Exempt from City *impact fees* and other administrative development fees housing developments where all units are limited to residents in specified income groups.

Policy HO 9.2

The City in partnership with local agencies producing *affordable housing*, may issue a General Obligation Bond to increase the production of housing affordable to *households* at or below 80% of median income for Kitsap County.

Policy HO 9.3

Consider the issuance of Limited Tax General Obligation Bonds (also called councilmanic bonds or non-voted debt) to support the development of housing affordable to *households* at or below 80% of median income for Kitsap County.

HO Action #5 Create a short-term (60-90 days) citizen *affordable housing* task force to consider the revised Housing Element and provide specific recommendation for near-term action.

Policy HO 3.3

Designate the appropriate staff or organizational entity to assist and advise the community, landowners and private and public entities about options for *affordable housing*, financing strategies and funding sources.

HO Action #6 Review and revise City regulations related to permissible live-aboard capacity in City marinas.

Policy HO 5.3

Support Water-based (live-aboard) housing as a viable component of the present and future housing stock of Bainbridge Island, subject to applicable environmental protection, seaworthiness, sanitation and safety standards, and authorized moorage.

MEDIUM PRIORITY ACTIONS

HO Action #7 Focus additional city and other financial resources to help increase the supply of affordable housing.

Policy HO 9.4

Increase City support of the Housing Trust Fund and explore new sources of funding for the development and preservation of *affordable housing*.

Policy HO 7.1

Exempt from City *impact fees* and other administrative development fees housing developments where all units are limited to applicants of specified income groups.

HO Action #8 Look for ways to reduce the cost of multifamily housing, particularly affordable housing.

Policy HO 4.5

Remove barriers to the creation of new *multi-family housing*, particularly *affordable housing* through a variety of actions such as the adoption of regulations that “right-size” parking requirements, reduce certain impact fees, and the encourage the use of parking management programs to enable the more efficient use of parking.

OTHER PRIORITY ACTIONS

HO Action #9 Identify ways to achieve local results with and through regional actions.

Policy HO 3.2

Recognize that the City shares a housing and employment market, as well as a transportation network, with the larger region. Therefore, the City should work with the Kitsap Regional Coordinating Council and other regional entities to develop equitable and effective county-wide planning policies and other strategies to locate, finance and build *affordable housing*.

Appendix C.1

November 3, 2017

Bainbridge Island City Council
200 Madison Ave.
Bainbridge Island, WA 98521

Dear Council members:

At the City Council meeting on October 3, 2017 Jon Rose, from the Olympic Property Group (OPG), unveiled a thoughtful preliminary site plan for the City-owned Suzuki property. The Affordable Housing Task Force (AHTF) has discussed this proposal at several of our meetings and offers the following comments.

The proposed plan clusters the housing and leaves 70% of the parcel as open space with mature trees retained, wetlands protected, and the pond untouched. It encourages walkability and keeps impervious surfaces to a minimum. The site plan creates a 300-foot buffer for wildlife and clusters housing near the road. All of these will contribute to a new community that is respectful of the environment and supports the affordable housing goal by lessening costs.

We were very pleased to hear some of the responses to the plan during the meeting. Councilmembers expressed their desire to push for the development to get to an even higher level of affordability and unanimously agreed that housing that is affordable to a broad range of people is important for Suzuki. Just as encouraging was the Council's discussion about *affordability* and the potential for expanding the definition to include those who aren't eligible for housing that is funded by public sources but are still finding it very hard to live on Bainbridge Island. Finally, OPG noted that it would be working closely with Housing Resources Bainbridge, the City of Bainbridge Island and Housing Kitsap to assure the long-term management and affordability of the units.

The AHTF endorses and advocates for 100% of the housing built on the Suzuki site to be designated affordable to a range of tenants and homeowners from very low income up to moderate levels of income. All housing on this site should also be made permanently affordable through restrictions required by funders, Community Land Trust, and/or deed restrictions upon sale. The Council should ensure that this affordability is protected and managed either by the future owner of the properties, COBI, or an entity contracted by COBI to perform this work (such as HRB or Housing Kitsap). In addition, we ask that you ensure that a substantial number of the housing units will be rentals.

We note that the OPG proposal provides that if the necessary financing is not obtained by HRB or Housing Kitsap, OPG will market the project to private housing developers. We urge the Council and the City not to adopt that provision, and instead negotiate an alternative, acceptable to both OPG and the City, that protects and preserves the Suzuki property for affordable housing.

With the foregoing caveats, the AHTF supports the efforts of the City of Bainbridge Island to move forward with the development of the Suzuki site to create affordable housing that benefits the community and assures a diverse population living on the island.

Sincerely,

Althea Paulson, Chair
On behalf of the Affordable Housing Task Force

Appendix C.2

November 7, 2017

Bainbridge Island City Council
200 Madison Ave.
Bainbridge Island, WA 98521

Re: Revised AHTF letter

Dear Council members:

At the City Council meeting on October 3, 2017 Jon Rose, from the Olympic Property Group (OPG), unveiled a thoughtful preliminary site plan for the City-owned Suzuki property. The Affordable Housing Task Force (AHTF) has discussed this proposal at several of our meetings and offers the following comments.

The proposed plan clusters the housing and leaves 70% of the parcel as open space with mature trees retained, wetlands protected, and the pond untouched. It encourages walkability and keeps impervious surfaces to a minimum. The site plan creates a 300-foot buffer for wildlife and clusters housing near the road. All of these will contribute to a new community that is respectful of the environment and supports the affordable housing goal by lessening costs.

We were very pleased to hear some of the responses to the plan during the meeting. Councilmembers expressed their desire to push for the development to get to an even higher level of affordability and agreed that housing that is affordable to a broad range of people is important for Suzuki.* Just as encouraging was the Council's discussion about *affordability* and the potential for expanding the definition to include those who aren't eligible for housing that is funded by public sources but are still finding it very hard to live on Bainbridge Island. Finally, OPG noted that it would be working closely with Housing Resources Bainbridge, the City of Bainbridge Island and Housing Kitsap to assure the long-term management and affordability of the units.

The AHTF endorses and advocates for 100% of the housing built on the Suzuki site to be designated affordable to a range of tenants and homeowners from very low income up to moderate levels of income. All housing on this site should also be made permanently affordable through restrictions required by funders, Community Land Trust, and/or deed restrictions upon sale. The Council should ensure that this affordability is protected and managed either by the future owner of the properties, COBI, or an entity contracted by COBI to perform this work (such as HRB or Housing Kitsap). In addition, we ask that you ensure that a substantial number of the housing units will be rentals.

We note that the OPG proposal provides that if the necessary financing is not obtained by HRB or Housing Kitsap, OPG will market the project to private housing developers. We urge the Council and the City not to adopt that provision, and instead negotiate an alternative, acceptable to both OPG and the City, that protects and preserves the Suzuki property for affordable housing.

With the foregoing caveats, the AHTF supports the efforts of the City of Bainbridge Island to move forward with the development of the Suzuki site to create affordable housing that benefits the community and assures a diverse population living on the island.

Sincerely,

Althea Paulson, Chair

On behalf of the Affordable Housing Task Force After we sent an earlier version of this letter this morning, Council member Ron Peltier wrote to us to say he is not in favor of housing at Suzuki that is affordable to a broad range of people. This change does not impact the task force opinions expressed in this letter.

Letter from AHTF to CC

Re: Suzuki Property Agreement Between City & OPG

Mayor Tollefson and City Councilmembers:

The Affordable Housing Task Force wishes to confirm, in the strongest terms that it supports 100% affordable housing on the city's property – Suzuki. This was a unanimous decision.

As the Council continues to discuss the Suzuki Property Agreement this coming Tuesday, December 12, 2017 we urge the City to clarify one main purpose of the Agreement – that the housing be 100% affordable, that it be held as affordable in perpetuity and that any motion and/or agreement regarding the use reflect this sentiment.

Thank you.

Affordable Housing Task Force

Jennifer Sutton

From: Althea Paulson
Sent: Friday, July 27, 2018 12:15 PM
To: Jennifer Sutton
Subject: Fw: Affordable Housing Task Force: Further recommendations on the Suzuki proposal

Hi Jennifer--

I never checked the appendices! And now I see that this one was left out re Suzuki. It was our most detailed one. Is it too late to add it, maybe as an addendum to the next agenda?

Thanks.

a

From: Althea Paulson
Sent: Sunday, January 14, 2018 6:15 PM
To: Sarah Blossom; Michael Scott; Ron Peltier; Kol Medina; Joe Deets; Matthew Tirman; Rasham Nassar
Subject: Affordable Housing Task Force: Further recommendations on the Suzuki proposal

Dear Council,

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

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

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

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

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

Members of the AHTF believe strongly that the Suzuki proposal satisfies these instructions and is consistent with the Housing Element of the Comprehensive Plan, as well as the Land Use Element and other provisions of the Comprehensive Plan.

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

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

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

Finally, the AHTF believes the Suzuki project is of tremendous significance to the Island's overall affordable housing strategy, both because of the number of homes it will offer, and because it is a long

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

Very truly yours,

Althea Paulson, Chair

Affordable Housing Task Force

Appendix C.5

November 20, 2017

Chair Pearl and Commissioners
Planning Commission
City of Bainbridge Island
280 Madison Avenue North
Bainbridge Island, WA 98110

Chair Pearl and Commissioners:

The Affordable Housing Task Force (AHTF) has been discussing Eagle Harbor live-aboards in connection with our research and analysis of innovative ways for people to rent or own affordable housing. Live-aboard homes have been part of the Housing Element of the Comprehensive Plan since the inception of the City. The recently updated Housing Element provides in Policy HO 5.3: “Support water-based (live-aboard) housing as a viable component of the present and future housing stock of Bainbridge Island, subject to applicable environmental protection, seaworthiness, sanitation and safety standards and authorized moorage.”

In accordance with that policy, the AHTF has discussed the percentage of allowable live-aboard boats and/or slips in marinas. We note that currently that percentage is 10%, although it used to be 25%.

We believe that the current 10% is a very limited use of our water-based resources and does not allow the Island to use the limited resources it has to increase affordable housing options.

Included with this letter as an additional attachment is a letter from the Harbor Commission sent to the City Council on November 18, 2013. The Council was discussing the SMP and new SMP regulations were being negotiated. For reasons that are unclear to us, the 10% limit was incorporated, in spite of several votes held on the matter.

We are, now, however in new territory in 2017. Housing prices and land prices have skyrocketed and we have an affordable housing crisis on the Island. There are few rentals on the Island under \$1,000 per month. We are unaware of any homes for sale for under \$125,000.

Slip rents run approximately \$450 per month with a live-aboard fee of about \$70 per month. If one owns a boat that can be insured, this is an affordable alternative to land based housing for those in that income range. If one can

Appendix C.5

qualify for a loan and has the opportunity to buy a slip in a marina with live-aboard privileges, those slips are running \$30,000 and up.

There are few, if any, options on Bainbridge Island, short of Section 8 or subsidized housing that can touch these economics. Living aboard a boat is not for everybody but some people are able to afford a very small ecological footprint living this 'small'.

In the core of Winslow, people working on Island, in Kitsap County and in Seattle have found living on their boats an affordable option to traditional land-based housing.

We understand the Planning Commission is reviewing the SMP and we urge the Commission to raise the allowable live aboard spaces both for sale and rent to the 25% level.

Our City has few options for affordability any longer. As recognized by the City's Comprehensive Plan, living aboard one's boat is one of those creative and innovative ways to provide housing for a workforce and other folks who require a 'tiny house' on the water.

Sincerely,

Affordable Housing Task Force

Jennifer Sutton

From: Althea Paulson
Sent: Sunday, February 25, 2018 2:16 PM
To: Charlie Wenzlau
Cc: Jennifer Sutton
Subject: Fw: AHTF resolution on Building Moratorium

fyi

From: Althea Paulson
Sent: Sunday, February 25, 2018 2:15 PM
To: Michael Scott; Kol Medina; Ron Peltier; Sarah Blossom; Rasham Nassar; Matthew Tirman; Joe Deets
Subject: AHTF resolution on Building Moratorium

Dear Mayor Medina and City Council:

The Affordable Housing Task Force (AHTF) has discussed certain aspects of ordinance 2018-05, which provides for a moratorium on development applications to the City of Bainbridge Island. In particular, we draw your attention to this portion of the ordinance:

"WHEREAS, the City Council's concerns regarding likely adverse impacts related to growth and development under existing regulations require immediate attention by the Council and City staff and include, but are not limited to, the following:

....(4) Serious challenges promoting affordable housing in a manner consistent with the City's Comprehensive Plan;"

Given the 6 month duration of the moratorium, and the June 2018 deadline to complete our work, the AHTF sees no clear rationale for including affordable housing as a reason for the moratorium. We anticipate bringing our initial findings to the Council within the next few weeks, and will continue to refine our recommendations for potential implementation as regulations.

Therefore at our meeting on February 15, 2018, the AHTF adopted the following resolution:

"The Affordable Housing Task Force disagrees with the use of affordable housing as a rationale to justify the moratorium. The Task Force is concerned that a lengthy moratorium will discourage potential new housing, therefore having a negative impact on affordability in general. The goal of the Task Force remains to deliver its findings by June 2018. Additionally, the Task Force will work with council to expedite our work on inclusionary housing."

Sincerely,

Althea Paulson
Chair, Affordable Housing Task Force

Appendix C.7

March 29, 2018

Re: Dave Ullin Open Water Marina

Mayor Medina and Councilmembers:

We write to urge the Council to adopt policies that will both fulfill our Department of Natural Resources agreement [16 buoys] and provide buoys in Eagle Harbor for people who wish to live aboard their vessels. This is in keeping with the Housing Element Policy HO 5.3 of the Comprehensive Plan that states:

Policy HO 5.3: Support water-based [live-aboard] housing as a viable component of the present and future housing stock of Bainbridge Island, subject to applicable environmental protection, seaworthiness, sanitation and safety standards, and authorized moorage.

We dedicated this safe harbor last year in memory of Dave Ullin and urge the City to refer to it by its name in all future reports and correspondence.

As the linear moorage has outlived its usefulness and is being removed, we urge the Council to install all buoys allowed so that we broaden the space available for our Dave Ullin Open Water Marina going into the future. Live-aboard housing is the least expensive way to be housed on our Island and also has the smallest ecological footprint.

We have done the difficult work of negotiating an Agreement with the DNR that 'fits' our Island and creates marine space for those who choose to live on their boats. This is truly affordable housing – Island style.

The Affordable Housing Task Force previously urged a higher percentage allowable for liveaboards in City Center marinas as part of the solution to the crisis of affordable housing on Bainbridge Island.

We also urge the Council to direct the Staff to take reservations all year round – not just in the Fall. We are sensitive to staffing and management issues and understand the need to ensure prospective tenants commit to a year on a yearly basis. But we urge the Council to take lease applications year round and not create barriers to entry.

Thank you,

Affordable Housing Task Force

5/9/2018

Appendix C.8

RE: Short Term Vacation Rentals on Bainbridge Island

Members of the City Council,

The housing element of the Bainbridge Island Comprehensive Plan sets Goal HO-5 to “maintain the existing stock of affordable and rent-assisted housing, in partnership with community non-profit organizations and local and regional public and private entities.” To support this goal, the Affordable Housing Task Force recommends the adoption of an ordinance to limit the use of short-term rentals on Bainbridge Island.

Since 2011, the third-party analytics site AirDNA (link below) 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.

In December of 2017, the Seattle City Council passed an ordinance (link below) limiting the number of short term rentals per operator to their primary residence plus one additional unit. Although opposed by several operators with a large number of rentals, this action was supported by Airbnb as a “model regulatory framework” that properly supported the small operator without excessive burden. Additional consideration is needed to decide if the much smaller housing supply on Bainbridge Island justifies further restricting the number of rentals to one unit per operator, but the success of the Seattle law is encouraging.

The Affordable Housing Task Force recommends that the City Council adopt an ordinance modeled on the one passed by the City of Seattle with the following recommended changes; 1) that the regulations apply citywide, and 2) that the regulations apply retroactively to existing operators.

AirDNA Bainbridge Island Overview

<https://www.airdna.co/market-data/app/us/washington/bainbridge-island/overview>

Seattle Short-Term Rental Ordinance

<http://www.seattle.gov/dpd/codesrules/commonquestions/shorttermrentals/default.htm>

Seattle Short-Term Rental Ordinance Summary Sheet

https://www.seattle.gov/Documents/Departments/Council/Issues/RegulatingShortTermRentals/Regulating-Short-Term-Rentals_Summary_2017-09.pdf

Thank you for your consideration,
Affordable Housing Task Force



CITY OF
BAINBRIDGE ISLAND

CITY OF BAINBRIDGE ISLAND

2018 MEDIAN INCOME LIMITS BY HOUSEHOLD SIZE

BREMERTON-SILVERDALE MSA (HUD)

Maximum Income Limits by Category (BIMC 18.21.020)	Household Size							
	1	2	3	4	5	6	7	8
Extremely Low Income: ≤ 30% of Median Household Income	\$17,400	\$19,850	\$22,350	\$24,800	\$26,800	\$30,800	\$32,750	\$32,750
Very Low Income: 31% - 50% of Median Household Income	\$28,950	\$33,050	\$37,200	\$41,300	\$44,650	\$47,950	\$51,250	\$54,550
Low Income: 51% - 80% of Median Household Income	\$46,300	\$52,900	\$59,500	\$66,100	\$71,400	\$76,700	\$82,000	\$87,300
Moderate Income: 81% - 95% of Median Household Income	\$54,929	\$62,776	\$70,623	\$78,470	\$84,748	\$91,025	\$97,303	\$103,580
Middle Income: 96%% - 120% of Median Household Income	\$69,384	\$79,296	\$89,208	\$99,120	\$107,050	\$114,979	\$122,909	\$130,838
100% of Median Household Income	\$57,820	\$66,080	\$74,340	\$82,600	\$89,208	\$95,816	\$102,424	\$109,032

APPENDIX E

Planning Commission Study Session 04/25/2002

New Chapter. There is added to the Bainbridge Island Municipal Code a new Chapter 18.92, Cottage Housing, to read as follows:

18.92.010 Purpose

The purpose of Cottage Housing is to encourage detached, small-unit housing development, in order to expand the variety of housing choices suitable to a range of household types and incomes, while maintaining the character of existing neighborhoods. Cottage housing developments should be characterized by design variations between the units, and should include pedestrian connections that allow residents to walk throughout the development and to any adjacent recreational or commercial areas. The cottage housing provisions are intended to overlay upon existing zoning districts and include their own regulations and design guidelines. This chapter implements policies H 1.6 and H 1.6A of the Housing Element of the Comprehensive Plan.

18.92.020 Location

The Cottage Housing Overlay shall apply to the R-2.9, R-3.5, R-4.3, R-5, R-8 and R-14 zoning districts.

18.92.030 Density and lot area.

- A. The minimum lot area for a cottage housing development shall not be less than 14,000 square feet.
- B. Each unit shall be allotted no less than 3500 square feet to accommodate the residential unit, common and private open space, parking and circulation, storage, etc.)
- C. The number of units in any cottage housing development shall not be less than four (4) or more than twelve (12).

18.92.040 Unit size

- A. The total floor area of a cottage unit shall not exceed either 1.5 times the area of the main floor or 1,200 square feet, whichever is less.
- C. The maximum main floor area for cottages shall be 800 square feet.
- D. At least fifty percent (50%) of the cottages shall have main floors that do not exceed 700 square feet.
- E. A notice to the title of the property that prevents any increase in the total floor area of any cottage in the development shall be recorded with the Kitsap County Assessor's Office.

18.92.050 Lot Coverage

The maximum lot area covered by buildings shall not exceed forty percent (40%).

18.92.060 Open Space

- A. Common open space. Common open space is intended to provide a centrally located area that can be developed and maintained so it is usable for active and passive recreation. Common open space shall be subject to the following requirements.
 1. There shall be a minimum of 400 square feet of common open space provided for each unit in the R-2.9, R-3.5, and R-4.3 and R-5 zones. There shall be a minimum of 250 square feet of common open space provided for each unit in the R-8 and R-14 zones.

APPENDIX E

Planning Commission Study Session 04/25/2002

2. Common open space shall abut at least 50 percent of the cottages in a cottage housing development.
 3. Common open space shall have cottages abutting on at least two sides.
 4. Common open space shall not include portions of private yards, and shall be jointly owned by all residents.
 5. The common open space shall be outside of wetlands, streams and sensitive area buffers, and shall be on slopes of ten percent (10%) or less.
- B. Private Open Space. Private open space is intended to provide private areas around the individual cottages and to enable diversity in landscape design. Private open space shall be subject to the following requirements.
1. A minimum of 300 square feet of contiguous, usable private open space shall be provided adjacent to each cottage, for the exclusive use of the cottage resident.
 2. The main entry of the cottages shall be oriented toward the common open space as much as possible.

18.92.070 Building Separation

All units shall maintain 10 feet of separation between vertical exterior walls, except that eaves and architectural projections such as balconies may encroach up to a maximum of 18 inches.

18.92.080 Yards

- A. Front yards shall not be less than 25 feet measured by the distance from the nearest lot line, planned right-of-way or road easement.
- B. Porches and bays may encroach 5 feet into the front yard.
- C. Side yards shall not be less than 10 feet, except that eaves and architectural projections such as balconies may encroach in the yard up to a maximum of 18 inches.
- D. Rear yards shall be 15 feet, except that eaves and architectural projections such as balconies and bays may encroach in the yard up to a maximum of 18 inches.

18.92.090 Building Height

The maximum building height for any cottage housing unit shall not exceed 20 feet, except that chimneys, cupolas and other architectural features shall not extend more than five feet above the roof at their highest point.

18.92.100 Parking

- A. For parking spaces required, refer to BIMC 18.81.030 (R).
- B. All parking shall be located to the side or rear of the site, and shall be screened from adjacent properties by a sight-obscuring fence or vegetation barrier in accordance with Chapter 18.85. Fences shall be at least five but not more than six feet in height.

18.92.110 Community Buildings

A cottage housing development may contain community building(s) that are detached accessory structures, the use and size of which is clearly incidental and related to that of the dwelling unit.

18.92.110 Design Guidelines

- A. Site Design.

APPENDIX E

Planning Commission Study Session 04/25/2002

1. The common open space shall be centrally located within the project site.
2. All front porches of units shall be oriented toward landscaped, common open space.

B. Building Design.

1. Roofs of cottages shall be pitched.
2. Covered porches measuring at least 8 feet by 10 feet shall be incorporated into building design of the cottages.
3. Shared carports or garages shall be limited to a maximum of four stalls per structure and shall be detached from the dwelling units.
4. Attached garages shall not be permitted.

DRAFT

SAMPLE MULTI-FAMILY PROPERTY TAX EXEMPTION ORDINANCE (City of Bellingham)

Tax exemptions for multifamily housing in targeted residential areas.

A. Intent. Limited exemptions from ad valorem property taxation for multifamily housing in urban centers are intended to:

1. Provide economic incentives enabling increased residential housing choices and opportunities, including affordable housing opportunities, within urban centers designated by the city council as targeted residential areas;
2. Stimulate new construction or rehabilitation of existing vacant and underutilized buildings for multifamily housing in targeted residential areas to increase and improve housing opportunities, including affordable housing;
3. Assist in directing future population growth to designated urban centers with existing available infrastructure thereby reducing development pressure on neighborhoods lacking infrastructure capacities; and
4. Achieve development densities which are more conducive to transit use in designated urban centers.

B. Duration of Exemption. For properties for which applications for certificates of tax exemption eligibility are submitted under Chapter [84.14](#) RCW on or after July 22, 2007, the value of improvements qualifying under this chapter will be exempt from ad valorem property taxation as follows:

1. For eight successive years beginning January 1st of the year immediately following the calendar year of issuance of the certificate; or
2. For 12 successive years beginning January 1st of the year immediately following the calendar year of issuance of the certificate, if the property otherwise qualifies for the exemption under Chapter [84.14](#) RCW and meets the conditions in this subsection. For the property to qualify for the 12-year exemption under this subsection, the applicant must commit to renting or selling at least 20 percent of the multi-unit housing units as affordable housing units as set forth below:

APPENDIX F

a. Owner Occupancy. In the case of projects intended exclusively for owner occupancy, the minimum requirement of this subsection (B)(2) may be satisfied solely through housing affordable to moderate-income households during the authorized exemption period.

b. Rental Occupancy. In the case of projects intended for rental occupancy, the minimum requirement of this subsection (B)(2) must be satisfied based on affordability requirements outlined in subsection (D)(9) of this section.

C. Limits on Exemption. The exemption does not apply to the value of land or to the value of nonhousing related improvements not qualifying under this chapter, nor does the exemption apply to increases in assessed valuation of land and nonqualifying improvements. In the case of rehabilitation of existing buildings, the exemption does not include the value of improvements constructed prior to submission of the completed application required under this chapter. The incentive provided by this chapter is in addition to any other incentives, tax credits, grants, or other incentives provided by law.

D. Project Eligibility. A proposed project must meet the following requirements to be considered for a property tax exemption:

1. Location. The project must be located within a targeted residential area, as designated in BMC [17.82.020\(C\)](#). If a part of any legal lot is within a designated residential targeted area then the entire lot shall be deemed to lie within such residential targeted area. Property located outside of, but adjacent to, the described areas is not designated as a residential targeted area.

2. Tenant Displacement Prohibited. The project must not displace existing residential tenants of structures that are proposed for redevelopment. Existing dwelling units proposed for rehabilitation must have been unoccupied for a minimum of 12 months prior to submission of an application and must have one or more violations of the city's local housing standard. Applications for new construction cannot be submitted for vacant property upon which an occupied residential rental structure previously stood unless a minimum of 12 months has elapsed from the time of most recent occupancy.

3. Size. The project must include at least four units of multifamily housing within a residential structure or as part of a mixed-use development. A minimum of four new units must be constructed or at least four additional multifamily units must be added to existing occupied multifamily housing. Existing multifamily housing that has been vacant for 12 months or more

APPENDIX F

does not have to provide additional units so long as the project provides at least four units of new, converted, or rehabilitated multifamily housing.

4. Permanent Residential Housing. At least 50 percent of the space designated for multifamily housing must be provided for permanent residential occupancy, as defined in BMC [17.82.010](#).

5. Affordable Housing. Projects located in Target Area 4 or Area 5 are required to meet the affordable housing requirements described in subsection (B)(2) of this section.

6. Proposed Completion Date. New construction multi-unit housing and rehabilitation improvements must be scheduled to be completed within three years from the date of approval of the application.

7. Compliance with Guidelines and Standards. The project shall be designed to comply with the city's comprehensive plan, building, housing, and zoning codes, and any other applicable regulations in effect at the time the application is approved. Rehabilitation and conversion improvements must comply with the city's local housing standard. New construction must comply with the city's local housing standard. New construction must comply with the current building code adopted by the city. The project must also comply with any other standards and guidelines adopted by the city council for the targeted residential area in which the project will be developed.

8. Historic Resource Protection.

a. Applications for new construction that require the demolition of structures listed in the local, state or national register, or identified as contributing to an historic district in the city's historic resource inventory are not eligible for the multifamily tax exemption.

b. Applications for new construction on a vacant property upon which previously stood a structure that was listed in the local, state or national register, or was identified as contributing to an historic district in a city historic resource inventory are not eligible for the multifamily tax exemption unless a minimum of five years has lapsed between the date of demolition and application for the multifamily tax exemption.

c. The requirement of subsections (D)(8)(a) and (b) of this section may be waived if demolition is authorized by either the city's historic preservation commission for structures

APPENDIX F

on the local register or the director for structures identified as contributing to an historic district in the city's historic resource inventory or on the state or national register. The demolition waiver determination shall be based on the criteria in BMC [17.90.060\(D\)\(2\)](#) and (3).

9. Affordable Housing. Projects intended for rental occupancy seeking a 12-year tax exemption pursuant to subsection (B)(2) of this section shall provide 20 percent of the multi-unit housing as follows:

a. Affordable housing units shall be available to households whose adjusted income is at or below 60 percent of the median family income adjusted for family size for Whatcom County, except as otherwise allowed in subsection (B)(9)(b) of this section.

b. The affordable housing requirement can be met, either partially or fully, for any units with two or more bedrooms that are available to households whose adjusted income is at or below 80 percent of median family income adjusted for family size for Whatcom County.

E. Application Procedure. A property owner who wishes to propose a project for a tax exemption shall complete the following procedures:

1. File with the city's planning and community development department the required application along with any required fees as determined by council resolution. An additional fee, as determined by council resolution, may be required to cover the Whatcom County assessor's administrative costs. If the application shall result in a denial by the city, the city will retain that portion of the fee attributable to its own administrative costs and refund the balance to the applicant.

2. A complete application shall include:

a. A completed city of Bellingham application form setting forth the project's eligibility for the exemption;

b. Preliminary floor and site plans and elevations of the proposed project and narrative or other description of the scope of work to be performed;

c. A statement acknowledging the potential tax liability when the project ceases to be eligible under this chapter; and

APPENDIX F

d. Verification by oath or affirmation of the information submitted.

For rehabilitation projects, the applicant shall also submit a sworn affidavit that existing dwelling units have been unoccupied for a period of 12 months prior to filing the application and shall secure from the city verification of property noncompliance with the city's local housing standard.

F. Application Review and Issuance of Conditional Certificate. The director may certify as eligible an application which is determined to comply with the requirements of this chapter. A decision to approve or deny an application shall be made within 90 days of receipt of a complete application.

1. Approval. If an application is conditionally approved, the applicant shall enter into a contract with the city regarding the terms and conditions of the project. The director shall issue a conditional certificate of acceptance of tax exemption. The conditional certificate expires three years from the date of approval unless an extension is granted as provided in this chapter.

2. Denial. The director shall state in writing the reasons for denial and shall send notice to the applicant at the applicant's last known address within 10 days of the denial. An applicant may appeal a denial to the city council within 30 days of receipt of notice. On appeal, the director's decision will be upheld unless the applicant can show that there is no substantial evidence on the record to support the director's decision. The city council's decision on appeal will be final.

G. Extension of Conditional Certificate. The conditional certificate may be extended by the director for a period not to exceed 24 consecutive months. The applicant must submit a written request stating the grounds for the extension, accompanied by any processing fee as determined by council resolution. No conditional certificate shall be eligible for more than one such extension. An extension may be granted if the director determines that:

1. The anticipated failure to complete construction or rehabilitation within the required time period is due to circumstances beyond the control of the owner;
2. The owner has been acting and could reasonably be expected to continue to act in good faith and with due diligence;
3. The project will comply with the city's comprehensive plan, building, housing, and zoning codes, and any other applicable regulations in effect at the time the extension of the conditional certificate is granted; and

APPENDIX F

4. All the conditions of the original contract between the applicant and the city will be satisfied upon completion of the project.

H. Application for Final Certificate. Upon completion of the improvements agreed upon in the contract between the applicant and the city and upon issuance of a temporary or permanent certificate of occupancy, the applicant may request a final certificate of tax exemption. The applicant must file with the city's planning and community development department the following:

1. A statement of expenditures made with respect to each multifamily housing unit and the total expenditures made with respect to the entire property;
2. A description of the completed work with evidence of final city inspection of all work completed and a statement of qualification for the exemption;
3. A statement that the work was completed within the required three-year period or any authorized extension; and
4. If applicable, a statement that the project meets the affordable housing requirements as described in BMC [17.82.030\(B\)\(2\)](#).

Within 30 days of receipt of all materials required for a final certificate, the director shall determine which specific improvements, and the affordability of the units, satisfy the requirements of this chapter.

I. Issuance of Final Certificate. If the director determines that the project has been completed in accordance with the contract between the applicant and the city and has been completed within the authorized time period, the city shall, within 10 days, file a final certificate of tax exemption with the Whatcom County assessor.

1. Denial and Appeal. The director shall notify the applicant in writing that a final certificate will not be filed if the director determines that:
 - a. The improvements were not completed within the authorized time period;
 - b. The improvements were not completed in accordance with the contract between the applicant and the city;
 - c. If applicable, the affordable housing requirements as described in subsection (B)(2) of this section were not met; or

APPENDIX F

d. The owner's property is otherwise not qualified under this chapter.

Within 14 days of receipt of the director's denial of a final certificate, the applicant may file an appeal with the hearing examiner, as provided in BMC [2.56.050\(B\)](#). The applicant may appeal the hearing examiner's decision to Whatcom County superior court, if the appeal is filed within 30 days, or as otherwise required by law, of receiving notice of that decision.

J. Annual Compliance Review. Within 30 days after the first anniversary of the date of filing the final certificate of tax exemption and each year thereafter, for the tax exemption period, the property owner shall file a notarized declaration with the director indicating the following:

1. A statement of occupancy and vacancy of the multifamily units during the previous year;
2. A certification that the property continues to be in compliance with the contract with the city, including any affordable housing requirements;
3. A description of any subsequent improvements or changes to the property; and
4. A report on affordable housing requirements, if applicable, including:
 - a. The total monthly rent or total sale amount of each unit produced;
 - b. The income of each renter household at the time of initial occupancy and the income of each initial purchaser of owner-occupied units at the time of purchase for each of the units receiving a tax exemption; and
 - c. Any additional information requested by the city in regards to the units receiving a tax exemption.

City staff shall have the right to conduct on-site verification of the declaration. Failure to submit the annual declaration may result in the tax exemption being canceled.

K. The city shall report annually by December 31st of each year to the Washington State Department of Commerce. The report must include the following information:

1. The number of tax exemption certificates granted;
2. The total number and type of units produced or to be produced;

APPENDIX F

3. The number and type of units produced or to be produced meeting affordable housing requirements;
4. The actual development cost of each unit produced;
5. The total monthly rent or total sale amount of each unit produced;
6. The income of each renter household at the time of initial occupancy and the income of each initial purchaser of owner-occupied units at the time of purchase for each of the units receiving a tax exemption and a summary of these figures for the city; and
7. The value of the tax exemption for each project receiving a tax exemption and the total value of tax exemptions granted.

L. Cancellation of Tax Exemption. If the director determines the owner is not complying with the terms of the contract, the tax exemption will be canceled. This cancellation may occur in conjunction with the annual review or at any other time when noncompliance has been determined. If the owner intends to convert the multifamily housing to another use, the owner must notify the director and the Whatcom County assessor within 60 days of the change in use.

1. Effect of Cancellation. If a tax exemption is canceled due to a change in use or other noncompliance, the Whatcom County assessor may impose an additional tax on the property, together with interest and penalty, and a priority lien may be placed on the land, pursuant to state legislative provisions.

2. Notice and Appeal. Upon determining that a tax exemption is to be canceled, the director shall notify the property owner by certified mail. The property owner may appeal the determination by filing a notice of appeal with the hearing examiner within 30 days, specifying the factual and legal basis for the appeal. An aggrieved party may appeal the hearing examiner's decision to the Whatcom County superior court, if the appeal is filed within 30 days, or as otherwise required by law, of receiving notice of cancellation.

M. Conflict of Provisions. If any provision of this chapter is in legal conflict with the provisions of Chapter [84.14](#) RCW, the provisions of Chapter [84.14](#) RCW shall apply as if set forth in this chapter. [Ord. [2015-12-051](#) § 2; Ord. [2010-12-078](#); Ord. [2003-03-012](#); Ord. [2003-03-011](#); Ord. [1999-09-054](#)].