



CITY OF  
BAINBRIDGE ISLAND

**CITY COUNCIL STUDY SESSION  
TUESDAY, FEBRUARY 19, 2019**

BAINBRIDGE ISLAND CITY HALL  
280 MADISON AVENUE N.  
BAINBRIDGE ISLAND, WASHINGTON

**AGENDA**

**1. CALL TO ORDER / ROLL CALL - 6:00 PM**

Absences: Councilmember Nassar; may join by conference call.

**2. EXECUTIVE SESSION**

2.A Pursuant to RCW 42.30.110(1)(g) to review the performance of a public employee, 30 Minutes

**3. APPROVAL OF AGENDA/ CONFLICT OF INTEREST DISCLOSURE - 6:30 PM**

**4. MAYOR'S REPORT - 6:35 PM**

**5. PRESENTATIONS**

5.A (6:40 PM) Final Report on Inclusionary Zoning/Transfer of Development Rights Analysis from ECONorthwest and Forterra - Planning, 60 Minutes

[TDR IZ Presentation](#)

[Bainbridge Island Incentive Zoning Report](#)

**6. UNFINISHED BUSINESS**

6.A (7:40 PM) Update on Moratorium - Planning, 10 Minutes

[20190208 Moratorium work program status report.docx](#)

[Ordinance No. 2018-43 Amending the Moratorium Approved 111318.pdf](#)

[Development Moratorium Summary Effective 20181121.pdf](#)

**7. CITY COUNCIL DISCUSSION**

7.A (7:50 PM) Affordable Housing Task Force Recommendations - Planning, 60 Minutes

[Affordable Housing Task Force Final Report and Appendices](#)

[Recommendation Action Table from AHTF Report](#)

- 7.B (8:50 PM) Affordable Housing Council Ad Hoc Committee - Mayor Medina, 10 Minutes  
[Affordable Housing Ad Hoc Committee Formation Request](#)

**8. FUTURE COUNCIL AGENDAS**

- 8.A (9:00 PM) Future Council Agendas, 10 Minutes  
[City Council Regular Business Meeting 022619](#)  
[City Council Study Session 030519](#)  
[City Council Regular Business Meeting 031219](#)  
[City Council Study Session 031919](#)

**9. FOR THE GOOD OF THE ORDER - 9:10 PM**

**10. ADJOURNMENT - 9:20 PM**

**GUIDING PRINCIPLES**

**Guiding Principle #1** - Preserve the special character of the Island, which includes downtown Winslow's small town atmosphere and function, historic buildings, extensive forested areas, meadows, farms, marine views and access, and scenic and winding roads supporting all forms of transportation.

**Guiding Principle #2** - Manage the water resources of the Island to protect, restore and maintain their ecological and hydrological functions and to ensure clean and sufficient groundwater for future generations.

**Guiding Principle #3** - 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.

**Guiding Principle #4** - Consider the costs and benefits to Island residents and property owners in making land use decisions.

**Guiding Principle #5** - The use of land on the Island should be based on the principle that the Island's environmental resources are finite and must be maintained at a sustainable level.

**Guiding Principle #6** - Nurture Bainbridge Island as a sustainable community by meeting the needs of the present without compromising the ability of future generations to meet their own needs.

**Guiding Principle #7** - Reduce greenhouse gas emissions and increase the Island's climate resilience.

**Guiding Principle #8** - Support the Island's Guiding Principles and Policies through the City's organizational and operating budget decisions.



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CITY OF  
BAINBRIDGE ISLAND

## City Council Study Session Agenda Bill

**MEETING DATE:** February 19, 2019

**ESTIMATED TIME:** 30 Minutes

**AGENDA ITEM:** Pursuant to RCW 42.30.110(1)(g) to review the performance of a public employee,

**STRATEGIC PRIORITY:** Good Governance

**PRIORITY BASED BUDGETING PROGRAM:**

**AGENDA CATEGORY:** Discussion

**PROPOSED BY:** City Council

**RECOMMENDED MOTION:**

Discussion.

**SUMMARY:**

Executive session discussion.

**FISCAL IMPACT:**

<b>Amount:</b>	
<b>Ongoing Cost:</b>	
<b>One-Time Cost:</b>	
<b>Included in Current Budget?</b>	

**BACKGROUND:**

**ATTACHMENTS:**

**FISCAL DETAILS:**

**Fund Name(s):**

**Coding:**



CITY OF  
BAINBRIDGE ISLAND

## City Council Study Session Agenda Bill

**MEETING DATE:** February 19, 2019

**ESTIMATED TIME:** 60 Minutes

**AGENDA ITEM:** (6:40 PM) Final Report on Inclusionary Zoning/Transfer of Development Rights Analysis from ECONorthwest and Forterra - Planning,

**STRATEGIC PRIORITY:** Green, Well-Planned Community

**PRIORITY BASED BUDGETING PROGRAM:**

**AGENDA CATEGORY:** Presentation

**PROPOSED BY:** Planning & Community Development

### RECOMMENDED MOTION:

Discuss findings of the analysis from ECONorthwest and Forterra, including whether to continue to pursue adopting improved Transfer of Development Rights (TDR) and Inclusionary Zoning programs. Provide direction to staff re: next steps.

### SUMMARY:

ECONorthwest and Forterra have completed the final report of their analysis regarding a new inclusionary zoning program and revisions to the City's transfer of development rights ("TDR") program (Chapter 18.27 BIMC). This is an opportunity for the City Council to ask questions about the findings, and provide direction to staff about next steps. For more information, see the attached report and presentation. The report has an executive summary.

### FISCAL IMPACT:

<b>Amount:</b>	
<b>Ongoing Cost:</b>	
<b>One-Time Cost:</b>	
<b>Included in Current Budget?</b>	

### BACKGROUND:

Increasing affordable housing and promoting conservation of natural areas are goals that permeate several elements of the City's Comprehensive Plan. For example, Land Use Element High Priority Action #10 directs the City to evaluate why the City's TDR program has not been successful. In addition, on November 1, 2017,

the Affordable Housing Task Force voted unanimously to recommend to the City Council that the City pursue an inclusionary zoning program.

On June 12, 2018, the City Council approved a professional services agreement with ECONorthwest to provide economic analysis regarding a new inclusionary zoning program and revisions to the City's transfer of development rights ("TDR") program (Chapter 18.27 BIMC). ECONorthwest has subcontracted with Forterra to assist with the work.

On June 19, 2018, the Council heard a presentation from ECONorthwest and Forterra about the methodology to provide an economic market analysis and feasibility study regarding a new inclusionary zoning program and revisions to the City's transfer of development rights.

On October 2 and December 4, 2018, ECONorthwest and Forterra provided updates to the Council on the progress of their analysis. At that meeting, the Council gave feedback on several policy choices. The City Council Ad Hoc Affordable Housing committee (Councilmembers Blossom, Schneider and Peltier) discussed a DRAFT of the final report with ECONorthwest on February 5, and confirmed that the report should be finalized and forwarded to the full Council.

**ATTACHMENTS:**

[TDR IZ Presentation](#)

[Bainbridge Island Incentive Zoning Report](#)

**FISCAL DETAILS:**

**Fund Name(s):**

**Coding:**

# City of Bainbridge Island TDR / Incentive Zoning Analysis

# Summary of Findings

- The current TDR and affordable housing incentives have not been utilized recently and have produced few public benefits
- Real estate market conditions in Bainbridge Island have been improving and more development is occurring
- Low density limits, increasing construction cost, and high price for property are a challenge for new development

Current Base and Bonus Zoning Standards for Select Zones

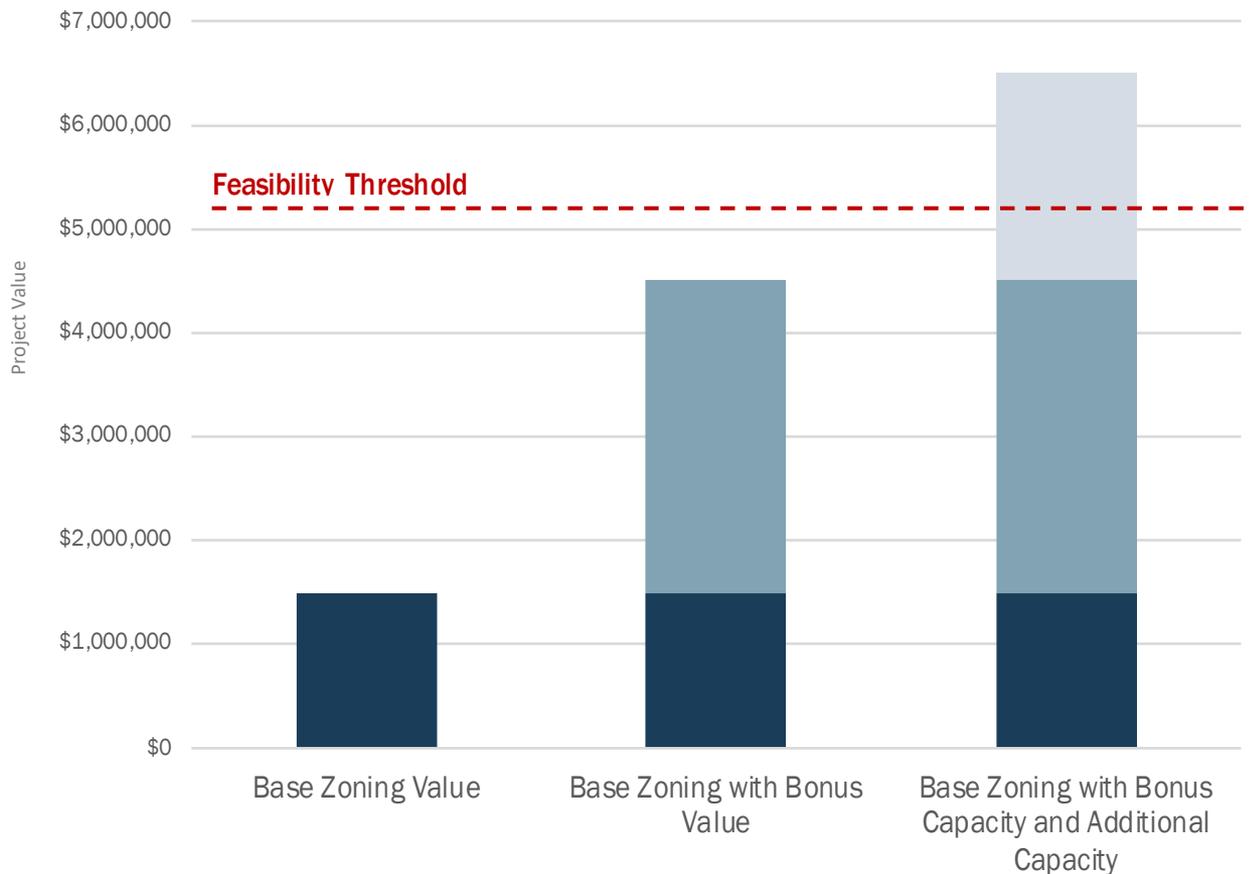
Zone	Base				Bonus			
	Units/Acre	FAR	FAR	Height (Ft)	Units/Acre	FAR	FAR	Height (Ft)
NC*	2.0	NA	NA	35	5.0	NA	NA	45
NC/R-12**	5.0	NA	NA	35	12.0	NA	NA	45
High School Road Districts	NA	0.3	0.3	35	NA	0.6	1.0	45
Ferry Terminal Overlay	NA	0.4	0.5	35	NA	1.1	1.3	45
Central Core Overlay	NA	0.4	1.0	35	NA	1.0	1.5	45

\*Infrastructure available

\*\*Mixed use building

# Summary of Findings

- With incentive zoning, the public benefit realized depend on the maximum densities allowed



An increase in FAR would be needed to support a incentive program (TDR and/or Inclusionary Housing).

(Assuming 10% of units designated as affordable and the range of acres conserved, depending on the zoning of the sending)

Maximum Assumptions Evaluated by Zone and Estimated Benefits

	NC - Townhomes	NC/R-12 - Mixed Use	HS-1 - Multifamily	FERRY - Mixed Use	CORE - Mixed Use
Height	20	35	40	55	55
Density (Floor area ratio)	0.46	1.72	3.00	4.50	4.50
Density (Units per acre)	10.0	62.0	122.0	196.0	196.0
Parking (Spaces/Unit)	1.50	1.00	0.75	0.75	0.75
Affordable Units Created	1	6	6	18	9
Acres Conserved (High est.)	9.2	11.5	16.1	32.1	9.2
Acres Conserved (Low est.)	1.8	2.3	3.2	6.4	1.8

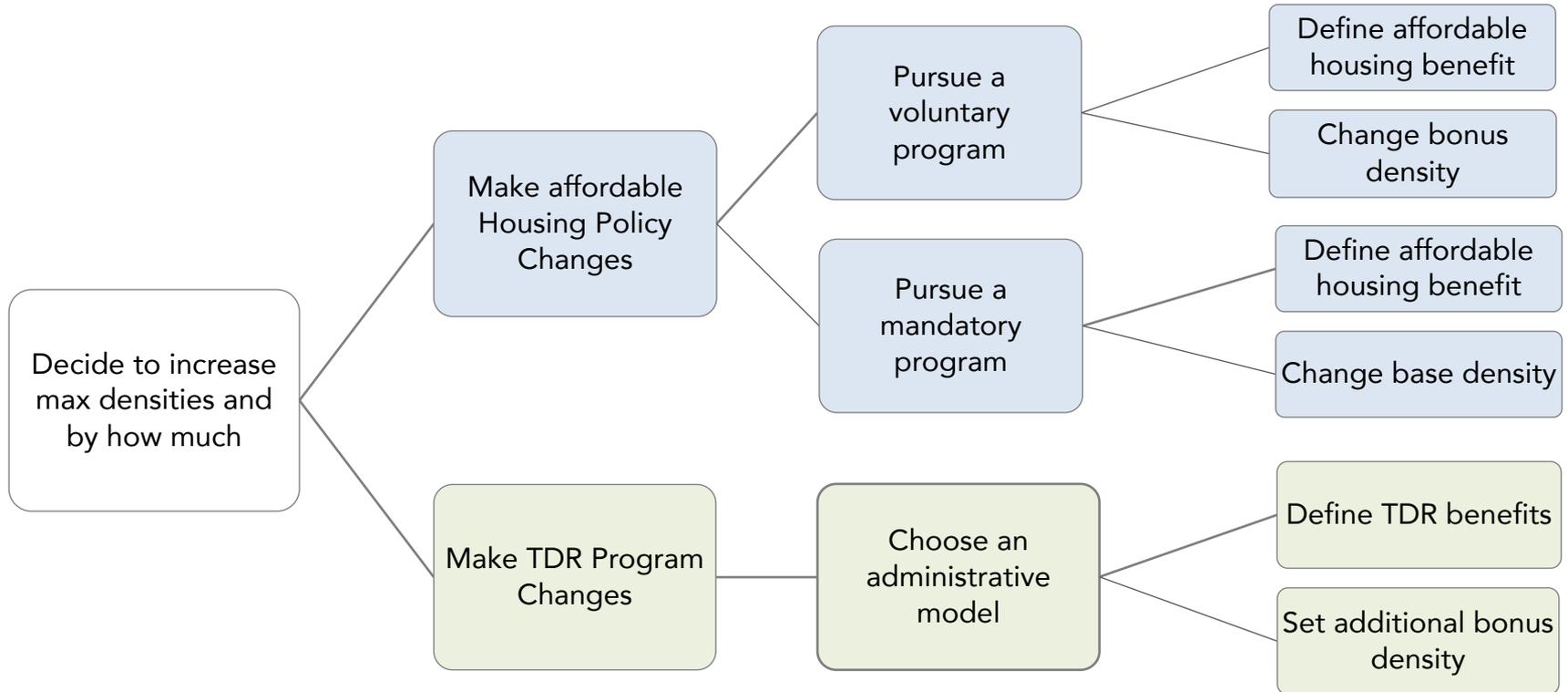
High estimate assume credits all purchased for land zoned R-0.4

Low estimate assume credits all purchased for land zoned R-2

# Policy Considerations

1. Allow new maximum bonus density and height limits
2. Reduce the other incentives available and focus on affordable housing and TDR
3. Create an administrative model for the TDR program
4. Establish a fee in-lieu option for affordable housing and TDR overall or just for smaller projects
5. Decide on a voluntary or mandatory affordable housing program
6. Establish an MFTE program
7. Define the affordable housing and TDR benefits based on the new bonus density limits and other incentives.

# Policy Decision Tree



# Zoning Capacity Changes

1. Allow new maximum bonus density and height limits
2. Reduce the other incentives available and focus on affordable housing and TDR
3. Create an administrative model for the TDR program
4. Establish a fee in-lieu option for affordable housing and TDR overall or just for smaller projects
5. Decide on a voluntary or mandatory affordable housing program
6. Establish an MFTE program
7. Define the affordable housing and TDR benefits based on the new bonus density limits and other incentives

- What areas of the city do you want to target for the affordable housing and/or the TDR program?
- In what areas, if any, do you want both TDR and affordable housing to operate?
- What zones do you want to increase capacity?

1. Allow new maximum bonus density and height limits
2. Reduce the other incentives available and focus on affordable housing and TDR
3. Create an administrative model for the TDR program
4. Establish a fee in-lieu option for affordable housing and TDR overall or just for smaller projects
5. Decide on a voluntary or mandatory affordable housing program
6. Establish an MFTE program
7. Define the affordable housing and TDR benefits based on the new bonus density limits and other incentives.

# TDR Program Key Questions

- What administrative model does the city want to use?
- Do you want the program to have a fee in lieu option?
- Do you want to use the 8-year MFTE to further incentivize TDR placement?

# Affordable Housing Incentives

1. Allow new maximum bonus density and height limits
2. Reduce the other incentives available and focus on affordable housing and TDR
3. Create an administrative model for the TDR program
4. Establish a fee in-lieu option for affordable housing and TDR overall or just for smaller projects
5. Decide on a voluntary or mandatory affordable housing program
6. Establish an MFTE program
7. Define the affordable housing and TDR benefits based on the new bonus density limits and other incentives.

# Affordable Housing Key Questions

- Do you want to use a voluntary or mandatory based approach?
- Do you want the program to have a fee in lieu option?
- Do you want MFTE to supplement affordable housing production?
- If so, do you want to use the 8-year or 12-year MFTE program?

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# City of Bainbridge Island

## Transfer of Development Rights and Inclusionary Zoning Assessment

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February 2019

Prepared for:  
City of Bainbridge Island

**FINAL REPORT**

**ECONorthwest**  
ECONOMICS • FINANCE • PLANNING

**FORT&ERRA**  
FOR THE PEOPLE. FOR THE LAND. FOREVER.

Park Place  
1200 Sixth Avenue  
Suite 615  
Seattle, WA 98101  
206.388.0079

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# Executive Summary

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The City of Bainbridge Island is evaluating its affordable housing and transfer of development rights (TDR) incentive programs to understand how they can be better utilized to support citywide efforts to increase the amount of affordable housing and land maintained for open space, respectively. While these incentive programs have been in place for over 20 years, neither of these specific programs have been used much to-date; the current affordable housing program has been used once since 2005. The lack of use indicates that the current density bonus mechanism needs to be revised. To improve program utilization and support the realization of Bainbridge Island's broader comprehensive plan goals, the City Council requested an analysis of what incentives and zoning changes would be required make the City's affordable housing incentive program and TDR program work. In addition, the Council would like to understand the implications of a mandatory versus voluntary affordable housing program.

## Improving Market Conditions but Development Still Has Challenges

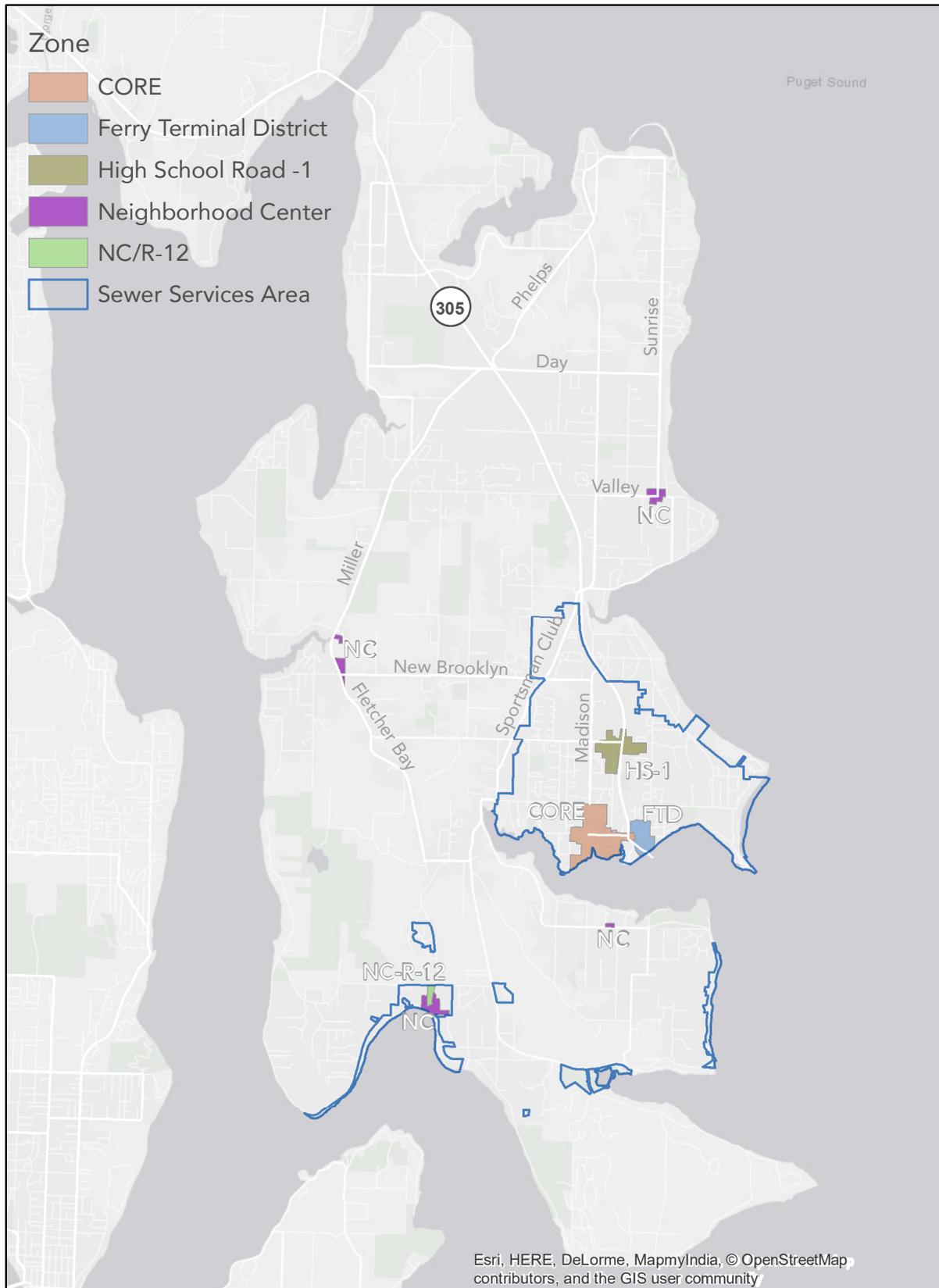
Bainbridge Island has realized increasing growth and stronger market fundamentals, particularly during the last five years. Apartment vacancies have declined, and average rents have increased. The median sales price for a home in Bainbridge Island has also increased from \$719,000 in 2009 and reached \$820,000 in 2018. In response to improving market conditions, building permit activity and the number of housing units built has increased over the last seven to eight years.

However, the number of housing units built during the last several years is still below the pre-2008 recession averages. In addition, increasing construction costs and land prices make the current market more challenging for new development to "pencil out."

## Development Code Presents Challenges for New Growth

ECONorthwest and Forterra evaluated the current incentive programs and analyzed the viability of multifamily and mixed-use buildings under the base zoning requirements and current bonus density incentives. This analysis focused on zones in the City's designated growth centers (Neighborhood Center, High School Road District, Ferry Terminal Overlay, and Central Core Overlay zones). Exhibit 1 shows where these zones are located within the city.

### Exhibit 1. Zones Analyzed



Source: City of Bainbridge Island, ECONorthwest

Overall, the development analysis found that current base zoning and available incentives do not support the provision of affordable housing units or purchase of TDR credits. While the current density bonus incentives do increase the value of each of the building types analyzed, they do not create enough value to capture for public benefits (e.g. affordable housing and land conservation). Further, the price for property in Bainbridge Island is relatively high due to the scarcity of infrastructure and limited number of developable sites in the City's designated (or growth) centers.

## Zoning Changes are Necessary to Incentivize Affordable Housing and TDR Use

To improve financial feasibility and utilization of the incentive programs, development projects need to be able to use development sites more efficiently and achieve more physical scale. To do this, the City has three key regulatory levers it can adjust.

- **Increasing density limits.** This would increase the amount of building square feet, primarily through higher floor area ratios (FAR) limits or more dwelling units per acre.
- **Raise height limits.** This would allow more building square feet and more flexibility developing a site to provide open space on the site.
- **Reduced parking requirements.** This helps reduce construction costs and allows more flexibility in developing a site.

These options align with the recommendations outlined in the Affordable Housing Task Force Final Report. The report recommends the City make code changes to increase density limits, building heights, and reduce parking requirements (Recommendation 1B).

## Strategic Options for Incorporating Public Benefits

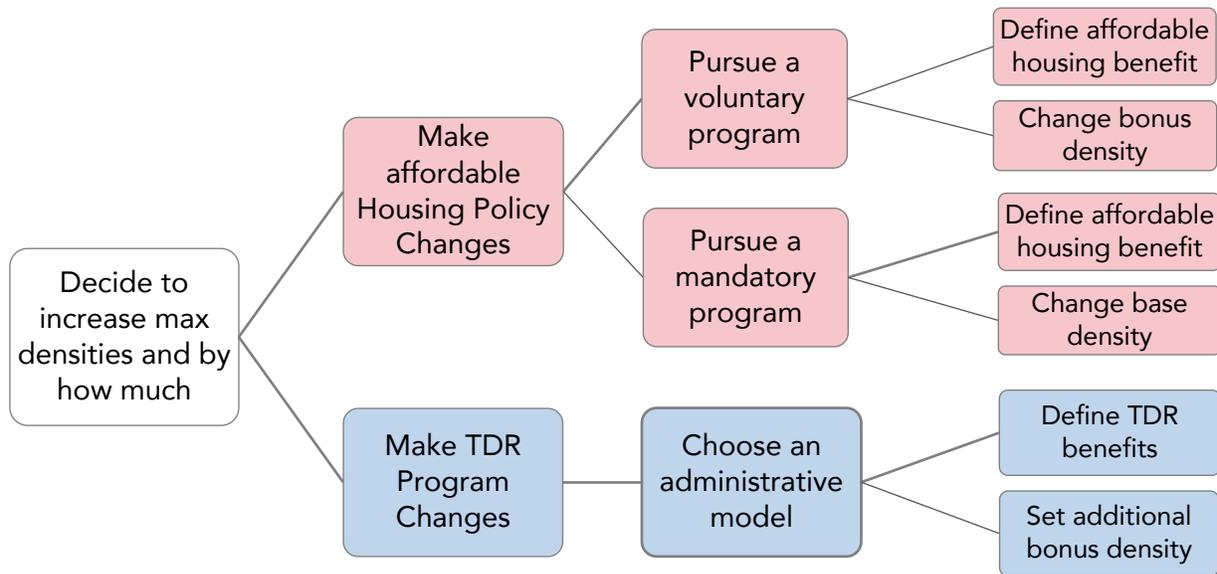
In addition to making the zoning changes described above, the City has several options to increase the provision of affordable housing units and/or purchase of TDR credits through how it defines the public benefits required to realize the incentives offered. The current TDR and affordable housing incentives function as separate programs. The City can continue to have them function separately and make changes to each so they work on their own. However, if desired, the City can link the programs so that both the provision of affordable housing and the purchase of TDR credits are realized from an individual project using the density bonus.

Exhibit 2 outlines the decision tree for making these policy decisions. For the affordable housing incentive program, an important, initial step is whether the City makes provisions for affordable housing voluntary or mandatory. The City currently has a voluntary program for affordable housing. However, the Affordable Housing Task Force Report recommended a mandatory program, pending the completion of this study (Recommendation 1A). For the TDR program, an initial step will be to define how the program is administered.

Subsequent steps will need to define the public benefit for affordable housing and TDR purchases required. The amount of affordable housing provided or TDR credits purchased

determine what level of density is needed to support the provision of those public benefits<sup>1</sup>. For example, a higher share of affordable units—10 percent compared to 5 percent—will require a higher level of density allowed so that projects are financially viable and get built. Thus, the base and bonus density limits for each approach will also differ.

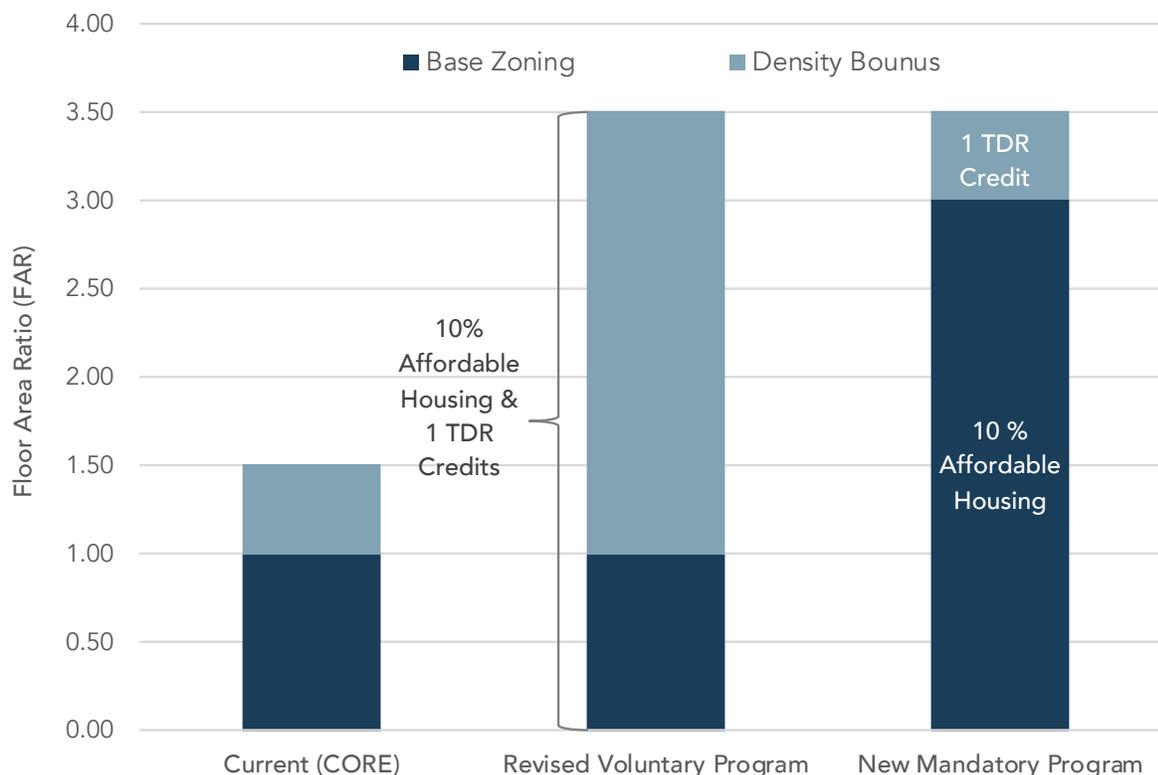
**Exhibit 2. Strategic Options Decision Tree**



The chart below shows the current FAR limits for a mixed-use building in the Central Core Overlay zone and how FAR limits would likely need to change under a revised voluntary or new mandatory program. The number of affordable units built, and TDR credits purchased would be different for mandatory program versus a voluntary program, even if the maximum density allowed is the same (e.g. 3.5 FAR).

<sup>1</sup> RCW 36.70A.540

**Exhibit 3. Example FAR Limits for Mixed-Use Building in the Central Core Overlay Zone**



Source: ECONorthwest

**Voluntary Program.** A revised version of this program would keep the base zoning the same and increase the density bonus (higher FAR limits and increased height). The value created through the increased density bonus can be divided between affordable housing and TDR purchases (50/50, for example). For our analysis, we assumed a development would make 10 percent of all units affordable and purchase at least one development right (or TDR credit) to realize the density bonus.

**Mandatory Program.** A mandatory program would be more complicated. All development projects would be required to provide a defined share of affordable housing units. Although, small scale project can be exempted from the requirement. To ensure projects are financially viable (so units get built) the City would need to substantially increase the base zoning density and height limits. Even if the defined share of affordable housing was the same as the voluntary program (10 percent), the total number of affordable units provided would be slightly less because the size of the building area that 10 percent applies to is smaller (a building area with 3.0 FAR compared to 3.5 FAR). A more detailed discussion is provided in Section 5.

In addition, a TDR incentive (additional density or height increase above the newly increased base zoning) would be added to the mandatory affordable housing requirement to provide a mechanism for TDR credits to be purchased.

## Other Tools, such as MFTE, can Support Incentive Programs

The City has a variety of other incentives it can use to ensure development feasibility as part of an incentive program in addition to increasing zoning capacity. Direct subsidies, tax abatements, and reduced parking requirements, which was mentioned above, are the most impactful. The Multi-Family Tax Exemption (MFTE) program<sup>2</sup> is the one of the best options in Washington State that is available to the City. The Affordable Housing Task Force also recommended the City adopt an MFTE program (Recommendations 1C).

The MFTE is a property tax abatement on the residential portion of new multifamily housing development. There are two versions of the program: an eight-year abatement and a 12-year abatement. The 12-year abatement requires that at least 20 percent of the housing units are affordable to households earning 80 percent of the Area Median Income. The eight-year program does not have an affordability requirement, but it can be used in conjunction with an affordable housing incentive zoning program.

The Development Analysis evaluated the eight-year version of the MFTE and found that it added substantial value to projects. Thus, not including an MFTE as part of the City's incentive program would likely require increasing allowed densities to compensate for the lost value and/or reducing the public benefits required to maintain the feasibility of projects.

## Trade-off Between Incentive Maximums and Public Benefits

The central question of this analysis is whether additional zoning capacity creates enough value to cover the additional cost of construction and operations and still provide a defined percent of affordable units and purchase TDR credits. If additional zoning capacity does create enough value, what are the FAR and height maximums necessary for the incentive program to work under current market conditions and future market changes.

To assess what scale and density are needed, ECONorthwest analyzed the same building prototypes and zones as in the baseline development analysis. This analysis assumed more building area and higher heights than currently allow under zoning. The analysis also assumed the City implemented an MFTE program and reduced parking requirements, as discussed in the sections above.

Exhibit 4 shows the maximum building scale and density assumed, the number of affordable housing units created (assuming 10 percent of units designated as affordable<sup>3</sup>), and the range of acres conserved (depending on the zoning of the sending site<sup>4</sup>).

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<sup>2</sup> RCW 84.14

<sup>3</sup> One-person household earning 80 percent of the area median income and spending 30 percent or less of their income on housing.

<sup>4</sup> Assuming an average value of \$75,000 per development right/credit.

**Exhibit 4. Maximum Development Assumptions Evaluated by Zone and Estimated Benefits**

	NC - Townhomes	NC/R-12 - Mixed Use	HS-1 - Multifamily	FERRY - Mixed Use	CORE - Mixed Use
Height	20	35	40	55	55
Density (Floor area ratio)	0.46	1.72	3.00	4.50	4.50
Density (Units per acre)	10.0	62.0	122.0	196.0	196.0
Parking (Spaces/Unit)	1.50	1.00	0.75	0.75	0.75
Affordable Units Created	1	6	6	18	9
Acres Conserved (High est.)	9.2	11.5	16.1	32.1	9.2
Acres Conserved (Low est.)	1.8	2.3	3.2	6.4	1.8

High estimate assume credits all purchased for land zoned R-0.4

Low estimate assume credits all purchased for land zoned R-2

Source: ECONorthwest

The development analysis results indicate the City would need allow for a substantial increase in floor area allowed for sizable provision of affordable housing and purchase of TDR credits under current market conditions. Current bonus FAR limits in the Mixed-Use Town Center and High School Road District are 1.0 and up to 1.5 in the Central Core Overlay zone. These limits would have to be increased to at least 3.0 in the High School Road District and 4.5 in the Mixed-Use Town Center. More modest increases in height (going from 45 to 55 feet) may also be necessary.

Ultimately, for any revisions to the current incentive program, there is a trade-off between different options that the City will need to consider. Allowing more density and heights will allow the City to require a higher share of affordable housing, lower affordability levels, and/or more dollars for purchasing TDR credits. Conversely, lower density and height maximums will result in less affordable housing and fewer dollars used for TDR purchases. However, if the defined public benefits are set too high, the private market might wait until market dynamics change for development to occur. This challenge is encountered by every jurisdiction trying to calibrate an incentive zoning policy.

**Considerations and Recommendations**

The City’s current affordable housing incentive program and TDR program are separate incentives that compete among several other incentives and FAR purchase options available within Bainbridge Island. Neither of these programs has been utilized as desired. Our analysis found the current base and incentive zoning parameters are the primary barrier to the incentives working effectively.

To improve performance and the realization of public benefits, we recommend an incentive zoning framework that 1) prioritizes affordable housing and the purchase of TDR credits above other public benefits (public spaces, underground parking, etc.), and 2) maximizes the frequency and period of time that these two incentives would likely be used under a variety of changing market conditions. Broadly, there are several key changes the City can undertake to better support these two objectives.

1. **Allow a new maximum height and FAR densities.** We recommend increasing the density and height of buildings within designated growth centers. While our analysis did not identify the current height limits as barrier to the utilization of the current incentive program, we recommend increasing the current limit to allow an additional floor, so the program provides flexibility to be used under changing market conditions in the future.

We also recommend moving to an FAR-based density limit for the NC zone. The zone currently uses units per acres to define density. An FAR-based density limit would be consistent with the other growth center zones and provide more flexibility.

The table below summarizes the recommended maximum density and height limits for density bonuses by zone. Our analysis only looked at five zones with these areas. Additional analysis would be needed to determine the bonus maximums for the zones not studied.

**Exhibit 5. Recommended Maximum Bonus Density and Height Limits**

Zone	Current Bonus Density	Current Bonus Height	Recommended Bonus Density	Recommended Bonus Height
Neighborhood Center	5 unit/ac	45 feet	0.5 FAR	45 feet
Neighborhood Center/R-12	12 units/ac	45 feet	2.0 FAR	45 feet
High School Road District - 1	0.6 FAR	45 feet	3.0 FAR	45 feet
Ferry Terminal Overlay	1.1 FAR	45 feet	4.5 FAR	55-75 feet
Central Core	1.0 FAR	45 feet	4.5 FAR	55-75 feet

Source: ECONorthwest

*Key Questions:*

*What areas of the city do you want to target for the affordable housing and/or the TDR program?*

*In what areas, if any, do you want both TDR and affordable housing to operate?*

*What zones do you want to increase capacity?*

2. **Reduce the other incentives available and focus on affordable housing and TDR.** The City currently offers incentives for several other public benefits including: providing underground parking, FAR purchases, providing on-site open space, tree preservation, historic structure preservation, etc.). Reducing competing options will prioritize the use of incentives for the affordable housing and TDR programs.
3. **Create an administrative model for the TDR program.** The current TDR program code does not identify a clear process by which a landowner or a developer can participate in the program. We recommend that the City creates both an administrative structure for the operation of the program as well as easily accessible informational resources to prospective users of the program. Until a robust market for TDR evolves in the City, we recommend a simple private buyer-seller model with public support. As program activity increases or if the City allocates funding to acquire TDR credits, the creation of a

TDR bank would serve a useful purpose to augment the private market transactions. Additional resources will support the emergence of a marketplace, such as an online listing of landowners who wish to sell their development rights, electronic copies of application forms that users can download, and a dedicated webpage for the TDR program that explains the tool, identifies sending and receiving areas, illustrates the process for using the program, and gives appropriate City staff contact information.

*Key Question: What type of administrative model does the City want to use?*

4. **Establish a fee in-lieu option for the affordable housing and TDR incentive programs.**

A fee in-lieu options would provide more flexibility for developments, particularly smaller projects. For example, as part of a revised TDR program the City could collect and use these funds for the purchase of development rights and conservation easements in Bainbridge Island.

*Key Questions:*

*Should the TDR program have a fee in-lieu option?*

*Should the affordable housing incentive have a fee in-lieu option?*

*Should there be a minimum size threshold for projects eligible for a fee in-lieu option?*

5. **Decide to maintain a voluntary or establish a new mandatory affordable housing program.** We recommend maintaining a voluntary affordable housing incentive program. The base zoning density limits are relatively low. Thus, most future projects will likely take advantage of the affordable housing incentive if calibrated correctly. As shown in Exhibit 3, a voluntary program has the potential to yield more public benefits when used compared to a mandatory program as well.

**Establish an MFTE program.** We recommend an 8-year MFTE program. Our analysis showed that the MFTE added value for multifamily developments and it would be an additional incentive to support the viability of multifamily projects and the use of incentive programs. In addition, an 8-year program allow the City to set its own affordability requirements (both the share of affordable units and length of affordability). The 12-year MFTE program requires 20 percent of units are affordable for 12 years.

*Key Questions:*

*Do you want to use the 8-year MFTE to further incentivize TDR placement?*

*Do you want the MFTE to supplement affordable housing production? If so, do you want to use an 8- or 12-year program?*

**6. Define the affordable housing and TDR benefits based on the new bonus density limits and other incentives.**

- For affordable housing we recommend 10 percent set aside of all units built. Our analysis indicated that this share would be viable at the densities modeled. The City currently requires that all units built through the density bonus be affordable. Because the base zoning limits are relatively low, a high percent of all units are affordable, which had a sizable effect on financial feasibility.
- For TDR, the benefit to a developer is defined by an exchange rate: what additional value does a developer gain by purchasing one credit? No exchange rate is currently set by the program or code and this uncertainty deters participation. If the City is going to award density bonus on an FAR basis, the appropriate units to express an exchange rate is in additional square feet of building area per credit purchased. For example, for each TDR credit purchased, a developer may build an additional 2,000 square feet of floor area up to the FAR limit of 3.5. Further evaluation of conservation area land values is needed to calibrate an exchange rate that will drive demand for TDR.

In addition to the seven changes above, there are several small, less critical changes the City can pursue that also will help support the affordable housing and TDR incentive programs that we also recommend the City consider.

- Expand the receiving areas available for TDR credits. Residential zones, such as R-2.9 and R-3.5 could support the placement of TDR credits and conservation open space elsewhere on the island by allowing additional units in exchange for purchasing a TDR credit.
- Remove separate FAR limits for residential and commercial uses in mixed-use buildings. Instead, establish one, new FAR limit for the entire building by zone as discussed above.
- Reduce parking requirements to 1.0 space per unit. Maintain reduction of half for areas within 0.5 mile of ferry terminal, which would then allow 0.5 space per unit within 0.5 mile of ferry terminal.
- Expand the areas where denser development can be built to increase the number lower cost development sites available where projects would be financially viable. In addition to rezoning areas, this would include ensuring existing neighborhood centers have the infrastructure available to support the growth planned for those areas.

# 1 Introduction

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The City of Bainbridge Island is evaluating its affordable housing and transfer of development rights (TDR) incentive programs to understand how they can be better utilized to support citywide efforts to increase the amount of affordable housing and land maintained for open space, respectively. Both programs are intended to incentivize development projects to include housing units that are more affordable, or to purchase development rights from areas elsewhere on the island to be maintained as open space (i.e. the transfer of a parcel's development right to a different location where growth is more desired). The incentive currently offered is a density bonus, which allows buildings to be larger and taller than allowed under the base zoning requirements.

Development incentive programs are complex and must be responsive to a constantly changing real estate market. The purpose of this study is to understand the real estate market conditions, evaluate the City's existing incentive provisions, and to recommend potential changes to the existing provision based on thorough analysis of different policy options and development feasibility.

The City Council has specifically stated an interest in understanding the potential of the current incentive programs to provide "workforce" housing (units affordable to households earning 60-80% of the median income) and to utilize transfer of development rights (TDR) credits. The Council also stated their interest in focusing on growth centers, including Neighborhood Centers and the Winslow Village area (High School Road district and zones near the ferry terminal with mixed-use zone and allowing greater densities). Overall, the Council wanted the analysis to assess what incentives and zoning changes would be required to make the City's incentive programs work and to understand the implications of a mandatory versus voluntary affordable housing requirement.

Key study questions:

- What is the current opportunity to use the land use code to achieve public benefits (e.g. affordable housing and land conservation)?
- What code changes limit or could support public benefit desires?
- Should the affordable housing provisions be voluntary through an incentive or mandatory?
- What other incentives could be used to support public benefit desires?

## 1.1 Previous Efforts

### Transfer of Development Rights

In 2006 a consultant team undertook a comprehensive review of the city’s TDR program.<sup>5</sup> The evaluation included assessments of conservation priorities, market demand, credit valuation, program mechanics, and administration. Among the key findings from that report, several issues are unresolved and remain relevant to the current analysis. These include:

- **Demand for development rights is limited by receiving area capacity.** As a market-based real estate tool, TDR works when it is connected to demand for growth. Now, as then, opportunities for using TDR are constrained by a lack of places in which developers can gain additional value for projects by purchasing development rights.
- **Competing city programs further limit demand.** One ongoing challenge to the success of TDR is that developers have a range of options for achieving the desired intensities of projects. By streamlining these choices and aligning them with policy priorities the city can improve the chances of successfully achieving growth and conservation objectives.
- **The value of development rights in the receiving areas can vary considerably.** Since 2006, growth patterns across Bainbridge Island have continued to take a variety of forms. Different development types take a range of values and incentives that are attractive for one type but may not be feasible for others. This analysis takes such variability into consideration, whether considering TDR in the context of single-family development or multifamily, mixed-use projects in the downtown core.

The findings and recommendations of the 2006 report informed the design of the current analysis to the extent that some of the factors influencing TDR use then are still present. In the intervening time the dynamics of the local real estate market have shifted and policy priorities have evolved to include a greater emphasis on housing affordability. The present design challenges seek to balance market-based conservation, encouraging growth in specific areas and increasing the stock of affordable housing—either by mandate or through incentives.

### Affordable Housing

At the end of 2018 the City’s Affordable Housing Task Force released its final report and recommendations. The City Council formed the Task Force to study and make recommendations about near-term actions the City can take to “improve access to affordable housing across the economic spectrum.”<sup>6</sup> The Task Force was composed of 15 citizens who met over the next year and a half.

The Task Force’s final report outlined five priority recommendations and five “Quick Wins” the City could pursue to address its affordable housing challenges. The five-priority recommendation included:

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<sup>5</sup> [City of Bainbridge Island Transfer of Development Rights Program Review](#), MAKERS and Community Attributes, 2006

<sup>6</sup> 2018 Affordable Housing Task Force Final Report, page 1

1. Draft and adopt code changes to encourage infill in the Designated Centers, with the assistance and advice of ECONorthwest.
2. Pursue opportunities to partner with the private and nonprofit sectors to build affordable housing on public lands.
3. Adopt procedures to encourage Accessory Dwelling Units.
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.
5. Create a permanent affordable housing committee and designate a City employee who will spend at least half-time on affordable housing strategies.

Recommendation number one directly relates the findings of this report. This recommendation also had three specific and related recommendations cited in the Task Force’s report.

- 1a. Adopt a Mandatory Inclusionary Zoning Ordinance
- 1b. Enact changes in FAR to encourage affordable housing
- 1c. Adopt a Multifamily Property Tax Exemption

The consultant team evaluated each of these specific recommendations in our analysis and address them later in the report.

## 1.2 Report Organization

The remainder of the report is organized in to four subsequent sections.

- **Policy Context.** This section summarizes the City’s growth policies with a focus on those most relevant to the TDR program and affordable housing incentives.
- **Existing Conditions.** This section reviews the incentive programs utilization, broad real estate market conditions, and the development feasibility of example projects under different zoning standards.
- **Policy Options.** This section assesses the City options for revising its affordable housing and TDR incentive programs.
- **Considerations and Recommendations.** The last section outlines the consultant team’s recommendations for moving forward and specific issues the City will likely have to make decisions about if it chooses to revise the incentive programs.

In addition, there are two appendices providing more detailed information on real estate market conditions (Appendix A) and the assumptions used in the development analysis (Appendix B).

## 2 Policy Context

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This section summarizes the City’s growth policies with a focus on those most relevant for affordable housing incentives and the TDR program. The City’s growth strategy—embodied in its comprehensive plan—is to concentrate growth in designated centers, which include Winslow, Lynwood Center, Rolling Bay, and Island Center. The types of housing and commercial uses prioritized through comprehensive plan policies in these areas include mixed-use development, small to mid-size single-family housing units, multifamily, tiny houses, accessory dwelling units, and cottage housing. The City has yet to adopt code enabling all of these housing types, however. These areas also have or are planned to have the infrastructure to accommodate growth. Winslow specifically is intended to have denser residential and commercial development, as it is located near the ferry terminal and is the city center. The other designated centers are intended to offer housing and small-scale commercial uses and services outside of Winslow.

The lands outside of the City’s designated centers are conservation areas, which minimize the impact of the built environment and protect aquifers, surface waters, and fish and wildlife habitat. Many of the City’s conservation priorities are driven by the desire to protect the island’s drinking water and aquifer system. Infrastructure and access to utilities also inform much of where Bainbridge Island directs growth.

The City has undertaken policies and actions to support resource conservation on the island.

- The TDR program establishes all properties located outside of designated centers, i.e. conservation areas, as development rights sending areas.<sup>7</sup> The current TDR program also permits agricultural land to be designated as a sending area through sale or transfer of development rights (at a higher rate), as well as allows property owners to donate all or a portion of their development rights to the city.
- The City updated its Critical Areas Ordinance earlier this year to better address priorities identified in the Comprehensive Plan and recommendations provided by the Washington Department of Fish and Wildlife.
- The City prepared an open space plan in 2008, which focused on identifying priority open space lands based on biodiversity values, ecological integrity, recreation, and historical/cultural values. Many of the higher-ranked priority lands are those adjacent to existing open spaces and dedicated parks, providing connected, high-quality habitats and working lands.
- The City also emphasizes the importance of protecting conservation areas through the public acquisition of certain properties, and tools such as aquifer recharge area regulations and promotion of smaller dwelling units to minimize development footprints.

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<sup>7</sup> Bainbridge Island Municipal Code (BIMC) Chapter 18.27.020 *Development Rights Sending Areas*.

## 2.1 Zoning Summary

The City’s zoning code is one of the primary methods for implementing the City’s growth strategy, and development incentives are a zoning-based tool. The City has a range of development incentives to support open space, affordable housing, the Purchase of Development Rights (PDRs), provision of public infrastructure, ferry parking, and the preservation of heritage trees and historic structures. Mixed use development is also encouraged in the Mixed Use Town Center zones through a higher FAR limit than for buildings with single uses.

As a tool for achieving the City’s growth strategy, these incentives encourage growth in areas identified as Designated Centers to leverage desired community benefits. The incentives relevant to this study are those for the TDR program and affordable housing. Exhibit 6 lists the base density and height limits for select zones within Designated Centers and the bonus density limits for those zones.

**Exhibit 6. Current Base and Bonus Zoning Standards by Select Zone**

Zone	Base				Bonus			
	Units/Acre	Residential FAR	Mixed Use FAR	Height (Ft)	Units/Acre	Residential FAR	Mixed Use FAR	Height (Ft)
NC*	2.0	NA	NA	35	5.0	NA	NA	45
NC/R-12**	5.0	NA	NA	35	12.0	NA	NA	45
High School Road Districts	NA	0.3	0.3	35	NA	0.6	1.0	45
Ferry Terminal Overlay	NA	0.4	0.5	35	NA	1.1	1.3	45
Central Core Overlay	NA	0.4	1.0	35	NA	1.0	1.5	45

\*Infrastructure available

\*\*Mixed use building

Source: City of Bainbridge Island

### Incentives for Using the TDR Program

For the TDR Program, existing receiving sites for development credits include Winslow, High School Road, and other neighborhood centers.

- **Neighborhood Centers.** In the neighborhood centers, incentives focus on additional density, providing an additional one to two units per acre with use of TDR and public sewer and water.<sup>8</sup>
- **Winslow and High School Road Districts.** These areas are eligible for density increases (via a higher FAR) up to the maximum residential bonus limit through purchasing development rights.

<sup>8</sup> BIMC 18.12.030.D Bonus Density in NC District.

## Incentives for Providing Affordable Housing

The City currently has multiple incentive provisions in place to increase the production of affordable rental or for-sale housing units. All the affordable housing related incentive programs are voluntary, and the mechanisms and bonuses allowed depend on the specific zone.

- **Residential Density Bonus Provisions.** The City allows increased density (through more units or floor area) above the base requirements with the provision of affordable housing units.
  - Residential Zones: Residential subdivisions in residential zones can receive a density bonus<sup>9</sup> (one additional unit per acre) for every affordable unit provided above the base density requirements. Housing developments can receive density increases up to 50 percent above the base limit. All additional (or bonus) units must be affordable to households at or below the defined low-income threshold (51-80 percent of area median income, or AMI).
  - Neighborhood Centers: Projects within designated Neighborhood Centers can receive a density bonus of an additional one to two units per acre by providing affordable housing for low income households (51-80 percent of AMI).
  - Winslow Mixed-Use and High School Road Districts: Projects within either of these two districts may receive bonus floor area above the base Floor Area Ratio (FAR) up to the maximum FAR limit for additional floor area dedicated to affordable housing units. The level and mix of affordability depend on the overall size of the project. Projects less 10,000 square feet have to provide units affordable to at least moderate-income households (81-95 percent of AMI). Larger projects, those over 60,000 square feet, must provide at least 10 percent of the bonus area for at least low-income households 60 percent for moderate income households, and the remaining 30 percent of the bonus area for middle income households (96-120 percent of AMI).
- **Housing Design Demonstration Projects (HDDP).** The HDDP is an optional development process that provides more flexible design standards as well as density bonuses for residential housing projects that provide a diversity of unit sizes, meet green building standards, and incentivizes designated affordable units.

The program has four tiers of density incentives based on the level of green building and affordable housing provisions met. Projects qualifying for Tier 1 do not receive any density bonus, while Tiers 3 4 projects can receive a bonus of up to 2.5 times the base density or the maximum FAR allowed.

Single-family subdivisions and multifamily developments (including mixed-use buildings) within the Winslow Study Area of the Winslow Master Plan and Winslow Sanitary Sewer System Service Area are eligible to participate in the program. To date, the program has produced 47 affordable housing units. Housing Resource Bainbridge constructed 40 of the units in the Ferncliff Village projects, and another seven units

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<sup>9</sup> BIMC 18.21

under construction in two separate development projects. In August 2018, the City Council suspended the HDDP program for projects that are not 100 percent affordable housing.

## 2.2 Transfer of Development Rights

The City's TDR program is defined in BMC 18.27 with a purpose of protecting wetlands, aquifer recharge areas, agricultural land, and open space while encouraging growth in higher density areas within the city.

Currently, the City's TDR program is designed to function through private market interactions. Many developers we interviewed for this report were unaware of the existence of the program and expressed interest in using it to achieve higher intensity uses in their projects. Unlike other TDR programs around the central Puget Sound region, the Bainbridge Island example does not have a dedicated informational web page to explain the program or direct prospective users in how to participate.

The current code defines two key components of the program, sending sites (those areas the City seeks to conserve) and receiving sites (those areas where the City encourages growth, or the areas to which development rights are transferred).

- **Sending Sites.** Currently, the entire island outside of designated centers is identified as a potential sending site (referred to as "conservation areas" in the comprehensive plan). As a result, all potential properties are assumed to have comparable conservation value.
- **Receiving Sites.** Sites eligible for using the TDR incentive program are located within Winslow Mixed use Town Center and High School Road Districts, NC Districts, and R-14 and R-8 districts.

The code also specifies that a conservation easement is the legal instrument by which the sending site will be protected. Landowners seeking to conserve their properties apply to the city for issuance of TDR certificates, which are calculated based on how many homes the landowner could build on the property. Once the landowner has accepted a conservation easement and deed restrictions have been recorded with the City and County, the City issues certificates which the landowner may in turn sell to developers who wish to add density to an eligible project in a receiving area.

The current program has practical limitations, including no clear definition of an exchange rate (how much bonus value does a developer gain from purchasing a credit), no standardized forms or process for applying to the program, and no sample easement language for sending site landowners. It also does not address stewardship and monitoring of protected areas. The lack of a fixed exchange rate introduces challenges for developers, as this reduces certainty in a transaction. Developers need to know how much value a credit will add to a project in order to understand how much money they can offer to buy one from a sending site landowner.

## 2.3 Affordable Housing

The Housing Element of the Comprehensive Plan establishes the housing goals and implementing policies for Bainbridge Island. The broader vision embodied in the Housing Element is for a city with a broad variety unit types, primarily in the designated growth centers. The City's affordable housing density bonus program is one of the tools for implementing this vision. Chapter 18.21 of the municipal code establish the affordable housing density bonus provisions. Affordability levels are based on the area median household income and households size. Appendix C shows the median income limits by household size used for 2018. The income categories are defined as follows:

- Extremely low income—less than 30 percent of median household income.
- Very low income—31 to 50 percent of median household income.
- Low income—51 to 80 percent of median household income.
- Moderate income—80 to 95 percent of median household income.
- Middle income—96 to 120 percent of median income.

The amount of the density bonus depends on the affordability level of the units provided and if the units are for-rent or for-sale. All additional units built above the base zoning limits must meet the following affordability requirements.

- **Rental units** can receive a bonus of 50 percent of the base zoning if the additional units provided are affordable for households in the low-income category or below.
- **For-sale units.** There are three tiers for the bonus area depending on the affordability levels of the additional units provided.
  - Bonus of 50 percent of the base zoning if the additional units provided are affordable for households in the low-income category or below.
  - Bonus of 40 percent of the base zoning if the additional units provided are affordable for households in the moderate-income category or below.
  - Bonus of 20 percent of the base zoning if the first 10 percent of the additional units provided are affordable for households in the moderate-income category and the remaining 10 percent are affordable to households in the middle-income category.

## 3 Existing Conditions

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Understanding the current real estate market conditions is critical to designing an effective development incentive program. This section summarizes the existing real estate market conditions affecting development in Bainbridge Island and City' incentive programs for affordable housing and TDR. Our analysis included both a market study and interviews with 12 local real estate professionals.

### 3.1 Program Utilization

The current incentive programs available for affordable housing and TDR have not been utilized as desired. Incentive zoning policies are intended to leverage new market-rate development for the production of public amenities. However, these policies can only work when new development is financially feasible. The structure of an incentive zoning program should make it economically attractive for developers to use the incentive under most market conditions.

The real estate market in Bainbridge Island has realized increasing growth and stronger market fundamentals, particularly during the last five years. However, other constraints have hindered the use of the City's affordable housing and TDR incentive program. Many of the limiting factors identified in the 2006 MAKERS/Community Attributes evaluation of the TDR program remain in place. Specific factors identified include the absence of a market mechanism and insufficient opportunities for demand to use the TDR credits. Furthermore, we learned in our conversations with developers that many are not even aware of the existence of the TDR program.

### 3.2 Real Estate Market Conditions

The real estate market trends and recent development examples point to a city that is seeing an increase in demand, primarily for housing development of all types. This uptick in demand has occurred relatively recently. For much of the 2010s, the city did not realize much new development following the effects of the recession in 2008. As a result, the housing supply has been lagging housing demand and rents and sales prices have been increasing, particularly over the last five years.

A continuation of these growth trends and historically low vacancies indicate there will likely be demand for more housing (single-family and multifamily) in the future. The resulting increase in population will also drive the demand for additional commercial space to provide goods and services.

For a development incentive program to be effective it needs to align with where development is occurring, the uses that are demanded, and the intensity of that development. Recent trends and market conditions in Bainbridge Island indicate there is an opportunity for the utilization of

development incentives. Appendix A includes a more detail summary of the market study. Key findings include:

- **Winslow Has the Most Potential for Future Development.** Winslow has realized much of the new growth in Bainbridge Island, which aligns with the City’s comprehensive plan. Winslow has the infrastructure, specifically water and sewer service, to accommodate future growth. Winslow is also an attractive location for development because of the proximity to the ferry terminal.
- **Neighborhood Centers have Limited Potential Due to a Lack of Infrastructure.** In the comprehensive plan, neighborhood centers are designated for more intense development. With the exception of Lynwood Center, a lack of infrastructure (primarily sewer service) limit the development potential of these areas. The capacity and use of development incentives within these areas will be tied to the provision of the necessary infrastructure.
- **Residential Uses Present the Best Opportunity for Utilizing Development Incentives.** Most of the recent development and permit activity in Bainbridge Island is for single-family housing. More recently, multifamily housing, particularly in Winslow, is also realizing sizable new developments. As a result, development incentives should focus on leveraging demand for these uses.
- **Residential Projects Will Want to Maximize Density.** Future projects may be looking to increase densities (i.e. smaller lots and more units per acre for single-family homes and more height and building area for multifamily projects). This demand can be leveraged to support both the purchase of development rights and the creation of affordable housing as part of a City’s development incentive programs.

### 3.3 Stakeholder Interviews

To supplement the market study, we interviewed 12 real estate professionals including developers, architects, affordable housing providers that work in Bainbridge Island. All of the stakeholders interviewed noted the increasing cost of housing in Bainbridge Island over the last several years. However, they also noted that increasing construction cost and land prices are making it more challenging for new projects to “pencil out.” Several common themes emerged from these interviews, which are summarized below.

- **Regulatory Barriers.** A number of interviewees expressed their wish for more flexibility in the zoning code, especially regarding density and height limitations. High minimum parking requirements was also noted as an issue in some zones (primarily those not by the Ferry Terminal).
- **Environmental Concerns.** Several interviewees expressed concerns about the environmental effects from increased development, primarily the loss of trees and open space. However, others thought the City prioritized environmental issues too much over housing affordability.

- **Limited Sewer, Sanitation, and Water Services.** All of the interviewees emphasized the limitations that the lack of sewer, sanitation, and water services imposed on development site designations outside of the Winslow core area, which limits the developable land available in the city.
- **Little familiarity with the TDR program.** In addition, we asked the interviewees about their knowledge of the City's transfer of development (TDR) program. Few people were familiar with the program even if they knew it existed. A majority of them revealed to possess little to no knowledge of this program.

When asked how they would recommend the City address these challenges, interviewees suggested that 1) more flexibility in the zoning codes, 2) reduced parking requirements especially for areas near the ferry terminal, 3) increased heights in the zoning code, 4) more incentives for open space, tree retention, and higher density development, 5) more sewer, water, and sanitation services outside of the Winslow core area, and 6) a better overall communication from the City Council on the island's growth plan.

# 4 Development Analysis

The central question of a development analysis for an incentive zoning program is whether the incentive offered (typically additional development capacity) creates enough value to cover the additional cost of construction and operations in addition to the cost of providing the public benefit required as part of receiving the incentive. For affordable housing, the cost to a developer is foregone rental income. For land conservations, the cost to a developer is the dollars to purchase the development right(s). To evaluate this question, ECONorthwest conducted a financial analysis of different building types within select zones. The analysis evaluated the financial viability of these buildings under the current base and density bonus provisions and hypothetical larger density bonus provisions. This section provides an overview of the method and assumptions used and the finding of the development analysis

## 4.1 Approach

Development feasibility is based on the difference of the potential value of a development project, less the costs to build it. If the value of a hypothetical project is higher than the total cost, which includes the developers profit requirements, the project is likely feasible in the current market. Exhibit 7 depicts this development equation and its pieces.

**Exhibit 7. Financial Feasibility Development Equation**

Value (What the project could sell for when finished)

- Costs

- Land purchase
- Site Preparation
- Design, Permits, etc.
- Construction
- Parking
- Infrastructure
- Operation & Maintenance
- Financing
- Profit (return on cost)

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Feasibility (+/-)

To calculate the value and costs, ECONorthwest used a pro forma analysis. A pro forma analysis models all of the costs of constructing a new building—including design, permit fees, site improvements, any developer fee, and contingencies—to arrive at a total cost for each building prototype. The pro forma analysis then models potential revenues the new building

would generate based on how much rent a building would generate in a year or the price if it was sold. Lastly, the analysis then applies an assumed rate of return to account for the profit a developer would require.

It is also important to keep in mind that development feasibility depends on several factors in addition to the assumed revenues, costs, and returns. The feasibility of any site can also be dependent on the individual developer and other idiosyncratic factors, such as when a developer bought the property, their ability to finance a project, and their tolerance for risk. Thus, the pro forma analysis is a snapshot of feasibility under current market conditions and typical development assumptions.

## Key Financial Assumptions

The pro forma analysis used several key assumptions<sup>10</sup> to calculate financial feasibility. Appendix B lists the specific assumptions for each prototype.

- Apartment rent: \$2.50 per square foot per month (or equivalent of \$2,500 a month for a 1,000-square foot two-bedroom apartment).
- Retail rent: \$25.00 per square foot per year.
- Townhome sales price: \$450.00 per square foot.
- Residential wood-frame construction costs: \$180 per square foot.
- Commercial concrete podium costs: \$240 per square foot.
- Surface Parking: \$5,500 per space.
- Ground floor Parking: \$30,000 per space.
- Underground Parking: \$60,000 per space.
- Land cost for NC zone: \$25.00 per square foot.
- Land cost for Central Core and Ferry Terminal Overlay zones: \$75.00 per square foot.
- Land cost for High School Road District: \$60.00 per square foot.
- TDR credit cost: \$75,000 per development right.

## Building Types and Zones Analyzed

The feasibility analysis evaluates the financial performance of hypothetical developments in five different zones on Bainbridge Island (Neighborhood Center, Neighborhood Center/Residential-12, High School Road District 1, Ferry Terminal Overlay, and Central Core Overlay). These zones are areas designated as growth centers in the City's comprehensive plan, and the Council is interested in understanding what scale of development is currently feasible within these zones and what (if any) changes are needed to make the current incentives better utilized.

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<sup>10</sup> Sources: Rent based on local comparable developments and assumptions by ECONorthwest. Development costs based on discussions local builders, and returns assumption are from ECONorthwest.

Exhibit 8 compares the existing or current development standards for the base zoning and density bonus limits for zones included in the analysis.

**Exhibit 8. Current or Existing Development Standards of Zones Analyzed**

Zone	Base				Bonus			
	Units/Acre	Residential FAR	Mixed Use FAR	Height (Ft)	Units/Acre	Residential FAR	Mixed Use FAR	Height (Ft)
NC*	2.0	NA	NA	35	5.0	NA	NA	45
NC/R-12**	5.0	NA	NA	35	12.0	NA	NA	45
High School Road Districts	NA	0.3	0.3	35	NA	0.6	1.0	45
Ferry Terminal Overlay	NA	0.4	0.5	35	NA	1.1	1.3	45
Central Core Overlay	NA	0.4	1.0	35	NA	1.0	1.5	45

\*Infrastrure available

\*\*Mixed use building

Source: City of Bainbridge Island

Within these five zones, the development analysis evaluated the financial feasibility of a specific building type currently allowed within that zone. The analysis included three different building types: townhomes, garden apartments, and a residential mixed-use building. Exhibit 9 shows each building type analyzed for the corresponding zone.

## Exhibit 9. Building Types Analyzed

Zone	Building Type	Building Type
Neighborhood Center	<b>Townhome</b> Max Base Density: 2 units/acre Max Bonus Density: 5 units/acre	
Neighborhood Center/R-12	<b>Mixed-Use Building</b> Max Base Density: 5 units/acre Max Bonus Density: 12 units/acre	
High School Road District – 1	<b>Garden Apartment</b> Max Base Density: 0.3 FAR Max Bonus Density: 0.6 FAR	
Ferry Terminal Overlay	<b>Mixed-Use Building</b> Max Base Density: 0.5 FAR Max Bonus Density: 1.3 FAR	
Central Core	<b>Mixed-Use Building</b> Max Base Density: 1.0 FAR Max Bonus Density: 1.5 FAR	

Source: ECONorthwest

## Scenarios Analyzed

To assess the effects of zoning and development incentives on financial feasibility and the ability to create value to support the provision of public benefits, ECONorthwest analyzed the feasibility of the building types above under three scenarios:

- **Base zoning.** Assumes the building meets the base zoning requirement (density, height, etc.).
- **Current density bonus.** Assumes the same building maximizes the density bonus density and height limits.

- **Increased density bonus.** Assumes higher density and height limits than currently allowed.

In addition to analyzing each building type under the base zoning and density bonus scenarios, the analysis also assumed a couple of additional development incentives along with the current density bonus. Specifically, the two incentives factored into the analysis include:

- **Multifamily Tax Exemption (MFTE).** An 8-year property tax property tax abatement on the residential portion of new multifamily housing development. There are no specific affordability requires for the 8-year version under state statues.
- **Lower parking requirement.** Assumed minimum parking requirements are half of the current standards.

The analysis then compared the total value of each scenario for each of the five prototypes. As long as the value is positive (it exceeds the total costs including a developer’s assumed return), it can be used to support the realization of public benefits such as affordable housing or purchase of TDR credits. However, in order to for the incentive to be a true incentive for developers, the developer must also receive a share of the additional value.

## 4.2 Feasibility Comparison

Overall, the development analysis found that current base zoning and available incentives will likely not support the dedication of public benefits for TDR or affordable housing. While the current incentives increase the value of each of the building types analyzed, they do not create enough value to capture public benefits for the City in the land use code (e.g. land conservation and affordable housing). Further, the price for property in Bainbridge Island is relatively high due to the scarcity of infrastructure and limited development sites. Vacant properties typically cost less than developed parcels and are more likely to be financially feasible to develop at similar market conditions. As a result, the building type analyzed are not financially viable (even with the current incentives) on more costly developed sites.

**Exhibit 10. Current Feasibility of Development by Zone**

Scenario	Base Zoning	Current Bonus	Current Bonus
		- TDR	- IZ
NC - Multifamily	No	Yes	No
HS-1 - Multifamily	No	No	No
FERRY - Mixed Use	No	No	No
CORE - Mixed Use	No	No	No

Source: ECONorthwest

To improve financial feasibility, development projects need more physical scale, primarily through increasing the amount of building square feet and potentially increased building heights. To assess what scale and density are needed, ECONorthwest analyzed the same building prototypes and zones as in the baseline development analysis. This analysis assumed more building area and higher heights than currently allow under zoning.

The analysis also assumed a few other key changes in zoning standards and incentive program requirements including:

- Parking requirements are lower than currently required,
- A new 8-year MFTE program is in place, and
- 10 percent of all unit built are affordable for a household of one earning at least 80 percent of the area median income (the equivalent of \$54,000 a year).

Exhibit 11 shows the densities and development conditions likely necessary for development projects to provide a sizable amount of affordable housing and conservation benefits under current market conditions. Specifically, the table shows the estimated number of affordable units created and acres of land conserved based for a single project within that zone. The high estimate of land conserved assumes the sending site is zoned R-0.4, and the low estimate for land conserved assumes the sending site is zoned R-2.

**Exhibit 11. Maximum Development Assumptions Evaluated by Zone and Estimated Benefits**

	NC - Townhomes	NC/R-12 - Mixed Use	HS-1 - Multifamily	FERRY - Mixed Use	CORE - Mixed Use
Height	20	35	40	55	55
Density (Floor area ratio)	0.46	1.72	3.00	4.50	4.50
Density (Units per acre)	10.0	62.0	122.0	196.0	196.0
Parking (Spaces/Unit)	1.50	1.00	0.75	0.75	0.75
Affordable Units Created	1	6	6	18	9
Acres Conserved (High est.)	9.2	11.5	16.1	32.1	9.2
Acres Conserved (Low est.)	1.8	2.3	3.2	6.4	1.8

High estimate assume credits all purchased for land zoned R-0.4

Low estimate assume credits all purchased for land zoned R-2

Source: ECONorthwest

## Development Analysis Summary

The development analysis found that current base zoning and available incentives will not support the provision of affordable housing units or purchase of TDR credits. While the current density bonus incentives do increase the value of each of the building types analyzed they do not create enough value to capture for public benefits (e.g. affordable housing and land conservation). Key findings include:

- Density limits are the primary impediment to development viability. To improve financial feasibility and utilization of the incentive programs, development projects need to be able to use development sites more efficiently and achieve more physical scale.
- Increasing maximum density creates a lot of value that can be used for subsidizing affordable housing and purchasing TDR credits.
- Lower parking requirements are also an important factor in how efficiently a building can use a site and the total cost of a project.

- Height limits are not an impediment to development under current market conditions. However, in the future under changing market conditions, an additional floor would allow more building square feet and more flexibility developing a site to provide open space on the site.

These findings align with the recommendations outlined in the Affordable Housing Task Force Final Report. The report recommends the City making code changes to increase density limits, building heights, and reduce parking requirements (Recommendation 1B).

## 5 Policy Options

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Setting efficient regulatory and performance parameters for incentive zoning programs is a challenging endeavor. The city must balance the desire to leverage private development to deliver public benefits against additional costs imposed on the project. This challenge is compounded by ever changing market conditions, such as changes in construction costs, cost of capital, household incomes, land prices, and rent—all of which affect the financial viability of a project over time.

To increase the realization of public benefits the development analysis determined the City will need to make changes to its existing incentive program. The City has several strategic options to optimize its zoning provisions and increase the potential for development and the realization of TDR purchases and/or affordable housing units. All options will require the City to allow a sizable increase in the density allowed to create enough value for projects to provide the public benefits desired and still be financially viable.

### Voluntary or Mandatory Affordable Housing Program

In addition to making the zoning changes described above, the City has several options to increase the provision of affordable housing units and/or purchase of TDR credits through how it defines the public benefits required to realize the incentives offered. The current TDR and affordable housing incentives function as separate programs. The City can continue to have them function separately and make changes to each so they work on their own. However, if desired, the City can link the programs so that both the provision of affordable housing and the purchase of TDR credits are realized from an individual project using the density bonus.

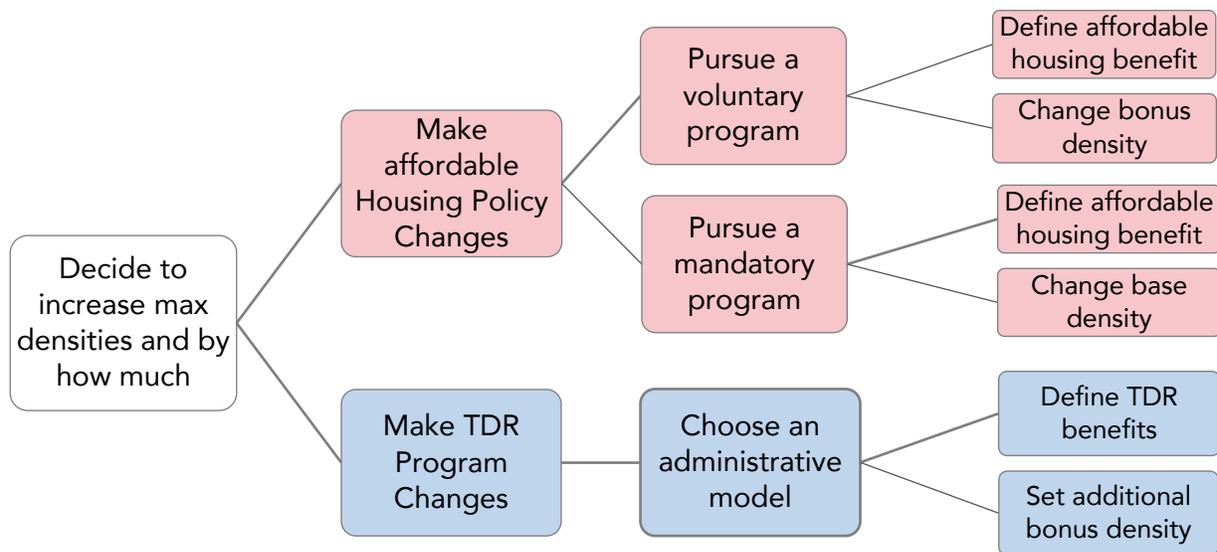
Exhibit 12 outlines the decision tree for making these policy decisions. For the affordable housing incentive program, an important, initial step is whether the City makes provisions for affordable housing voluntary or mandatory. The City currently has a voluntary program for affordable housing. However, the Affordable Housing Task Force Report recommended a mandatory program, pending the completion of this study (Recommendation 1A). For the TDR program, an initial step will be to define how the program is administered.

Subsequent steps will need to define the public benefit for affordable housing and TDR purchases required. The amount of affordable housing provided or TDR credits purchased determine what level of density is needed to support the provision of those public benefits<sup>11</sup>. For example, a higher share of affordable units—10 percent compared to 5 percent—will require a higher level of density allowed so that projects are financially viable and get built. Thus, the base and bonus density limits for each approach will also differ.

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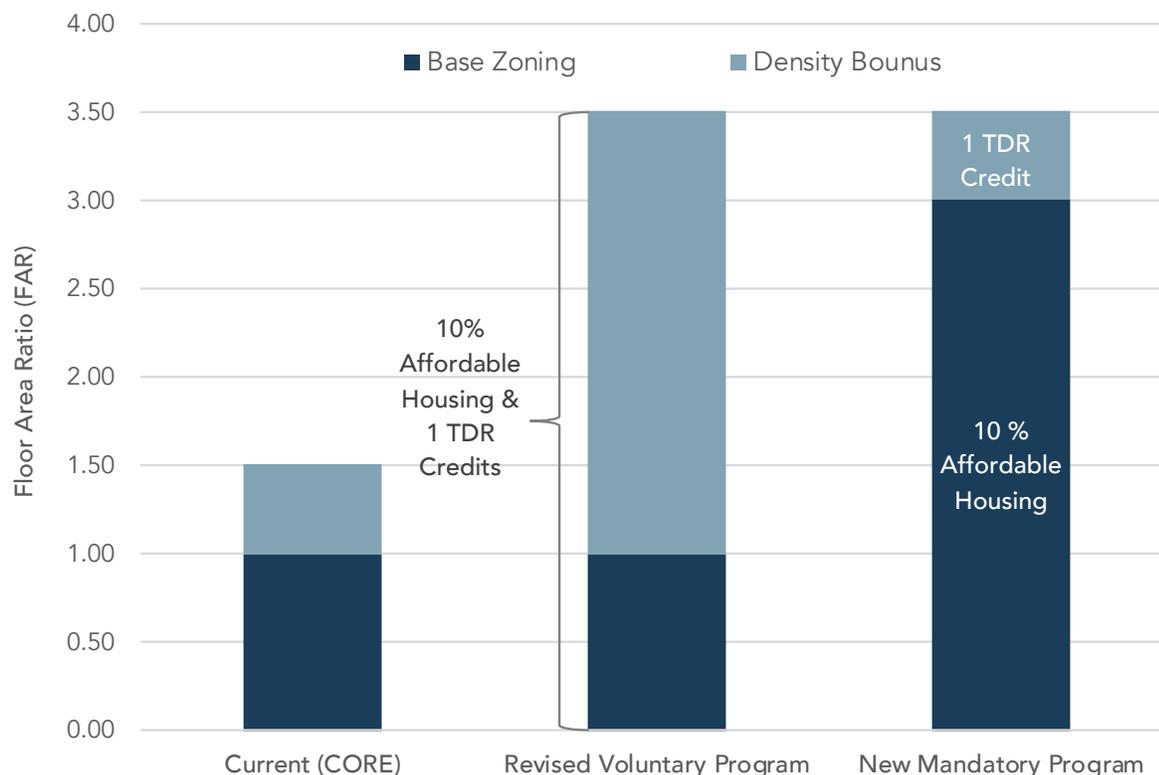
<sup>11</sup> RCW 36.70A.540

**Exhibit 12. Strategic Options Decision Tree**



The chart below shows the current FAR limits for a mixed use building in the Central Core Overlay zone and how FAR limits would likely need to change under a revised voluntary or new mandatory program. The number of affordable units built and TDR credits purchased would be different for mandatory program versus a voluntary program, even if the maximum density allowed is the same (e.g. 3.5 FAR).

**Exhibit 13. Example FAR Limits for Mixed-Use Building in the Central Core Overlay Zone**



Source: ECONorthwest

**Voluntary Program.** A revised version of this program would keep the base zoning the same and increase the density bonus (higher FAR limits and increased height). The value created through the increased density bonus can be divided between affordable housing and TDR purchases (50/50, for example). For our analysis, we assumed a development would make 10 percent of all units affordable and purchase at least one TDR credit to realize the density bonus.

**Mandatory Program.** A mandatory program would be more complicated. All development projects would be required to provide a defined share of affordable housing units. Although, small scale project can be exempted from the requirement. To ensure projects are financially viable (so units get built) the City would need to substantially increase the base zoning density and height limits. Even if the defined share of affordable housing was the same as the voluntary program (10 percent), the total number of affordable units provided would be slightly less because the size the building area that 10 percent applies to is smaller (a building area with 3.0 FAR compared to 3.5 FAR).

In addition, a TDR incentive (additional density or height increase above the newly increased base zoning) would be added to the mandatory affordable housing requirement to provide a mechanism for TDR credits to be purchased.

## Other Tools, such as MFTE, can Support Incentive Programs

The City has a variety of other incentives it can use to ensure development feasibility as part of an incentive program in addition to increasing zoning capacity. Direct subsidies, tax abatements, and reduced parking requirements, which was mentioned above, are the most impactful. The Multi Family Tax Exemption (MFTE) program<sup>12</sup> is the one of the best options in Washington State that is available to the City. The Affordable Housing Task Force also recommended the City adopt an MFTE program (Recommendations 1C).

The MFTE is a property tax abatement on the residential portion of new multifamily housing development. There are two versions of the program: an eight-year abatement and a 12-year abatement. The 12-year abatement requires that at least 20 percent of the housing units are affordable to households earning 80 percent of the Area Median Income. The 8-year program does not have an affordability requirement, but it can be used in conjunction with an affordable housing incentive zoning program.

The Development Analysis evaluated the eight-year version of the MFTE and found that it added substantial value to projects. Thus, not including an MFTE as part of the City's incentive program would likely require increasing densities allowed to compensate for the lost value and/or reducing the public benefits required to maintain the feasibility of projects.

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<sup>12</sup> RCW 84.14

## Trade-off Between Incentive Maximums and Public Benefits

The central question of this analysis is whether additional zoning capacity creates enough value to cover the additional cost of construction and operations and still provide a defined percent of affordable units and purchase TDR credits. If additional zoning capacity does create enough value, what are the FAR and height maximums necessary for the incentive program to work under current market conditions and future market changes.

To assess what scale and density are needed, ECONorthwest analyzed the same building prototypes and zones as in the baseline development analysis. This analysis assumed more building area and higher heights than currently allow under zoning. The analysis also assumed the City implemented an MFTE program and reduced parking requirements, as discussed in the sections above.

Exhibit 4 shows the maximum building scale and density assumed, the number of affordable housing units created (assuming 10 percent of units designated as affordable<sup>13</sup>), and the range of acres conserved (depending on the zoning of the sending site<sup>14</sup>).

### Exhibit 14. Maximum Development Assumptions Evaluated by Zone and Estimated Benefits

	NC - Townhomes	NC/R-12 - Mixed Use	HS-1 - Multifamily	FERRY - Mixed Use	CORE - Mixed Use
Height	20	35	40	55	55
Density (Floor area ratio)	0.46	1.72	3.00	4.50	4.50
Density (Units per acre)	10.0	62.0	122.0	196.0	196.0
Parking (Spaces/Unit)	1.50	1.00	0.75	0.75	0.75
Affordable Units Created	1	6	6	18	9
Acres Conserved (High est.)	9.2	11.5	16.1	32.1	9.2
Acres Conserved (Low est.)	1.8	2.3	3.2	6.4	1.8

Source: ECONorthwest

The development analysis results indicate the City would need allow for a substantial increase in floor area allowed for sizable provision of affordable housing and purchase of TDR credits under current market conditions. Current maximum bonus FAR limits (for mixed use development) in the Mixed-Use Town Center and High School Road District are 1.0 and up to 1.5 in the Central Core Overlay zone. These limits would have to be increased to at least 3.0 in the High School Road District and 45 in the Mixed-Use Town Center. More modest increases in height (going from 45 to 55 feet) may also be necessary.

<sup>13</sup> Households earning 80 percent of the area median income and spending 30 percent or less of their income on housing including utilities.

<sup>14</sup> Assuming an average value of \$75,000 per development right/credit.

Ultimately, for any revisions to the current incentive program, there is a trade-off between different options that the City will need to consider. Allowing more density and heights will allow the City to require a higher share of affordable housing, lower affordability levels, and/or more dollars for purchasing TDR credits. Conversely, lower density and height maximums will result in less affordable housing and fewer dollars used for TDR purchases. However, if the defined public benefits are set too high, the private market might wait until market dynamics change for development to occur. This challenge is encountered by every jurisdiction trying to calibrate an incentive zoning policy.

# 6 Considerations and Recommendations

The City’s current affordable housing incentive program and TDR program are separate incentives that compete among several other incentives and FAR purchase options available within Bainbridge Island. Neither of these programs have been utilized as originally desired. Our analysis found the current base and incentive zoning parameters are the primary barrier to the incentives working effectively.

To improve performance and the realization of public benefits, we recommend an incentive zoning framework that 1) prioritizes affordable housing and the purchase of TDR credits above other public benefits (public spaces, underground parking, etc.), and 2) maximizes the frequency and period of time that these two incentives would likely be used under a variety of changing market conditions. Broadly, there are six key changes the City can undertake to better support these two objectives.

1. **Allow a new maximum height and FAR densities.** We recommend increasing the density and height of buildings within designated growth centers. While our analysis did not identify the current height limits as barrier to the utilization of the current incentive program, we recommend increasing the current limit to allow an additional floor, so the program provides flexibility to be used under changing market conditions in the future.

We also recommend moving to an FAR-based density limit for the NC zone. The zone currently uses units per acres to define density. An FAR-based density limit would be consistent with the other growth center zones and provide more flexibility.

The table below summarizes the recommended maximum density and height limits for density bonuses by zone. Our analysis only looked at five zones with these areas. Additional analysis would be needed to determine the bonus maximums for the zones not studied.

**Exhibit 15. Recommended Maximum Bonus Density and Height Limits**

Zone	Current Bonus Density	Current Bonus Height	Recommended Bonus Density	Recommended Bonus Height
Neighborhood Center	5 unit/ac	45 feet	0.5 FAR	45 feet
Neighborhood Center/R-12	12 units/ac	45 feet	2.0 FAR	45 feet
High School Road District - 1	0.6 FAR	45 feet	3.0 FAR	45 feet
Ferry Terminal Overlay	1.1 FAR	45 feet	4.5 FAR	55-75 feet
Central Core	1.0 FAR	45 feet	4.5 FAR	55-75 feet

Source: ECONorthwest

2. **Reduce the other incentives available and focus on affordable housing and TDR.** The City currently offers incentives for several other public benefits including: providing underground parking, FAR purchases, providing on-site open space, tree preservation, historic structure preservation, etc.). Reducing competing options will prioritize the use of incentives for the affordable housing and TDR programs.

3. **Create an administrative model for the TDR program.** The current TDR program code does not identify a clear process by which a landowner or a developer can participate in the program. We recommend that the City creates both an administrative structure for the operation of the program as well as easily accessible informational resources to prospective users of the program. Until a robust market for TDR evolves in the City, we recommend a simple private buyer-seller model with public support. As program activity increases or if the City allocates funding to acquire TDR credits, the creation of a TDR bank would serve a useful purpose to augment the private market transactions. Additional resources will support the emergence of a marketplace, such as an online listing of landowners who wish to sell their development rights, electronic copies of application forms that users can download, and a dedicated webpage for the TDR program that explains the tool, identifies sending and receiving areas, illustrates the process for using the program, and gives appropriate City staff contact information.
4. **Establish a fee in-lieu option for the affordable housing and TDR incentive programs.** A fee in-lieu options would provide more flexibility for developments, particularly smaller projects. For example, as part of a revised TDR program the City could collect and use these funds for the purchase of development rights and conservation easements in Bainbridge Island.
5. **Decide to maintain a voluntary or establish a new mandatory affordable housing program.** We recommend maintaining a voluntary affordable housing incentive program. The base zoning density limits are relatively low. Thus, most future projects will likely take advantage of the affordable housing incentive if calibrated correctly. As discussed above, a voluntary program has the potential to yield more public benefits when used compared to a mandatory program as well.
6. **Establish an MFTE program.** We recommend an 8-year MFTE program. Our analysis showed that the MFTE added value for multifamily developments and it would be an additional incentive to support the viability of multifamily projects and the use of incentive programs. In addition, an 8-year program allow the City to set its own affordability requirements (both the share of affordable units and length of affordability). The 12-year MFTE program requires 20 percent of units are affordable for 12 years.
7. **Define the affordable housing and TDR benefits based on the new bonus density limits and other incentives.**
  - For affordable housing we recommend 10 percent set aside of all units built. Our analysis indicated that this share would be viable at the densities modeled. The City currently requires that all units built through the density bonus be affordable. Because the base zoning limits are relatively low, a high percent of all units are affordable, which had a sizable effect on financial feasibility.

- For TDR, the benefit to a developer is defined by an exchange rate: what additional value does a developer gain by purchasing one credit? No exchange rate is currently set by the program or code and this uncertainty deters participation. If the City is going to award density bonus on an FAR basis, the appropriate units to express an exchange rate is in additional square feet of building area per credit purchased. For example, for each TDR credit purchased, a developer may build an additional 2,000 square feet of floor area up to the FAR limit of 3.5. Further evaluation of conservation area land values is needed to calibrate an exchange rate that will drive demand for TDR.

In addition to the seven changes above, there are several small, less critical changes the City can pursue that also will help support the affordable housing and TDR incentive programs that we also recommend the City consider.

- Expand the receiving areas available for TDR credits. Residential zones, such as R-2.9 and R-3.5 could support the placement of TDR credits and conservation open space elsewhere on the island by allowing additional units in exchange for purchasing a TDR credit.
- Remove separate FAR limits for residential and commercial uses in mixed-use buildings. Instead, establish one, new FAR limit for the entire building by zone as discussed above.
- Reduce parking requirements to 1.0 space per unit. Maintain reduction of half for areas within 0.5 mile of ferry terminal, which would then allow 0.5 space per unit within 0.5 mile of ferry terminal.
- Expand the areas where denser development can be built to increase the number lower cost development sites available where projects would be financially viable. In addition to rezoning areas, this would include ensuring existing neighborhood centers have the infrastructure available to support the growth planned for those areas.

# Appendix A – Real Estate Market Analysis

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## Introduction

The City of Bainbridge Island is evaluating its inclusionary zoning and transfer of development rights (TDR) programs to understand how these programs can be better utilized to support citywide efforts for land conservation and affordable housing development. Many cities use regulatory and financial incentives to realize public benefits. However, designing and implementing incentive programs is a complex process. Primarily, real estate market conditions change over time, which make it a challenge to calibrate incentive programs. In addition, existing “base” zoning requirements, such as parking standards or height limits, may not be aligned with the incentive program, making the program less effective. Lastly, private sector participants have different needs and goals making incentive program utilization inconsistent.

ECONorthwest and Forterra are working for the City of Bainbridge Island to evaluate the City’s transfer of development rights (TDR) and inclusionary housing programs, specifically. A key first phase of this effort is understanding the current real estate market conditions, which is critical to designing an effective development incentive program. Key questions for the real estate market assessment include:

- What uses and building types are in demand?
- What building forms and intensities are likely to be built in the current market?
- How much will likely be built on an annual basis?

Understanding the answers to these questions informs the evaluation of the City’s existing incentive provisions and informs the policy options the consultant team will analyze in subsequent tasks. The remainder of this memorandum is organized into three main sections.

- **Market Analysis** considers growth and development trends for different housing types and land uses.
- **Recent Development Examples** identifies recent comparable development in Bainbridge Island and their key characteristics.
- **Real Estate Demand Outlook** assesses the market readiness of different land uses and building types and their potential to utilize development incentives.

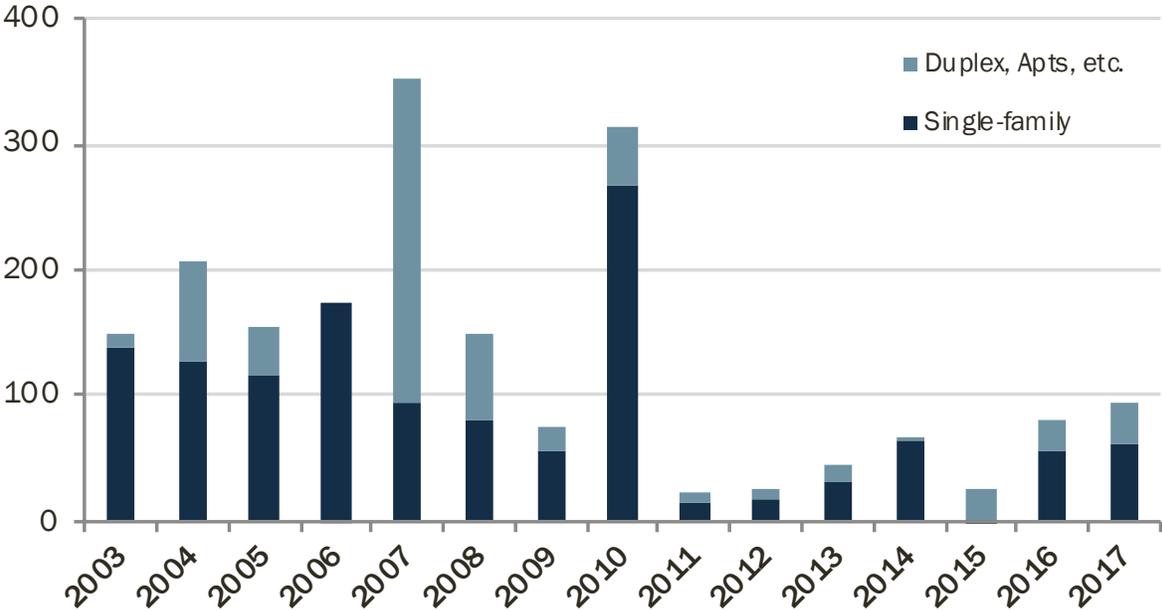
# Market Analysis

This section summarizes the changes in real estate fundamentals for housing and office uses in Bainbridge Island.

## Improving market conditions have spurred new real estate investment

Bainbridge Island has realized increasing growth and stronger market fundamentals, particularly during the last five years. The annual changes in the number of housing units built has increased over the last seven to eight years. However, the number of housing units built during the last several years is still below the pre-2008 recession averages. Since 2010, the city averaged about 50 new housing units per year. During the five years before the recession (2003-2008) the city averaged over 190 housing new units per year.

**Exhibit 16. Annual Housing Units Change for the Last 15 Years, 2003-2017**



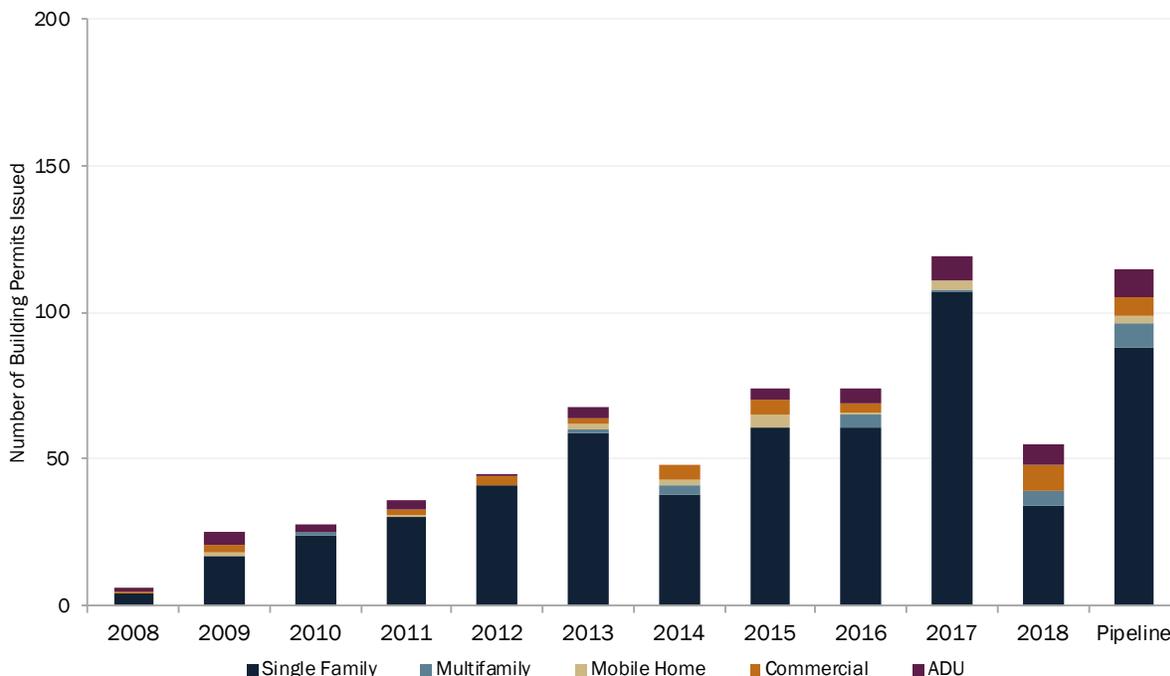
Source: Washington Office of Financial Management, 2018  
 \* Note, the 2010 estimate is likely excessively large to account for underestimates in previous years and to match the 2010 Census totals.

## Building Permits Activity is Increasing

Building permit activity for new development in the City of Bainbridge has increased since 2008. During this period, the City of Bainbridge Island issued and finalized an average of approximately 58 permits annually, and 120 permits in 2017 alone. As of August 2018, the City has already issued 130 permits and finalized 55 of those permits. As a result, 2018 is likely to exceed the 2017 totals for building permits issued and finalized.

Single-family permits accounted for the greatest number of permits issued and finalized in a given year, with 75 percent of all permits issued. Exhibit 17 shows the number of permits issued for attached dwelling units, commercial, mobile homes, multifamily, and single-family units.

### Exhibit 18. Permits Issued and Finaled\* for All Uses, 2008-2018

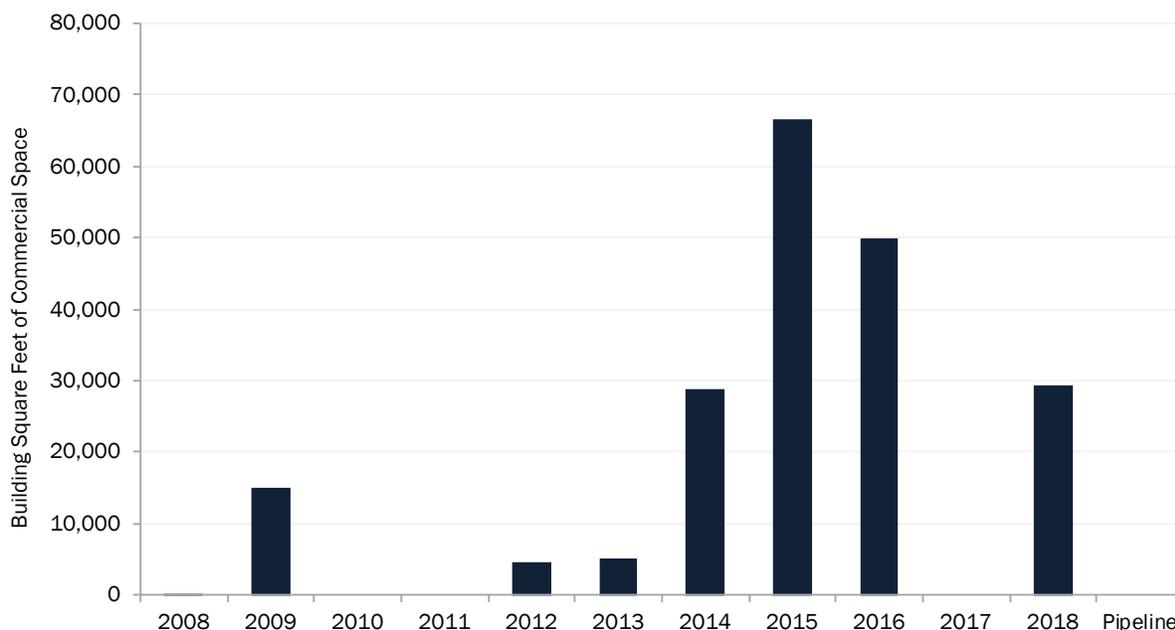


Source: City of Bainbridge Island

\*Note: Pipeline includes permits that have been issued but not finalized.

Permits for commercial development increased by over 244,000 square feet since 2008. As of August 2018, 32,732 square feet of commercial square footage has been permitted.

### Exhibit 19. Commercial Space Permitted, 2008-2018

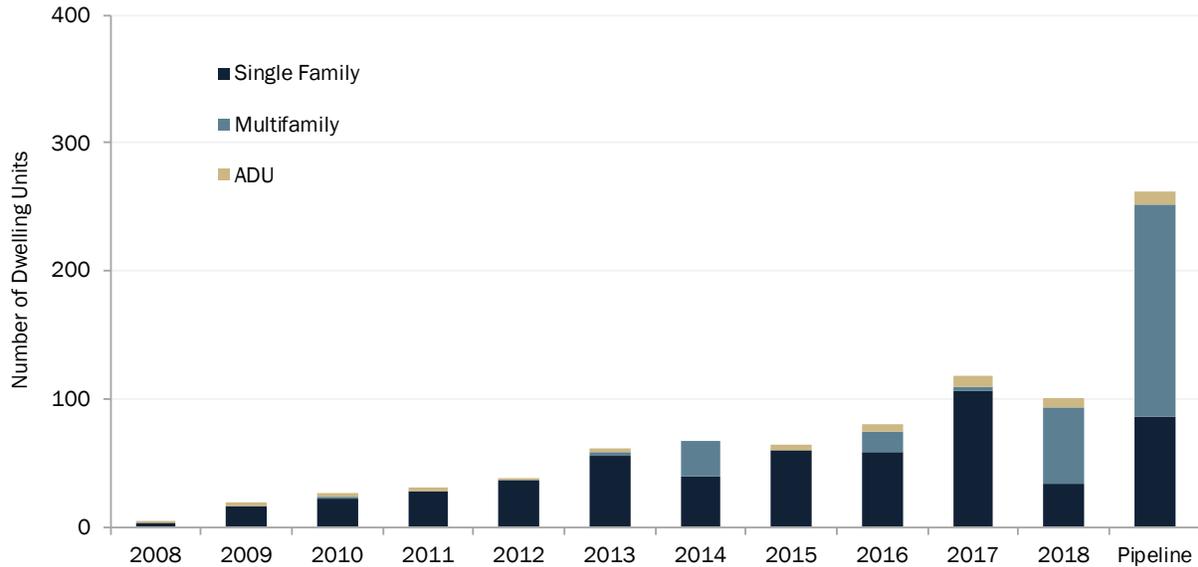


Source: City of Bainbridge Island

Exhibit 20 illustrates the trends for residential permits. Permits for single-family units steadily increased while multifamily dwelling units varied by year. In 2017, 120 housing units were

permitted. As of August 2018, 101 total units have been permitted, and 60 multifamily units have been permitted, exceeding the multifamily total for the previous ten years. Accessory dwelling units (ADUs) have remained consistent with fewer than 10 permits a year. The development pipeline (projects where permits have been issued but not finalized) is sizably larger, particularly for multifamily development, than the number of permits finalized in recent years.

**Exhibit 20. Number of Residential Dwelling Unit Permitted, 2008-2018**

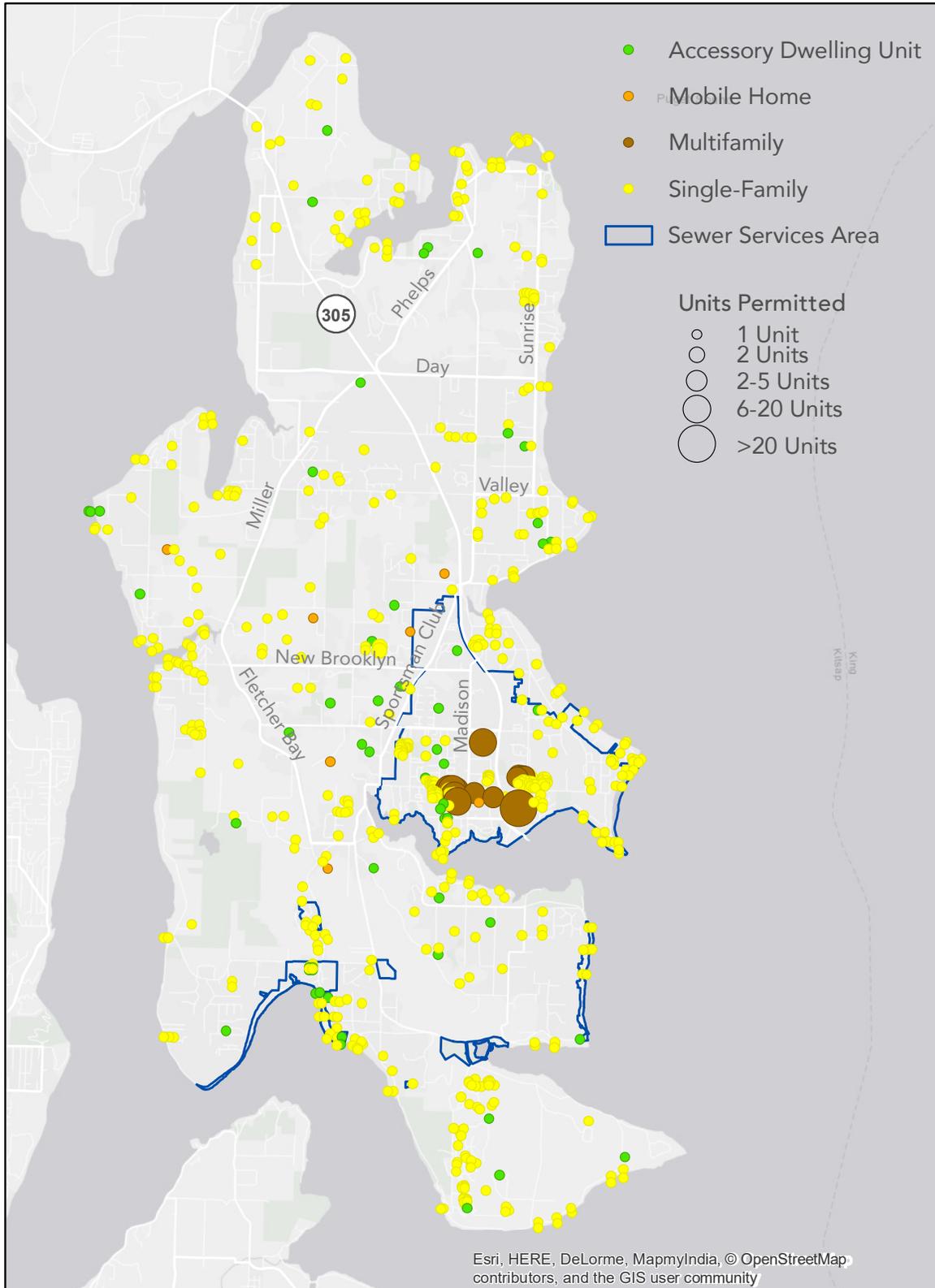


Source: City of Bainbridge Island

Note: Pipeline includes permits that have been issued but not finalized.

Exhibit 21 shows the geographic distribution of residential building permits. Permits for single-family homes and accessory dwelling units are distributed throughout the island. Multifamily permits are concentrated in Winslow where the zoning allows denser residential uses.

**Exhibit 21. Location of Building Permits by Type, 2008-2018**

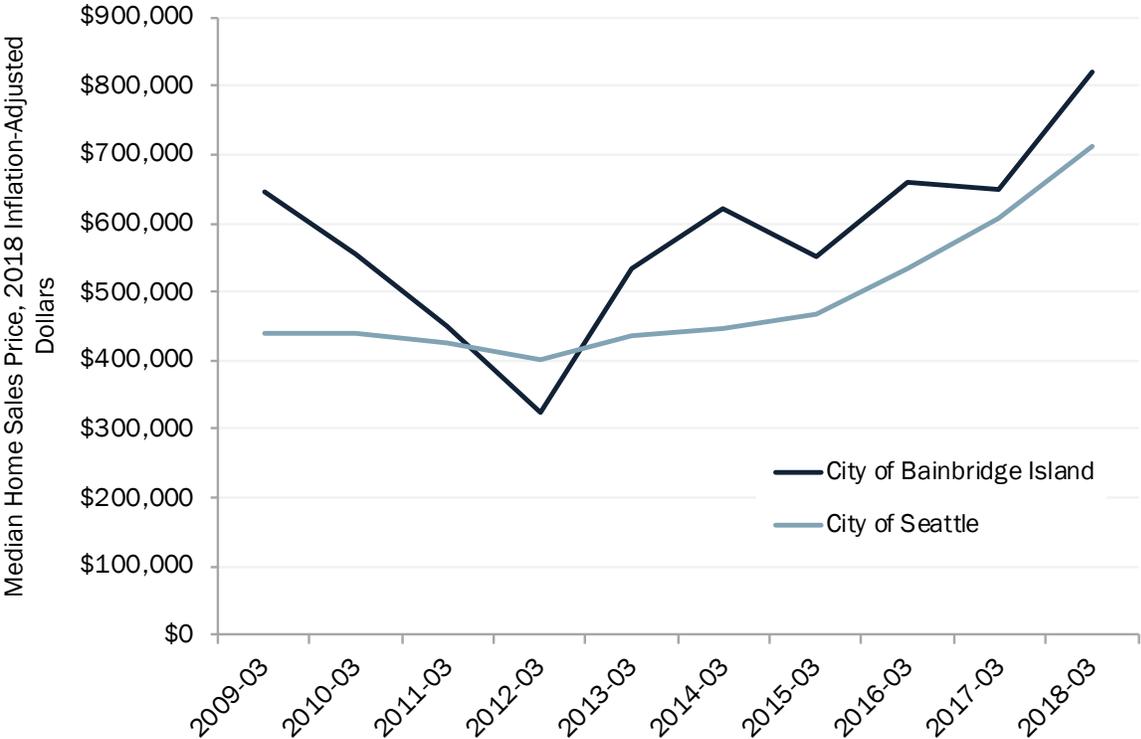


Source: City of Bainbridge Island

## Large Increase in Home Prices

In inflation-adjusted dollars, the median sales price for a home in Bainbridge Island has increased 27 percent in the last ten years, from \$719,000 in 2009 to \$820,000 in 2018. Exhibit 2 compares the changes in adjusted sales prices in the month of March of each year to median sales prices in Seattle. While the adjusted sales price in Seattle is lower, with the exception of 2012, than the annual median sales price for Bainbridge Island, the sales prices in both cities follow a similar trend.

**Exhibit 22. Adjusted Sales Prices in Bainbridge Island and Seattle MSA (2018 \$)**



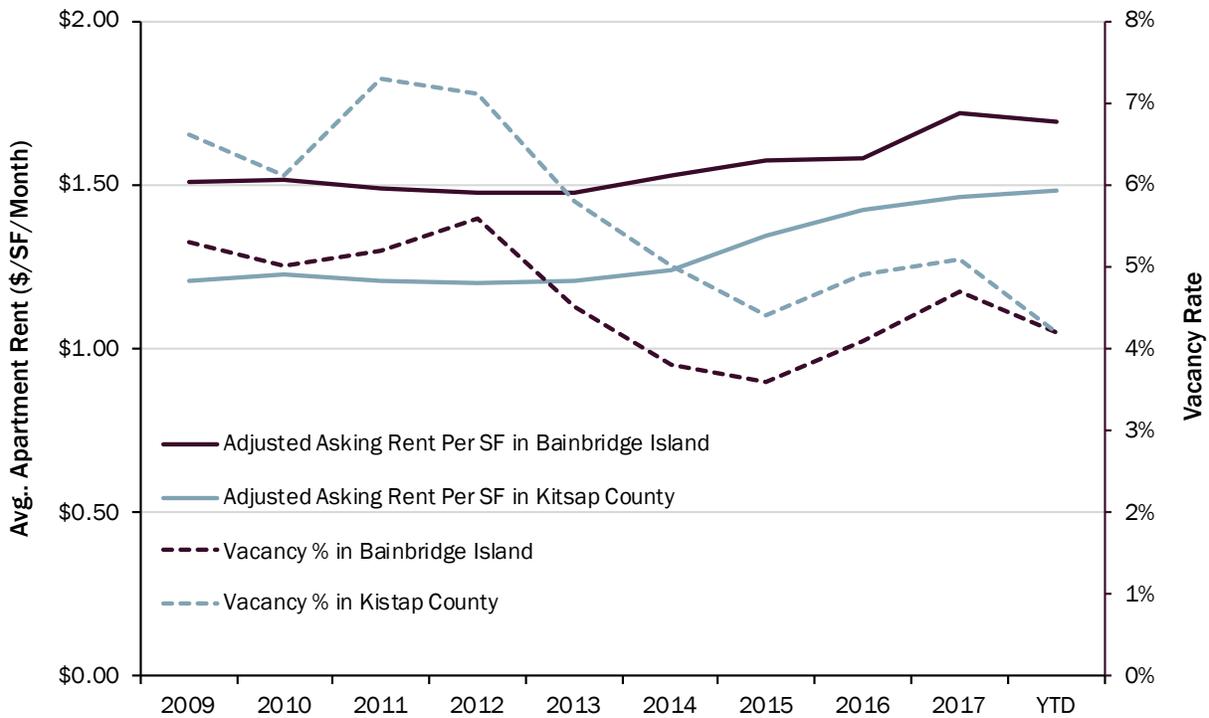
Source: Property Radar, 2018 & Zillow Research, 2018.

## Apartment Market has Strong Fundamentals

The market fundamentals for apartments indicate a tightening market as vacancies have declined and average rents have increased. In 2009, the vacancy rates for multifamily housing units in Bainbridge Island and Kitsap County were over five percent and six percent, respectively, but both decreased to 4.2 percent in 2018. As vacancy rates have declined, competition for a limited supply of housing has increased, resulting in a rise in average rents.

In Bainbridge Island, the average asking rent per square foot a month has increased from \$1.51 per square foot to \$1.69 in 2018 adjusted for inflation. This represents a 12 percent increase in average rents in the last 10 years. A \$1.69 per square foot per month rent is equivalent of \$1,690 a month for a 1,000 square foot two-bedroom apartment. Average rents in Bainbridge Island are about 15 to 20 percent higher than those in Kitsap County, overall.

**Exhibit 23. Average Apartment Rent Per SF and Vacancy, 2009 - 2018 (2018 \$)**



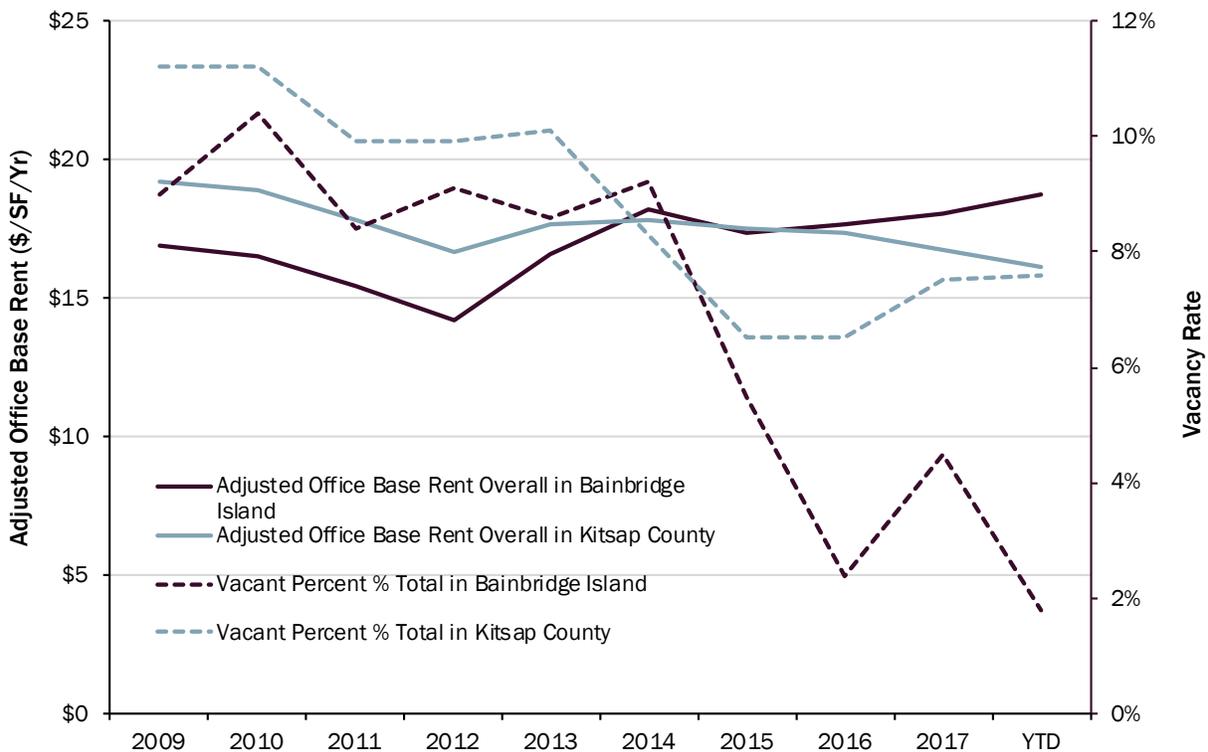
Source: CoStar, 2018

## Office Market is Improving

The office market in Bainbridge Island has also shown improving fundamentals. Most notably, the vacancy rate for office units in Bainbridge Island dropped over eight percentage points from 2009 to 2018; the current vacancy rate is less than two percent. In response, average office base rents, as shown in Exhibit 24, have increased from a low of \$14.14 per square foot per year in 2012 to \$18.70 in 2018.

While the office vacancy rate also fell for Kitsap County, office rents have also declined. As of 2018, average office rents in Kitsap County are \$16.08 per square foot, which is now less than in Bainbridge Island.

**Exhibit 24. Change in Vacancy and Adjusted Office Base Rent Overall, 2009 – 2018 (2018 \$)**



Source: CoStar, 2018.

# Recent Development Examples

Recent development projects in Bainbridge Island provide a benchmark on the scale and intensity of building the current market can support. Below are examples of projects recently built or currently under construction in Bainbridge Island.

## Office Developments

### Bainbridge Island CrossFit

9440 Sportsman Club Rd NE, Bainbridge Island

Year Built: 2017  
Stories: 2  
Size: 12,000 SF  
Rent: \$13.00- \$16.00 / NNN  
Current Tenants: CrossFit



### Island Gateway

204 Ravine Ln NE, Bainbridge Island

Year Built: 2010  
Stories: 3  
Size: 37,626 SF  
Rent: \$20.00 – 24.00 / SF  
Vacancy Rate: 0%  
Current Tentants: NA



## Multifamily Developments

### Bainbridge Landing

259 Ferncliff Ave., Bainbridge Island

Year Built: Under construction (delivers April 2019)

Units: 107

Stories: 4 | Buildings: 8

Parking: Ground-level and surface parking

Total Floor Area: 100,000 SF

Average Unit Size: 763 SF

Unit Mix: 70% (1-Bed)

30% (2-Bed)



### Grow Community – Condos (The Tsuga)

221 Wyatt Way NE, Bainbridge Island

Year Built: 2015

Units: 15

Stories: 3 | Buildings: 1

Rent: NA

Total Floor Area: 21,174 SF

Parking: Ground-level and Surface Parking

Average Unit Size: 1,412 SF

Unit Mix: 100% (1-Bed)



## Single Family Developments

### Grow Community - Townhomes

Ambrose Lane NW, Bainbridge Island

Year Built: 2013

Square Feet: 1,500 – 1,800

Sales Price: \$600,000 - \$800,000



### Winslow Grove

NE Winslow Grove Court, Bainbridge Island

Year Built: 2018

Square Feet: 3,000 – 4,200

Sales Price: + \$1.1 million



These project examples indicate:

- Office and commercial developments are likely to be modest in size (both height and total area).
- Current apartment rents and sales prices can support multi-story buildings with a mixture of ground-level and surface parking.
- A variety of single-family home types are in demand from larger single-family homes to smaller, more compact options, such as townhomes.

## Demand Outlook

The real estate market trends and recent development examples point to a city that is seeing an increase in demand, primarily for housing development of all types. This uptick in demand has occurred relatively recently. For much of the 2010's the city did not realize much new development following the effects of the recession in 2008. As a result, housing supply has been lagging housing demand and rents and sales prices have been increasing, particularly the over the last five years.

A continuation of these growth trends and historically low vacancies indicate there will likely be demand for more housing (single-family and multifamily) in the future. The resulting increase in population will also drive the demand for additional commercial space to provide goods and services.

### Outlook by Use

- **Single-Family Outlook.** Demand for single-family homes in Bainbridge Island is likely to continue. The city has a high quality of life and has direct access to downtown Seattle. As the region continues to grow and home prices in Seattle increase, Bainbridge Island will potentially see even greater demand.

As land values increase in Bainbridge Island, the market for single-family homes will increasingly be for both smaller housing forms (such as townhomes and small-lot homes) and larger, higher-end homes to justify the higher cost of land.

- **Multifamily Outlook.** Low vacancies and increasing rents indicate increasing demand for apartments as well. Recent multifamily developments are three- to four-stories with parking integrated into the ground level. As land values increase, taller apartment or mixed use buildings will likely be viable.
- **Office Outlook.** The office market in Bainbridge Island has also shown improving fundamentals. Office vacancies have decreased sizably from over ten percent in 2010 to less than two percent in 2018. In response, office rents in Bainbridge Island have increased at a rate of 2.1 percent a year to \$18.70 per square foot per year by 2018. Future office development will likely not be a primary driver of growth, and it is also likely to be oriented to smaller office users. As a result, future projects will likely continue to be small in scale.

## Implications for Development Incentives

For a development incentive program to be effective it needs to align with where development is occurring, the uses that are demanded, and the intensity of that development. The real estate market conditions in Bainbridge Island indicate there is an opportunity for the utilization of development incentives.

### Winslow has the most potential for future development

Winslow has realized much of the new growth in Bainbridge Island, which aligns with the City's comprehensive plan. Winslow has the infrastructure, specifically water and sewer service, to accommodate future growth. Winslow is also an attractive location for development because of the proximity to the ferry terminal.

### Neighborhood Centers have Limited Potential Due to a Lack of Infrastructure

In the comprehensive plan, neighborhood centers are designated for more intense development. With the exception of Lynwood Center, a lack of infrastructure (primarily water and sewer service) limit the development potential of these areas. The capacity and use of development incentives within these areas will be tied to the provision of the necessary infrastructure.

### Residential uses have the best opportunity for utilizing development incentives

Most of the recent development and permit activity in Bainbridge Island is for single-family housing. More recently, multifamily housing, particularly in Winslow, is also realizing sizable new developments. As a result, development incentives should focus on leveraging demand for these uses.

### Residential projects will want to maximize density

Future projects may be looking to increase densities (i.e. smaller lots and more units per acre for single-family homes and more height and building area for multifamily projects). This demand can be leveraged to support both the purchase of development rights and the creation of affordable housing as part of a City's development incentive programs.

## Appendix B – Pro Forma Assumptions

Construction Cost		
Podium Lobby/Amenities	\$ Per SF	\$125.00
Podium Commercial	\$ Per SF (including TI)	\$240.00
Residential Stick	\$ Per SF	\$180.00
Surface Parking Space	\$ Per space	\$5,500.00
Podium Parking Space	\$ Per space	\$30,000.00
Underground Parking Space	\$ Per space	\$60,000.00
Surface Parking	\$ Per SF	\$16.92
Podium Parking	\$ Per SF	\$72.29
Underground Parking	\$ Per SF	\$144.58
Open Space	\$ Per SF	\$5.00
Site Prep	\$ Per SF	\$2.00
Soft Costs	% of Hard Cost	25.00%
Contingency	% of Hard and Soft Costs	5.00%
Developer Fee	% fo Total Cost	3.50%
Land Value	\$ Per SF	\$25.00
TDR Purchase	Total \$	\$75,000.00
Sales Costs Incl. Commission	% of Sales Price	6.0%

Income		
Residential Rent	per Month	\$2.50
Residential Rent Affordable	per Month	\$1.75
Residential Sales Price	Per SF with 5% sales commission	\$450.00
Residential Sale Price Affordable	Per SF with 5% sales commission	\$150.00
Retail Rent	NNN per Year	\$25.00
Parking Rent	per Month	\$0.00
Residential Vacancy	% of Revenue	5.00%
Retail Vacancy	% of Revenue	0.00%
Residential Operating Cost	% of Rent	20%
Retail Operating Cost	% of Rent	35%
Prop Tax Rate	per \$1,000 Residential AV	\$7.44

Return	
Rental Return on Cost	5.50%
For-sale Return on Cost	20.00%

# Appendix C – Median Income Limits



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



CITY OF  
BAINBRIDGE ISLAND

## City Council Study Session Agenda Bill

**MEETING DATE:** February 19, 2019

**ESTIMATED TIME:** 10 Minutes

**AGENDA ITEM:** (7:40 PM) Update on Moratorium - Planning,

**STRATEGIC PRIORITY:** Green, Well-Planned Community

**PRIORITY BASED BUDGETING PROGRAM:**

**AGENDA CATEGORY:** Report

**PROPOSED BY:** Planning & Community Development

**RECOMMENDED MOTION:**

Moratorium work program and status update. Respond to City Council questions and discussion.

**SUMMARY:**

City staff have been working to address the issues identified in the development moratorium (Ordinance No. 2018-02, amended by Ordinances Nos. 2018-03, 2018-05, 2018-09, 2018-14, 2018-23, and 2018-41).

On November 13, 2018, the City Council adopted Ordinance No. 2018-43 (effective date November 21) which amended the development moratorium by further narrowing its scope and application. The development moratorium is scheduled to expire on April 8, 2019, unless the Council takes further action before such date.

See attached Work Program Status Report, Ordinance No. 2018-43, and summary.

**FISCAL IMPACT:**

<b>Amount:</b>	
<b>Ongoing Cost:</b>	
<b>One-Time Cost:</b>	
<b>Included in Current Budget?</b>	

**BACKGROUND:**

**ATTACHMENTS:**

[20190208 Moratorium work program status report.docx](#)

[Ordinance No. 2018-43 Amending the Moratorium Approved 111318.pdf](#)

[Development Moratorium Summary Effective 20181121.pdf](#)

**FISCAL DETAILS:**

**Fund Name(s):**

**Coding:**

Moratorium on Accepting Certain Development Applications: Work Program Status Report – February 08, 2019

Note: Substantive changes to this document since the last version to the City Council are included in blue text.

Moratorium Topic	Status	Timeline
Critical Areas Ordinance (CAO)	<p>The development moratorium was amended by the City Council on April 24, 2018 to continue to apply within the City’s shoreline jurisdiction areas (Ordinance 2018-14). This effectively applied the aquifer recharge protection area (ARPA) requirement in the shoreline, although the change did not apply other provisions of the CAO update within the shoreline. At its October 16, 2018 study session, the Council made the policy decision to not include the ARPA requirement in the shoreline area. This policy decision means that “Part B” of the moratorium could be removed. On November 13, 2018, the Council adopted Ordinance 2018-43 (effective date November 21) removing “Part B” (i.e., the ARPA requirement) from the moratorium.</p> <p>The City has a Shoreline Master Program (SMP) Amendment in process to integrate the updated critical areas regulations into the SMP.</p>	<p>On September 11, 2018, the City Council held a public hearing on the SMP amendment. The Council held study sessions on October 2 and 16, 2018, and is continuing to consider the amendment at subsequent Council meetings (see below). The Public Comment Period expired on November 9, 2018.</p> <p>The joint state/local review process requires that the draft amendment and a summary of response to comments be transmitted to the Department of Ecology within 30 days after the end of the Public Comment Period. City staff has requested an extension for this transmittal until January 31, 2019. In the meantime, comments are still being accepted and considered by staff and the Council as part of the Council’s ongoing consideration of the SMP amendment.</p> <p>On November 27, 2018, the Council discussed the SMP amendment relating to integration of critical area regulations and regarding nonconforming structures, uses, and lots. On December 11, 2018, the Council discussed this matter and instructed staff to prepare a resolution to transmit the SMP amendment to</p>

Moratorium on Accepting Certain Development Applications: Work Program Status Report – February 08, 2019

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		<p>the Department of Ecology for its SMA consistency review.</p> <p>On January 8, 2019, the Council passed Resolution No. 2019-05 approving the draft amendment and authorizing staff to transmit the proposed SMP amendment to the Department of Ecology for initial review. <a href="#">The draft SMP amendment is expected to be transmitted to Ecology in February.</a> Ecology then sends back the draft amendment with recommended changes and the Council locally adopts the amendment. It is then sent back to Ecology for final approval. The amendment process is expected to be completed in late spring/early summer 2019.</p>
<p>Status on February 8, 2019:</p>	<p>Complete: CAO update effective outside shoreline jurisdiction.                  Incomplete: Applicability of CAO update within shoreline jurisdiction.</p>	

Moratorium on Accepting Certain Development Applications: Work Program Status Report – February 08, 2019

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Moratorium Topic	Status	Timeline
Subdivisions	<p>The Planning Commission is reviewing three topics related to subdivisions:</p> <ul style="list-style-type: none"> <li>• Creation of design guidelines</li> <li>• Revisions to subdivision standards</li> <li>• Revisions to review process, decision criteria, and decision-making authority</li> </ul> <p>The Planning Commission completed its review of new subdivision design guidelines.</p> <p>The Planning Commission forwarded recommendations to the City Council related to the review process and decision-making authority. Additional recommendations to the Council are forthcoming.</p> <p>The Council accepted the Planning Commission recommendations related to the role of the Planning Commission and Design Review Board in reviewing and making recommendations on preliminary decisions on subdivisions. However, the Council did not agree to the Planning Commission’s recommendation that the Council be the decision-maker for preliminary decisions on subdivisions (i.e., preliminary plat approval).</p>	<p>A Planning Commission public hearing is scheduled for February 13, 2019.</p> <p>Anticipated next steps include*:</p> <p>February 28: PC continued public hearing and recommendation            March 12: CC first reading            March 19/26: CC discussion as needed (or approval)            April 2: CC approval (if needed)            April 10: Ordinance effective</p> <p>*The anticipated schedule assumes the moratorium will not be extended past its current expiration date of April 8, 2019.</p> <p>On September 27, October 25, and November 8, 2018, the Planning Commission met to discuss subdivision standards and the review process. The Planning Commission continued its discussion in November and December 2018, and in January 2019.</p> <p>On October 23, 2018, the City Council held a public hearing related to Planning Commission/DRB review and recommended roles. The Council deferred taking action until receiving all of the forthcoming Planning</p>

Moratorium on Accepting Certain Development Applications: Work Program Status Report – February 08, 2019

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	<p>On September 25, 2018, the Council removed two-lot short subdivisions in which there is an existing single-family residence from the moratorium with the adoption of Ordinance 2018-41.</p>	<p>Commission recommendations on subdivision design guidelines, standards, review process, and decision criteria.</p> <p>On December 4, 2018, the Council discussed Ordinance 2018-20, related to revisions to land use review procedures for major projects, including subdivisions, and on December 11, 2018, held a public hearing and approved the ordinance.</p> <p>On January 8, 2019, the Council adopted Resolution No. 2019-02, updating the administrative manual to address development review process code amendments in Chapter 2.16, BIMC.</p>
<p>Status on February 8, 2019:</p>	<p>Complete: Ordinance 2018-20 approved by the Council on December 11, 2018, related to revisions to land use review procedures for major projects, including subdivisions.                  Incomplete: Planning Commission review of revised subdivision standards.</p>	

Moratorium on Accepting Certain Development Applications: Work Program Status Report – February 08, 2019

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Moratorium Topic	Status	Timeline
<p>Design Guidelines Update (related to Site Plan and Design Review and Conditional Use Permits).</p>	<p>A RFQ for professional services was published and closed on August 17, 2018. On October 23, 2018, the City Council authorized a professional services agreement with Framework to produce an updated set of design guidelines (Chapter 18.18 BIMC).</p>	<p>On November 13, 2018, a kick-off meeting with the consultant was held with the Design Review Board. On December 19, 2018, focus groups met to discuss design guideline perceptions, issues, problems, and ideas.</p> <p>On January 30, 2019, a Design Guideline Update Open House was held. On February 5, 2019, the Design Guideline Update project consultant briefed the Council.</p> <p><i>The consultant will update the Council again in early April.</i></p> <p>The update to the City’s Design Guidelines is expected to be completed before mid-year 2019.</p>
<p>Status on February 8, 2019:</p>	<p>Complete: Consultant professional services agreement approved, kick-off meeting held with the DRB.                      Incomplete: Update design guidelines.</p>	

Moratorium on Accepting Certain Development Applications: Work Program Status Report – February 08, 2019

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Moratorium Topic	Status	Timeline
<p>Review Process for Land Use Permits (related to Subdivisions, Site Plan and Design Review, and Conditional Use Permits).</p>	<p>The Planning Commission and Design Review Board discussed this topic at their meetings beginning in May and continuing through December 2018. A Planning Commission public hearing is tentatively scheduled for January 2019.</p> <p>The Planning Commission provided recommendations to the City Council related to roles and responsibilities for the Planning Commission, Design Review Board, and the Council and the legislative review process for amending the BIMC.</p>	<p>On October 23, 2018, the City Council held a public hearing related to the Planning Commission and Design Review Board’s land use review roles and responsibilities (Ordinance 2018-20). The Council deferred taking action until receiving all of the forthcoming Planning Commission recommendations on land use review procedures.</p> <p>At its December 4, 2018 meeting, the Council discussed Ordinance No. 2018-20, regarding revisions to BIMC Title 2 related to land use review approval bodies and procedures. On December 11, 2018, the Council held a public hearing and approved the ordinance.</p> <p>On January 8, 2019, the Council adopted Resolution No. 2019-02, updating the administrative manual to address development review process code amendments in Chapter 2.16, BIMC.</p> <p>Planning Commission review of decision criteria for site plan and design review and conditional use permits is scheduled for</p>

Moratorium on Accepting Certain Development Applications: Work Program Status Report – February 08, 2019

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		<p>February 28, 2019. The anticipated schedule* for City Council discussion and action is:</p> <p>March 5: CC discussion/input          March 14: PC public hearing          March 19/26: CC discussion as needed (or approval)          April 2: CC approval (if needed)          April 10: Ordinance effective</p> <p>*The anticipated schedule assumes the moratorium will not be extended past its current expiration date of April 8, 2019.</p>
<p>Status on February 8, 2019:</p>	<p>Complete: Ordinance 2018-20 approved by the Council on December 11, 2018, related to new roles and responsibilities for the Planning Commission and Design Review Board, review procedures for subdivisions, site plan and design review, and conditional use permits, and revisions to the legislative review process for amending the BIMC.          Incomplete: Revisions to Chapter 2.16 BIMC related to decision criteria for site plan and design review and conditional use permits.</p>	

Moratorium on Accepting Certain Development Applications: Work Program Status Report – February 08, 2019

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Moratorium Topic	Status	Timeline
Affordable Housing	<p>The Affordable Housing Task Force completed review of its draft final report to the City Council at its meeting on July 11, 2018.</p> <p>On June 12, 2018, the Council approved a contract with ECONorthwest to conduct an economic market analysis and feasibility study regarding a new inclusionary zoning program and updates to the City's Transfer of Development Rights program.</p> <p>On November 13, 2018, the Council dissolved the Affordable Housing Task Force and created a Council Ad Hoc Committee for Affordable Housing.</p> <p>On January 22, 2019, the City Council Affordable Housing Ad Hoc Committee met. On February 5, 2019, the Committee reviewed a draft of the ECONorthwest final report.</p>	<p>The Affordable Housing Task Force Report with recommendations was presented to the City Council on July 24, 2018 and was discussed further at the August 21, 2018 Council Study Session.</p> <p>The economic market analysis and program feasibility study is expected to be completed in December 2018. A Council study session was held on October 2 and December 4, 2018, to receive a project update from ECONorthwest. <a href="#">On February 19, the City Council will review the ECONorthwest / Forterra Inclusionary Zoning / TDR final report, the Affordable Housing Task Force report and recommendations, and consider the status of the City Council Affordable Housing Ad Hoc Committee.</a></p>
Status on February 8, 2019:	<p>Complete: Council discussion and endorsement of Priority and Quick Wins recommendations from the AHTF Report.</p> <p>Incomplete: Implementation/approval of AHTF recommendations, including adoption of inclusionary zoning regulations.</p>	

Moratorium on Accepting Certain Development Applications: Work Program Status Report – February 08, 2019

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Moratorium Topic	Status	Timeline
Business/Industrial (B/I) zoning district	<p>The Council revisited the inclusion of the B/I zoning district in the moratorium and determined that the results of the moratorium work plan would not have a significant impact on land use applications in that zoning district. On October 23, 2018, the Council made the policy decision to remove from the moratorium certain restrictions related to the B/I zoning district. On November 13, 2018, the Council adopted Ordinance 2018-43 (effective date November 21) exempting from the moratorium B/I zoning district Major Site Plan and Design Review and Major Conditional Use permit proposals.</p>	<p>During their November 13, 2018 discussion of Ordinance 2018-43, the Council discussed whether commercial subdivisions in the B/I zone should be subject to the moratorium. <a href="#">The Council will discuss at a future meeting whether B/I zoning district commercial subdivisions should also be exempt from the moratorium.*</a></p> <p><a href="#">* There likely is not any added benefit to removing B/I commercial subdivisions from the moratorium early. The new subdivision standards are nearing completion, and the new standards will apply to commercial subdivisions, as do the already adopted subdivision process changes. The City has not held any preapplication conferences for commercial subdivisions in the B/I zone that would indicate a commercial subdivision application is being prepared.</a></p>
Status on February 8, 2019:	<p>Complete: Ordinance 2018-43 adopted, thereby exempting B/I zoning district Major Site Plan and Design Review and Major Conditional Use permit proposals from the moratorium.                      Incomplete: Policy decision regarding whether B/I zoning district subdivisions should be exempt from moratorium.</p>	

Moratorium on Accepting Certain Development Applications: Work Program Status Report – February 08, 2019

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Moratorium Topic	Status	Timeline
Accessory Dwelling Units	On October 23, 2018, the City Council considered whether the City can prohibit, regulate, or otherwise discourage property owners from making condominiums out of accessory dwelling units (ADUs) located on their property.	On October 23, 2018, the Council directed staff to prepare for the Council's consideration an ordinance to require common ownership of ADUs. <a href="#">This issue is scheduled to come back to the Council for discussion on March 19, 2019.</a>
Status on February 8, 2019:	Complete: Began discussions on ADU condominiums. Incomplete: Policy decision deferred to Q1 2019.	

## **ORDINANCE NO. 2018-43**

**AN ORDINANCE** of the City of Bainbridge Island, Washington, adopted pursuant to RCW 35A.63.220 and RCW 36.70A.390; amending Ordinance No. 2018-41 to narrow the development moratorium; providing for severability; and leaving the effective date and duration of the moratorium unchanged.

**WHEREAS**, on January 9, 2018, the City Council enacted Ordinance No. 2018-02 and thereby established a temporary emergency moratorium on the acceptance and processing of certain Permit Applications, as defined in Section 2 of Ordinance No. 2018-02; and

**WHEREAS**, the City Council and City staff received feedback and comment from individuals related to the moratorium and, based partly on that feedback and comment, the Council determined that certain exclusions to the moratorium needed to be amended to clarify the Council's intent regarding such exclusions; and

**WHEREAS**, on January 16, 2018, the Council enacted Ordinance No. 2018-03, which amended Ordinance No. 2018-02 to clarify some of the exclusions; and

**WHEREAS**, the Council and City staff received additional feedback and comment from individuals related to the moratorium and, based partly on that feedback, the Council determined that further amendment was necessary to clarify which types of activities are subject to the moratorium, and which activities are excluded from the moratorium; and

**WHEREAS**, on February 15, 2018, the Council enacted Ordinance No. 2018-05, which amended and restated Ordinance No. 2018-02 and Ordinance No. 2018-03; and

**WHEREAS**, based on additional information and consideration related to educational facilities and preschools, as well as related to the applicability of the moratorium in the Mixed Use Town Center/Central Core Overlay District, on March 13, 2018, the Council approved Ordinance No. 2018-09 to further clarify which types of activities are subject to the moratorium, and which activities are excluded from the moratorium; and

**WHEREAS**, this moratorium was imposed, in part, to allow the City Council and City staff adequate time to complete the Critical Areas Ordinance Update process, and to address the Council's concerns about the City's development review process, standards, and guidelines, as well as regarding affordable housing related issues; and

**WHEREAS**, the Council adopted the Critical Areas Ordinance Update (Ordinance No. 2018-01) on February 27, 2018, and the updated Critical Areas Ordinance took effect on April 23, 2018; and

**WHEREAS**, critical areas within the City's shoreline jurisdiction are regulated by the City's shoreline master program (see, e.g., Chapter 16.12 BIMC, RCW 36.70A.480(3)(b)); and

**WHEREAS**, integration of applicable critical areas regulations into the shoreline master program is essential to ensuring adequate protection of critical areas within the shoreline jurisdiction and no net loss of shoreline ecological functions; and

**WHEREAS**, regulations for critical areas within the City’s shoreline jurisdiction are in the process of being updated through an amendment of the City’s shoreline master program consistent with the Shoreline Management Act and that amendment process was ongoing as of July 9, 2018, which was the original date that the moratorium was set to expire; and

**WHEREAS**, the City Council approved Ordinance 2018-14 on April 24, 2018, amending the development moratorium in order to have the provisions of Section 3.B. only apply within the City’s shoreline jurisdiction areas (Chapter 16.12 BIMC); and

**WHEREAS**, a number of moratorium priorities were identified at a joint meeting of the City’s Design Review Board and Planning Commission on February 22, 2018, including the following:

(1) Revise review procedures for preliminary subdivisions to include the Design Review Board and Planning Commission in process; and

(2) Analyze alternatives to decision-making authority for the Design Review Board, Planning Commission, and Hearing Examiner for subdivisions, conditional use permits, and site plan and design review; and

(3) Identify specific development standards to review/revise in Chapters 18.12 and 18.15 of the Bainbridge Island Municipal Code; and

(4) Initiate rewrite of subdivision design standards in Chapter 17.12 of the Bainbridge Island Municipal Code; and

**WHEREAS**, at the April 3, 2018, City Council study session, the City’s Department of Planning and Community Development provided a briefing on the Design Review Board and Planning Commission joint meeting wherein the Council authorized staff to proceed with a work plan addressing the priorities identified at the joint meeting; and

**WHEREAS**, on May 7 and 21, June 4 and 19, July 16, August 6 and 20, and on September 4, 2018, the City’s Design Review Board discussed alternatives for revisions to the City’s subdivision standards, dimensional standards, and land use review procedures; and

**WHEREAS**, during May through November 2018, the City’s Planning Commission discussed alternatives for revisions to the City’s subdivision guidelines, standards, dimensional standards, and land use review procedures; and

**WHEREAS**, the City’s Planning Commission has completed its review of land use review procedures and forwarded the recommendations on these issues to the City Council, but

has not completed its review of revisions to the City's subdivision guidelines, standards, and dimensional standards; and

**WHEREAS**, City staff, working with the Design Review Board, has selected a consultant team to provide professional services to update the City's Design Guidelines (BIMC 18.18.030), which is work that is not expected to be completed until the end of July 2019; and

**WHEREAS**, each of the multiple Design Review Board and Planning Commission meetings as described above included an opportunity for public comment on the alternatives for revisions to the City's subdivision guidelines, standards, dimensional standards, and land use review procedures; and

**WHEREAS**, the City provided legal background on the roles of land use bodies, presented in a memorandum from attorney James E. Haney (outside legal counsel for the City) entitled, "*Roles of City Council, Planning Commission, Design Review Board, and Hearing Examiner in Land Use Permits*," dated June 1, 2018, and the City Council had a special workshop related to land use review procedures on August 27, 2018; and

**WHEREAS**, on June 12, 2018, the City Council authorized the execution of a professional services agreement to conduct an economic market analysis and feasibility study regarding a new inclusionary zoning program and updates to the City's Transfer of Development Rights program, both of which address affordable housing related issues, and on October 2, 2018, the Council received a project update briefing, and a final report is expected to be presented to the Council in December 2018; and

**WHEREAS**, the Affordable Housing Task Force presented its final report to the City Council on July 24, 2018, and the Council discussed the recommendations more thoroughly on August 21, 2018; and

**WHEREAS**, on February 27, 2018, the City Council was provided with a moratorium work program; and

**WHEREAS**, on April 10, May 22, June 5, June 19, July 17, August 21, September 4 and 18, October 2 and 16, and November 6, 2018, the City Council was provided moratorium work program status report updates; and

**WHEREAS**, on June 26, 2018, the City Council held a public hearing and approved Ordinance 2018-23, extending the development moratorium for another 90 days until October 9, 2018; and

**WHEREAS**, on September 25, 2018, the City Council held a public hearing and approved Ordinance 2018-41, and thereby extended the development moratorium for another six (6) months until April 8, 2019, unless the Council takes further action before such date, and in so doing narrowed the moratorium to remove two-lot short subdivisions in which there is an existing single-family residence from the moratorium; and

**WHEREAS**, on October 16, 2018, the City Council discussed integrating critical area regulations into the Shoreline Master Program (Chapter 16.12 BIMC) and made the policy decision to not apply new *Aquifer Recharge Protection Area* regulations (BIMC 16.20.100) within the City's shoreline jurisdiction areas; and

**WHEREAS**, as a result of that policy decision, and the City Council's affirmation on October 23, 2018, that the moratorium should be narrowed in that manner, the Council directed staff to prepare an ordinance to entirely remove Section 3.B. (which, in effect, applied the Aquifer Recharge Protection Area regulations in the City's shoreline jurisdiction areas) from the moratorium; and

**WHEREAS**, on October 23, 2018, the City Council discussed additional revisions to the development moratorium, including excluding from the moratorium certain permit applications for development in the Business/Industrial zoning district, and the Council directed staff to prepare an ordinance to narrow the moratorium accordingly; and

**WHEREAS**, on October 23, 2018, the City Council also discussed potentially further narrowing provisions of the moratorium related to applications for new short subdivisions that the Council had previously narrowed, and the Council decided to not take such action at this time pending the Planning Commission's ongoing but not yet completed work related to subdivisions, including new subdivision design guidelines and revised subdivision standards and review procedures; and

**WHEREAS**, on October 23, 2018, the City Council also discussed issues related to making condominiums out of accessory dwelling units ("ADUs") and common ownership of ADUs, and the Council directed staff to work on possible revisions to the BIMC to allow the Council to further consider the common ownership issue related to ADUs; and

**WHEREAS**, although the City has been working to address the land use issues identified in the development moratorium, as described above, the work is ongoing and not yet completed; and

**WHEREAS**, the City possesses land use jurisdiction and regulatory authority over the City's incorporated lands; and

**WHEREAS**, the moratorium promotes the public good and is necessary for the protection of public health, property, safety, and welfare, and the public emergency on which this moratorium was imposed continues to exist and this ordinance does not change the basis for that declaration of emergency, except as described above, nor the effective date of the moratorium, which is January 9, 2018.

**NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF BAINBRIDGE ISLAND, WASHINGTON, DO ORDAIN AS FOLLOWS:**

**Section 1. Findings of Fact.** The recitals set forth above are hereby adopted as additional and supplemental findings of fact to the City Council's initial findings of fact in support of the

moratorium, as established by Ordinance Nos. 2018-02, 2018-03, 2018-05, 2018-09, 2018-14, 2018-23, and 2018-41.

**Section 2. Moratorium Amended.** Section 3 of Ordinance No. 2018-05, as amended by Ordinance Nos. 2018-09, 2018-14, and 2018-41, is hereby further amended as follows related to the activities to which the moratorium applies:

~~B. Structures, buildings, and land use permits and approvals in the R-1, R-2, and R-0.4 zones within the City's shoreline jurisdiction areas (see Chapter 16.12 BIMC):~~

- ~~(i) — That will result in less than 65% of the subject property being retained as native vegetation; or~~
- ~~(ii) — That will result in reducing the native vegetation on the subject property by any amount if that property had native vegetation existing on less than 65% of the property as of the effective date of the moratorium.~~
- ~~(iii) — Provided, that this Section B does not apply to complete land use applications (see BIMC Table 2.16.010-1) that were submitted prior to the effective date of the moratorium, and to the resultant site work and associated approvals related to such complete land use applications.~~

C. Major Site Plan and Design Review and Major Conditional Use Permit proposals that are not otherwise subject to this moratorium and that did not, before the effective date of the moratorium, have a pre-application conference on the Planning Department's calendar. Provided, that the moratorium does not apply to Major Site Plan and Design Review and Major Conditional Use Permit proposals for properties located in the Mixed Use Town Center/Central Core Overlay District or the Business/Industrial District.

**Section 3. Moratorium Work Plan.** As provided for under RCW 35A.63.220 and RCW 36.70A.390, the City may renew a moratorium for one or more six-month periods if a work plan has been developed, a public hearing has been held, and findings of fact have been made, and the City has thereby previously extended the moratorium as described herein based on the work plan that has been developed and the findings of fact that have been made in this ordinance and the previous ordinances related to this moratorium.

**Section 4. Severability.** Should any section, paragraph, sentence, clause, or phrase of this ordinance, or its application to any person or circumstance, be declared unconstitutional or otherwise invalid for any reason, or should any portion of this ordinance be preempted by state or federal law or regulation, such decision or preemption shall not affect the validity of the remaining portions of this ordinance or its application to other persons or circumstances.

**Section 5. No Change to Basis for Declaration of Emergency; Effective Date; Duration.** This ordinance shall take effect and be in force five (5) days from and after its passage and publication as required by law. Provided, that this ordinance is not intended to change the basis of the emergency declarations stated in the seven moratorium ordinances which preceded

this ordinance, Ordinance Nos. 2018-02, 2018-03, 2018-05, 2018-09, 2018-14, 2018-23, and 2018-41, except as described in the “Whereas” clauses of this ordinance. Pursuant to *Matson v. Clark County Board of Commissioners*, 79 Wn. App. 641 (1995), non-exhaustive underlying facts necessary to support the emergency declarations adopted as part of the enactment of this moratorium were included in the “Whereas” clauses of Ordinance No. 2018-02 and Ordinance No. 2018-03, and were restated and supplemented in Ordinance No. 2018-05 and Ordinance No. 2018-09, and Ordinance Nos. 2018-14, 2018-23, and 2018-41, as well as in this ordinance, and those “Whereas” clauses are adopted as findings of fact. This ordinance amending the moratorium shall remain effective for the period as established for the moratorium, which is currently scheduled to expire on April 8, 2019, unless terminated earlier by the City Council. This ordinance does not change the effective date of the moratorium, which is January 9, 2018. The Council may, at its sole discretion, renew the moratorium for one or more six (6) month periods in accordance with state law. This ordinance or a summary thereof consisting of the title shall be published in the official newspaper of the City.

PASSED by the City Council this 13th day of November, 2018.

APPROVED by the Mayor this 13th day of November, 2018.

  
\_\_\_\_\_  
Kol Medina, Mayor

ATTEST/AUTHENTICATE:

  
Christine Brown, City Clerk

FILED WITH THE CITY CLERK	November 8, 2018
PASSED BY THE CITY COUNCIL	November 13, 2018
PUBLISHED:	November 16, 2018
EFFECTIVE DATE:	November 21, 2018
ORDINANCE NO:	2018-43

November 21, 2018

**DEVELOPMENT MORATORIUM SUMMARY:** Effective beginning January 9, 2018 until April 8, 2019. (Ordinance No. 2018-02, amended by Ordinance Nos. 2018-03, 2018-05, 2018-09, 2018-14, 2018-23, & 2018-41 & 2018-43)

**Development Activity PROHIBITED During the Moratorium:**

- A. All applications for new short subdivisions (BIMC 2.16.070), except two-lot short subdivisions in which there is an existing single-family residence, new preliminary long subdivisions (BIMC 2.16.125), and new large lot subdivisions (BIMC 2.16.080).
- B. Major Site Plan and Design Review and Major Conditional Use Permit proposals that are not otherwise subject to this moratorium and that did not, before the effective date of the moratorium, have a pre-application conference on the Planning Department's calendar. Provided, that the moratorium does not apply to Major Site Plan and Design Review and Major Conditional Use Permit proposals for properties located in the Mixed Use Town Center/Central Core Overlay District or the Business/Industrial District.

**EXCEPTIONS to the Above Development Activities Prohibited During the Moratorium:**

- A. Permits and approvals for affordable housing projects that qualify as Housing Design Demonstration Project (HDDP) Tier 3 projects pursuant to BIMC 2.16.020.Q. and Table 2.16.020.Q-1, and
- B. Permits and approvals for government facilities and structures; educational facilities and preschools; wireless communication facilities; and emergency medical and disaster relief facilities.



CITY OF  
BAINBRIDGE ISLAND

## City Council Study Session Agenda Bill

**MEETING DATE:** February 19, 2019

**ESTIMATED TIME:** 60 Minutes

**AGENDA ITEM:** (7:50 PM) Affordable Housing Task Force Recommendations - Planning,

**STRATEGIC PRIORITY:** Green, Well-Planned Community

**PRIORITY BASED BUDGETING PROGRAM:**

**AGENDA CATEGORY:** Discussion

**PROPOSED BY:** Planning & Community Development

**RECOMMENDED MOTION:**

Discussion only.

**SUMMARY:**

On July 24, 2018, the Affordable Housing Task Force (AHTF) presented its Final Report to the City Council. The Council discussed the Report and Recommendations again at their study session on August 21, 2018. The final report is attached, as is a table that summarizes what kind of City action would be needed to accomplish each recommendation in the final report.

Since the AHTF recommendations were presented, the following actions have been taken:

- The City has hired ECONorthwest and Forterra to provide an economic analysis that would inform a future inclusionary zoning program, and that work will inform several recommendations from the Task Force report. The final report with this analysis will also be discussed by the City Council on February 19.
- The City Council formed an Ad Hoc Affordable Housing Committee to guide the prioritization and implementation of the Task Force Recommendations.
- The City is working to expand the number of residential moorage spaces in the Dave Ullin Open Water Marina from the current capacity (11) to the maximum capacity allowed by the Department of Natural Resources (16).

**FISCAL IMPACT:**

<b>Amount:</b>	
<b>Ongoing Cost:</b>	
<b>One-Time Cost:</b>	
<b>Included in Current Budget?</b>	

**BACKGROUND:** The City's Affordable Housing Trust Fund currently receives \$100,000 in annual support from the General Fund. The fund balance as of December 31, 2018 was roughly \$259,000, The Approved Budget for 2019-2020 will provide an additional \$200,000 in funding, for a total available funds during the current biennial budget cycle of \$459,000.

**ATTACHMENTS:**

[Affordable Housing Task Force Final Report and Appendices](#)

[Recommendation Action Table from AHTF Report](#)

**FISCAL DETAILS:** A number of the recommendations will entail hiring consultants; costs are unknown at this time.

**Fund Name(s):**

**Coding:**



# Affordable Housing Task Force Final Report



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## **APPENDICES**

- A.** City Council Instructions to the Affordable Housing Task Force
- B.** Housing Element of the Comprehensive Plan
- C.** Previously Delivered Recommendations and Correspondence
  - 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.

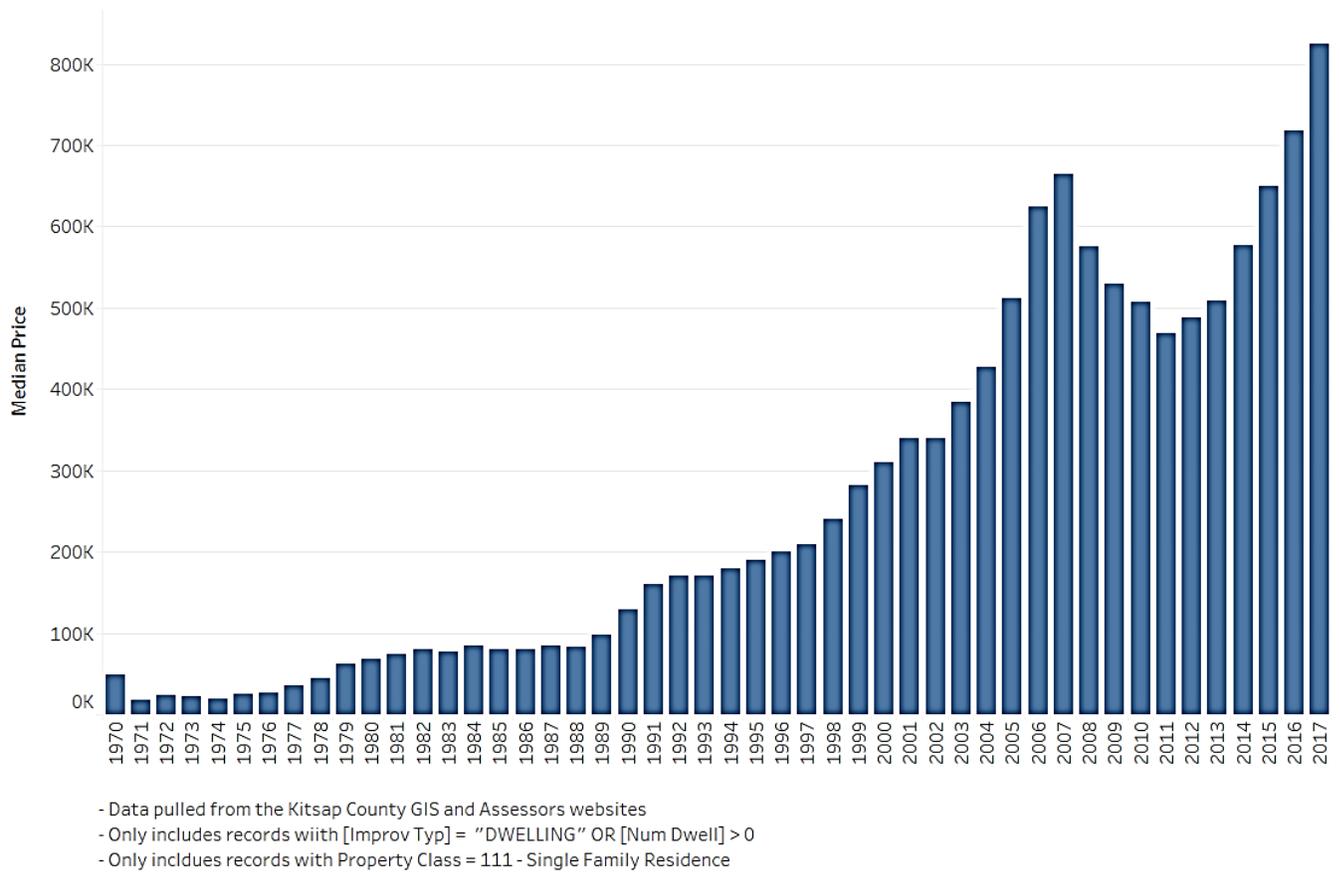
### Housing Affordability on Bainbridge Island

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.

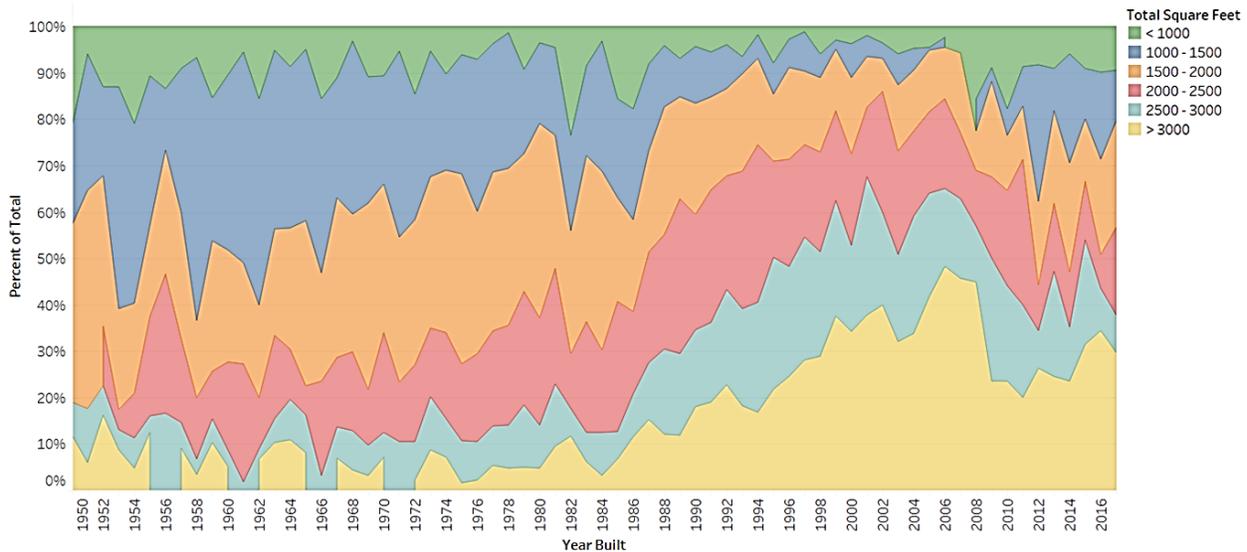
Prices have continued to climb in 2018. In May 2018, the median single family home price was \$875,000, and nearly half (44%) sold for over \$1 million. Single family residences account for about 80% of all housing units, in a very low density land use pattern that occupies almost 91% of the island’s 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

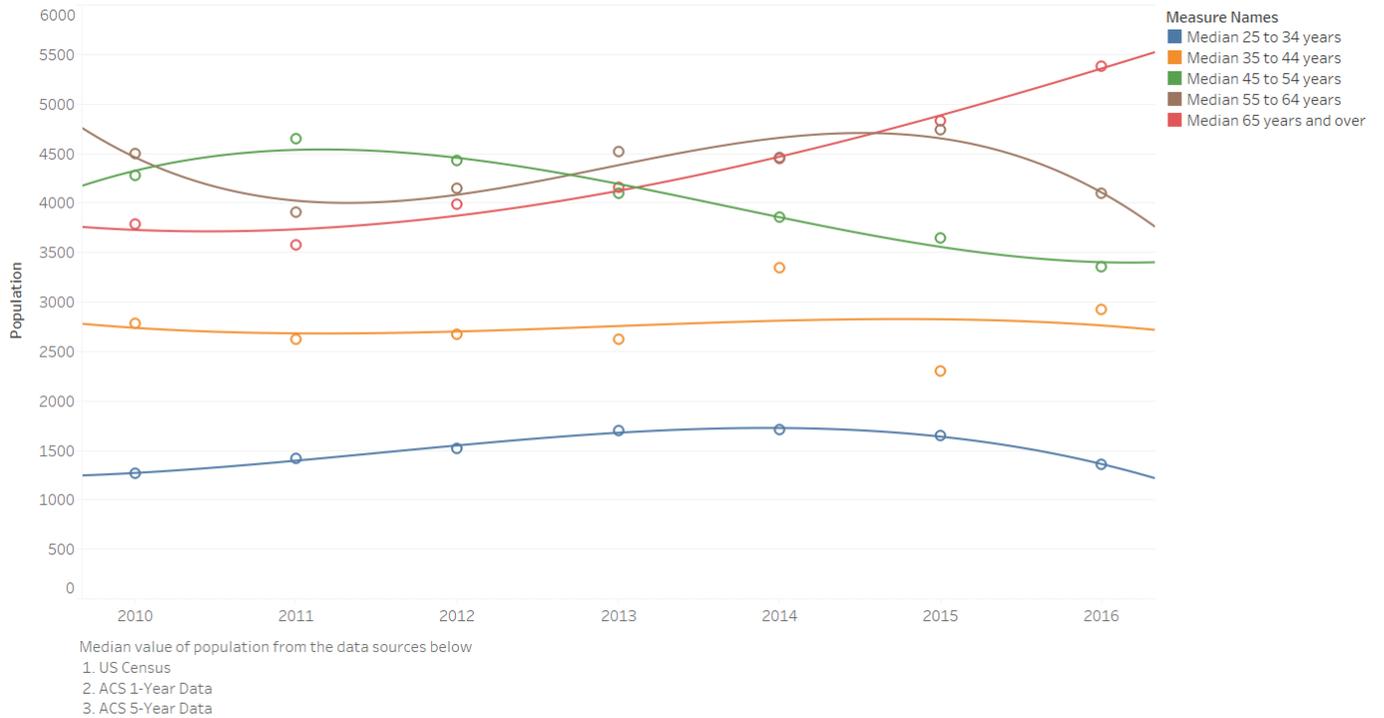


- Data pulled from the Kitsap County GIS and Assessors websites
- Removed buildings owned by COBI, BI Parks, BI School District, Arbor Fund, Islandwood
- Only includes records with [Improv Typ] = "DWELLING" OR [Num Dwell] > 0
- Only includes records with GIS Property Class = Single Family Residence OR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

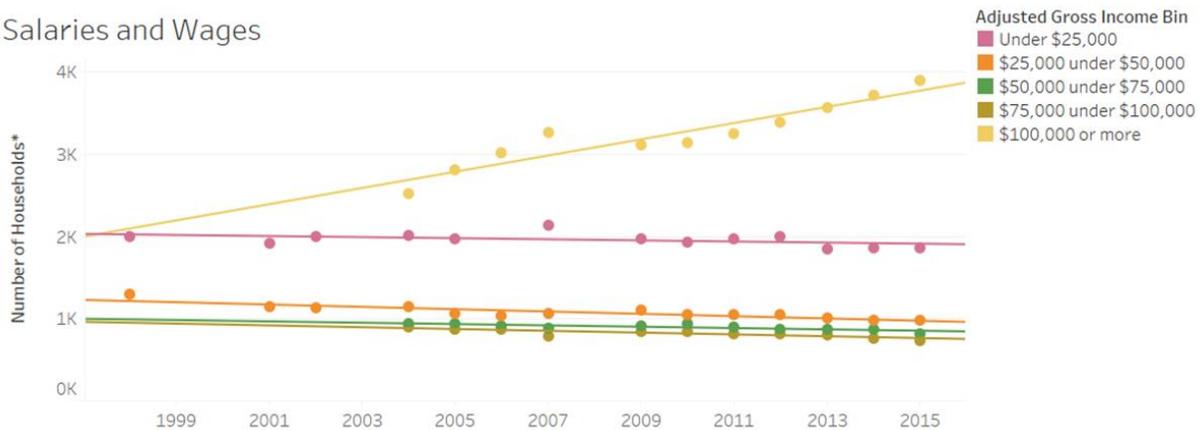
In part due to housing prices, the island’s demographics are shifting. Bainbridge Island is older, wealthier and far less racially diverse than other communities in the region. The island has an increasing population of people over 65, and a declining population of young adults (ages 25 to 34).

### 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.

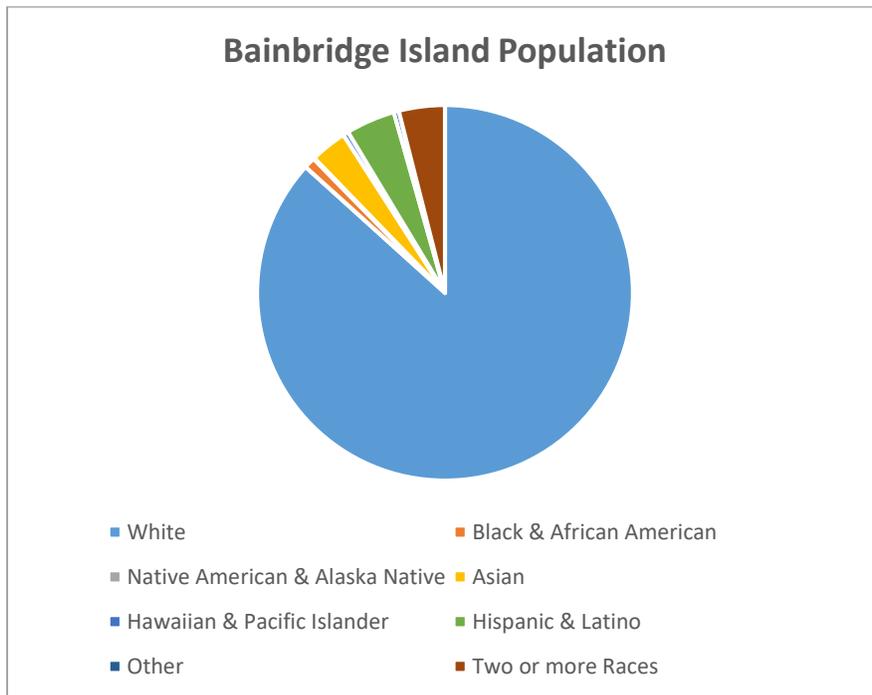
### Salaries and Wages



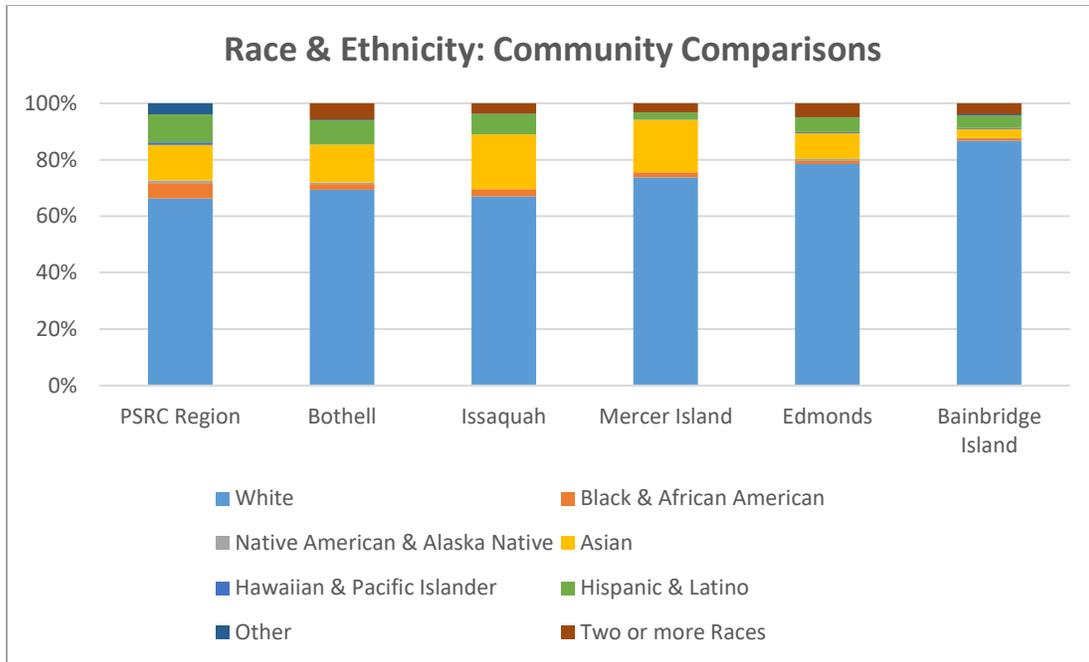
Bainbridge Island is about 91% white, according to the most recent census information. A 2014 report by the Puget Sound Regional Council noted the connection between lack of affordable housing and lack of racial and ethnic diversity:

“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

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## 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.**

**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*.**

**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



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 important to be 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

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: 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

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

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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

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and innovative ways to provide housing for a workforce and other folks who

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Sincerely,

Affordable Housing Task Force

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 Sund Febru r : M  
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 Jennifer Sutton  
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# Appendix C.7

March 2015

Re: Dave Ullin Open Water Marina

Mayor Mehta and Councilors

We write to request the Council to adopt policies that will be filled out by the Department of Cultural Resources and provided by the Harbor for people who live aboard their vessels in keeping with Homeport Policy H O 5.3 of the Comprehensive Plan that states

Policy HO 5.3 : Support water-based live-aboard boaters as a viable component of the present and future boating stock of San Diego. San Diego should to apply environmental protection, water sanitation and safety standards and standards.

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

A linear moorage has lived its life and is being overgrown. The Council to install all bylaws that would allow the space available for Dave Ullin Open Water Marina going into the future. Live-aboard boaters to lease space to be used on land and to have a smaller ecological footprint.

We have done the work of negotiating an agreement with DN that or the boaters to live on their boats. It is a fair and reasonable arrangement.

The Harbor Homeport Force previously had a 10% percentage allowance for live-aboard boaters in the Marina as part of the solution to the crisis of boaters on San Diego land.

We also request the Council to direct the staff to take reservations all year round not just in the fall. We are sensitive to safety and management issues and need to ensure prospective tenants can get into a year on a yearly basis. Request the Council to take lease applications year round and not create barriers to entry.

Thank you

Archie Hoing Force

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 17% annual growth in the number of Airbnb rentals on Bainbridge Island with 133 active rentals currently recorded. Of these active rentals 11 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

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

<http://www.airdna.com/market-data/washington/bainbridge-island/new>

Seattle Short-Term Rental Ordinance

<http://www.seattle.gov/codes/rules/Common/Questions/Shorttermrentals/default.htm>

Seattle Short-Term Rental Ordinance Summary Sheet

<http://www.seattle.gov/Documents/Departments/Council/Issues/RegulatingShortTermRentals/Regulating-Short-Term-Rentals-Summary2017-09.pdf>

Thank you for your consideration  
Affordable Housing Task Force



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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 R14 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

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 R14 zones.

## APPENDIX E

Planning Commission Study Session 04/22/2002

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 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.
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:

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. 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



on the local register or the director for structures identified as contributing to an historic

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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. )LOH ZLWK WKH FLW\¶V SODQQLQJ DQG FRPPXQLW\ GHYHORSHPHQ

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 &RXQW\ DVVHVVRU¶V

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. \$ FRPSOHWHG FLW\ RI %HOOLQJKDP DSSOLFDWLRQ IRUP VHW 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

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 V H F X U H I U R P W K H F L W \ Y H U L I L F D W L R Q R I S U R S H U W \ Q R Q F R P S O L D 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. SOLFDQW DW WKH DSSOLFDQW \ V O D V W N Q R Z Q D G G U H V V Z L W K L Q D S S H D O D G H Q L D O W R W K H F L W \ F R X Q F L O Z L W K L Q G D \ V R I U H F H decision will be upheld unless the applicant can show that there is no substantial evidence on WKH U H F R U G W R V X S S R U W W K H G L U H F W R U \ V G H F L V L R Q 7 K H F L W \

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. 7 K H S U R M H F W Z L O O F R P S O \ Z L W K W K H F L W \ V F R P S U H K H Q V L Y H S codes, and any other applicable regulations in effect at the time the extension of the conditional certificate is granted; and

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

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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

d. 7KH RZQHU¶V SURSHUW\ LV RWKHUZLVH QRW TXDOLILHG XQG

Within 14 days of recei SW RI WKH GLUHFWRU¶V GHQLDO RI D ILQDO FHUWLI

appeal with the hearing examiner, as provided in BMC 2.56.050 (B). The applicant may appeal

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30 days, or as otherwise required by law, of receiving notice of that decision.

J. Annual Compliance Review. Within 30 days after the f irst 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 occupa ncy 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 improve ments 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 Depart ment 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;

- 3. The number and type of units produced or to be produced meeting a ffordable 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 H [ D P L Q H U ¶ V G H F L V L R Q W R W K H : K D W F R P & R X Q W \ V X S H U L R U F R X U 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].

Recommendation from AHTF Final Report	Action(s) Needed to Implement Recommendation
<b>PRIORITY RECOMMENDATIONS</b>	
<b>1: Code Changes to encourage affordable housing in Designated Centers (p 12)</b>	<b>City Work Program:</b> The City should create and maintain a monitoring program and prepare biennial reports (starting in 2019) to keep track of progress on affordable housing generally (see Goals 1 & 2 of Housing Element). Reports will then be used to amend and update affordable housing program and development code to ensure progress.
<b>1A: Mandatory Inclusionary Zoning Ordinance (p 12-14)</b>	<b>Code Changes:</b> ECONorthwest & Forterra have been hired by the City to perform economic analysis to inform future inclusionary zoning program; their analysis will be completed by the end of the 2018.  An ordinance to adopt a mandatory inclusionary zoning program would make changes to BIMC Chapters 18.09, 18.12, 18.21 and 18.27 (at a minimum). The <b>Winslow Master Plan</b> will likely need to be updated to reflect an updated inclusionary zoning program.
<b>1B: Zoning Changes to Incentivize Affordability in Designated Centers (p 14-16)</b>	<b>Code Changes:</b> <ul style="list-style-type: none"> <li>• Change development standards and increase floor area ratio (FAR) in High School Road and Ferry Terminal District (BIMC Table 18.12.020-3 &amp; Section 18.12.030, at a minimum) to result in less auto-oriented development.</li> <li>• Change BIMC Table 18.12.020-3 to allow for more flexibility in ratio of residential and commercial development within a mixed use project.</li> <li>• Change density calculation in Neighborhood Centers from dwelling units/acre method to FAR method (BIMC Table 18.12.020-3 &amp; Section 18.12.030, at a minimum).</li> <li>• <b>Building height</b> (BIMC Table 18.12.020-3 &amp; Section 18.12.030), <b>Parking Requirements</b> (BIMC Section 18.15.020), and <b>allowing Single-family Subdivisions in MUTC</b> (BIMC Title 17, Chapters 18.09 and 18.12)</li> </ul> <b>NOTE:</b> This recommendation would be informed by the pending ECONorthwest & Forterra economic analysis mentioned above; and be informed by the Island Center Subarea Planning Process (related to the Island Center Neighborhood Center).

**NOTE:** Page number references refer to AHTF Final Report

Recommendation from AHTF Final Report	Action(s) Needed to Implement Recommendation
<p><b>1C: Adopt Multi-family Property Tax Exemption (MFTE, p 16)</b></p>	<p><b>Code Changes:</b> Adopting a MFTE would require code changes to both the City zoning provisions (BIMC Chapter 18.12, at a minimum) and financial provisions, likely by adding a new chapter to BIMC Title 3 or 5)</p> <p><b>NOTE:</b> This recommendation would be informed by the pending ECONorthwest &amp; Forterra economic analysis mentioned above;</p>
<p><b>2: Affordable Housing on Public Land (p 17)</b></p>	<p><b>City Work Program &amp; Community Partnerships; Budget (potentially):</b> City staff would review City property to determine if any would be appropriate for affordable housing. Lessons learned from Suzuki Property project.</p>
<p><b>3. Adopt procedures to encourage Accessory Dwelling Units (ADUs, p 17)</b></p>	<p><b>Budget:</b> Commission a few (2 or 3) prototype ADU designs that would be made available to the public and would be pre-checked for building code.</p> <p><b>Code Change &amp; Fee Schedule Change (Resolution):</b> Reducing or waiving building permit, utility or transportation fees would require changes to the BIMC and an update to the City’s Fee Schedule. If linked to requirement for income-qualified resident, then update to BIMC Title 18 <i>Zoning</i>.</p>
<p><b>4. Adopt an “Innovations Program” (p 18)</b></p>	<p><b>City Work Program, Future Code Changes:</b> See page 18 of AHTF Report</p>
<p><b>5. Permanent Support for Affordable Housing (p 18-19)</b></p>	<p><b>Budget &amp; City Work Program:</b> Dedicated Affordable Housing City staff person to implement the multi-pronged set of recommendations outlined in the AHTF Final Report, including monitoring and reporting.</p>
<p><b>QUICK WINS</b></p>	
<p><b>1. Adopt more generous policies with respect to liveboards in Eagle Harbor (p 20)</b></p>	<p><b>Code Change:</b> Modify BIMC Chapter 16.12 <i>Shoreline Master Program</i> to allow for higher number of liveboard vessels in marinas.</p> <p><b>City Work Program:</b> Increase number of available liveboard spots in City’s Open Water Marina on Eagle Harbor. Improve management of Marian by accepting applications more often.</p>

**NOTE:** Page number references refer to AHTF Final Report

Recommendation from AHTF Final Report	Action(s) Needed to Implement Recommendation
<p><b>2 Adopt a Vacation Rental Ordinance (p 20)</b></p>	<p><b>Code Change:</b> BIMC Title 18 <i>Zoning</i> and possibly BIMC Chapter 5.04 <i>Business Licenses</i> would need to be amended to regulate short-term rentals.</p> <p><b>City Work Program:</b> Existing short-term rental owners/operators would need to be notified. If a short-term rental ordinance applied retroactively to operators of more than one short-term rental, legal research and code enforcement may be required.</p>
<p><b>3. Permit Processing Priority, Reduced Fees for Affordable Housing Projects (p 20-21)</b></p>	<p><b>City Work Program &amp; Fee Schedule Change (Resolution):</b> Department of Planning and Community Development would expedite affordable housing projects. Reducing fees for qualified projects would require a change to the City’s Fee Schedule (adopted by resolution).</p>
<p><b>4. Housing Trust Fund Grants (p 21)</b></p>	<p><b>Budget:</b> The City’s Housing Trust Fund is described in BIMC Chapter 3.38. the City Council has allocated monies to the Housing Trust Fund through the budget process in previous budget cycles.</p>
<p><b>5. Adopt a Cottage Housing Ordinance (p 21)</b></p>	<p><b>Code Change:</b> Would require modifications to development standards, parking and design guidelines in several chapters of BIMC Title 18 <i>Zoning</i>.</p>
<p><b>ADDITIONAL STRATEGIES TO BE EXPLORED (P 22)</b></p>	
<p><b>Work with Forterra to adopt a more effective Transfer of Development Rights program</b></p>	<p><b>Code Change:</b> BIMC Chapter 18.27 <i>Transfer of Development Rights</i>, see discussion above about current ECONorthwest/Forterra work.</p>
<p><b>Community Partnerships</b></p>	<p><b>City Work Program:</b> Religious institutions and other nonprofits and agencies could have a role in responding to affordable housing crises.</p>
<p><b>Conversion of Single Family Homes to Duplexes/Triplexes</b></p>	<p><b>Code Change:</b> Changes to BIMC Title 18 <i>Zoning</i> and Chapter 2.16 <i>Land Use Review Procedures</i></p>
<p><b>Programs to Preserve Existing Housing</b></p>	<p><b>Budget, Community Partnerships &amp; City Work Program</b></p>
<p><b>Affordable Senior Housing/Accessible Housing</b></p>	<p><b>Potential Code Changes, Budget, Community Partnerships and/or City Work Program</b></p>

Recommendation from AHTF Final Report	Action(s) Needed to Implement Recommendation
Addressing Limitations Due to Sewer and Septic	City Work Program, Budget, Possible Code Changes
Homelessness and Housing Insecurity	Potential Code Changes, Budget, Community Partnerships and/or City Work Program
Tiny Houses/Microhousing	Code Changes: BIMC Chapter 15.04 <i>Building Code</i> and Title 18 <i>Zoning</i>
Transportation Alternatives: Car2Go, Smart Cars, Public Transit	Potential Code Changes, Budget, Community Partnerships and/or City Work Program
<b>Advocacy for County, State, and National Affordable Housing Policies</b>	



CITY OF  
BAINBRIDGE ISLAND

## City Council Study Session Agenda Bill

**MEETING DATE:** February 19, 2019

**ESTIMATED TIME:** 10 Minutes

**AGENDA ITEM:** (8:50 PM) Affordable Housing Council Ad Hoc Committee - Mayor Medina,

**STRATEGIC PRIORITY:** Healthy and Attractive Community

**PRIORITY BASED BUDGETING PROGRAM:**

**AGENDA CATEGORY:** Discussion

**PROPOSED BY:** Planning & Community Development

**RECOMMENDED MOTION:**

Council discussion on whether to continue or dissolve the Affordable Housing Council Ad Hoc Committee.

**SUMMARY:**

On December 4, 2018, the City Council created the Affordable Housing Council Ad Hoc Committee, comprised of Councilmembers Blossom, Peltier, and Schneider. The Ad Hoc Committee met twice, on January 22 and February 5, 2019, and primarily discussed the Affordable Housing Task Force Recommendations and the ECONorthwest/Forterra work related to the reports recommendation on inclusionary zoning. The City Council will discuss whether to continue or dissolve the committee.

**FISCAL IMPACT:**

<b>Amount:</b>	
<b>Ongoing Cost:</b>	
<b>One-Time Cost:</b>	
<b>Included in Current Budget?</b>	

**BACKGROUND:**

**ATTACHMENTS:**

[Affordable Housing Ad Hoc Committee Formation Request](#)

**FISCAL DETAILS:**

**Fund Name(s):**

**Coding:**

# Ad Hoc Committee Formation Request

Request date:

Requested by:

Procedural Authority/Governance Manual Reference(s):

Name of Committee Proposed:

Purpose/Scope of Work:

Specific task deliverable(s) (recommendation, report, etc.):

Link to Council/Dept work plan:

Reports to:  City Council  City Manager Public participation/education required?  Yes  No

Staff support required?  Yes  No Sunset date:

If Yes, in what form (notes, technical, etc.)?

City Manager's comments:

Members:

**Proposed Motion:**

Date action taken:



CITY OF  
BAINBRIDGE ISLAND

## City Council Study Session Agenda Bill

**MEETING DATE:** February 19, 2019

**ESTIMATED TIME:** 10 Minutes

**AGENDA ITEM:** (9:00 PM) Future Council Agendas,

**STRATEGIC PRIORITY:** Good Governance

**PRIORITY BASED BUDGETING PROGRAM:**

**AGENDA CATEGORY:** Discussion

**PROPOSED BY:** Executive

**RECOMMENDED MOTION:**

Council will review future Council agendas.

**SUMMARY:**

Council will review future Council agendas.

**FISCAL IMPACT:**

<b>Amount:</b>	
<b>Ongoing Cost:</b>	
<b>One-Time Cost:</b>	
<b>Included in Current Budget?</b>	

**BACKGROUND:**

**ATTACHMENTS:**

[City Council Regular Business Meeting 022619](#)

[City Council Study Session 030519](#)

[City Council Regular Business Meeting 031219](#)

[City Council Study Session 031919](#)

**FISCAL DETAILS:**

**Fund Name(s):**

**Coding:**



CITY OF  
BAINBRIDGE ISLAND

**CITY COUNCIL REGULAR BUSINESS MEETING  
TUESDAY, FEBRUARY 26, 2019**

BAINBRIDGE ISLAND CITY HALL  
280 MADISON AVENUE N.  
BAINBRIDGE ISLAND, WASHINGTON

**AGENDA**

1. **CALL TO ORDER/ROLL CALL - 6:00 PM**
2. **EXECUTIVE SESSION**
  - 2.A Pursuant to RCW 42.30.110(1)(i), to discuss with legal counsel matters relating to litigation or potential litigation to which the city, the governing body, or a member acting in an official capacity is, or is likely to become, a party, when public knowledge regarding the discussion is likely to result in an adverse legal or financial consequence to the agency, 30 Minutes
3. **APPROVAL OF AGENDA / CONFLICT OF INTEREST DISCLOSURE / PLEDGE OF ALLEGIANCE**
4. **PUBLIC COMMENT**
5. **MAYOR'S REPORT**
6. **CITY MANAGER'S REPORT**
7. **PRESENTATION(S)**
  - 7.A Proclamation Declaring the Month of March 2019 as "Bainbridge Island Girl Up Month" - Mayor Medina, 5 Minutes  
[Bainbridge Island Girl Up Month Proclamation](#)
  - 7.B Proclamation Declaring February 2019 as "Black History Month" - Mayor Medina, 5 Minutes  
[Black History Month Proclamation 2019](#)
  - 7.C ( PM) Design Review Board 2018 Annual Report and 2019 Work Plan, 15 Minutes  
[Design Review Board 2018 Annual Report & 2019 Work Plan](#)

7.D ( PM) Historic Preservation Commission 2018 Annual Report and 2019 Work Plan, 10 Minutes  
[Historic Preservation Commission 2018 Annual Report and 2019 Work Plan.docx](#)

7.E Climate Change Advisory Committee 2018 Annual Report and 2019 Work Plan 10 Minutes  
[Climate Change Advisory Committee 2018 Annual Report and 2019 Work Plan](#)

## 8. CITY COUNCIL DISCUSSION

8.A Article I Advisory Opinions Relating to Complaints Filed against Councilmember Peltier - Mayor Medina, 30 Minutes

## 9. CLOSED RECORD PROCEEDING

9.A Bainbridge Landing Final Long Subdivision, Resolution No. 2019-10 - Planning, 15 Minutes

## 10. UNFINISHED BUSINESS

10.A (PM) Shoreline Master Program Periodic Review Process Public Participation Program and Work Plan - Planning, 10 Minutes  
[20190212 SMP PPP and WP.docx](#)

10.B Project Options for Dave Ullin Open Water Marina - Public Works, 30 Minutes  
[DUOWM Existing conditions 2017.pdf](#)  
[Option 1](#)  
[DUOWM Option 1A.pdf](#)  
[DUOWM CC 2\\_12-2019.pptx](#)

10.C (o:oo PM) Olympic Drive Non-Motorized Improvements Project Construction Award - Public Works, 10 Minutes

10.D Purchase and Sale Agreement for Harrison Medical Building 10 Minutes  
[Signed Letter of Intent - Harrison Building.pdf](#)

## 11. NEW BUSINESS

11.A Ordinance No. 2019-06 Amending the 2019-2020 Biennial Budget to provide for Harrison building purchase - Finance, 10 Minutes  
[Ordinance\\_No.\\_2019-06\\_Police\\_Court\\_Facility\\_Budget\\_Amendment\\_022619.docx](#)  
[Ord\\_2019-06-\\_Attachment\\_A\\_-\\_Police\\_Court\\_Project\\_Budget\\_Amendment.xlsx](#)  
[Police Municipal Court Project Page 02262019.pdf](#)

11.B Ordinance No. 2019-05 Revising the BIMC Sewer Code to Allow a Limited Number of Onsite Systems in Sewer Service Areas - Public Works, 20 Minutes  
[Ordinance No. 2019-XX Relating to Sewer Connection Requirements.docx](#)

- 11.C Amendment to the interlocal agreement with the Washington State Department of Licensing to increase Bainbridge Island's portion of the State Vehicle License Fee from \$20 to \$30 - Finance, 10 Minutes  
[TBF ILA.pdf](#)

## 12. CONSENT AGENDA

- 12.A Agenda Bill for Consent Agenda 5 Minutes
- 12.B Accounts Payable and Payroll
- 12.C Utility Advisory Committee 2018 Annual Report and 2019 Work Plan, 5 Minutes  
[2018 Annual Report and 2019 Work Plan \(Utility Advisory Committee\).pdf](#)  
[Recommendations on Fire and Other Municipal Codes Impacting Island Water Systems\(Approved by the Utility Advisory Committee - May 9, 2018\)](#)  
[Recommendations for a Utility Review Process \(Approved by the Utility Advisory Committee - June 27, 2018\)](#)
- 12.D Amendment No. 1 to the Option and Water Tower Lease Agreement with Verizon Wireless - Executive, 5 Minutes  
[Amendment No. 1 to the Option and Water Tower Lease Agreement Coverage Plot of Upgraded Telecommunications Equipment October 13, 2011 Option and Water Tower Lease Agreement](#)

## 13. COMMITTEE REPORTS

- 13.A Committee Reports 5 Minutes

## 14. FOR THE GOOD OF THE ORDER

## 15. ADJOURNMENT

### GUIDING PRINCIPLES

**Guiding Principle #1** - Preserve the special character of the Island, which includes downtown Winslow's small town atmosphere and function, historic buildings, extensive forested areas, meadows, farms, marine views and access, and scenic and winding roads supporting all forms of transportation.

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CITY OF  
BAINBRIDGE ISLAND

**CITY COUNCIL STUDY SESSION  
TUESDAY, MARCH 05, 2019**

BAINBRIDGE ISLAND CITY HALL  
280 MADISON AVENUE N.  
BAINBRIDGE ISLAND, WASHINGTON

**AGENDA**

1. **CALL TO ORDER / ROLL CALL - 6:00 PM**
2. **APPROVAL OF AGENDA/ CONFLICT OF INTEREST DISCLOSURE**
3. **MAYOR'S REPORT**
4. **PRESENTATIONS**
  - 4.A ( PM) Final report from Team of Consulting Arborists - Planning, 45 Minutes  
[COBI Tree Protection Code Review and Recommendations](#)
5. **UNFINISHED BUSINESS**
  - 5.A ( PM) Update on Moratorium - Planning, 10 Minutes  
[20190107 Moratorium work program status report](#)  
[Ordinance No. 2018-43 Amending the Moratorium Approved 111318.pdf](#)  
[Development Moratorium Summary Effective 20181121.pdf](#)
  - 5.B Revisions to BIMC 2.16 -- Conditional Use Permit and Site Plan and Design Review Decision Criteria 20 Minutes
6. **NEW BUSINESS**
  - 6.A Public Art Committee - Something New Phase 1 Report and Phase 2 Proposal, Executive 20 Minutes
  - 6.B Public Art Committee Proposal to Purchase Art, Executive 15 Minutes

6.C Decommission Topiary Art Piece at City Hall - Executive, 10 Minutes

## 7. CITY COUNCIL DISCUSSION

7.A Proposal on Tiny Homes - Councilmember Nassar, 20 Minutes

## 8. FUTURE COUNCIL AGENDAS

8.A Future Council Agendas 5 Minutes

## 9. FOR THE GOOD OF THE ORDER

## 10. ADJOURNMENT

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**CITY OF  
BAINBRIDGE ISLAND**

**CITY COUNCIL REGULAR BUSINESS MEETING  
TUESDAY, MARCH 12, 2019**

BAINBRIDGE ISLAND CITY HALL  
280 MADISON AVENUE N.  
BAINBRIDGE ISLAND, WASHINGTON

**AGENDA**

- 1. CALL TO ORDER/ROLL CALL/PLEDGE OF ALLEGIANCE - 6:00 PM**
- 2. APPROVAL OF AGENDA / CONFLICT OF INTEREST DISCLOSURE**
- 3. PUBLIC COMMENT**
- 4. MAYOR'S REPORT**
- 5. CITY MANAGER'S REPORT**
- 6. PRESENTATION(S)**
  - 6.A Preliminary 2018 financial results - Finance, 20 Minutes
  - 6.B Environmental Technical Advisory Committee 2018 Annual Report and 2019 Work Plan
  - 6.C Ethics Board 2018 Annual Report and 2019 Work Plan 10 Minutes
- 7. PUBLIC HEARING(S)**
- 8. UNFINISHED BUSINESS**
  - 8.A Ordinance 2019-03 -- Subdivision Update 45 Minutes
  - 8.B Ordinance No. 2019-04, Updating the City's Sign Code - Planning 30 Minutes

8.C Kitsap Humane Society's Recommended Updates to the City's Animal Control Code 20 Minutes

**9. NEW BUSINESS**

9.A 2018 Carryforward Ordinance

9.B Amendment to Rescind Interlocal Agreement With Kitsap Public Utility District for Community WiFi 15 Minutes

9.C Youth Mental Health Workshop Update 10 Minutes

**10. CITY COUNCIL DISCUSSION**

**11. CONSENT AGENDA**

11.A Agenda Bill for Consent Agenda 5 Minutes

11.B Accounts Payable and Payroll

**12. COMMITTEE REPORTS**

12.A Committee Reports 5 Minutes

**13. FOR THE GOOD OF THE ORDER**

**14. ADJOURNMENT**

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CITY OF  
BAINBRIDGE ISLAND

**CITY COUNCIL STUDY SESSION  
TUESDAY, MARCH 19, 2019**

BAINBRIDGE ISLAND CITY HALL  
280 MADISON AVENUE N.  
BAINBRIDGE ISLAND, WASHINGTON

**AGENDA**

1. **CALL TO ORDER / ROLL CALL - 6:00 PM**
2. **APPROVAL OF AGENDA/ CONFLICT OF INTEREST DISCLOSURE**
3. **MAYOR'S REPORT**
4. **PRESENTATIONS**
  - 4.A 2019 Emergency Management Briefing 45 Minutes
5. **UNFINISHED BUSINESS**
  - 5.A ( PM) Update on Moratorium - Planning, 10 Minutes  
[20190107 Moratorium work program status report](#)  
[Ordinance No. 2018-43 Amending the Moratorium Approved 111318.pdf](#)  
[Development Moratorium Summary Effective 20181121.pdf](#)
  - 5.B Water and Sewer Utilities Rate Study Report and Recommendation 30 Minutes
  - 5.C Ordinance 2019-XX: Accessory Dwelling Units (ADUs) Ownership Regulation 30 Minutes
6. **NEW BUSINESS**
7. **CITY COUNCIL DISCUSSION**
  - 7.A Discuss Partnership Options with KPUD for Groundwater Management Plan 30 Minutes
8. **FUTURE COUNCIL AGENDAS**

8.A Future Council Agendas 5 Minutes

9. FOR THE GOOD OF THE ORDER

10. ADJOURNMENT

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