City of MOUNT VERNON
DEVELOPMENT SERVICES

DATE: January 17, 2018

TO: Mayor Boudreau and City Council

FROM: Rebecca Lowell, Development Services

SUBJECT: STAFF BRIEFING ON AFFORDABLE HOUSING CODE AMENDMENTS

The following items are attached and are provided to Council in anticipation of the briefing that staff will provide at our Development Services Committee meeting on January 17, 2018 on proposed code amendments aimed at incentivizing affordable housing in the City:

1. Memorandum titled, Housing Affordability Program Code Suggestions, dated December 12, 2017 from Erika Rhett with BERK;
2. Copy of the PowerPoint Presentation given to the Planning Commission on December 19, 2017 on the affordable housing code amendments staff is working on; and,
3. Memorandum titled, Approaches to Housing Affordability, dated September 18, 2017, from Erika Rhett with BERK.

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MEMORANDUM

DATE: **December 12, 2017**

TO: Rebecca Lowell, Mount Vernon City Planner

FROM: Erika Rhett, Senior Associate, BERK

RE: Housing Affordability Program Code Suggestions

INTRODUCTION

Mount Vernon is the residential center of Skagit County and an attractive community in which to live. Yet, the production of housing in the city is not keeping up with demand. As housing becomes harder to secure and more expensive, families are paying larger portions of their incomes toward rents and mortgages. According to the Comprehensive Plan, more than a third of households spend more than 30% of their income on housing, which is the state and national benchmark of affordability. Mount Vernon also has the highest rate of overcrowding in Skagit County.

The local development community indicates that there are several likely reasons for the slowed pipeline of housing in Mount Vernon. They cited factors such as physical constraints, density limits, development regulations, and permitting issues. Additionally, the development of housing affordable to those at 80% of the AMI (area median income) comes with additional financing considerations.

In 2016 the City adopted a new Housing Element into the Comprehensive Plan that included several Goals, Objectives and Policies regarding affordable housing. The City's implementation strategy for these Goals, Objectives and Policies directs the adoption of code amendments aimed at helping those with the least resources first. As such, the code amendments BERK was retained to assist the City with involve improving housing affordability with the following two approaches:

- Increase the production of housing affordable to those at 80% of the AMI and below through incentive-based requirements that include tracking programs to ensure that affordable housing remains affordable for at least 50-years.
- Increase the production of infill housing in residential zones.

To facilitate these approaches, this memo looks at three areas: bonus densities, infill housing, and other factors to implement affordable housing in Mount Vernon.

WORK TO DATE

In March BERK produced a memo on approaches to housing affordability. This memo outlined the policy support in the Comprehensive Plan for making the housing more affordable in Mount Vernon by increasing the diversity of housing types and developing an affordable housing program. It lists best practices, approaches other communities have used, and information about managing affordable housing.

Following this work, BERK held a series of interviews with local housing stakeholders, including market-rate developers and builders and non-profits working to support affordable housing. The interviews sought to better understand the housing market in Mount Vernon and the potential barriers to housing affordability. It gathers a list of recommendations for reviewing development regulations and zoning designations, as well as looking at fees and permit streamlining. A full write up of the Housing Stakeholder Interviews can be found attached to this memo.

Capacity Analysis

One component of the City's adopted Land Use Element of the Comprehensive Plan is a Buildable Lands & Land Capacity Analysis. The Capacity Analysis is developed in support of the Comprehensive Plan and, among other things, analyzes and quantifies the number of additional dwelling units that could be created City-wide. As part of this effort BERK asked City staff to summarize how many future dwelling units are expected to be developed by development type. This aids in understanding how much land may be available for different types of developments ranging from small in-fill and very large planned developments. The table below provides details regarding how each of these categories are defined and the percent of future development anticipated to be created within each of the identified categories.

Exhibit 1. Capacity for Development by Development Type

Category of Development	# of Units Created within the Development	% of Future Unit Creation (not including UGAs)
Infill	1 to 9	27%
Small Developments	10 to 25	13%
Medium Developments	26 to 100	18%
Large Developments	100 or more	42%

Source: City of Mount Vernon, 2017

This analysis found that within City limits future residential development is anticipated to be almost equally split between infill and small developments (total of 40%) and large developments (42%) over the planning horizon. Between these two extremes, 18% of future residential development is anticipated to create a range of 26 to 100 lots each. This data supports the two-pronged approach to housing affordability that looks at creating opportunities for both infill housing and integrating affordability into larger housing developments.

DENSITY BONUSES

Outreach to for-profit and non-profit developers and builders in Mount Vernon revealed that one of the most desired changes is to allow increases in density. Additional density will help make new development more financially feasible, particularly for affordable housing. Remaining land in Mount Vernon is difficult to develop due to natural features like topography or critical areas, as well as economic features such as the cost of extending utilities and services. Spreading costs across a greater number of units lowers the overall cost of each home.

Density bonuses allow developers to build at higher densities than normally allowed in a zone if they provide affordable housing units. The additional density is intended to offset the cost of the affordable units with revenues from the additional market rate units, so the value of the bonus should be greater than the cost of providing the affordable units. Density bonuses work best in strong housing markets with high land costs, high home prices, and high market rents where local government has identified a shortage of affordable housing for low and/or moderate-income households. In other communities, density bonuses are very attractive when housing developers desire additional density. Mount Vernon's housing market is characterized by many of these factors, which makes it a favorable environment for the use of density bonuses.

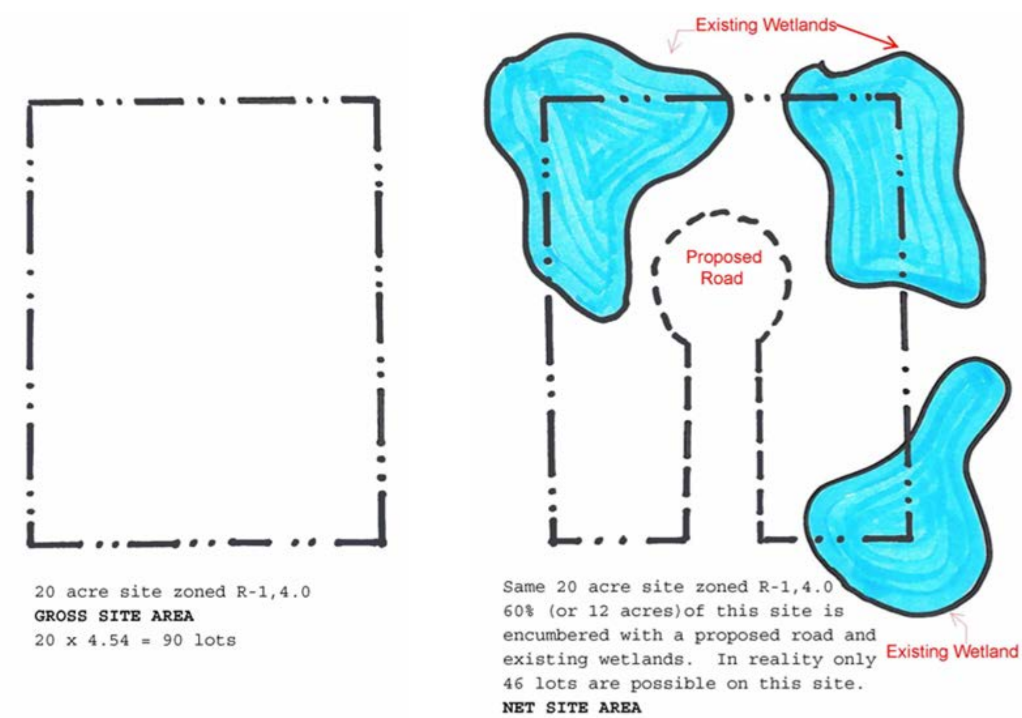
Density Calculations

Density is defined the number of dwelling units per acre. Mount Vernon's Comprehensive Plan and municipal code both use net density calculations because it is more accurate and reinforces to property owners and developers that they need to be aware that infrastructure is required to serve new development and if critical areas are found on/near a site the intensity of future development will be impacted.

Non-buildable areas such as public streets, open water, critical areas (such as wetlands), and their buffers are excluded from a gross acreage calculation to get net acreage. Net acreage is multiplied by the maximum number of lots allowed by zoning to get the maximum net density.

Exhibit 2 illustrates how net density is calculated.

Exhibit 2. Gross Versus Net Density Calculations



Source: City of Mount Vernon, 2017

Where vacant and available land is encumbered with waterways, critical areas, or critical area buffers, net density results in far fewer lots for development than the underlying zoning may indicate. As a result, existing zoning may not be able to yield net densities that express the full density allowed under the development regulations. Understanding the difference between gross and net density is important to understanding how density standards are applied.

Existing Density

The Mount Vernon Municipal Code currently allows densities of 3.23 - 7.26 units per acre in single family zones (R-1 in all its variations), 8-10 units per acre in the duplex and townhouse zone (R-2), and 10-20 units per acre in the multifamily zones (R-3 and R-4). Commercial zones that allow residential uses include the Limited Commercial (LC) zone, the C-1 zone, and the C-4 zone. Development of multi-family uses in these commercial zones is subject to the rules and standards of the R-3 zone. As a result, the rules for residential development in commercial zones are not shown in the table of existing standards in Exhibit 3.[1]

Exhibit 3. Existing Density in Mount Vernon Residential Zones

RESIDENTIAL ZONING DISTRICTS	EXISTING DENSITY REQUIREMENTS		MINIMUM LOT SIZE
	MINIMUM	MAXIMUM	
R-1, 4.0, Single-Family Residential	4.0 du/acre	4.54 du/acre	7,500 s.f.
R-1, 5.0, Single-Family Residential	4.0 du/acre	5.73 du/acre	6,000 s.f.
R-1, 7.0, Single-Family Residential	4.0 du/acre	7.26 du/acre	4,500 s.f.
Duplex and Townhouse (R-2)	8.0 du/acre	10.0 du/acre	6,500 s.f. for a duplex or townhouse unit
Multi-Family (R-3)	10.0 du/acre	15 du/acre*	N/A#
Multi-Family (R-4)	10.0 du/acre	20 du/acre*	N/A#

* Maximum density may only be achieved so long as 50% or more of the required parking spaces are located in an enclosed area beneath the habitable floors of the building.
[#] The lot must be of sufficient size to support the density, setbacks, parking, landscaping, infrastructure, and any other items required to comply with the City's development regulations.
Source: Mount Vernon Municipal Code, 2017

Case Studies

There are a variety of communities in Washington that provide density bonuses. Below a brief description of four different programs are provided. Some density bonuses are very simple to apply. Other bonus programs may vary the amount of bonus based on factors such as the target income range of the affordable housing or the amount of affordable housing included in a project. Each example includes a table that applies the density bonus to Mount Vernon's residential zones. This gives a sense of comparison between bonus systems.

[1] Stakeholders identified a number of potential amendments to residential development in commercial zones. These amendments will be considered at a later date.

Federal Way

Federal Way grants a density bonus of 10% for affordable housing. It defines affordable housing as units affordable to households at 80% AMI or below for home-ownership units and affordable to households at 50% AMI or below for rental units. Housing must be affordable for the life of the project and is required to record a covenant to memorialize this. There is no other enforcement measure noted in the code.

Exhibit 4. 10% Density Bonus

RESIDENTIAL ZONING DISTRICTS	EXISTING DENSITY REQUIREMENTS		10% DENSITY BONUS
	MINIMUM	MAXIMUM	
R-1, 4.0, Single-Family Residential	4.0 du/acre	4.54 du/acre	4.99 du/acre with bonus units being affordable and allowing lots with affordable units to be reduced by 20% of minimum lot size
R-1, 5.0, Single-Family Residential	4.0 du/acre	5.73 du/acre	6.30 du acre with bonus units being affordable and allowing lots with affordable units to be reduced by 20% of minimum lot size
R-1, 7.0, Single-Family Residential	4.0 du/acre	7.26 du/acre	7.99 du/acre with bonus units being affordable and allowing lots with affordable units to be reduced by 20% of minimum lot size
Duplex and Townhouse (R-2)	8.0 du/acre	10.0 du/acre	11 du/acre with bonus units being affordable and allowing one bonus market rate unit for each affordable unit included in project
Multi-Family (R-3)	10.0 du/acre	12.0 du/acre - or - 15 du/acre if 50% of required parking located beneath the habitable floors of the building	13.2 du/acre with bonus units being affordable and allowing one bonus market rate unit for each affordable unit included in project - or – 16.5 du/acre if 50% of required parking located beneath the habitable floors of the building and with bonus units being affordable and allowing one bonus market rate unit for each affordable unit included in project
Multi-Family (R-4)	10.0 du/acre	15.0 du/acre - or - 20 du/acre if 50% of required parking located beneath the habitable floors of the building	16.5 du/acre with bonus units being affordable and allowing one bonus market rate unit for each affordable unit included in project - or – 22 du/acre if 50% of required parking located beneath the habitable floors of the building and with bonus units being affordable and allowing one bonus market rate unit for each affordable unit included in project

Source: Federal Way Revised Code 19.110.010 and City of Mount Vernon, 2017.

The Federal Way affordability bonus is straightforward and would be easy to administer. However, the 10% affordable bonus probably does not give enough incentive in the Mount Vernon market. Mount Vernon's residential zones have small density ranges and the small unit of increase is unlikely to improve the feasibility of building affordable housing.

Poulsbo

Poulsbo grants a density bonus of 20% to any project that includes at least 10% of the (pre-density bonus) units as affordable to those with low incomes. The City grants a 25% bonus for projects that include at least 15% affordable units. Units created under the affordable housing provisions must remain affordable for 20 years. Poulsbo requires the recording of a covenant and for the property owner to gain the City's consent prior to selling or leasing the unit, so the City can verify that affordability requirements are met.

Exhibit 5. 20% and 25% Density Bonuses

RESIDENTIAL ZONING DISTRICTS	EXISTING DENSITY REQUIREMENTS		20% DENSITY BONUS	25% DENSITY BONUS
	MINIMUM	MAXIMUM		
R-1, 4.0, Single-Family Residential	4.0 du/acre	4.54 du/acre	5.45 du/acre if 10% of pre-density bonus units are affordable	5.68 du/acre if 15% of pre-density bonus units are affordable
R-1, 5.0, Single-Family Residential	4.0 du/acre	5.73 du/acre	6.88 du/acre if 10% of pre-density bonus units are affordable	7.16 du/acre if 15% of pre-density bonus units are affordable
R-1, 7.0, Single-Family Residential	4.0 du/acre	7.26 du/acre	8.71 du/acre if 10% of pre-density bonus units are affordable	9.08 du/acre if 15% of pre-density bonus units are affordable
Duplex and Townhouse (R-2)	8.0 du/acre	10.0 du/acre	12 du/acre if 10% of pre-density bonus units are affordable	12.5 du/acre if 15% of pre-density bonus units are affordable
Multi-Family (R-3)	10.0 du/acre	12.0 du/acre - or - 15 du/acre if 50% of required parking located beneath the habitable floors of the building	14.4 du/acre if 10% of the pre-density bonus units are affordable - or – 18 du/acre if 50% of required parking located beneath the habitable floors of the building and if 10% of pre-density bonus units are affordable	15 du/acre if 15% of the pre-density bonus units are affordable - or – 18.75 du/acre with 50% of required parking located beneath the habitable floors of the building and if 15% of pre-density bonus units are affordable
Multi-Family (R-4)	10.0 du/acre	15.0 du/acre - or - 20 du/acre if 50% of required parking located beneath the habitable floors of the building	18 du/acre if 10% of the pre-density bonus units are affordable - or – 24 du/acre if 50% of required parking located beneath the habitable floors of the building and if 10% of pre-density bonus units are affordable	18.75 du/acre if 15% of the pre-density bonus units are affordable - or – 25 du/acre if 50% of required parking located beneath the habitable floors of the building and if 15% of pre-density bonus units are affordable

Source: Poulsbo Municipal Code 18.70.070B and City of Mount Vernon, 2017.

A bonus of 20% or 25% is a more feasible incentive for Mount Vernon because it creates enough extra density to spread the costs of affordable housing over the project. At the 20% level, the bonus allows for the maximum development under the base zoning, 10% affordable units, and 10% extra market rate units. At the 25% level, there is really no additional incentive for creating affordable units, as it allows for maximum development under the base zoning, 15% affordable units, and 10% extra market rate units, but it could be a useful provision for non-profit developers. By setting a baseline of either 10% or 15% affordability for participation in the bonus, these provisions may prevent the inclusion of affordable housing at lower levels (say 5% or 8% of a major project).

Kirkland

Kirkland has inclusionary zoning that requires that 10% of all new units to be affordable. Using a sliding scale, units geared toward households with lower incomes may count as more than one unit. Payment of a fee-in-lieu of development is allowed. Beyond that requirement, the City includes a bonus for affordable housing when it exceeds 25% of the project. The bonus allows two additional market rate units for each affordable unit, up to 50% total bonus density. Kirkland belongs to ARCH (A Regional Coalition for Housing), in which Eastside jurisdictions collaborate to address and manage affordable housing. ARCH assists in housing development, establishing pricing and income qualifications, marketing, education, annual monitoring, and sales and resales of ownership units. Member cities pay into a fund that keeps ARCH running.

Exhibit 6. Two Market Rate Unit Bonus for Each Affordable Unit

RESIDENTIAL ZONING DISTRICTS	EXISTING DENSITY REQUIREMENTS		DENSITY BONUS
	MINIMUM	MAXIMUM	
R-1, 4.0, Single-Family Residential	4.0 du/acre	4.54 du/acre	6.83 du/acre maximum with two market rate bonus units allowed for every affordable unit created when the total affordability of the project exceeds 25%
R-1, 5.0, Single-Family Residential	4.0 du/acre	5.73 du/acre	8.6 du/acre maximum with two market rate bonus units allowed for every affordable unit created when the total affordability of the project exceeds 25%
R-1, 7.0, Single-Family Residential	4.0 du/acre	7.26 du/acre	10.89 du/acre maximum with two market rate bonus units allowed for every affordable unit created when the total affordability of the project exceeds 25%
Multi-Family (R-3)	10.0 du/acre	12.0 du/acre - or - 15 du/acre if 50% of required parking located beneath the habitable floors of the building	18 du/acre maximum with two market rate bonus units allowed for every affordable unit created when the total affordability of the project exceeds 25% - or – 22.5 du/acre maximum with two market rate bonus units allowed for every affordable unit created when the total affordability of the project exceeds 25%
Multi-Family (R-4)	10.0 du/acre	15.0 du/acre - or - 20 du/acre if 50% of required parking located beneath the habitable floors of the building	22.5 du/acre maximum with two market rate bonus units allowed for every affordable unit created when the total affordability of the project exceeds 25%- or – 30 du/acre maximum with two market rate bonus units allowed for every affordable unit created when the total affordability of the project exceeds 25%

Source: Kirkland Municipal Code 112 and City of Mount Vernon, 2017.

Kirkland's affordable housing program is multi-tiered, with required and incentivized housing, and with a sliding scale that incentivizes the creation of housing for households with low and very low incomes. Such a system may be complicated to administer and enforce. However, it allows two market rate units as bonus for each affordable unit created, which is the largest bonus studied. Given the cost of housing development in the Eastside market, such a large bonus may be necessary to incentivize affordable housing production. However, allowing a bonus density of up to 50% may result a significant increase in Mount Vernon's single-family residential zones, which currently have small density ranges that distinguish them from one another.

Ellensburg

Ellensburg allows a density bonus of one additional market rate unit for each affordable unit created, up to 50% of the pre-bonus density. Housing must be affordable to incomes at 80% of county AMI. Long-term affordability is assured by the recording of a covenant that is in place for 25 years.

Exhibit 7. 50% Density Bonus

RESIDENTIAL ZONING DISTRICTS	EXISTING DENSITY REQUIREMENTS		50% DENSITY BONUS
	MINIMUM	MAXIMUM	
R-1, 4.0, Single-Family Residential	4.0 du/acre	4.54 du/acre	6.81 du/acre with ½ of bonus units being affordable and ½ bonus units being market rate
R-1, 5.0, Single-Family Residential	4.0 du/acre	5.73 du/acre	8.60 du/acre with ½ of bonus units being affordable and ½ bonus units being market rate
R-1, 7.0, Single-Family Residential	4.0 du/acre	7.26 du/acre	10.89 du/acre with ½ of bonus units being affordable and ½ bonus units being market rate
Duplex and Townhouse (R-2)	8.0 du/acre	10.0 du/acre	15 du/acre with ½ of bonus units being affordable and ½ bonus units being market rate
Multi-Family (R-3)	10.0 du/acre	12.0 du/acre - or - 15 du/acre if 50% of required parking located beneath the habitable floors of the building	18 du/acre - or - 22.5 du/acre if 50% of required parking located beneath the habitable floors of the building and with ½ of bonus units being affordable and ½ bonus units being market rate
Multi-Family (R-4)	10.0 du/acre	15.0 du/acre - or - 20 du/acre if 50% of required parking located beneath the habitable floors of the building	22.5 du/acre - or – 30 du/acre if 50% of required parking located beneath the habitable floors of the building and with ½ of bonus units being affordable and ½ bonus units being market rate

Source: Ellensburg City Code 15.330 and City of Mount Vernon, 2017.

Ellensburg's code creates a strong incentive that is easy to understand and administer. However, allowing a bonus density of up to 50% may be seen as a significant increase in Mount Vernon's single-family residential zones, which currently have small density ranges that distinguish them from one another.

Bonus Density for Mount Vernon

After reviewing the case studies, desirable features of a bonus density for affordable housing for Mount Vernon may include the following features:

- Easy to understand and administer. Allow one additional market rate unit for each affordable housing unit (up to a maximum bonus density).
- Provide incentives for housing affordable to moderate and low or very low incomes. Require half of the units created through the incentives to be targeted toward households with incomes above 60% and up to 80% AMI and half of the units targeted toward households with incomes at or below 60% AMI.

- The density bonus preserves the distinction between the existing single-family zones. Allow a total bonus of up to 50% in multi-family (R-3, R-4) zones and up to 40% in the duplex-townhouse (R-2) zone. This allows a greater bonus in areas already identified for denser housing. Single-family zones allow a smaller maximum bonus to preserve their character and distinctiveness.

Exhibit 8. Suggested Maximum Density Increases in Mount Vernon

RESIDENTIAL ZONING DISTRICTS	EXISTING DENSITY REQUIREMENTS		MINIMUM LOT SIZE	SUGGESTED MAXIMUM DENSITY INCREASE
	MINIMUM	MAXIMUM		
R-1, 4.0, Single-Family Residential	4.0 du/acre	4.54 du/acre	7,500 s.f.	5.45 du/acre (20% total)
R-1, 5.0, Single-Family Residential	4.0 du/acre	5.73 du/acre	6,000 s.f.	6.88 du/acre (20% total)
R-1, 7.0, Single-Family Residential	4.0 du/acre	7.26 du/acre	4,500 s.f.	9.44 du/acre (30% total)
Duplex and Townhouse (R-2)	8.0 du/acre	10.0 du/acre	6,500 s.f. for a duplex or townhouse unit[2]	14.0 du/acre (40% total)
Multi-Family (R-3)	10.0 du/acre	15 du/acre*	N/A#	22.5 du/acre (50% total)
Multi-Family (R-4)	10.0 du/acre	20 du/acre*	N/A#	30 du/acre (50% total)

* Maximum density may only be achieved so long as 50% or more of the required parking spaces are located in an enclosed area beneath the habitable floors of the building.

\# The lot must be of sufficient size to support the density, setbacks, parking, landscaping, infrastructure, and any other items required to comply with the City's development regulations.

Source: Mount Vernon Municipal Code and BERK Consulting, 2017.

Example Application of Suggested Affordability Bonus

Consider the following hypothetical development scenario to better understand the application of the suggested affordability bonus. A developer wants to develop a property consisting of 10 gross acres. The site has a small wetland and buffer that will need to be subtracted from the gross acreage, as well as future road rights-of-way and a stormwater detention pond. As a result, the net acreage of the parcel is now approximately 7 acres. Exhibit 9 shows the number of units that would be created under existing zoning and if the maximum suggested affordability bonus is applied.

[2] For properties currently in the R-2 zone 6,500 s.f. is the minimum lot size for duplex or townhome development. Multiple units may be constructed on a single lot. For properties achieving a maximum 50% bonus density in the R-2 zone, a smaller minimum lot size would be needed to develop duplex units. It would need to be less than 6,200 s.f. to fit duplex units at 14.0 units per acre.

Exhibit 9. Affordability Bonus for Hypothetical Development (10 gross acres/ 7 net acres)

RESIDENTIAL ZONING DISTRICTS	MAXIMUM EXISTING DENSITY	MAXIMUM SUGGESTED DENSITY	TOTAL UNITS UNDER EXISTING CODE	TOTAL UNITS UNDER SUGGESTED CODE
R-1, 4.0, Single-Family Residential	4.54 du/acre	5.45 du/acre (20% total)	31 units	38 units ▪ 34 market rate units ▪ 4 total affordable units (at least 2 affordable at 60% AMI or less)
R-1, 5.0, Single-Family Residential	5.73 du/acre	6.88 du/acre (20% total)	40 units	48 total units consisting of: ▪ 44 market rate units ▪ 4 total affordable units (at least 2 affordable at 60% AMI or less)
R-1, 7.0, Single-Family Residential	7.26 du/acre	9.44 du/acre (30% total)	50 units	66 total units consisting of: ▪ 58 market rate units ▪ 8 total affordable units (at least 4 affordable at 60% AMI or less)
Duplex and Townhouse (R-2)	10.0 du/acre	14.0 du/acre (40% total)	70 units	98 total units consisting of: ▪ 84 market rate units ▪ 14 total affordable units (at least 7 affordable at 60% AMI or less)
Multi-Family (R-3)	15 du/acre*	22.5 du/acre (50% total)	105 units	157 total units consisting of: ▪ 131 market rate units ▪ 26 total affordable units (at least 13 affordable at 60% AMI or less)
Multi-Family (R-4)	20 du/acre*	30 du/acre (50% total)	140 units	210 total units consisting of: ▪ 175 market rate units ▪ 15 total affordable units (at least 17 affordable at 60% AMI or less)

* Maximum density may only be achieved so long as 50% or more of the required parking spaces are located in an enclosed area beneath the habitable floors of the building.

INFILL HOUSING

Supporting infill housing is another way to increase the affordability of housing in Mount Vernon. Vacant parcels and lower density single-family areas, especially those closer to the center of town, present an opportunity for increasing the supply of housing and revitalizing neighborhoods through infill development. Costs related to the construction of utilities or roads can be reduced, providing a natural incentive for development if there are no other barriers to discourage innovation or significantly increase development costs. Infill projects may be able to take advantage of bonus density provisions for affordable housing. However, it is more likely that infill will provide affordable and diverse housing options at market rates.

There are several code changes that will support the development of quality infill housing. First, a greater diversity of housing types can make housing generally more affordable by supplying smaller housing units that meet different community needs. Second, additional flexibility is needed in development regulations such as lot size, setbacks, height, and coverage to meet the needs of different housing types and make infill development. Finally, attention to design and landscaping helps to ensure that individual privacy and compatibility of uses are maintained.

Mount Vernon should consider the following code amendments to encourage infill housing:

- Allow duplexes as an outright permitted use in the R-1 zone. Duplexes should be required to meet all development standards as if they were a single-family use, including density requirements.
- Allow accessory dwelling units (ADUs) in the R-2, R-3, and R-4 zones. Accessory dwelling units should be allowed at one ADU per lot and follow all applicable provisions and size limitations in MVMC 17.81. However, the code should be amended to allow ADUs to be constructed on any lot. This could facilitate the development of "carriage units" in non-single-family developments, where there is a small housing unit attached to the garage. The code should also allow ADUs to be part of new construction projects in addition to the conversion of existing spaces.[3]
- Allow cottage housing in the R-1 and R-2 zones. Limit cottage housing in size and scale but allow it additional density. The scale of cottage housing allows it to blend in with single-family neighborhoods without sacrificing character. It is also an adaptable housing type that can be applied in lower density multi-family neighborhoods characterized by duplexes, triplexes, and townhomes. Just as ADUs have their own development standards, develop specialized standards for cottage housing.
- Allow zero lot line and small lot single-family homes in the R-2 zone. A 6,500 s.f. minimum lot size is required for townhome or duplex development in the R-2 zone (it allows multiple units per lot). However, this minimum lot size prevents the development of small lot single-family homes or zero lot line development (such as townhomes or duplexes that are individually owned, not rented) that can provide good opportunities for first time home buyers. Zero lot line development will also require a minor amendment to setback standards to allow attached housing.
- Allow administrative modification of lot coverage, setback, lot width, and lot size standards for infill housing where new housing is developed on a lot that contains existing housing (this could include land that is short platted). The ADU code already allows administrative approval of variances of up to 20% for lot width, setbacks, lot coverage, height, parking, and buffers, so there is precedence for modifications. The potential impacts of modifying the standards could be off-set by limiting the size of the new dwelling unit(s) and/or increasing landscaping requirements.

[3] Consider a longer-term strategy of working with an architect to design a few ADU templates with building plans. Special use permits for ADUs designed according to an approved template could be approved over the counter by appointment. This would facilitate the construction of ADUs.

- Adopt performance-based design guidelines to ensure graceful transitions between infill development and existing development, and that new development matches the character of the existing neighborhood.

AFFORDABLE HOUSING IMPLEMENTATION CONSIDERATIONS

Fee Reductions

Impact fees and other fees increase the costs of developing housing. Mount Vernon assesses impact fees for transportation, fire services, schools, and park and recreation. These services are essential to maintaining quality of life for local residents. The Growth Management Act allows cities to exempt affordable housing from impact fees under RCW 82.02.060. Impact fee reductions lower some of the upfront costs and make affordable housing more economically feasible. However, the need for affordable housing should still be balanced with other community needs.

Affordable housing at or below 60% AMI faces the most challenges for feasibility. Stakeholders reported in interviews that at this level of affordability financial assistance in most needed. As a result, an impact fee reduction of 50% is recommended for affordable housing units targeted toward households with incomes at 60% AMI or less.

Fee-in-lieu Program

A fee-in-lieu program would allow a housing developer to capture the bonus density for a project without building the required affordable housing on-site. Instead, the developer would pay a fee to the City that could then be used to build affordable housing elsewhere. Although it is possible that the City could develop affordable housing on its own, it is probably more effective for the City to provide funds to a non-profit affordable housing developer. Fee-in-lieu funds could be used to assist non-profit developers in a number of ways such as: the purchase of land, to leverage for grants or other financing tools, and to provide cash funding for construction, mortgage costs, or other needs.

Fee-in-lieu programs offer flexibility to the developer and were recommended by participants during stakeholder interviews in September. Affordable projects built using fee-in-lieu funds are less likely to be scattered throughout the community. However, they are developed by non-profit housing providers with expertise in affordable housing creation and management.

On-going Program Management

Once affordable housing is created, it is important that it stays affordable for at least 50 years.[4] Although there are several mechanisms that can be used, covenants are the most common tool used to ensure that affordable housing created under bonus provisions remains available to people with low incomes over time. Requiring adoption of covenants for affordable housing should be included in Mount Vernon's code.

[4] Required under affordable housing provisions in RCW 36.70A.540.

Monitoring and enforcement of the covenant must also be managed. Options that might work for Mount Vernon include:

- Annual compliance review conducted by the City. This could be processed similar to a permit, where affordable housing units or projects must complete a compliance form with supporting documentation. The City would need staffing to process the review, which could become significant over time as affordable housing incentives are successful. Additionally, the City would need policies and procedures for enforcement if units are out of compliance because they are leased or sold to occupants that do not meet income qualifications.
- Contracted management. Ideally, this could be a non-profit organization (such as Community Land Trust, Community Action, or Skagit Council Housing), but it could also be a private agency. The City would need to establish a reliable funding source to pay for the costs of contracted management. The *Approaches to Housing Affordability* memo dated August 2017 includes a list of possible funding sources. Contracted management could engage at various levels of service:
  - Annual compliance review, similar to the option stated above for the City.
  - Compliance review prior to the sale or lease of affordable housing units. This would avoid the problem of trying to enforce covenants after a unit has been improperly leased or sold, but would likely include review of leases and real estate documents and possibly occupant screening or income qualification review.
  - Full management of the affordable housing program including marketing, screening, and selection of eligible occupants, resident education, and managing rental units.

CONCLUSION

This memo suggests an affordable housing program for Mount Vernon. The first part of the program is to use bonus density incentives to encourage the development of housing affordable to households with incomes of 80% AMI or less. The second part of the program is to increase the affordability of market rate infill housing by allowing a wider variety of housing types and allowing the modification of some development standards. Implementation of this program also requires consideration of how the City might best financially support affordable housing development and how to ensure the perpetuity of affordable housing through monitoring and enforcement.

Direction on these issues is needed to move on to the next step of developing draft code amendments.

These code amendments would also be the first phase of updates to implement that Comprehensive Plan. In the period 2018-2020, the City will be looking at further code updates that could include review of:

- Multi-family zoning locations on the Zoning Map.
- Provisions for mixed use and multi-family development in commercial zones.
- Permit streamlining.
- The costs of implementing development standards.

Housing Stakeholder Interviews

Mount Vernon Housing Code Amendments 2017

Interviews

Five interviews were held on September 25, 2017 with local housing stakeholders. BERK consulting introduced a series of questions related to the development of housing in Mount Vernon.

Questions for Developers/Builders:

- What kind of housing/development do you do now?
- Are you working in Mount Vernon now? Why or why not?
- What are the market trends and opportunities for housing development/construction in and around Mount Vernon?
- Would you ever consider trying a different housing market or housing product? What might influence your decision?
- In the communities in which you work do you ever use development tools or incentives offered by local government? Why or why not?
- Would you consider building affordable units as part of a future project?
- Is there anything that the City could do that would help you to include affordable units in your next project? (Here we can specifically ask about different incentives and bonuses)
- Would you ever consider partnering with a non-profit or public agency to build affordable housing?

Questions for Non-profit/Housing agencies:

- What is your role in housing development now?
- Are you working in Mount Vernon now? Why or why not?
- What do you see as the biggest gaps in the Mount Vernon housing market or housing supply?
- What needs to be done to fill the gaps you identified? Are there regulatory, geographical, or other solutions?
- In the communities in which you work do you ever use development tools or incentives offered by local government? Why or why not?
- Is there anything that the City could do that would help you to develop, construct, or manage your next project?

PARTICIPANTS

Paul Woodmansee – BYK Construction

Dave Prutzman – Samish Bay Land Company

Dan Mitzel – Hansel-Mitzel Homes

Jodi Monroe – Community Land Trust

Kent Haberly – Community Land Trust

Bill Henkel – Community Action

John J. Piazza – Piazza and Associates Consultants

Jay Manhas – JJ Place

Darren Bell – Bell and Sons Construction

Melissa Self – Skagit Council Housing

April Axthelm – Skagit Council Housing

Jim VanderMey – Skagit Council Housing

LuAnne Burkhart – Skagit Council Housing

Summary

This section summarizes the ideas presented by the participants in the interviews. The material is based on personal experiences and opinions. Since the interviews were conducted in five sessions, participants were not present to hear or respond to the input given by many of the other participants. There is no consensus opinion amongst the participants and some of the ideas presented may be in conflict. It is also worth noting that some participants held incorrect assumptions about the Mount Vernon Municipal Code. In such cases barriers were identified that do not exist. For example, participants mentioned allowing manufactured housing in the single-family zone and allowing multi-family uses in the C-1 zone. Yet both uses are allowed in the respective zones. The purpose of the interview summary is merely to report the results of the interviews.

Market Information

Mount Vernon is the residential center of Skagit County and its location makes it within acceptable commute distance of employment in Everett and even Seattle. The remaining land in Mount Vernon is not high quality and tends to be difficult to develop. The cost of development has many builders only looking at lots that are ready to go. They are not taking on development costs themselves. This has significantly slowed the pipeline of housing production in Mount Vernon.

There are areas of Mount Vernon that were suggested as good sites for new housing:

- Fairgrounds
- Area near Cleveland and Blackthorn (rehabilitation of housing)

Multi-family housing is a very hot market in the region. However, at the current densities, it is not economically feasible in most circumstances in Mount Vernon. Higher density would allow fixed costs to be distributed across more units, thus making the units more affordable.

People making a median income cannot afford the median home price unless they have existing equity in a home. There are also few homes available to rent for families with modest incomes. There is demand for housing but the supply is limited.

For new construction of housing for people with incomes of 50% AMI or less, additional resources will be needed because it is very difficult to make that pencil.

Equity Considerations

The Latino community is disproportionately affected by the housing shortage. They have a strong sense of neighborhood and community and will double up to help prevent homelessness. This can create areas with tight density and neighborhoods with people of different classes and cultures, which is positive for the community. However, overcrowding also is subject to community bias and racism based on stereotypes.

Mount Vernon Code

There is a big increase in age-restricted senior housing because it has more relaxed requirements and does not pay as much in impact fees. This is an implicit incentive to develop age-restricted housing.

A mixed-use development on a two-acre lot in the Sedro Wooley CBD zone (equivalent to the Mount Vernon C-1 zone) produced 8,000 square feet of commercial and 48 residential units over three stories. These units are affordable at median income and could be developed as affordable to 80% AMI without additional bonuses. This is because the City of Sedro Wooley allowed increased density and relaxed parking requirements.

There were several suggestions for zoning changes that would make the development of new housing and affordable housing easier in Mount Vernon:

- Zoning changes:
  - Create more areas of multi-family zoning
  - Consider rezoning unused commercial parcels for multi-family use
  - Allow more mixed-use zoning
  - Allow additional uses in multi-family zones
  - Allow multi-family uses in the C-1 and C-2 zone
  - Allow horizontal mixed use (like Sedro Wooley)
  - Allow row houses, small lot single-family detached housing, co-op housing, zero lot line, cottages, compact housing types, ADUs, live-work units
  - Allow high end manufactured homes on single-family lots
- Density changes:
  - Allow additional density in all zones
  - Change the density calculation back to gross density not net density

    - Consider the TDR program
    - Allow densities of 45 units an acre and 6-10 stories in multi-family zones
- Density bonuses to consider:
    - If C-2 is a mixed-use zone (see above) allow density bonuses for commercial development on the ground floor
    - Allow increased density if development pays into an affordable housing fund (look at Burlington)
    - Density bonuses for setting aside land for the Community Land Trust or other affordable housing providers
    - Allow density bonuses for the percentage of affordable units in a project
- Development regulation and standards changes:
    - Reduce setbacks for buildings as they get taller, instead of the opposite
    - Allow smaller yards and setbacks
    - Consider relaxing development standards for infill projects
    - Reduce landscaping requirements and pay extra parks fee or fee in lieu
    - Allow fee-in-lieu for park requirements
    - Eliminate requirement for two car garage in R-2 and R-3 zones
    - Examine and reduce parking requirements
    - Eliminate requirements or incentives that involve structured parking
    - Reduce regulations on mobile home parks
    - Examine street standards and the costs to implement them
    - Examine conflicting requirements, e.g. street standards require more ROW but stormwater standards require less impervious surface
    - Adjustments to the clearing code, which is seen as costly and puts too much decision making to the arborist
    - Examine the costs associated with energy regulations
- Fee adjustments:
    - Allow impact fee waivers and fee reductions for affordable housing
    - Allow on-site improvements that will result in waived impact fees
    - Reduce impact fees for multi-family units and for smaller unit types like townhomes

Permit Streamlining

Permit streamlining was very important to many participants. Suggested ways to improve the permit process included:

- Reduce the number of review processes that projects must go through
- Examine the land use approval process for efficiencies
- Examine the design standards process for efficiencies
- Reduce permitting requirements for home rehabilitation
- Consider developing templates for certain housing types that could have reduced review
- Add additional staff to help process permits
- Develop checklists for the whole process
- Estimate permitting fees up front for the whole process
- Create a guide to development and building, perhaps on video
- Develop a process so people with unique ideas can get approval without a code amendment
- Ensure that there is plenty of notice and opportunity to comment on regulation changes.

Supporting Affordable Housing Creation

Non-profit and affordable housing providers need land and cash most of all. Free or cheap land that is zoned and ready for housing is most needed. Zoning should be in the range of 20-50 units an acre. Inexpensive bank-owned lands are harder to come by now that the economy is recovered. Cash is needed to build the development itself.

Sources of support for affordable housing creation include:

- City money (from REET2) to pay impact fees
- Federal funds and HUD money, CDBG funds
- Donations of land and money
- Low Income Housing Tax Credits
- Working with builders who are willing to work at cost instead of at a profit
- Property tax levy (look at how Bellingham does it)
- HomeFirst (a successful housing trust fund model in Portland)
- Socially-minded investors willing to put at least 1/3 of the money down for a project
- The City supporting an embedded social worker to help with case management for special populations

Affordable housing should be located throughout the city, but located where there is transit and City services.

The City could act as an advocate by convening those interested in creating affordable housing and working on creating partnerships in the local community and in the region. It should also support land use changes for projects, such as Mount Vernon Manor, that would create affordable housing.

Community Land Trust would consider buying substandard homes and rehabilitating them, which would avoid impact fee costs, but they would need a partner or funding source to help them to the rehabilitation work.

Community Land Trust, Community Action, and Skagit Council Housing have all managed affordable housing in the past or present.

Next Steps

Based on the *Approaches to Housing Affordability* memo from August 2017 and input from the stakeholder interviews, the following code review is recommended:

- Examine densities in residential zones
- Allow and encourage a variety of housing types
- Examine regulations on manufactured housing and mobile home parks
- Consider reduced or flexible standards for infill development
- Identify regulations or standards that may be relaxed (or processes streamlined) for the development of affordable housing such as parking, landscaping, setbacks, height, design, etc.
- Look at the development of templates to improve permitting for ADUs
- Identify fee waivers or reductions that might be considered for affordable housing
- Look at impact fee reductions based on the size of the unit
- Examine density bonuses for affordable housing including land set-asides, fee-in-lieu, or on-site construction of affordable units
- Consider ways in which an affordable housing program could generate land or cash for non-profits to develop and build affordable housing projects in Mount Vernon
- Identify a management process for ensuring that affordable units will remain affordable

The following review could be tabled for the 2018-2020 review of increasing market rate housing production:

- Review the City zoning map to look for areas that can be rezoned for multi-family zoning
- Consider provisions for multi-family and mixed-use development in commercial zones
- Review how density is calculated
- Consider density bonuses for mixed use development
- Examine TDR program
- Look at the costs associated with development standards such as street standards, stormwater standards, land clearing, or energy codes
- Examine permit streamlining efforts

From:	Paul Woodmansee
To:	Lowell, Rebecca
Subject:	RE: Affordable Housing Interviews on 9.25.17
Date:	Tuesday, September 26, 2017 1:25:36 PM

Rebecca,

Thank you for letting me be a part of the interview with the Berk Consultants. Since I got the questions on Monday morning I did not have time to prepare answers like I was hoping to. I figured I would send my answer to the one question that matters most your way in hopes you would pass it on to Erika as I did not want to contact her directly without your knowledge.

Is there anything that the city could do that would help you to include affordable units in your next project? (Here we can specifically ask about different incentives and bonuses)

1. **Density is the key in Multifamily** - The need is 45 units an acre, 6 to 10 story buildings. **Allowing all lot square footage to be calculated in the density calculation**. You might be concerned about too many units then on small buildable areas, but other planning issues like parking can then dictate how many units are built. Density bonuses and incentives should be available in all zones whether it by any method the City deems appropriate. The bottom line is density is **important** and I think the City can take advantage of this in many ways. Density bonuses for % of affordable units is a great way to get a diverse mix of housing in the same building.
2. **Multi-family building code change** - delete the landscaping space needed for extra park impact fee? Reduce setbacks for buildings that go taller, as of now the building footprint gets smaller the taller you go in some zones. Get rid of the two car garage requirement in the R2 and R3. I would be more than happy to be a free consultant to bounce ideas off of.
3. **Impact fee reduction for affordable units** – I know this is already being discussed however, I would include this on all multifamily units, a reduction of impact fees for all multifamily construction. Multifamily is the new affordable and the only way we can really make a dent in the availability crisis.
4. **C2 zone** – needs to allow multifamily housing as an outright use. In my humble opinion, MV has more than enough commercial property available that is not being used and a lack of multifamily needs. Density bonuses could be given if the Developer includes commercial space below or on the street frontage. This could also include live work units that are designed as single family buildings or multifamily buildings but the City would want to watch where these are constructed.
5. **Development Clearing code** – I know that the code was written for a purpose and the intent was not to disturb development, but we figure it adds at minimum $10,000 of cost per lot. This is one of the primary reasons we walked away from the Property off of Division, as the lot costs were higher than the end value of the lots. A developer cannot put their financial interests into the hands of an arborist. This code must be deleted or rewritten. The big indicator with this is that all the projects that have moved forward recently in MV are projects that do not have the clearing code affecting them.

Also, I applaud you for allowing the development community to be a part of this discussion as the City navigates code changes that directly affect our day to day financial decisions and the housing affordability and availability issues. I did not realize that there was going to be 3 of us attending the interview, with that being said, I want to separate myself from the negative tone brought on by **one** of the other interviewees. I like to stick to discussions that build better communication and processes, and I want to stick to issues not old/new war stories. I hope that the Home Trust, and Community Action meetings went well as I am working with both of them to help with affordable housing situations in Skagit County.

Thanks again, and please let me know if you would like me to be involved in any other code planning with the current Comp plan code updates.

Be Blessed,

Paul Woodmansee

BYK Construction, Inc.
1003 Cleveland Ave. Suite A
Mount Vernon, WA 98273
Cell - 360-661-5325
Fax – 360-755-3101

From: Lowell, Rebecca [mailto:rebeccab@mountvernonwa.gov]
Sent: Monday, September 25, 2017 8:12 AM
To: Paul Woodmansee <Paul@bykconstruction.com>
Subject: RE: Affordable Housing Interviews on 9.25.17

Hi Paul:

Below is a list of the type of questions Erika will be asking today.

Thanks,

Rebecca

Questions for Developers/Builders:

What kind of housing/development do you do now?

Are you working in Mount Vernon now? Why or why not?

What are the market trends and opportunities for housing development/construction in and around Mount Vernon?

Would you ever consider trying a different housing market or housing product? What might influence your decision?

In the communities in which you work do you ever use development tools or incentives offered by local government? Why or why not?

Would you consider building affordable units as part of a future project?

Is there anything that the city could do that would help you to include affordable units in your next project? (Here we can specifically ask about different incentives and bonuses)

Would you ever consider partnering with a non-profit or public agency to build affordable housing?

From: Paul Woodmansee [mailto:Paul@bykconstruction.com]
Sent: Monday, September 18, 2017 4:28 PM
To: Lowell, Rebecca <rebeccab@mountvernonwa.gov>
Cc: Beacham, Linda <lindabe@mountvernonwa.gov>; Phillips, Chris <cphillips@mountvernonwa.gov>
Subject: RE: Affordable Housing Interviews on 9.25.17

Thanks all,

I will review before Monday.

Is there a list of questions I will be asked? I am usually better at thinking over time than on the spot answers.

Paul

From: Lowell, Rebecca [mailto:rebeccab@mountvernonwa.gov]
Sent: Monday, September 18, 2017 11:45 AM
To: Lowell, Rebecca <rebeccab@mountvernonwa.gov>
Cc: Beacham, Linda <lindabe@mountvernonwa.gov>; Phillips, Chris <cphillips@mountvernonwa.gov>
Subject: Affordable Housing Interviews on 9.25.17

Hello:

In anticipation of having you meet with Erika Rhett with BERK consulting next Monday please find attached background information and details regarding different approaches the City could take.

Thank you,

Rebecca Bradley-Lowell
Senior Planner
City of Mount Vernon
Development Services Department
910 Cleveland Ave / P.O. Box 809
Mount Vernon, WA 98273
360.336.6214

Comments from Dave Prutzman
Dated 9.25.2017

City of Mount Vernon: Affordable Housing

Comments:

Affordable housing in MV is an oxymoron

- Low income and affordable are different.
- What's it tell you when you have small 3 bedroom homes with 5-6 cars parked in the driveway, front yard, street, etc.
- City Council is actually a hindrance by reacting to political pressures and adopting regulations which harbor unintended consequences.
- A good idea shouldn't have to wait 2-3 years because of entitlement/permitting process....if it does then the system is broken. This effort will likely take 3-5 years to implement under current regualtions.
- "MV is un-developable...finished lots only", comments from major regional and national builders.
- Homes being built in last 2-3 years are all being built on foreclosed, REO properties. How many new applications have been submitted in last 24 months and what's their lot total?
- NIMBY's will oppose by every means.
- Buildable lands inventory: quantitative v.s. qualitative.
- What people expect has changed.....3 bedroom, 1,000 s.f. rambler isn't good enough for affordable, maybe low income, but not affordable.

Suggested Changes

- Flexible, "common sense" regulations.
- Streamlined approvals
- Make short plats lots, not lots and tracts.
- Allow high-end mfr in sfr zones.....MV has zero high-end mfr, it's all in large blocks that totally impact surrounding areas.
- Create Opportunity Zones for new/upgraded infill sfr homes/projects.
- Infill sfr, downzone one lot size, i.e., 7,500>6,000, etc.
- Road standards requiring 100% imported gravel are ridiculous....don't penalize entire industry for someone's past mistakes.
- Get rid of Tree Retention Ordinance...it adds <u>at least</u> $6,000-$7,000 to price of a house and 3-4 months to permitting process.
- Design Review Standards....I now have a staff planner and some architect telling what and how I should build my homes, plus it adds another 3-6 months to permitting process and several thousand dollars to cost of homes. There has to be a simpler way.
- UGA needs to be expanded and not take 2-3 years to implement.

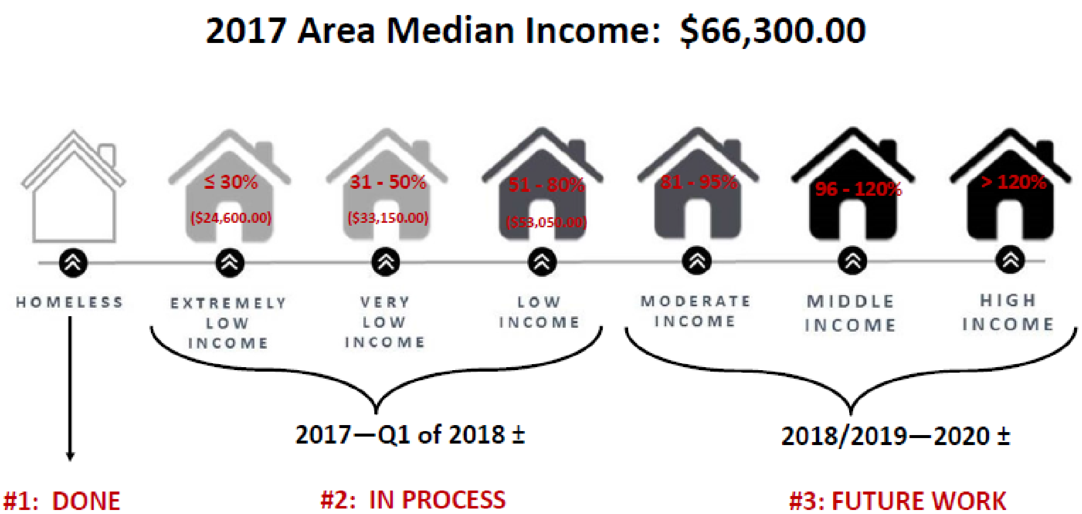
Final Idea: SOPO

Partner with Skagit County to develop County Fairgrounds into a centerpiece community of affordable, low-income, transit oriented, schools, central park, etc., etc. Make the area north of Fairgrounds a sfr Opportunity Zone and employ incentives. Make this area of deteriorating and under-utilized land and housing into a Gem. As it stands, the City can't go into the County, but the County can come into the City....call them on that hypocracy.

2017 AFFORDABLE HOUSING CODE AMENDMENTS
PHASE 1 PUBLIC OUTREACH

September 25, 2017
Mount Vernon City Hall
910 Cleveland Ave., Mount Vernon

BACKGROUND INFORMATION:
In 2016 the City adopted a new Housing Element into the Comprehensive Plan that included a number of Goals, Objectives and Policies regarding affordable housing. Following this the City created an implementation strategy involving the adoption of code amendments aimed at helping those with the least resources first. This is illustrated in the graphic below.



To-date the City has adopted regulations that will allow a new permanent supportive housing facility to be constructed with up to 80 dwellling units within the City. With this completed staff has turned the focus onto code amendments aimed at creating affordable housing for those earning 80% AMI and below.

I've attached a copy of a memo prepared by BERK regarding potential approaches to housing affordability for your review prior to meeting with Erika Rhett next week.

Thank you again for agreeing to meet with Mrs. Rhett.

PHONE 206.324.8760
2025 First Avenue, Suite 800
Seattle, WA 98121
www.berkconsulting.com

MEMORANDUM

DATE: **September 18, 2017**

TO: Rebecca Bradley-Lowell, Senior Planner, City of Mount Vernon

FROM: Erika Rhett, Senior Associate, BERK

RE: Approaches to Housing Affordability

INTRODUCTION

Mount Vernon's Comprehensive Plan expresses a vision in its Housing Element as *"… a home-town atmosphere, with a diverse housing options available to a full spectrum of its residents throughout their lives..."* The housing analysis that follows shows that some of the current conditions in Mount Vernon will need to change for this vision to be realized. As housing becomes more expensive and thus harder to secure families are paying larger portions of their incomes on their rents and mortgages. Thirty six percent (36%) of all households in Mount Vernon spend more than 30% of their income on housing and 18.4% spend more than 50%. Overall, renters are more cost burdened than homeowners. Mount Vernon has the highest rate of overcrowding in Skagit County.

The Housing Element includes several strategies for achieving the housing vision. These strategies include: income and job creation, preservation of existing housing and new infill development, and creating diversity in home types.

Communities across the state and across the country face growing housing demand and challenges to housing affordability. Approaches include increasing the supply and variety of housing types and the development of affordable housing programs.

APPROACH

Implementation of the new Goals, Objectives, and Policies adopted within the 2016 Housing Element will be a major undertaking for the City. To tackle this work the City organized and prioritized their code amendment work as follows:

- 2017: code amendments to assist in locating a permanent supported housing facility in the city. City staff confirmed that this has been completed.
- 2017/2018: code amendments to incentivize and encourage the production of affordable multi-family housing for those at 80% area median income (AMI) and below and small scale in-fill development in single-and-multi-family residential districts. In addition, mechanisms to ensure housing is income restricted and remains affordable over the required 50 year timeframe, and regulations to create or maintain graceful transitions between higher and lower density areas. These are the amendments that BERK has been retained to facilitate.
- 2018 – 2020: code amendments to encourage the production of affordable market rate housing (targeted at those above 80% AMI), additional infill and mixed use developments.

DIVERSITY OF HOUSING TYPES

Goal 1 of the Housing Element is to: "*Enhance Mount Vernon's cultural and economic vitality by encouraging the development of housing solutions of all types that provide for varied densities, sizes, costs and locations that are safe, decent, accessible, attractive, appealing, and affordable to a diversity of ages, incomes, and cultural backgrounds."* This is reflected in several housing policies:

- *HO-1.1.2: In recognition of community needs, the City shall maintain a variety of future land use classifications and implement zoning to accommodate a range of housing types with varying densities and sizes.*
- *HO-1.1.4: Continue to promote plans and policies that encourage in-fill residential projects in close proximity to neighborhood centers, shopping and retail facilities, parks, transit routes and other service uses.*
- *HO-1.1.5: Continue to promote plans and regulations that allow incentives such as bonus densities and flexible design standards that support and promote the construction of new innovative or affordable housing styles, compatible with the planned uses of surrounding sites. Ground related housing types such as cottages, townhouses, zero lot line developments and other types are examples of housing choices that promote individuality and ownership opportunities. Consider adopting new development regulations that would offer new ways to encourage these types of housing choices.*

Vacant lands and lower density single-family areas, especially those closer to the center of town, present an opportunity for increasing the supply of housing, adding new housing types, and revitalizing neighborhoods. Costs related to the construction of utilities or roads can be reduced, providing a natural incentive for development if there are no other barriers to discourage innovation or significantly increase development costs. However, the strict application of development standards written without consideration to the challenges of infill housing or without consideration of varied housing types can be an obstacle. With appropriate development standards in place, communities can encourage a diversity of housing types as compatible infill in existing residential areas.

A greater diversity of housing types can make housing generally more affordable by supplying housing units that meet different community needs. Mount Vernon's housing stock is predominantly single-family housing, with multi-family housing comprising only about a third of all housing units in the city. Small lot single-family development, townhomes, accessory dwelling units, small-scale multi-family housing types, and attached single-family developments could provide housing units that are compatible with existing single-family neighborhoods and meet many different needs.

Allowing a wide variety of housing types by right in the zoning code is the first step. However, additional flexibility is needed in development regulations such as lot size, setbacks, height, and coverage to meet the needs of different housing types and make infill development feasible (see also Flexible Development Standards, below). Simple design regulations help to ensure the compatibility of uses.

Examples

Bellingham's Infill Housing Toolkit (BMC 20.28) is a set of regulatory changes that allows nine new housing types to encourage infill housing in city neighborhoods, urban villages, and the urban growth area. The types are not applied in the lowest density single-family neighborhoods. Types include smaller house, small house, cottage, carriage house, detached accessory dwelling unit (ADU), duplex/triplex, shared court housing, garden court housing, and townhouses. Each housing type has its own simplified set of site, bulk, parking, and design standards that override the standards in the underlying zone. This allows for needed flexibility and also helps to manage neighborhood compatibility. In some allowed zones, infill types get a higher density allowance than the underlying zone. Portland, Oregon takes a similar approach.

Auburn has infill residential standards (ACC 18.25) that allow alternate standards for properties creating one new lot or dwelling unit in single-family residential zones or for properties under an acre in size in medium intensity residential zones. Modified standards allow changes of approximately 10-20% for lot standards, setbacks, parking requirements, height, and density. Simple design standards address potential compatibility issues.

Kirkland's Code (Chapter 113) allows for cottages, carriage houses, and two or three unit homes in single-family zones to promote a diversity of housing types. Each housing type has a full set of alternate development standards that include site standards, unit size, height, parking, and open space. Density is allowed at two times the number of detached dwelling units allowed in the underlying zone. Design standards require common open space, shared parking/garage, and low impact development storm water control in addition to addressing potential compatibility issues.

Recommendations

Mount Vernon's policies within the Housing Element of the Comprehensive Plan support infill housing and a diversity of housing types. ADUs, townhomes, and zero lot line development may be appropriate to encourage in different zones. The City should consider the following in developing and implementing code amendments:

- Encourage a variety of housing types with the following changes:
    - Allow ADUs in all residential zones including zoning districts R-2, R-3, and R-4.
    - Allow ADUs that are attached to a single-family structure, to a garage structure, or are detached.
    - Allow over the counter land use permitting for ADUs that conform to a standard template.
    - Eliminate notice requirements for ADUs.
    - Allow zero lot line housing[1] types (in addition to townhomes) in the R-2, R-3, and R-4 zones.

[1] Zero lot line housing has at least one wall placed on the boundary of the property. It can include attached housing such as row houses or townhomes, or detached housing and can be single story or multi-story. Zero lot line housing

  - Allow ADUs to have separate utility service and meters.
  - Require zero lot line development to have separate utility service and meters.
  - Amend the impact fee structure to reflect that smaller unit housing types are closer in impact to multi-family types than single-family.
- Consider allowing modifications to development standards for height, setbacks, lot size and coverage, density, and parking that make it easy to create new housing but still maintain neighborhood character (see also Flexible Development Regulations, below):
  - Develop alternate dimensional standards for infill housing types such as ADUs and zero lot line development that do not require a variance.
  - Allow further modifications to development standards through an administrative deviation process.
- Implement design, open space, or parking requirements that enhance compatibility and attractiveness without adding overly burdensome regulatory complications.

AFFORDABLE HOUSING PROGRAMS

Mount Vernon's Housing Element Goal 4 states: *"Encourage safe, decent, accessible, attractive and affordable housing development that meets community needs and is integrated into, and throughout, the community including areas of higher land cost where greater subsidies may be needed."* This is supported by Objective HO-4.1 and related policies which promote the development of a voluntary or required affordable housing program consistent with federal rules and state law.

- *Objective HO-4.1 Encourage the creation of ownership and rental housing that is affordable for all households within the City, with a particular emphasis on low, very-low, and extremely low income households as defined by the U.S. Department of Housing and Urban Development (HUD).*
- *Policy HO-4.1.1 Evaluate the adoption of zoning regulations targeted at otherwise market-rate developments that require or incentivize a minimum percentage of new dwelling units and/or lots that are created (whether multi-family or single-family) be income restricted.*
- *Policy HO-4.1.2 Evaluate the adoption of zoning regulations that would allow multi-family residential developments that are income-restricted to those at or below 60 percent of the area median income for at least fifty years to be located in zoning districts other than multi-family residential.*
- *Policy HO-4.1.3 Evaluate the adoption of zoning regulations that provide bonuses in density for developments that create income restricted units aimed at those earning less than 80% of the area median income (AMI) with greater bonuses provided to housing reserved for those earning 60% of the AMI and below.*

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allows for ownership of the land associated with the housing unit, even though the land associated with the unit can be very small. This distinguishes it from other types of multifamily housing in which units share a common parcel of land that is either owned by a single owner or by several owners through condominium ownership.

- *Policy HO-4.1.6 Maintain and explore enhancing regulatory incentives to encourage the production and preservation of affordable ownership and rental housing such as through density bonuses, impact fee reductions, permit fast-tracking, or other methods.*

The U.S. Department of Housing and Urban Development (HUD) defines affordable housing as housing in which the occupants pay no more than 30% of their gross income for housing costs, including utilities.[2] It also establishes income categories that are used in the application of its affordable housing programs as shown in

Figure 1. Income categories are based on the area median income (AMI) and adjusted for family size.

Figure 1- HUD Family Income Definitions

Income Category	Maximum Family Income
Moderate Income	95% AMI
Low Income	80% AMI
Very Low Income	50% AMI
Extremely Low Income	30% AMI

Source: U.S. Department of Housing and Urban Development

In Washington state, the Growth Management Act (GMA) authorizes affordable housing programs that aim to create low income housing units through development regulations or permitting decisions.[3] It defines affordable rental units as affordable to households at 50% AMI, and 80% of AMI for ownership units. Affordability may be adjusted based on household size and total housing costs, including basic utilities, but may not exceed 30% of the household's income. These limits may be adjusted up or down if the local jurisdiction holds a public hearing and finds that different income levels will better meet local needs. However, affordable rental units may not exceed a standard of 80% AMI or 100% AMI for ownership units.

Under GMA, affordable housing units developed as part of a market rate development should be distributed throughout the development and be provided in a range of sizes comparable to the market rate units. Although the law encourages the development of affordable housing on-site, it authorizes off-site and fee-in-lieu alternatives to support the construction of affordable housing. Jurisdictions creating affordable housing programs must do the following: identify zones or geographic locations where new housing is consistent with local housing policies, provide increased development capacity through regulatory changes or incentives, and determine that the area targeted for increased housing has development capacity to allow the affordable housing program to be utilized. Affordable housing

[2] Office of Policy Development and Research, U.S. Department of Housing and Urban Development. https://www.huduser.gov/portal/glossary/glossary_a.html

[3] RCW 36.70A.540 and WAC 365-196-870.

programs may include density bonuses, height and bulk bonuses, fee waivers or reductions, tax exemptions, or expedited permitting.

Incentive Zoning

Incentive zoning encourages developers to provide affordable housing as a public benefit. Incentive zoning is a system that allows development flexibility in one or more areas in exchange for building affordable housing. The incentive system is implemented on top of base zoning regulations and can be used to encourage other desired public benefits such as open space, environmental enhancement, or public art (this memo only focuses on affordable housing incentives). Incentive systems acknowledge that building affordable housing is difficult in areas where land prices are high because the rents do not cover the costs.

Incentive zoning is applied to specific zones or specific types of projects. It establishes an explicit list of public benefits and incentives and can be applied to single-family or multi-family zones, ownership or rental developments. Since incentive zoning is voluntary, provisions are unlikely to be implemented unless they are easy to use and attractive to developers. To be most effective, incentives are tailored to the local housing market, giving a desired bonus to developers in exchange for providing affordable units. Sometimes the incentives that work well in a strong housing market may not work as well in a weaker market. When providing incentives, it is important that they are easy to understand and apply so they do not complicate the development process or interfere with other planning goals. Incentives can include density bonuses, flexible development regulations, fee waivers or reductions, or tax exemptions.

Density Bonuses

Density bonuses allow developers to build at higher densities than normally allowed in a zone if they provide affordable housing units. Such bonuses can be part of an incentive zoning system. Density bonuses work best in strong housing markets with high land costs, high home prices, and high market rents where local government has identified a shortage of affordable housing for low and/or moderate income households. The additional density is intended to offset the cost of the affordable units with revenues from the additional market rate units, so the value of the bonus should be greater than the cost of providing the affordable units. Where developers can easily develop low density market rate housing, a density bonus is unlikely to be used.[4]

Examples

Poulsbo grants a density bonus of 20% to any project that includes at least 10% of the (pre-density bonus) units as affordable to those with low incomes. The City grants a 25% bonus for projects that include at least 15% affordable units.

Ellensburg allows a density bonus of one additional market rate unit for each affordable unit created, up to 50% of the pre-bonus density. Housing must be affordable to incomes at 80% of county AMI.

[4] Puget Sound Regional Council. *Housing Innovations Program.* http://www.psrc.org/growth/housing/hip/.

Redmond incentivizes the creation of housing for people with very low incomes by providing a bonus of two market rate units for every very low income unit (50% AMI) produced, versus a bonus of a single market rate unit for the production of a low income unit (80% AMI).

Monterey, California grants a density bonus for affordable housing created for low, very low, or moderate incomes in accordance with California's Density Bonus Law.[5] This law allows up to a 35% density bonus according to a sliding scale. It also has provisions for flexible site development regulations where development can earn one, two, or three site concessions, depending on the amount of affordable housing that is provided. Affordability must be preserved for 55 years.

Flexible Development Regulations

Flexible development regulations allow and encourage development that is denser and more diverse by permitting variable development standards in exchange for providing affordable housing. By permitting lot size, setback, sidewalks, street widths, height, etc. to be varied, the developer can save some development costs. Some communities allow flexible development regulations through a Planned Unit Development (PUD) ordinance, but the ordinance may not necessarily link the use of the PUD to the production of affordable housing. Other communities may allow variances of standards, such as setbacks, street requirements, or heights specifically associated with an affordable housing program.

Examples

As part of Kirkland's program, affordable housing may be allowed to include additional height, additional capacity, or bonus units (up to 25% of the underlying zoning) in applicable zones. Development standards may be modified for maximum lot coverage, parking requirements, structure height, required yards, and common recreational space to accommodate the affordable units.

Monterrey uses flexible development standards in coordination with incentive zoning to support affordable housing (cited in the example above).

Waivers, Reductions, Exemptions

Impact fees, mitigation fees, and building permit fees increase the costs of developing housing. GMA allows cities to exempt affordable housing from impact fees under RCW 82.02.060. Jurisdictions may also waive other fees for projects including affordable housing units such as permitting fees or utility connection charges. By lowering some of the upfront costs, developers can recoup the cost of building affordable housing. Fee waivers or reductions can encourage affordable housing across the spectrum of housing including single-family and multi-family, ownership and rental units.

Similarly, RCW 84.14 allows cities to establish a tax exemption to encourage the construction of multi-family housing in designated areas. Qualifying projects receive an 8 or 12-year tax exemption on the value of the residential improvements. Only projects with at least 20% affordable housing are eligible for the 12-year exemption. Multi-family tax exemption is a tool used by many communities to help stimulate a market for multi-family housing and affordable housing.

Local governments need to understand the financial implications of waivers or reductions to ensure that there is adequate revenue to support on-going programs. Tax exemptions and reduced permitting fees,

[5] California Government Code Sections 65915 – 65918.

impact fees, or utility fees may need to be subsidized with other funding sources, particularly as the affordability program becomes successful.

Examples

Puyallup's Municipal Code 17.04.080, allows a waiver of building permit fees for the construction, alteration, or repair of single-family dwellings when the structure is intended for low income families, the project involves some volunteer labor, and is being constructed by a non-profit organization. This waiver is carefully crafted to apply to a particular type of affordable housing development project.

King County Code 21A.43.080 exempts low or moderate income housing projects developed by public agencies or non-profit housing developers from impact fees. The amount of school impact fees is paid through other public funds set aside by the County. Private developers who create affordable housing units may apply for a reduction in impact fees. Low or moderate income purchasers, who are purchasing homes within income limits consistent with the County's Affordable Housing Strategy, are exempt from impact fee payment. King County requires a covenant ensuring affordability for ten years for individual owners and 15 years for private developers.

Kirkland exempts affordable housing units from the payment of transportation and parks impacts fees as well as planning, building, mechanical, and electrical permit fees in Kirkland Municipal Code 112.20(5).

A number of communities have included multi-family tax exemptions as part of their affordable housing toolbox. For example, Bellingham provides a 12-year exemption to affordable projects in selected neighborhoods (Bellingham Municipal Code 17.82.030). Renton provides both an 8-year and a 12-year exemption for projects in selected neighborhoods (Renton Municipal Code 4-1-220).

Expedited Permitting

Delays during the development process can add to the cost of new housing. Any efforts to reduce the time, costs, and uncertainty of obtaining permits and approvals will support affordable housing. Expedited permitting could include:

- Prioritized review where affordable projects are moved to the front of the line.
- Process reduction and streamlining where some types of permits are offered over the counter, permit checklists and pre-application assistanceare used to simplify submittals,, or administrative procedures are simplified (for example raising categorical exemptions for SEPA).
- Coordinating review of permits through the use of a permit expediter, concurrent review by departments or agencies, reducing the number of people involved in review, reducing the number of rounds of review, or setting reduced permit review times.
- The creation of architectural drawings and site plans for simpler construction projects like accessory dwelling units (ADUs) that the City could provide to property owners wishing to construct these types of units. This would cut costs and expedite the permitting process for these types of infill housing projects.

Expedited permitting techniques make use of existing City staff and resources so it can be inexpensive. It requires a careful look at permitting regulations and processes, and often interdepartmental or interagency cooperation, to implement these measures. Some of the expedited permitting techniques could also place additional demands on staff. For example, prioritized review is a benefit for affordable housing projects, but there needs to be adequate staffing to conduct all permitting operations within statutory timelines, even if they are a lower priority than affordable projects. Likewise, expedited permitting techniques that provide more certainty for the affordable housing developer can add to workloads if staff need to take on additional coordination roles.

Recommendations

Mount Vernon's policies support the development of an affordable housing program. The City may consider the following in developing code to support this:

- Talk with the local development community to better understand which development incentives would increase the production of affordable housing.
- The affordable housing program should apply a density bonus and flexible development standards as a package in the R-1 zones with maximum densities of 4.54, 5.73, and 7.26 du/acre, R-2, R-3, and R-4 zones.
- Encourage the development of housing at 60% AMI or less by providing additional incentives, such as impact fee reductions, additional density, or other provisions that are attractive to local developers.
- Use partial or full impact fee reductions to reduce the costs associated with the development of affordable housing. Ensure that there is adequate funding for facilities and services needed to support new growth if impact fees are reduced.
- Review processes and procedures to develop fast-track permitting options for affordable housing review that work for the City and developers.

MANAGING AFFORDABLE HOUSING

HUD Benchmarking[6]

HUD encourages benchmarking for all of the nation's housing stock, but is in the process of developing standards for housing developed with federal funds. Benchmarking is a management practice that involves tracking, analyzing, and reporting utility consumption and utility costs for a property. It provides key performance information on energy and water usage that can be used to reduce operating costs, meet tenant needs, and achieve environmental goals. Participating projects go through a planning process to develop a benchmarking plan for collecting, verifying, analyzing data, and communicating results.

Ensuring Affordability

Once affordable housing is created, it is important that is stays affordable for the length of time specified by law. Units created under the affordable housing program provisions in RCW 36.70A.540 are to remain affordable for 50 years. To guarantee long-term affordability, housing must be managed to

[6] HUD Exchange: https://www.hudexchange.info/programs/utility-benchmarking/

ensure that owners or tenants comply with income restrictions and any other conditions that may be put into place. Communities that did not plan for the management of affordable housing provisions have found it difficult to maintain their affordable housing stock over the long term.[7]

Although there are several mechanisms that can be used, covenants are the most common tool local governments use to ensure that housing created through an affordable housing program remains available to people with low incomes over time. Jurisdictions typically mandate a covenant that runs with the land and will specify provisions for income eligibility and the duration of the affordability requirement. Kirkland requires a binding covenant to be approved by the city attorney that covers price restrictions, homebuyer or tenant qualification, long-term affordability, and other applicable topics. Poulsbo requires a development agreement that requires deed restrictions on the designated affordable units to prevent their resale, rental, or lease without written approval of the City confirming that the property will continue to be reserved for low income households. Montgomery County, Maryland has a covenant template that can be filled out and recorded to ensure long-term affordability.

Once housing is created and covenants, agreements, or deed restrictions are in place, it is still necessary to price units for rent or sale, market the properties to eligible residents, screen and select residents, educate residents about program requirements, monitor units to ensure compliance, enforce requirements as needed, and manage the process again when tenants move out or owners wish to sell. At the very least, local government needs to ensure annually that affordable housing units comply with income and other requirements. If a community accepts fee-in-lieu payments, it will also need a plan in place for managing those funds.

Management Options

Around the country, communities have managed affordable housing compliance with five different structures for service delivery:

- **Local government.** In this structure a city, county, or housing authority manages aspects of the affordable housing program, hiring permanent staff to do so. This approach works well with larger programs where local government handles the entire process, but could be adapted for a smaller effort. With a more limited effort, local government could monitor compliance annually, requiring property managers of rental units or affordable unit homeowners to submit compliance documents for review.
- **Multi-jurisdictional collaboration**. In this model, several local jurisdictions collaborate on a regional basis to address and manage affordable housing. ARCH (A Regional Coalition for Housing) in King County's Eastside is an example of such a collaboration. The sixteen member jurisdictions set their own affordable housing programs, but contribute funding to ARCH and the ARCH Housing Trust Fund. ARCH assists in housing development, establishing pricing and income qualifications, marketing, education, annual monitoring, and sales and resales of ownership units. Such a model can be very effective in creating and managing affordable housing programs, but depends on the collaboration of multiple jurisdictions within the region.

[7] Policy Link. Delivering on the Promise of Inclusionary Housing: Best Practices in Administration and Monitoring.

- **Private contractor.** Local government contracts with a private company to manage aspects of the affordable housing program such as monitoring compliance. A private contractor can work well for a community with limited local staff by collecting and processing information from property managers and individual owners and submitting an annual report to the local jurisdiction.
- **Non-profit housing agency.** Local government contracts with a non-profit to manage aspects of the affordable housing program. This can work similarly to hiring a private contractor if there is a local non-profit with the experience and capacity to take on this work.
- **Community land trust.** This model only works for ownership housing. Developers build units and sell them to the land trust who manages the program. In a community land trust, the trust retains ownership of the land and sells the homes to income qualified buyers. The trust ensures compliance with all conditions of ownership designed to keep the housing affordable.

Funding Sources

With any of these delivery structures there needs to be a reliable source of funding to pay for administrative costs or contracts. Potential sources of funding could include:

- **Local government general funds**. This can be a reliable source of funds to support in-house staff, regional collaboration efforts, or contracting. However, local government needs to have a strong commitment to affordable housing since this funding will compete with other local needs and priorities every budgeting cycle.
- **Permit fees.** A portion of the permitting fees can be set aside for management of the program. While in theory this helps development to pay for itself, it is another cost that must be accounted for when developing an incentive-based affordable housing program, particularly if fee reductions or waivers are part of the incentive package.
- **Local housing funds.** These funds can come from a variety of sources including in-lieu-fees, local housing trust funds, or federal HOME or CDBG dollars. While most of these sources allow (or can be set up to allow) money to be spent on staffing and administration, this pool of money could also be spent on the creation of new housing.
- **Sales and resale fees.** Home ownership units are charged a fee (typically 1-4%) that funds the management of the resale process. Although less than a typical 6% real estate commission, the fee is borne by the seller who is already selling below market rate as required by agreement to keep the unit affordable. Owners may also need to retain a real estate agent to complete their transaction, particularly in cases where the affordable housing program is not comprehensively managed through a local government or regional collaboration effort.
- **Application fees.** This model charges a fee to those who apply for housing (either rental or ownership). While this can generate some revenue to support program administration, there is an equity consideration with this option since all applicants pay the fee whether or not they ultimately receive housing.
- **Administration fees.** Annual or monthly fees are charged to residents of affordable units to cover the costs of compliance monitoring. While this is more commonly used in rentals, a few

communities charge such a fee for ownership units, and community land trusts sometimes charge a small monthly land rent. In any case, the cost of the fee is borne by the resident and may increase their need for subsidy.

Recommendations

How Mount Vernon ensures the long-term affordability of its housing program will depend on the type of affordable housing program it chooses. Consider the following:

- Consider options for contracting out the services needed to ensure compliance with affordable housing program rules to either a non-profit, private contractor, or through a collaborative model.
- Establish the funding mechanisms necessary to support compliance.
- Recognize that the model used to deliver and fund affordable housing compliance could change over time as the affordable housing program achieves success.

NEXT STEPS

1. BERK will conduct outreach with property developers, builders, and others involved in affordable housing issues to discuss and gain insight into the best practices presented herein.
2. Once BERK has completed this outreach, City Council will be briefed on the results and will be asked for initial direction and input.
3. The best practices presented within this memo will be refined and additional details will be provided focusing on the direction and input from City Council. BERK will solicit public comments and input on the new materials.
4. BERK will assist City staff in completing the procedural requirements when development regulations are amended including the SEPA process, Department of Commerce review, and public meetings and hearing before the Planning Commission and City Council.

ADDITIONAL REFERENCES

Hickey, Robert. 2013. *After the Downturn: New Challenges and Opportunities for Inclusionary Housing.* Center for Housing Policy. February 2013.

Urban Land Institute. 2014. *Bending the Cost Curve: Solutions to Expand the Supply of Affordable Rentals.*

The Housing Partnership. 2007. *The Ins and Outs: A Policy Guide to Inclusionary and Bonus Housing Programs in Washington.*

Wheeler, Stephen. 2002. *Smart Infill: Creating More Livable Communities in the Bay Area, A Guide for Bay Area Leaders.* Green Belt Alliance.

From: Paul Woodmansee
To: Lowell, Rebecca
Subject: RE: Affordable Housing Interviews on 9.25.17
Date: Tuesday, September 26, 2017 1:25:36 PM

Rebecca,

Thank you for letting me be a part of the interview with the Berk Consultants. Since I got the questions on Monday morning I did not have time to prepare answers like I was hoping to. I figured I would send my answer to the one question that matters most your way in hopes you would pass it on to Erika as I did not want to contact her directly without your knowledge.

Is there anything that the city could do that would help you to include affordable units in your next project? (Here we can specifically ask about different incentives and bonuses)

1. **Density is the key in Multifamily -** The need is 45 units an acre, 6 to 10 story buildings. **Allowing all lot square footage to be calculated in the density calculation.** You might be concerned about too many units then on small buildable areas, but other planning issues like parking can then dictate how many units are built. Density bonuses and incentives should be available in all zones whether it by any method the City deems appropriate. The bottom line is density is **important** and I think the City can take advantage of this in many ways. Density bonuses for % of affordable units is a great way to get a diverse mix of housing in the same building.
2. **Multi-family building code change -** delete the landscaping space needed for extra park impact fee? Reduce setbacks for buildings that go taller, as of now the building footprint gets smaller the taller you go in some zones. Get rid of the two car garage requirement in the R2 and R3. I would be more than happy to be a free consultant to bounce ideas off of.
3. **Impact fee reduction for affordable units –** I know this is already being discussed however, I would include this on all multifamily units, a reduction of impact fees for all multifamily construction. Multifamily is the new affordable and the only way we can really make a dent in the availability crisis.
4. **C2 zone –** needs to allow multifamily housing as an outright use. In my humble opinion, MV has more than enough commercial property available that is not being used and a lack of multifamily needs. Density bonuses could be given if the Developer includes commercial space below or on the street frontage. This could also include live work units that are designed as single family buildings or multifamily buildings but the City would want to watch where these are constructed.
5. **Development Clearing code –** I know that the code was written for a purpose and the intent was not to disturb development, but we figure it adds at minimum $10,000 of cost per lot. This is one of the primary reasons we walked away from the Property off of Division, as the lot costs were higher than the end value of the lots. A developer cannot put their financial interests into the hands of an arborist. This code must be deleted or rewritten. The big indicator with this is that all the projects that have moved forward recently in MV are projects that do not have the clearing code affecting them.

Also, I applaud you for allowing the development community to be a part of this discussion as the City navigates code changes that directly affect our day to day financial decisions and the housing affordability and availability issues. I did not realize that there was going to be 3 of us attending the interview, with that being said, I want to separate myself from the negative tone brought on by **one** of the other interviewees. I like to stick to discussions that build better communication and processes, and I want to stick to issues not old/new war stories. I hope that the Home Trust, and Community Action meetings went well as I am working with both of them to help with affordable housing situations in Skagit County.

Thanks again, and please let me know if you would like me to be involved in any other code planning with the current Comp plan code updates.

Be Blessed,

Paul Woodmansee

BYK Construction, Inc.
1003 Cleveland Ave. Suite A
Mount Vernon, WA 98273
Cell - 360-661-5325
Fax – 360-755-3101

From: Lowell, Rebecca [mailto:rebeccab@mountvernonwa.gov]
Sent: Monday, September 25, 2017 8:12 AM
To: Paul Woodmansee <Paul@bykconstruction.com>
Subject: RE: Affordable Housing Interviews on 9.25.17

Hi Paul:

Below is a list of the type of questions Erika will be asking today.

Thanks,

Rebecca

Questions for Developers/Builders:

What kind of housing/development do you do now?

Are you working in Mount Vernon now? Why or why not?

What are the market trends and opportunities for housing development/construction in and around Mount Vernon?

Would you ever consider trying a different housing market or housing product? What might influence your decision?

In the communities in which you work do you ever use development tools or incentives offered by local government? Why or why not?

Would you consider building affordable units as part of a future project?

Is there anything that the city could do that would help you to include affordable units in your next project? (Here we can specifically ask about different incentives and bonuses)

Would you ever consider partnering with a non-profit or public agency to build affordable housing?

From: Paul Woodmansee [mailto:Paul@bykconstruction.com]
Sent: Monday, September 18, 2017 4:28 PM
To: Lowell, Rebecca <rebeccab@mountvernonwa.gov>
Cc: Beacham, Linda <lindabe@mountvernonwa.gov>; Phillips, Chris <cphillips@mountvernonwa.gov>
Subject: RE: Affordable Housing Interviews on 9.25.17

Thanks all,

I will review before Monday.

Is there a list of questions I will be asked? I am usually better at thinking over time than on the spot answers.

Paul

From: Lowell, Rebecca [mailto:rebeccab@mountvernonwa.gov]
Sent: Monday, September 18, 2017 11:45 AM
To: Lowell, Rebecca <rebeccab@mountvernonwa.gov>
Cc: Beacham, Linda <lindabe@mountvernonwa.gov>; Phillips, Chris <cphillips@mountvernonwa.gov>
Subject: Affordable Housing Interviews on 9.25.17

Hello:

In anticipation of having you meet with Erika Rhett with BERK consulting next Monday please find attached background information and details regarding different approaches the City could take.

Thank you,

Rebecca Bradley-Lowell
Senior Planner
City of Mount Vernon
Development Services Department
910 Cleveland Ave / P.O. Box 809
Mount Vernon, WA 98273
360.336.6214

City of Mount Vernon: Affordable Housing

Comments:

Affordable housing in MV is an oxymoron

- Low income and affordable are different.
- What's it tell you when you have small 3 bedroom homes with 5-6 cars parked in the driveway, front yard, street, etc.
- City Council is actually a hindrance by reacting to political pressures and adopting regulations which harbor unintended consequences.
- A good idea shouldn't have to wait 2-3 years because of entitlement/permitting process....if it does then the system is broken. This effort will likely take 3-5 years to implement under current regualtions.
- "MV is un-developable...finished lots only", comments from major regional and national builders.
- Homes being built in last 2-3 years are all being built on foreclosed, REO properties. How many new applications have been submitted in last 24 months and what's their lot total?
- NIMBY's will oppose by every means.
- Buildable lands inventory: quantitative v.s. qualitative.
- What people expect has changed.....3 bedroom, 1,000 s.f. rambler isn't good enough for affordable, maybe low income, but not affordable.

Suggested Changes

- Flexible, "common sense" regulations.
- Streamlined approvals
- Make short plats lots, not lots and tracts.
- Allow high-end mfr in sfr zones.....MV has zero high-end mfr, it's all in large blocks that totally impact surrounding areas.
- Create Opportunity Zones for new/upgraded infill sfr homes/projects.
- Infill sfr, downzone one lot size, i.e., 7,500>6,000, etc.
- Road standards requiring 100% imported gravel are ridiculous....don't penalize entire industry for someone's past mistakes.
- Get rid of Tree Retention Ordinance...it adds <u>at least</u> $6,000-$7,000 to price of a house and 3-4 months to permitting process.
- Design Review Standards....I now have a staff planner and some architect telling what and how I should build my homes, plus it adds another 3-6 months to permitting process and several thousand dollars to cost of homes. There has to be a simpler way.
- UGA needs to be expanded and not take 2-3 years to implement.

Final Idea: SOPO

Partner with Skagit County to develop County Fairgrounds into a centerpiece community of affordable, low-income, transit oriented, schools, central park, etc., etc. Make the area north of Fairgrounds a sfr Opportunity Zone and employ incentives. Make this area of deteriorating and under-utilized land and housing into a Gem. As it stands, the City can't go into the County, but the County can come into the City....call them on that hypocracy.

DEVELOPMENT SERVICES

Public Meeting
Affordable Housing Code Amendments
December 19, 2017

PRESENTATION SUMMARY

Affordable Housing Code Amendments, CA17-005

1. Introductions (R. Lowell)
2. Background and Framework (R. Lowell)
3. Work To-Date (E. Rhett)
4. Case Studies (E. Rhett)
5. Recommendations for Mount Vernon (E. Rhett)
6. Next Steps (E. Rhett)
7. Q & A with Commission

Introductions

Affordable Housing Code Amendments, CA17-005

Erika Rhett, AICP

BERK

STRATEGY ▪ ANALYSIS ▪ COMMUNICATIONS

Erika is a Senior Land Use Planner with more than 14 years of experience working in the public sector. Her experience is in comprehensive planning, rural lands, and shoreline master programs.

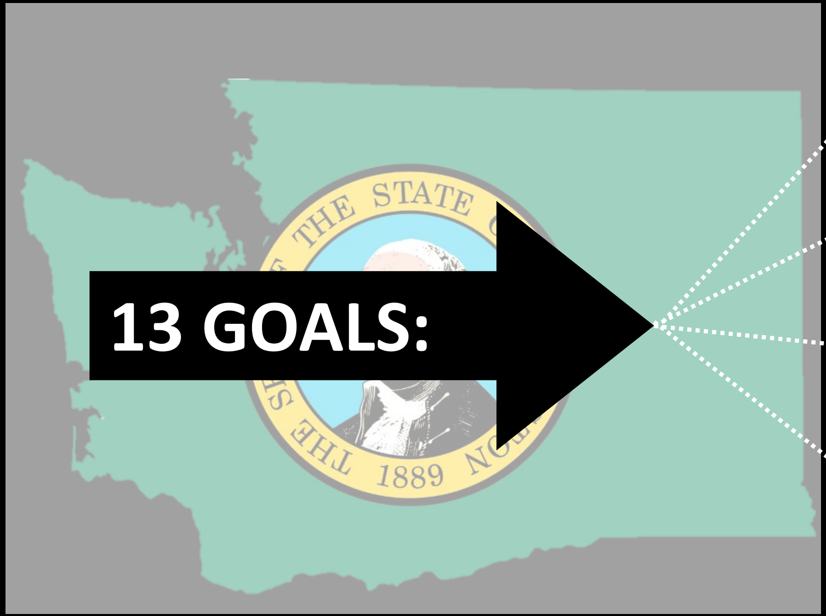
Prior to joining BERK, she worked as a Senior Planner at the City of Bellevue. Erika served as the Outreach Plan Manager for the Comprehensive Plan Update completed in 2015.For the City of Renton, she managed the VISION 2040 Award-winning Sunset Area Community Planned Action EIS. This Plan was NEPA and SEPA compliant, and won the 2013 Governor's Smart Communities Award.

Erika has presented at numerous APA and other land use planning conferences since 2012. She has been published by the APA Urban Design and Preservation Division, and has led conference sessions and webinars on a variety of topics.

City of MOUNT VERNON

Background

Affordable Housing Code Amendments, CA17-005



13 GOALS:

1. REDUCE SPRAWL
2. PROTECT CRITICAL AREAS
3. PROMOTE ECONOMIC GROWTH
4. COORDINATE PLANNING

City's 1st Comprehensive Plan: 1960

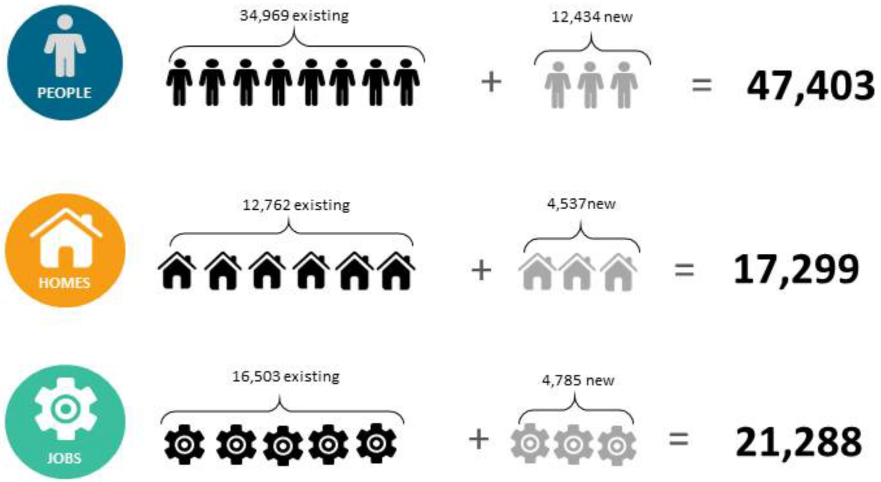
1990/1991: Growth Management

Background

Affordable Housing Code Amendments, CA17-005

20-Year Planning Horizons (2016 to 2036)

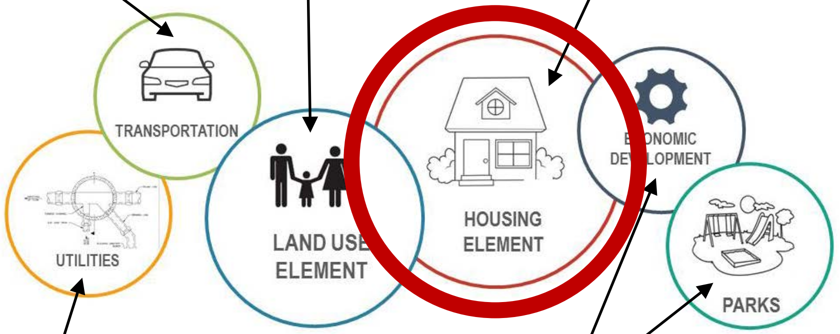
Update Every 8-Years (2016)



Do we have enough land for homes and jobs?

Will our roads support this many new vehicles?

Do we have a range of housing options? Housing affordability?



Can we balance jobs and homes?
Do we have enough land for parks?

Do we have capacity in our utilities?
Can we provide police and fire services?

GMA Comprehensive Planning

ISSUE IDENTIFIED: HOUSING AFFORDABILITY

#1 DEFINE THE PROBLEM

"Well defined problems lead to breakthrough solutions". Problems need to be critically analyzed and clearly articulated.

A poorly defined problem is much more difficult to solve!

High Housing Costs & Too Little Income.

#2 ANALYZE THE PROBLEM

Gather accurate, reliable information….and keep asking the "but why" questions, analyze "root" causes

Restraining Forces = keep the situation the same

Driving Forces = what is pushing the situation to change

Housing Element contains this analysis.

#4 PLAN OF ACTION/IMPLEMENTATION

Plan of Action = Goals, Objectives & Policies within Comprehensive Plan

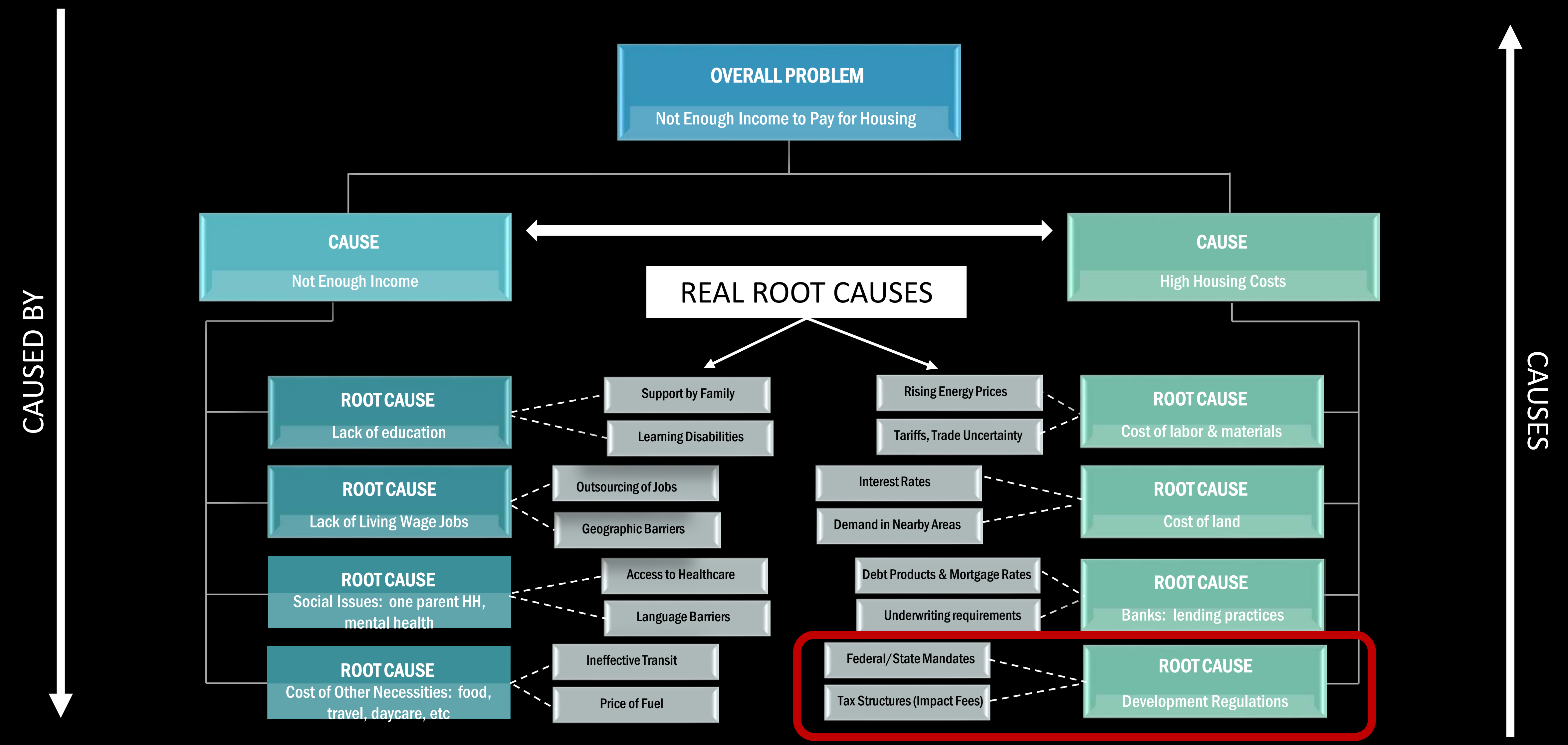
Implementation = changes to city regulations

#3 IDENTIFY & CHOOSE SOLUTIONS

Need to identify targets and understand what your organization can actually change. What is within our sphere of influence?

Think like a doctor: the cause of a problem is almost never where the symptom shows up….find the cause and fix it – you can't fix a symptom.

AFFORDABLE HOUSING – A WICKEDLY COMPLEX PROBLEM



Housing Affordability

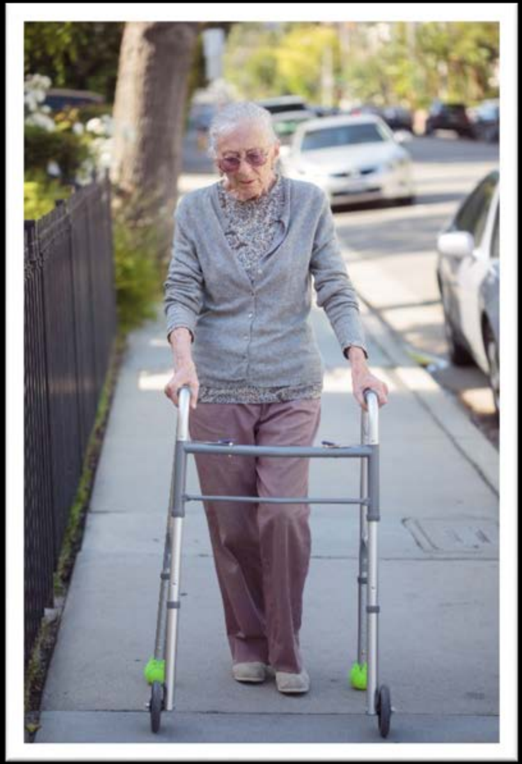
Housing is defined as unaffordable when more than 30% of an individuals (or families) income is spent on housing. Relationship of two variables: income and housing cost.

Family of 4 has a yearly income of $100,000.00

Affordable housing to them would be $2,500.00/month for housing

Single woman has a yearly income of $18,000.00

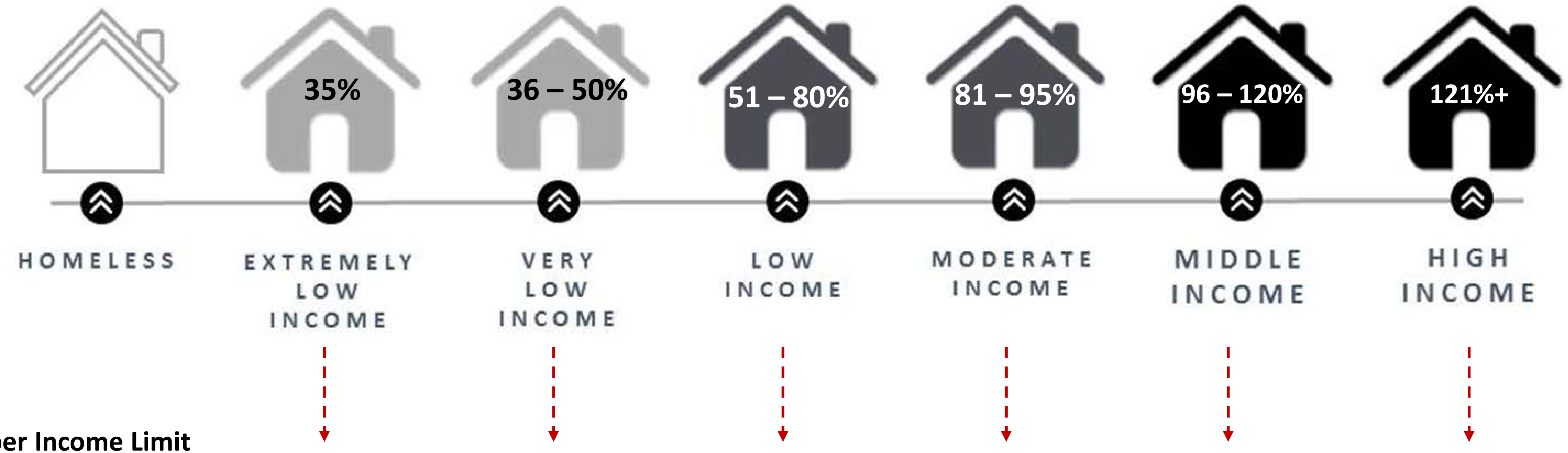
Affordable housing to her would be $450.00/month for housing



City of MOUNT VERNON

Housing Affordability

2017 Skagit County Area Median Income **(AMI):** **$66,300.00** *(family of four)*



Upper Income Limit
FY 2017, family of four: **$24,600.00** **$33,150.00** **$53,050.00** **$62,985.00** **$79,560.00** **$80,223.00 +**

City of MOUNT VERNON

Housing Affordability

HUD data (2014): 11,308 occupied dwelling units

61%

Low income households are paying more than 30% income on housing (6,940 households)

13%

Middle/High income households are paying more than 30% income on housing (1,505 households)

26% Middle income and paying 30% of income on housing (or less)

City of MOUNT VERNON

Housing Affordability

61% =

84% of Mount Vernon's Affordable Housing Problem
(5,825 households)

47% of the 84% is 50% AMI and below

16% of Mount Vernon's Affordable Housing Problem
(1,115 households)

City of MOUNT VERNON

Comprehensive Plan Implementation Strategy

#1: DONE

Policy HO-5.1.3, Policy HO-5.1.4, Policy HO-5.1.6, and Policy HO-5.1.7 all addressed with City's adoption of Ordinance 3712 on April 26, 2017 that permits a Permanent Supportive Housing Facility in the City

#2: IN PROCESS (2017/2018)

Consistent with the adopted Housing Element Goals, Objectives and Policies these code amendment will Include:

Ways to encourage infill development (ADUs, zero lot line, townhomes, etc.)

Incentives to create affordable housing for those at 60% and below and 80% and below AMI. Incentives for consideration will include: density bonuses in residential zones, impact fee reductions, permit fast tracking, and others.

Regulations to protect existing neighborhoods that could have higher density land use and the creation of a program to make sure that affordable housing units are occupied by those who qualify.

#3: FUTURE WORK (2018/2019 – 2020+)

Consistent with the adopted Housing Element Goals, Objectives and Policies these code amendment will Include:

Ways to allow multi-family units in residential zones they are not currently allowed within.

Ways to allowed mixed use development in zones it is not currently allowed within.

Building Inspection program for existing residential units to ensure health and safety codes are being complied with.

Other infill incentives not addressed in 2017 such as cottage housing developments, or other.

Amendments to ensure fair housing regs. are complied with.

Work to Date

Work on Affordable Housing

- Comprehensive Plan Update – Housing Element
- Approaches to Housing Affordability Memo
  - Reviews City Policy and Examines Case Studies on:
    - Diversity of Housing Types
    - Affordable Housing Programs
    - Management of Affordable Housing
- Stakeholder Interviews with Developers and Non-Profits
  - What is needed to create affordable housing in Mount Vernon?
  - Offered ideas on codes, policies, permitting processes, and economic considerations

Capacity Analysis

- Part of the Comprehensive Plan Update
- Indicates that more than 2/3 of new development will occur through large development and infill
- Suggests that affordability may require a two-pronged approach

Category of Development	# of Units Created within the Development	% of Future Unit Creation (not including UGAs)
Infill	1 to 9	27%
Small Developments	10 to 25	13%
Medium Developments	26 to 100	18%
Large Developments	100 or more	42%

Two Approaches for Affordability

Density Bonuses

- Recommended by developers and non-profits in the stakeholder interviews
- Typically works well on larger projects
- Allows costs to be spread among a greater number of homes
- Works well in markets with high land costs, high home prices/rents and a shortage of affordable housing
- Most likely to produce housing affordable at targeted levels (80% or 60% AMI)

Infill Housing

- No or lower costs related to infrastructure development
- Provides housing affordable at market rates
- Relies on diverse, often smaller, housing types to meet community needs

Density Bonuses - Case Studies

Federal Way

- 10% Density Bonus for Affordable Housing
- Must be for 80% AMI or below for home ownership units; 50% AMI or below for rental units
- Requires affordability to be in place through a covenant that lasts the life of the project
- Allows lots with affordable units to be reduced by 20% in size
- Straight forward, easy to administer
- Probably not enough bonus for Mount Vernon

RESIDENTIAL ZONING DISTRICTS	EXISTING DENSITY REQUIREMENTS		10% DENSITY BONUS
	MINIMUM	MAXIMUM	
R-1, 4.0, Single-Family Residential	4.0 du/acre	4.54 du/acre	4.99 du/acre
R-1, 5.0, Single-Family Residential	4.0 du/acre	5.73 du/acre	6.30 du acre
R-1, 7.0, Single-Family Residential	4.0 du/acre	7.26 du/acre	7.99 du/acre
Duplex and Townhouse (R-2)	8.0 du/acre	10.0 du/acre	11 du/acre
Multi-Family (R-3)	10.0 du/acre	12.0 du/acre - or - 15 du/acre if 50% of required parking located beneath the habitable floors of the building	13.2 du/acre - or – 16.5 du/acre if 50% of required parking located beneath the habitable floors of the building
Multi-Family (R-4)	10.0 du/acre	15.0 du/acre - or - 20 du/acre if 50% of required parking located beneath the habitable floors of the building	16.5 du/acre - or – 22 du/acre if 50% of required parking located beneath the habitable floors of the building

Poulsbo

- 20% Density Bonus for Affordable Housing if at least 10% affordable to low incomes
- 25% Density Bonus for Affordable Housing if at least 15% affordable to low incomes
- Requires affordability to be in place through a covenant that requires the City to review the sale or lease of the unit to verify affordability requirements are met
- 25% bonus does not provide additional incentive

RESIDENTIAL ZONING DISTRICTS	EXISTING DENSITY REQUIREMENTS		20% DENSITY BONUS	25% DENSITY BONUS
	MINIMUM	MAXIMUM		
R-1, 4.0, Single-Family Residential	4.0 du/acre	4.54 du/acre	5.45 du/acre	5.68 du/acre
R-1, 5.0, Single-Family Residential	4.0 du/acre	5.73 du/acre	6.88 du/acre	7.16 du/acre
R-1, 7.0, Single-Family Residential	4.0 du/acre	7.26 du/acre	8.71 du/acre	9.08 du/acre
Duplex and Townhouse (R-2)	8.0 du/acre	10.0 du/acre	12 du/acre	12.5 du/acre
Multi-Family (R-3)	10.0 du/acre	12.0 du/acre - or - 15 du/acre if 50% of required parking located beneath the habitable floors of the building	14.4 du/acre - or – 18 du/acre if 50% of required parking located beneath the habitable floors of the building	15 du/acre - or – 18.75 du/acre with 50% of required parking located beneath the habitable floors pf the building
Multi-Family (R-4)	10.0 du/acre	15.0 du/acre - or - 20 du/acre if 50% of required parking located beneath the habitable floors of the building	18 du/acre - or – 24 du/acre if 50% of required parking located beneath the habitable floors of the building	18.75 du/acre - or – 25 du/acre if 50% of required parking located beneath the habitable floors of the building

Kirkland

- 10% inclusionary requirement
- 2 market rate units for each affordable unit when affordable units exceed 25% of the project
- Maximum bonus density 50%
- ARCH manages housing
- Allows fee-in-lieu payment
- Complex system
- Largest bonus studied – may be needed in that market

RESIDENTIAL ZONING DISTRICTS	EXISTING DENSITY REQUIREMENTS		DENSITY BONUS
	MINIMUM	MAXIMUM	
R-1, 4.0, Single-Family Residential	4.0 du/acre	4.54 du/acre	6.83 du/acre maximum
R-1, 5.0, Single-Family Residential	4.0 du/acre	5.73 du/acre	8.6 du/acre maximum
R-1, 7.0, Single-Family Residential	4.0 du/acre	7.26 du/acre	10.89 du/acre maximum
Multi-Family (R-3)	10.0 du/acre	12.0 du/acre - or - 15 du/acre if 50% of required parking located beneath the habitable floors of the building	18 du/acre maximum - or – 22.5 du/acre maximum with parking located beneath the habitable floors of the building
Multi-Family (R-4)	10.0 du/acre	15.0 du/acre - or - 20 du/acre if 50% of required parking located beneath the habitable floors of the building	22.5 du/acre maximum with parking located beneath the habitable floors of the building 30 du/acre maximum with parking located beneath the habitable floors of the building

Ellensburg

- One market rate unit for each affordable unit up to 50% bonus density
- Must be affordable at 80% AMI
- Requires covenant in place for 25 years
- Easy to administer
- Would be a significant increase in density in Mount Vernon's single-family zones

RESIDENTIAL ZONING DISTRICTS	EXISTING DENSITY REQUIREMENTS		50% DENSITY BONUS
	MINIMUM	MAXIMUM	
R-1, 4.0, Single-Family Residential	4.0 du/acre	4.54 du/acre	6.81 du/acre
R-1, 5.0, Single-Family Residential	4.0 du/acre	5.73 du/acre	8.60 du/acre
R-1, 7.0, Single-Family Residential	4.0 du/acre	7.26 du/acre	10.89 du/acre
Duplex and Townhouse (R-2)	8.0 du/acre	10.0 du/acre	15 du/acre
Multi-Family (R-3)	10.0 du/acre	12.0 du/acre - or - 15 du/acre if 50% of required parking located beneath the habitable floors of the building	18 du/acre - or - 22.5 du/acre if 50% of required parking located beneath the habitable floors of the building
Multi-Family (R-4)	10.0 du/acre	15.0 du/acre - or - 20 du/acre if 50% of required parking located beneath the habitable floors of the building	22.5 du/acre - or – 30 du/acre if 50% of required parking located beneath the habitable floors of the building

Recommendation for Mount Vernon

Mount Vernon

- Easy to administer - One market rate unit for each affordable unit
- Provide an incentive for moderate and low incomes – requires half of the bonus to be 60% AMI or below, other half up to 80% AMI
- Preserves distinction between single-family zones with a higher maximum bonus density in denser zones

RESIDENTIAL ZONING DISTRICTS	EXISTING DENSITY REQUIREMENTS		MINIMUM LOT SIZE	SUGGESTED MAXIMUM DENSITY INCREASE
	MINIMUM	MAXIMUM		
R-1, 4.0, Single-Family Residential	4.0 du/acre	4.54 du/acre	7,500 s.f.	5.45 du/acre (20% total)
R-1, 5.0, Single-Family Residential	4.0 du/acre	5.73 du/acre	6,000 s.f.	6.88 du/acre (20% total)
R-1, 7.0, Single-Family Residential	4.0 du/acre	7.26 du/acre	4,500 s.f.	9.44 du/acre (30% total)
Duplex and Townhouse (R-2)	8.0 du/acre	10.0 du/acre	6,500 s.f. for a duplex or townhouse unit	14.0 du/acre (40% total)
Multi-Family (R-3)	10.0 du/acre	15 du/acre*	N/A#	22.5 du/acre (50% total)
Multi-Family (R-4)	10.0 du/acre	20 du/acre*	N/A#	30 du/acre (50% total)

* Maximum density may only be achieved so long as 50% or more of the required parking spaces are located in an enclosed area beneath the habitable floors of the building.

The lot must be of sufficient size to support the density, setbacks, parking, landscaping, infrastructure, and any other items required to comply with the City's development regulations.

10 gross acres
7 net acres

RESIDENTIAL ZONING DISTRICTS	MAXIMUM EXISTING DENSITY	MAXIMUM SUGGESTED DENSITY	TOTAL UNITS UNDER EXISTING CODE	TOTAL UNITS UNDER SUGGESTED CODE
R-1, 4.0, Single-Family Residential	4.54 du/acre	5.45 du/acre (20% total)	31 units	38 units ▪ 34 market rate units ▪ 4 total affordable units (at least 2 affordable at 60% AMI or less)
R-1, 5.0, Single-Family Residential	5.73 du/acre	6.88 du/acre (20% total)	40 units	48 total units consisting of: ▪ 44 market rate units ▪ 4 total affordable units (at least 2 affordable at 60% AMI or less)
R-1, 7.0, Single-Family Residential	7.26 du/acre	9.44 du/acre (30% total)	50 units	66 total units consisting of: ▪ 58 market rate units ▪ 8 total affordable units (at least 4 affordable at 60% AMI or less)
Duplex and Townhouse (R-2)	10.0 du/acre	14.0 du/acre (40% total)	70 units	98 total units consisting of: ▪ 84 market rate units ▪ 14 total affordable units (at least 7 affordable at 60% AMI or less)
Multi-Family (R-3)	15 du/acre*	22.5 du/acre (50% total)	105 units	157 total units consisting of: ▪ 131 market rate units ▪ 26 total affordable units (at least 13 affordable at 60% AMI or less)
Multi-Family (R-4)	20 du/acre*	30 du/acre (50% total)	140 units	210 total units consisting of: ▪ 175 market rate units ▪ 35 total affordable units (at least 17 affordable at 60% AMI or less)

Infill Housing – Code Recommendations

- Uses – allow duplexes, ADUs, cottage housing, zero lot line homes, small lot single-family as a permitted use in a greater variety of residential zones
  - Allow duplexes as permitted outright in the R-1 zone, but require compliance with all single-family development standards
  - Allow ADUS in R-2, R-3, R-4 zones
  - Allow cottage housing in R-1 and R-2 zones, limit size and scale but allow additional density
  - Allow zero lot line and small lot single-family in the R-2 zone
- Development standards – need some flexibility to support infill development, similar to the 20% modification already allowed for ADUs
- Design standards – these should be performance based and focus on scale, landscaping, and site planning

Implementation Considerations

- Impact fee reductions, particularly for units at 60% AMI or less
- Allow fee-in-lieu, can consolidate funds for non-profit housing development
- Program Management
  - Must be affordable for 50 years
  - Require a covenant
  - Enforcement options:
    - Compliance review conducted by the City
    - Contracted management with non-profit or private agency

Next Steps

Next Steps

- Need confirmation of direction on incentives and infill housing
- Need preferences for program management and implementation considerations
- This addresses only the creation of affordable housing, market rate housing will be reviewed in 2018-2020

Questions & Comments

BERK

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Seattle, WA 98121
www.berkconsulting.com

MEMORANDUM

DATE: **September 18, 2017**

TO: Rebecca Bradley-Lowell, Senior Planner, City of Mount Vernon

FROM: Erika Rhett, Senior Associate, BERK

RE: Approaches to Housing Affordability

INTRODUCTION

Mount Vernon's Comprehensive Plan expresses a vision in its Housing Element as *"… a home-town atmosphere, with a diverse housing options available to a full spectrum of its residents throughout their lives..."* The housing analysis that follows shows that some of the current conditions in Mount Vernon will need to change for this vision to be realized. As housing becomes more expensive and thus harder to secure families are paying larger portions of their incomes on their rents and mortgages. Thirty six percent (36%) of all households in Mount Vernon spend more than 30% of their income on housing and 18.4% spend more than 50%. Overall, renters are more cost burdened than homeowners. Mount Vernon has the highest rate of overcrowding in Skagit County.

The Housing Element includes several strategies for achieving the housing vision. These strategies include: income and job creation, preservation of existing housing and new infill development, and creating diversity in home types.

Communities across the state and across the country face growing housing demand and challenges to housing affordability. Approaches include increasing the supply and variety of housing types and the development of affordable housing programs.

APPROACH

Implementation of the new Goals, Objectives, and Policies adopted within the 2016 Housing Element will be a major undertaking for the City. To tackle this work the City organized and prioritized their code amendment work as follows:

- 2017: code amendments to assist in locating a permanent supported housing facility in the city. City staff confirmed that this has been completed.
- 2017/2018: code amendments to incentivize and encourage the production of affordable multi-family housing for those at 80% area median income (AMI) and below and small scale in-fill development in single-and-multi-family residential districts. In addition, mechanisms to ensure housing is income restricted and remains affordable over the required 50 year timeframe, and regulations to create or maintain graceful transitions between higher and lower density areas. These are the amendments that BERK has been retained to facilitate.
- 2018 – 2020: code amendments to encourage the production of affordable market rate housing (targeted at those above 80% AMI), additional infill and mixed use developments.

DIVERSITY OF HOUSING TYPES

Goal 1 of the Housing Element is to: "*Enhance Mount Vernon's cultural and economic vitality by encouraging the development of housing solutions of all types that provide for varied densities, sizes, costs and locations that are safe, decent, accessible, attractive, appealing, and affordable to a diversity of ages, incomes, and cultural backgrounds.*" This is reflected in several housing policies:

- *HO-1.1.2: In recognition of community needs, the City shall maintain a variety of future land use classifications and implement zoning to accommodate a range of housing types with varying densities and sizes.*
- *HO-1.1.4: Continue to promote plans and policies that encourage in-fill residential projects in close proximity to neighborhood centers, shopping and retail facilities, parks, transit routes and other service uses.*
- *HO-1.1.5: Continue to promote plans and regulations that allow incentives such as bonus densities and flexible design standards that support and promote the construction of new innovative or affordable housing styles, compatible with the planned uses of surrounding sites. Ground related housing types such as cottages, townhouses, zero lot line developments and other types are examples of housing choices that promote individuality and ownership opportunities. Consider adopting new development regulations that would offer new ways to encourage these types of housing choices.*

Vacant lands and lower density single-family areas, especially those closer to the center of town, present an opportunity for increasing the supply of housing, adding new housing types, and revitalizing neighborhoods. Costs related to the construction of utilities or roads can be reduced, providing a natural incentive for development if there are no other barriers to discourage innovation or significantly increase development costs. However, the strict application of development standards written without consideration to the challenges of infill housing or without consideration of varied housing types can be an obstacle. With appropriate development standards in place, communities can encourage a diversity of housing types as compatible infill in existing residential areas.

A greater diversity of housing types can make housing generally more affordable by supplying housing units that meet different community needs. Mount Vernon's housing stock is predominantly single-family housing, with multi-family housing comprising only about a third of all housing units in the city. Small lot single-family development, townhomes, accessory dwelling units, small-scale multi-family housing types, and attached single-family developments could provide housing units that are compatible with existing single-family neighborhoods and meet many different needs.

Allowing a wide variety of housing types by right in the zoning code is the first step. However, additional flexibility is needed in development regulations such as lot size, setbacks, height, and coverage to meet the needs of different housing types and make infill development feasible (see also Flexible Development Standards, below). Simple design regulations help to ensure the compatibility of uses.

Examples

Bellingham's Infill Housing Toolkit (BMC 20.28) is a set of regulatory changes that allows nine new housing types to encourage infill housing in city neighborhoods, urban villages, and the urban growth area. The types are not applied in the lowest density single-family neighborhoods. Types include smaller house, small house, cottage, carriage house, detached accessory dwelling unit (ADU), duplex/triplex, shared court housing, garden court housing, and townhouses. Each housing type has its own simplified set of site, bulk, parking, and design standards that override the standards in the underlying zone. This allows for needed flexibility and also helps to manage neighborhood compatibility. In some allowed zones, infill types get a higher density allowance than the underlying zone. Portland, Oregon takes a similar approach.

Auburn has infill residential standards (ACC 18.25) that allow alternate standards for properties creating one new lot or dwelling unit in single-family residential zones or for properties under an acre in size in medium intensity residential zones. Modified standards allow changes of approximately 10-20% for lot standards, setbacks, parking requirements, height, and density. Simple design standards address potential compatibility issues.

Kirkland's Code (Chapter 113) allows for cottages, carriage houses, and two or three unit homes in single-family zones to promote a diversity of housing types. Each housing type has a full set of alternate development standards that include site standards, unit size, height, parking, and open space. Density is allowed at two times the number of detached dwelling units allowed in the underlying zone. Design standards require common open space, shared parking/garage, and low impact development storm water control in addition to addressing potential compatibility issues.

Recommendations

Mount Vernon's policies within the Housing Element of the Comprehensive Plan support infill housing and a diversity of housing types. ADUs, townhomes, and zero lot line development may be appropriate to encourage in different zones. The City should consider the following in developing and implementing code amendments:

- Encourage a variety of housing types with the following changes:
    - Allow ADUs in all residential zones including zoning districts R-2, R-3, and R-4.
    - Allow ADUs that are attached to a single-family structure, to a garage structure, or are detached.
    - Allow over the counter land use permitting for ADUs that conform to a standard template.
    - Eliminate notice requirements for ADUs.
    - Allow zero lot line housing[1] types (in addition to townhomes) in the R-2, R-3, and R-4 zones.

[1] Zero lot line housing has at least one wall placed on the boundary of the property. It can include attached housing such as row houses or townhomes, or detached housing and can be single story or multi-story. Zero lot line housing

  - Allow ADUs to have separate utility service and meters.
  - Require zero lot line development to have separate utility service and meters.
  - Amend the impact fee structure to reflect that smaller unit housing types are closer in impact to multi-family types than single-family.
- Consider allowing modifications to development standards for height, setbacks, lot size and coverage, density, and parking that make it easy to create new housing but still maintain neighborhood character (see also Flexible Development Regulations, below):
  - Develop alternate dimensional standards for infill housing types such as ADUs and zero lot line development that do not require a variance.
  - Allow further modifications to development standards through an administrative deviation process.
- Implement design, open space, or parking requirements that enhance compatibility and attractiveness without adding overly burdensome regulatory complications.

AFFORDABLE HOUSING PROGRAMS

Mount Vernon's Housing Element Goal 4 states: *"Encourage safe, decent, accessible, attractive and affordable housing development that meets community needs and is integrated into, and throughout, the community including areas of higher land cost where greater subsidies may be needed."* This is supported by Objective HO-4.1 and related policies which promote the development of a voluntary or required affordable housing program consistent with federal rules and state law.

- *Objective HO-4.1 Encourage the creation of ownership and rental housing that is affordable for all households within the City, with a particular emphasis on low, very-low, and extremely low income households as defined by the U.S. Department of Housing and Urban Development (HUD).*
- *Policy HO-4.1.1 Evaluate the adoption of zoning regulations targeted at otherwise market-rate developments that require or incentivize a minimum percentage of new dwelling units and/or lots that are created (whether multi-family or single-family) be income restricted.*
- *Policy HO-4.1.2 Evaluate the adoption of zoning regulations that would allow multi-family residential developments that are income-restricted to those at or below 60 percent of the area median income for at least fifty years to be located in zoning districts other than multi-family residential.*
- *Policy HO-4.1.3 Evaluate the adoption of zoning regulations that provide bonuses in density for developments that create income restricted units aimed at those earning less than 80% of the area median income (AMI) with greater bonuses provided to housing reserved for those earning 60% of the AMI and below.*

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allows for ownership of the land associated with the housing unit, even though the land associated with the unit can be very small. This distinguishes it from other types of multifamily housing in which units share a common parcel of land that is either owned by a single owner or by several owners through condominium ownership.

- *Policy HO-4.1.6 Maintain and explore enhancing regulatory incentives to encourage the production and preservation of affordable ownership and rental housing such as through density bonuses, impact fee reductions, permit fast-tracking, or other methods.*

The U.S. Department of Housing and Urban Development (HUD) defines affordable housing as housing in which the occupants pay no more than 30% of their gross income for housing costs, including utilities.[2] It also establishes income categories that are used in the application of its affordable housing programs as shown in

Figure 1. Income categories are based on the area median income (AMI) and adjusted for family size.

Figure 1- HUD Family Income Definitions

Income Category	Maximum Family Income
Moderate Income	95% AMI
Low Income	80% AMI
Very Low Income	50% AMI
Extremely Low Income	30% AMI

Source: U.S. Department of Housing and Urban Development

In Washington state, the Growth Management Act (GMA) authorizes affordable housing programs that aim to create low income housing units through development regulations or permitting decisions.[3] It defines affordable rental units as affordable to households at 50% AMI, and 80% of AMI for ownership units. Affordability may be adjusted based on household size and total housing costs, including basic utilities, but may not exceed 30% of the household's income. These limits may be adjusted up or down if the local jurisdiction holds a public hearing and finds that different income levels will better meet local needs. However, affordable rental units may not exceed a standard of 80% AMI or 100% AMI for ownership units.

Under GMA, affordable housing units developed as part of a market rate development should be distributed throughout the development and be provided in a range of sizes comparable to the market rate units. Although the law encourages the development of affordable housing on-site, it authorizes off-site and fee-in-lieu alternatives to support the construction of affordable housing. Jurisdictions creating affordable housing programs must do the following: identify zones or geographic locations where new housing is consistent with local housing policies, provide increased development capacity through regulatory changes or incentives, and determine that the area targeted for increased housing has development capacity to allow the affordable housing program to be utilized. Affordable housing

[2] Office of Policy Development and Research, U.S. Department of Housing and Urban Development. https://www.huduser.gov/portal/glossary/glossary_a.html

[3] RCW 36.70A.540 and WAC 365-196-870.

programs may include density bonuses, height and bulk bonuses, fee waivers or reductions, tax exemptions, or expedited permitting.

Incentive Zoning

Incentive zoning encourages developers to provide affordable housing as a public benefit. Incentive zoning is a system that allows development flexibility in one or more areas in exchange for building affordable housing. The incentive system is implemented on top of base zoning regulations and can be used to encourage other desired public benefits such as open space, environmental enhancement, or public art (this memo only focuses on affordable housing incentives). Incentive systems acknowledge that building affordable housing is difficult in areas where land prices are high because the rents do not cover the costs.

Incentive zoning is applied to specific zones or specific types of projects. It establishes an explicit list of public benefits and incentives and can be applied to single-family or multi-family zones, ownership or rental developments. Since incentive zoning is voluntary, provisions are unlikely to be implemented unless they are easy to use and attractive to developers. To be most effective, incentives are tailored to the local housing market, giving a desired bonus to developers in exchange for providing affordable units. Sometimes the incentives that work well in a strong housing market may not work as well in a weaker market. When providing incentives, it is important that they are easy to understand and apply so they do not complicate the development process or interfere with other planning goals. Incentives can include density bonuses, flexible development regulations, fee waivers or reductions, or tax exemptions.

Density Bonuses

Density bonuses allow developers to build at higher densities than normally allowed in a zone if they provide affordable housing units. Such bonuses can be part of an incentive zoning system. Density bonuses work best in strong housing markets with high land costs, high home prices, and high market rents where local government has identified a shortage of affordable housing for low and/or moderate income households. The additional density is intended to offset the cost of the affordable units with revenues from the additional market rate units, so the value of the bonus should be greater than the cost of providing the affordable units. Where developers can easily develop low density market rate housing, a density bonus is unlikely to be used.[4]

Examples

Poulsbo grants a density bonus of 20% to any project that includes at least 10% of the (pre-density bonus) units as affordable to those with low incomes. The City grants a 25% bonus for projects that include at least 15% affordable units.

Ellensburg allows a density bonus of one additional market rate unit for each affordable unit created, up to 50% of the pre-bonus density. Housing must be affordable to incomes at 80% of county AMI.

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[4] Puget Sound Regional Council. *Housing Innovations Program.* http://www.psrc.org/growth/housing/hip/.

Redmond incentivizes the creation of housing for people with very low incomes by providing a bonus of two market rate units for every very low income unit (50% AMI) produced, versus a bonus of a single market rate unit for the production of a low income unit (80% AMI).

Monterey, California grants a density bonus for affordable housing created for low, very low, or moderate incomes in accordance with California's Density Bonus Law.[5] This law allows up to a 35% density bonus according to a sliding scale. It also has provisions for flexible site development regulations where development can earn one, two, or three site concessions, depending on the amount of affordable housing that is provided. Affordability must be preserved for 55 years.

Flexible Development Regulations

Flexible development regulations allow and encourage development that is denser and more diverse by permitting variable development standards in exchange for providing affordable housing. By permitting lot size, setback, sidewalks, street widths, height, etc. to be varied, the developer can save some development costs. Some communities allow flexible development regulations through a Planned Unit Development (PUD) ordinance, but the ordinance may not necessarily link the use of the PUD to the production of affordable housing. Other communities may allow variances of standards, such as setbacks, street requirements, or heights specifically associated with an affordable housing program.

Examples

As part of Kirkland's program, affordable housing may be allowed to include additional height, additional capacity, or bonus units (up to 25% of the underlying zoning) in applicable zones. Development standards may be modified for maximum lot coverage, parking requirements, structure height, required yards, and common recreational space to accommodate the affordable units.

Monterrey uses flexible development standards in coordination with incentive zoning to support affordable housing (cited in the example above).

Waivers, Reductions, Exemptions

Impact fees, mitigation fees, and building permit fees increase the costs of developing housing. GMA allows cities to exempt affordable housing from impact fees under RCW 82.02.060. Jurisdictions may also waive other fees for projects including affordable housing units such as permitting fees or utility connection charges. By lowering some of the upfront costs, developers can recoup the cost of building affordable housing. Fee waivers or reductions can encourage affordable housing across the spectrum of housing including single-family and multi-family, ownership and rental units.

Similarly, RCW 84.14 allows cities to establish a tax exemption to encourage the construction of multi-family housing in designated areas. Qualifying projects receive an 8 or 12-year tax exemption on the value of the residential improvements. Only projects with at least 20% affordable housing are eligible for the 12-year exemption. Multi-family tax exemption is a tool used by many communities to help stimulate a market for multi-family housing and affordable housing.

Local governments need to understand the financial implications of waivers or reductions to ensure that there is adequate revenue to support on-going programs. Tax exemptions and reduced permitting fees,

[5] California Government Code Sections 65915 – 65918.

impact fees, or utility fees may need to be subsidized with other funding sources, particularly as the affordability program becomes successful.

Examples

Puyallup's Municipal Code 17.04.080, allows a waiver of building permit fees for the construction, alteration, or repair of single-family dwellings when the structure is intended for low income families, the project involves some volunteer labor, and is being constructed by a non-profit organization. This waiver is carefully crafted to apply to a particular type of affordable housing development project.

King County Code 21A.43.080 exempts low or moderate income housing projects developed by public agencies or non-profit housing developers from impact fees. The amount of school impact fees is paid through other public funds set aside by the County. Private developers who create affordable housing units may apply for a reduction in impact fees. Low or moderate income purchasers, who are purchasing homes within income limits consistent with the County's Affordable Housing Strategy, are exempt from impact fee payment. King County requires a covenant ensuring affordability for ten years for individual owners and 15 years for private developers.

Kirkland exempts affordable housing units from the payment of transportation and parks impacts fees as well as planning, building, mechanical, and electrical permit fees in Kirkland Municipal Code 112.20(5).

A number of communities have included multi-family tax exemptions as part of their affordable housing toolbox. For example, Bellingham provides a 12-year exemption to affordable projects in selected neighborhoods (Bellingham Municipal Code 17.82.030). Renton provides both an 8-year and a 12-year exemption for projects in selected neighborhoods (Renton Municipal Code 4-1-220).

Expedited Permitting

Delays during the development process can add to the cost of new housing. Any efforts to reduce the time, costs, and uncertainty of obtaining permits and approvals will support affordable housing. Expedited permitting could include:

- Prioritized review where affordable projects are moved to the front of the line.
- Process reduction and streamlining where some types of permits are offered over the counter, permit checklists and pre-application assistanceare used to simplify submittals,, or administrative procedures are simplified (for example raising categorical exemptions for SEPA).
- Coordinating review of permits through the use of a permit expediter, concurrent review by departments or agencies, reducing the number of people involved in review, reducing the number of rounds of review, or setting reduced permit review times.
- The creation of architectural drawings and site plans for simpler construction projects like accessory dwelling units (ADUs) that the City could provide to property owners wishing to construct these types of units. This would cut costs and expedite the permitting process for these types of infill housing projects.

Expedited permitting techniques make use of existing City staff and resources so it can be inexpensive. It requires a careful look at permitting regulations and processes, and often interdepartmental or interagency cooperation, to implement these measures. Some of the expedited permitting techniques could also place additional demands on staff. For example, prioritized review is a benefit for affordable housing projects, but there needs to be adequate staffing to conduct all permitting operations within statutory timelines, even if they are a lower priority than affordable projects. Likewise, expedited permitting techniques that provide more certainty for the affordable housing developer can add to workloads if staff need to take on additional coordination roles.

Recommendations

Mount Vernon's policies support the development of an affordable housing program. The City may consider the following in developing code to support this:

- Talk with the local development community to better understand which development incentives would increase the production of affordable housing.
- The affordable housing program should apply a density bonus and flexible development standards as a package in the R-1 zones with maximum densities of 4.54, 5.73, and 7.26 du/acre, R-2, R-3, and R-4 zones.
- Encourage the development of housing at 60% AMI or less by providing additional incentives, such as impact fee reductions, additional density, or other provisions that are attractive to local developers.
- Use partial or full impact fee reductions to reduce the costs associated with the development of affordable housing. Ensure that there is adequate funding for facilities and services needed to support new growth if impact fees are reduced.
- Review processes and procedures to develop fast-track permitting options for affordable housing review that work for the City and developers.

MANAGING AFFORDABLE HOUSING

HUD Benchmarking[6]

HUD encourages benchmarking for all of the nation's housing stock, but is in the process of developing standards for housing developed with federal funds. Benchmarking is a management practice that involves tracking, analyzing, and reporting utility consumption and utility costs for a property. It provides key performance information on energy and water usage that can be used to reduce operating costs, meet tenant needs, and achieve environmental goals. Participating projects go through a planning process to develop a benchmarking plan for collecting, verifying, analyzing data, and communicating results.

Ensuring Affordability

Once affordable housing is created, it is important that is stays affordable for the length of time specified by law. Units created under the affordable housing program provisions in RCW 36.70A.540 are to remain affordable for 50 years. To guarantee long-term affordability, housing must be managed to

[6] HUD Exchange: https://www.hudexchange.info/programs/utility-benchmarking/

ensure that owners or tenants comply with income restrictions and any other conditions that may be put into place. Communities that did not plan for the management of affordable housing provisions have found it difficult to maintain their affordable housing stock over the long term.[7]

Although there are several mechanisms that can be used, covenants are the most common tool local governments use to ensure that housing created through an affordable housing program remains available to people with low incomes over time. Jurisdictions typically mandate a covenant that runs with the land and will specify provisions for income eligibility and the duration of the affordability requirement. Kirkland requires a binding covenant to be approved by the city attorney that covers price restrictions, homebuyer or tenant qualification, long-term affordability, and other applicable topics. Poulsbo requires a development agreement that requires deed restrictions on the designated affordable units to prevent their resale, rental, or lease without written approval of the City confirming that the property will continue to be reserved for low income households. Montgomery County, Maryland has a covenant template that can be filled out and recorded to ensure long-term affordability.

Once housing is created and covenants, agreements, or deed restrictions are in place, it is still necessary to price units for rent or sale, market the properties to eligible residents, screen and select residents, educate residents about program requirements, monitor units to ensure compliance, enforce requirements as needed, and manage the process again when tenants move out or owners wish to sell. At the very least, local government needs to ensure annually that affordable housing units comply with income and other requirements. If a community accepts fee-in-lieu payments, it will also need a plan in place for managing those funds.

Management Options

Around the country, communities have managed affordable housing compliance with five different structures for service delivery:

- **Local government.** In this structure a city, county, or housing authority manages aspects of the affordable housing program, hiring permanent staff to do so. This approach works well with larger programs where local government handles the entire process, but could be adapted for a smaller effort. With a more limited effort, local government could monitor compliance annually, requiring property managers of rental units or affordable unit homeowners to submit compliance documents for review.
- **Multi-jurisdictional collaboration**. In this model, several local jurisdictions collaborate on a regional basis to address and manage affordable housing. ARCH (A Regional Coalition for Housing) in King County's Eastside is an example of such a collaboration. The sixteen member jurisdictions set their own affordable housing programs, but contribute funding to ARCH and the ARCH Housing Trust Fund. ARCH assists in housing development, establishing pricing and income qualifications, marketing, education, annual monitoring, and sales and resales of ownership units. Such a model can be very effective in creating and managing affordable housing programs, but depends on the collaboration of multiple jurisdictions within the region.

[7] Policy Link. Delivering on the Promise of Inclusionary Housing: Best Practices in Administration and Monitoring.

- **Private contractor.** Local government contracts with a private company to manage aspects of the affordable housing program such as monitoring compliance. A private contractor can work well for a community with limited local staff by collecting and processing information from property managers and individual owners and submitting an annual report to the local jurisdiction.
- **Non-profit housing agency.** Local government contracts with a non-profit to manage aspects of the affordable housing program. This can work similarly to hiring a private contractor if there is a local non-profit with the experience and capacity to take on this work.
- **Community land trust.** This model only works for ownership housing. Developers build units and sell them to the land trust who manages the program. In a community land trust, the trust retains ownership of the land and sells the homes to income qualified buyers. The trust ensures compliance with all conditions of ownership designed to keep the housing affordable.

Funding Sources

With any of these delivery structures there needs to be a reliable source of funding to pay for administrative costs or contracts. Potential sources of funding could include:

- **Local government general funds**. This can be a reliable source of funds to support in-house staff, regional collaboration efforts, or contracting. However, local government needs to have a strong commitment to affordable housing since this funding will compete with other local needs and priorities every budgeting cycle.
- **Permit fees.** A portion of the permitting fees can be set aside for management of the program. While in theory this helps development to pay for itself, it is another cost that must be accounted for when developing an incentive-based affordable housing program, particularly if fee reductions or waivers are part of the incentive package.
- **Local housing funds.** These funds can come from a variety of sources including in-lieu-fees, local housing trust funds, or federal HOME or CDBG dollars. While most of these sources allow (or can be set up to allow) money to be spent on staffing and administration, this pool of money could also be spent on the creation of new housing.
- **Sales and resale fees.** Home ownership units are charged a fee (typically 1-4%) that funds the management of the resale process. Although less than a typical 6% real estate commission, the fee is borne by the seller who is already selling below market rate as required by agreement to keep the unit affordable. Owners may also need to retain a real estate agent to complete their transaction, particularly in cases where the affordable housing program is not comprehensively managed through a local government or regional collaboration effort.
- **Application fees.** This model charges a fee to those who apply for housing (either rental or ownership). While this can generate some revenue to support program administration, there is an equity consideration with this option since all applicants pay the fee whether or not they ultimately receive housing.
- **Administration fees.** Annual or monthly fees are charged to residents of affordable units to cover the costs of compliance monitoring. While this is more commonly used in rentals, a few

communities charge such a fee for ownership units, and community land trusts sometimes charge a small monthly land rent. In any case, the cost of the fee is borne by the resident and may increase their need for subsidy.

Recommendations

How Mount Vernon ensures the long-term affordability of its housing program will depend on the type of affordable housing program it chooses. Consider the following:

- Consider options for contracting out the services needed to ensure compliance with affordable housing program rules to either a non-profit, private contractor, or through a collaborative model.
- Establish the funding mechanisms necessary to support compliance.
- Recognize that the model used to deliver and fund affordable housing compliance could change over time as the affordable housing program achieves success.

NEXT STEPS

1. BERK will conduct outreach with property developers, builders, and others involved in affordable housing issues to discuss and gain insight into the best practices presented herein.
2. Once BERK has completed this outreach, City Council will be briefed on the results and will be asked for initial direction and input.
3. The best practices presented within this memo will be refined and additional details will be provided focusing on the direction and input from City Council. BERK will solicit public comments and input on the new materials.
4. BERK will assist City staff in completing the procedural requirements when development regulations are amended including the SEPA process, Department of Commerce review, and public meetings and hearing before the Planning Commission and City Council.

ADDITIONAL REFERENCES

Hickey, Robert. 2013. *After the Downturn: New Challenges and Opportunities for Inclusionary Housing.* Center for Housing Policy. February 2013.

Urban Land Institute. 2014. *Bending the Cost Curve: Solutions to Expand the Supply of Affordable Rentals.*

The Housing Partnership. 2007. *The Ins and Outs: A Policy Guide to Inclusionary and Bonus Housing Programs in Washington.*

Wheeler, Stephen. 2002. *Smart Infill: Creating More Livable Communities in the Bay Area, A Guide for Bay Area Leaders.* Green Belt Alliance.

DEVELOPMENT SERVICES

Public Meeting
Affordable Housing Code Amendments
January 17, 2018

PRESENTATION SUMMARY

Affordable Housing Code Amendments, CA17-005

1. Introductions (R. Lowell)
2. Set the Stage (R. Lowell)
3. Work To-Date – Case Studies (E. Rhett)
4. Recommendations for Mount Vernon (E. Rhett)
5. Next Steps (E. Rhett)
6. Q & A with Commission

Introductions

Affordable Housing Code Amendments, CA17-005

Erika Rhett, AICP

BERK
STRATEGY ▪ ANALYSIS ▪ COMMUNICATIONS

Erika is a Senior Land Use Planner with more than 14 years of experience working in the public sector. Her experience is in comprehensive planning, rural lands, and shoreline master programs.

Prior to joining BERK, she worked as a Senior Planner at the City of Bellevue. Erika served as the Outreach Plan Manager for the Comprehensive Plan Update completed in 2015.For the City of Renton, she managed the VISION 2040 Award-winning Sunset Area Community Planned Action EIS. This Plan was NEPA and SEPA compliant, and won the 2013 Governor's Smart Communities Award.

Erika has presented at numerous APA and other land use planning conferences since 2012. She has been published by the APA Urban Design and Preservation Division, and has led conference sessions and webinars on a variety of topics.

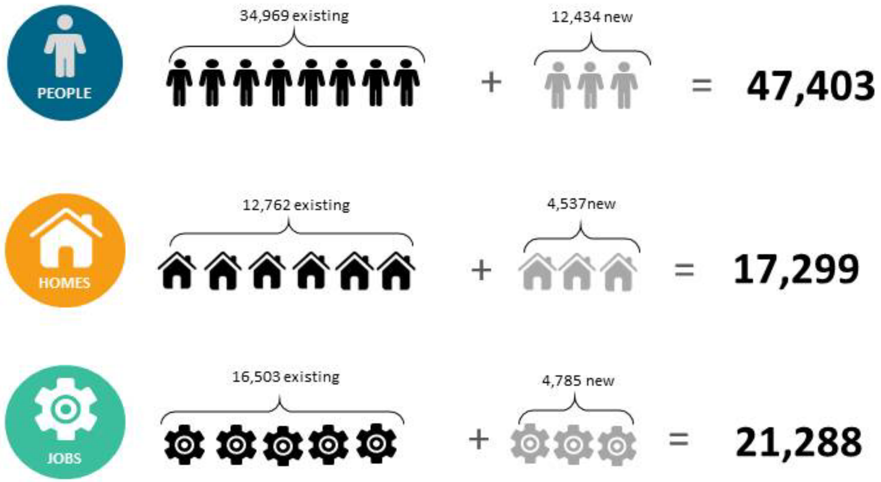
City of MOUNT VERNON

Setting the Stage

Affordable Housing Code Amendments, CA17-005

2016 completed our 8-Year Comp. Plan Update

20-Year Planning Horizons (2016 to 2036)



Will our roads support this many new vehicles?

Do we have enough land for homes and jobs?

Do we have a range of housing options? Housing affordability?

Can we balance jobs and homes?
Do we have enough land for parks?

Do we have capacity in our utilities?
Can we provide police and fire services?

GMA Comprehensive Planning

ISSUE IDENTIFIED: HOUSING AFFORDABILITY

#1 DEFINE THE PROBLEM

"Well defined problems lead to breakthrough solutions". Problems need to be critically analyzed and clearly articulated.
A poorly defined problem is much more difficult to solve!

High Housing Costs & Too Little Income.

#2 ANALYZE THE PROBLEM

Gather accurate, reliable information….and keep asking the "but why" questions, analyze "root" causes

Housing Element contains this analysis.

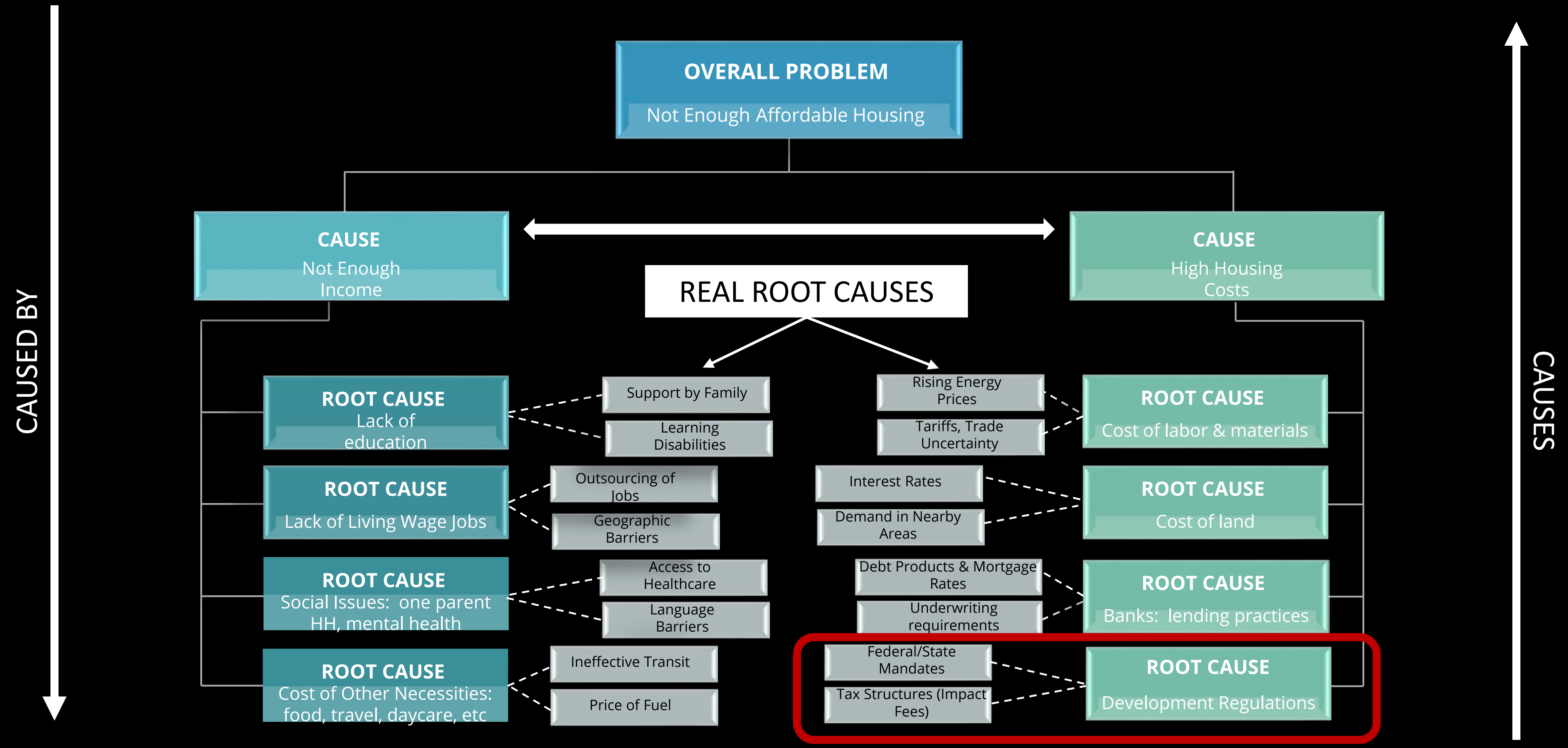
#3 IDENTIFY & CHOOSE SOLUTIONS

You have to understand what your organization can actually change. What is within our sphere of influence?
Think like a doctor: the cause of a problem is almost never where the symptom shows up….find the cause and fix it – you can't fix a symptom.

#4 PLAN OF ACTION/IMPLEMENTATION

Plan of Action = Goals, Objectives & Policies within Comprehensive Plan
Implementation = changes to city regulations

AFFORDABLE HOUSING – A WICKEDLY COMPLEX PROBLEM



Housing Affordability

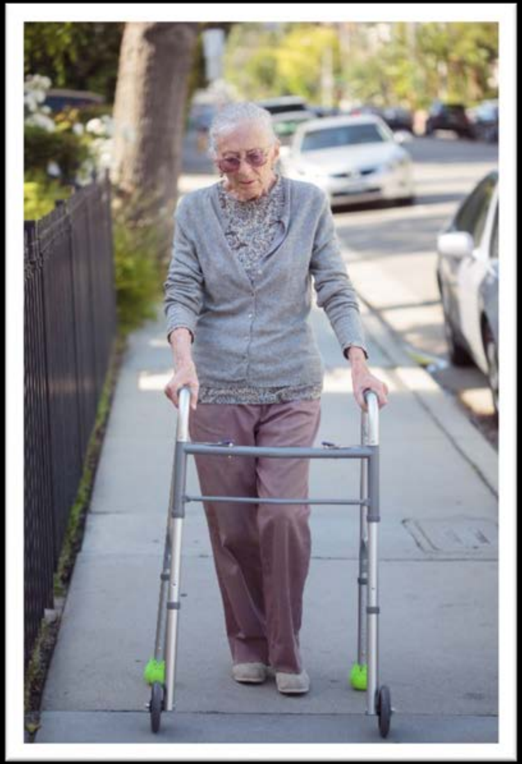
Housing is defined as unaffordable when more than 30% of an individuals (or families) income is spent on housing. Relationship of two variables: income and housing cost.

Family of 4 has a yearly income of $100,000.00

Affordable housing to them would be $2,500.00/month for housing

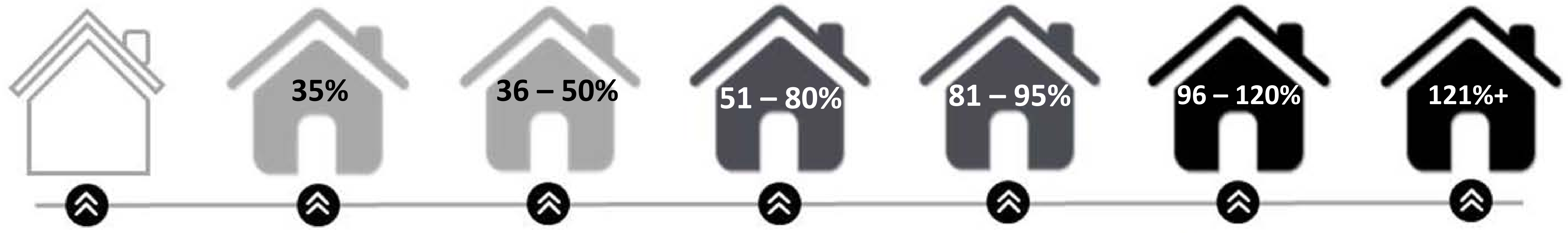
Single woman has a yearly income of $18,000.00

Affordable housing to her would be $450.00/month for housing



Housing Affordability

2017 Skagit County Area Median Income **(AMI):** **$66,300.00** *(family of four)*

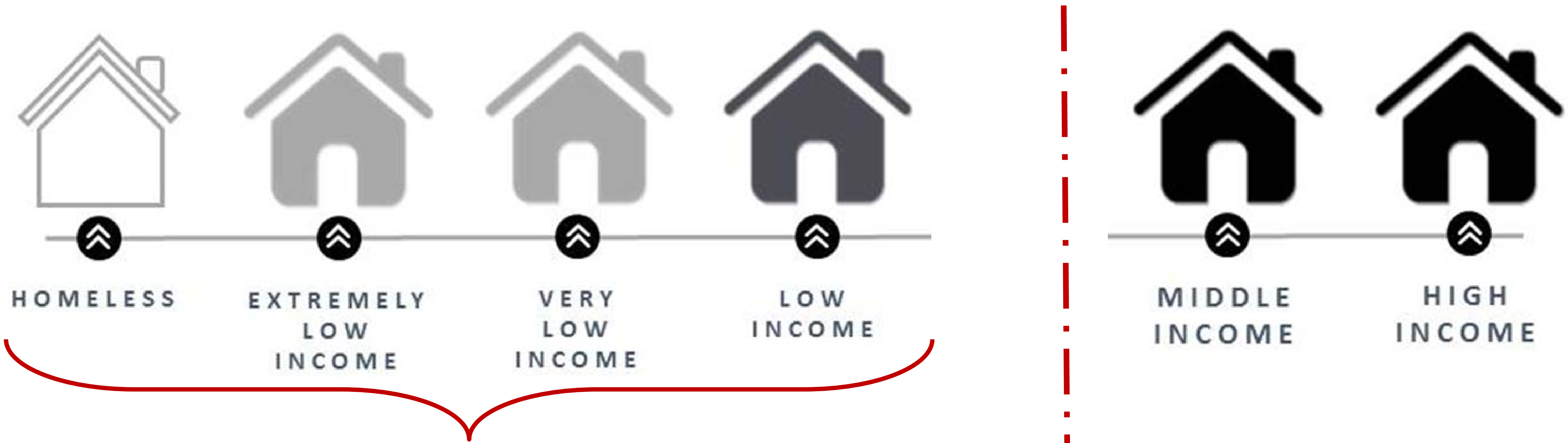


	HOMELESS	EXTREMELY LOW INCOME	VERY LOW INCOME	LOW INCOME	MODERATE INCOME	MIDDLE INCOME	HIGH INCOME
Upper Income Limit FY 2017, family of four:		$24,600.00	$33,150.00	$53,050.00	$62,985.00	$79,560.00	$80,223.00 +
Monthly Housing Cost If paying 30% of income:		$615/month	$829/month	$1,327/month	$1,575/month	$1,989/month	$2,006/month

City of MOUNT VERNON

Housing Affordability

HUD data (2014): 11,308 occupied dwelling units



61%

Low income households are paying more than 30% income on housing (6,940 households)

13%

Middle/High income households are paying more than 30% income on housing (1,505 households)

26% Middle income and paying 30% of income on housing (or less)

City of MOUNT VERNON

Housing Affordability

61% =

84% of Mount Vernon's Affordable Housing Problem
(5,825 households)

47% of the 84% is 50% AMI and below

16% of Mount Vernon's Affordable Housing Problem
(1,115 households)

Comprehensive Plan Implementation Strategy

#1: DONE

Policy HO-5.1.3, Policy HO-5.1.4, Policy HO-5.1.6, and Policy HO-5.1.7 all addressed with City's adoption of Ordinance 3712 on April 26, 2017 that permits a Permanent Supportive Housing Facility in the City

#2: IN PROCESS (2017/2018)

Consistent with the adopted Housing Element Goals, Objectives and Policies these code amendment will Include:

Ways to encourage infill development (ADUs, zero lot line, townhomes, etc.)

Incentives to create affordable housing for those at 60% and below and 80% and below AMI. Incentives for consideration will include: density bonuses in residential zones, impact fee reductions, permit fast tracking, and others.

Regulations to protect existing neighborhoods that could have higher density land use and the creation of a program to make sure that affordable housing units are occupied by those who qualify.

#3: FUTURE WORK (2018/2019 – 2020+)

Consistent with the adopted Housing Element Goals, Objectives and Policies these code amendment will Include:

Ways to allow multi-family units in residential zones they are not currently allowed within.

Ways to allowed mixed use development in zones it is not currently allowed within.

Building Inspection program for existing residential units to ensure health and safety codes are being complied with.

Other infill incentives not addressed in 2017 such as cottage housing developments, or other.

Amendments to ensure fair housing regs. are complied with.

City of MOUNT VERNON

Work on Affordable Housing to Date

- Comprehensive Plan Update – Housing Element
- Approaches to Housing Affordability Memo
  - Reviews City Policy and Examines Case Studies on:
    - Diversity of Housing Types
    - Affordable Housing Programs
    - Management of Affordable Housing
- Stakeholder Interviews with Developers and Non-Profits
  - What is needed to create affordable housing in Mount Vernon?
  - Offered ideas on codes, policies, permitting processes, and economic considerations
- Planning Commission Briefing

Two Approaches for Affordability

Density Bonuses

- Recommended by developers and non-profits in the stakeholder interviews
- Typically works well on larger projects
- Allows costs to be spread among a greater number of homes
- Works well in markets with high land costs, high home prices/rents and a shortage of affordable housing
- Most likely to produce housing affordable at targeted levels (80% or 60% AMI)

Infill Housing

- No or lower costs related to infrastructure development
- Provides housing affordable at market rates
- Relies on diverse, often smaller, housing types to meet community needs

Density Bonus Case Studies

Federal Way – 10% bonus, maximum 80% AMI for ownership, 50% AMI for rental

Poulsbo – 20% bonus for 10% affordable, 25% bonus for 15% affordable

Kirkland- bonus system is supplemental to inclusionary requirements, allows two market rate units for each affordable unit, up to 50% bonus, but complicated system where lower income units count for more

Ellensburg- allows one market rate unit for each affordable unit, up to 50% bonus

Lessons Learned

- A straight forward, easy-to-administer code is needed
- Should include an affordability covenant
- Should consider incentives that support housing at 50% AMI or lower
- Need a bonus that provides enough incentive, but preserves the distinctiveness of the residential zones
- Consider a fee-in-lieu option
- Review development standards to see if adjustments need to be made to accommodate development with a full bonus

Recommendation for Mount Vernon

- Easy to administer - One market rate unit for each affordable unit
- Provide an incentive for moderate and low incomes – requires half of the bonus to be 60% AMI or below, other half up to 80% AMI
- Preserves distinction between single-family zones with a higher maximum bonus density in denser zones

RESIDENTIAL ZONING DISTRICTS	EXISTING DENSITY REQUIREMENTS		MINIMUM LOT SIZE	SUGGESTED MAXIMUM DENSITY INCREASE
	MINIMUM	MAXIMUM		
R-1, 4.0, Single-Family Residential	4.0 du/acre	4.54 du/acre	7,500 s.f.	5.45 du/acre (20% total)
R-1, 5.0, Single-Family Residential	4.0 du/acre	5.73 du/acre	6,000 s.f.	6.88 du/acre (20% total)
R-1, 7.0, Single-Family Residential	4.0 du/acre	7.26 du/acre	4,500 s.f.	9.44 du/acre (30% total)
Duplex and Townhouse (R-2)	8.0 du/acre	10.0 du/acre	6,500 s.f. for a duplex or townhouse unit	14.0 du/acre (40% total)
Multi-Family (R-3)	10.0 du/acre	15 du/acre*	N/A#	22.5 du/acre (50% total)
Multi-Family (R-4)	10.0 du/acre	20 du/acre*	N/A#	30 du/acre (50% total)

* Maximum density may only be achieved so long as 50% or more of the required parking spaces are located in an enclosed area beneath the habitable floors of the building.

The lot must be of sufficient size to support the density, setbacks, parking, landscaping, infrastructure, and any other items required to comply with the City's development regulations.

10 gross acres
7 net acres

RESIDENTIAL ZONING DISTRICTS	MAXIMUM EXISTING DENSITY	MAXIMUM SUGGESTED DENSITY	TOTAL UNITS UNDER EXISTING CODE	TOTAL UNITS UNDER SUGGESTED CODE
R-1, 4.0, Single-Family Residential	4.54 du/acre	5.45 du/acre (20% total)	31 units	38 units ▪ 34 market rate units ▪ 4 total affordable units (at least 2 affordable at 60% AMI or less)
R-1, 5.0, Single-Family Residential	5.73 du/acre	6.88 du/acre (20% total)	40 units	48 total units consisting of: ▪ 44 market rate units ▪ 4 total affordable units (at least 2 affordable at 60% AMI or less)
R-1, 7.0, Single-Family Residential	7.26 du/acre	9.44 du/acre (30% total)	50 units	66 total units consisting of: ▪ 58 market rate units ▪ 8 total affordable units (at least 4 affordable at 60% AMI or less)
Duplex and Townhouse (R-2)	10.0 du/acre	14.0 du/acre (40% total)	70 units	98 total units consisting of: ▪ 84 market rate units ▪ 14 total affordable units (at least 7 affordable at 60% AMI or less)
Multi-Family (R-3)	15 du/acre*	22.5 du/acre (50% total)	105 units	157 total units consisting of: ▪ 131 market rate units ▪ 26 total affordable units (at least 13 affordable at 60% AMI or less)
Multi-Family (R-4)	20 du/acre*	30 du/acre (50% total)	140 units	210 total units consisting of: ▪ 175 market rate units ▪ 35 total affordable units (at least 17 affordable at 60% AMI or less)

Infill Housing – Code Recommendations

- Uses – allow duplexes, ADUs, cottage housing, zero lot line homes, small lot single-family as a permitted use in a greater variety of residential zones
  - Allow duplexes as permitted outright in the R-1 zone, but require compliance with all single-family development standards
  - Allow ADUS in R-2, R-3, R-4 zones
  - Allow cottage housing in R-1 and R-2 zones, limit size and scale but allow additional density
  - Allow zero lot line and small lot single-family in the R-2 zone
- Development standards – need some flexibility to support infill development, similar to the 20% modification already allowed for ADUs
- Design standards – these should be performance based and focus on scale, landscaping, and site planning

Implementation Considerations

- Impact fee reductions, particularly for units at 60% AMI or less
- Allow fee-in-lieu, can consolidate funds for non-profit housing development
- Program Management
  - Must be affordable for 50 years
  - Require a covenant
  - Enforcement options:
    - Compliance review conducted by the City
    - Contracted management with non-profit or private agency

Next Steps

- Need confirmation of direction on incentives and infill housing
- Need preferences for program management and implementation considerations
- This addresses only the creation of affordable housing, market rate housing will be reviewed in 2018-2020

Questions & Comments

Capacity Analysis & Case Study Details (if needed)

Capacity Analysis

- Part of the Comprehensive Plan Update
- Indicates that more than 2/3 of new development will occur through large development and infill
- Suggests that affordability may require a two-pronged approach

Category of Development	# of Units Created within the Development	% of Future Unit Creation (not including UGAs)
Infill	1 to 9	27%
Small Developments	10 to 25	13%
Medium Developments	26 to 100	18%
Large Developments	100 or more	42%

City of MOUNT VERNON

Federal Way

- 10% Density Bonus for Affordable Housing
- Must be for 80% AMI or below for home ownership units; 50% AMI or below for rental units
- Requires affordability to be in place through a covenant that lasts the life of the project
- Allows lots with affordable units to be reduced by 20% in size
- Straight forward, easy to administer
- Probably not enough bonus for Mount Vernon

RESIDENTIAL ZONING DISTRICTS	EXISTING DENSITY REQUIREMENTS		10% DENSITY BONUS
	MINIMUM	MAXIMUM	
R-1, 4.0, Single-Family Residential	4.0 du/acre	4.54 du/acre	4.99 du/acre
R-1, 5.0, Single-Family Residential	4.0 du/acre	5.73 du/acre	6.30 du acre
R-1, 7.0, Single-Family Residential	4.0 du/acre	7.26 du/acre	7.99 du/acre
Duplex and Townhouse (R-2)	8.0 du/acre	10.0 du/acre	11 du/acre
Multi-Family (R-3)	10.0 du/acre	12.0 du/acre - or - 15 du/acre if 50% of required parking located beneath the habitable floors of the building	13.2 du/acre - or – 16.5 du/acre if 50% of required parking located beneath the habitable floors of the building
Multi-Family (R-4)	10.0 du/acre	15.0 du/acre - or - 20 du/acre if 50% of required parking located beneath the habitable floors of the building	16.5 du/acre - or – 22 du/acre if 50% of required parking located beneath the habitable floors of the building

Poulsbo

- 20% Density Bonus for Affordable Housing if at least 10% affordable to low incomes
- 25% Density Bonus for Affordable Housing if at least 15% affordable to low incomes
- Requires affordability to be in place through a covenant that requires the City to review the sale or lease of the unit to verify affordability requirements are met
- 25% bonus does not provide additional incentive

RESIDENTIAL ZONING DISTRICTS	EXISTING DENSITY REQUIREMENTS		20% DENSITY BONUS	25% DENSITY BONUS
	MINIMUM	MAXIMUM		
R-1, 4.0, Single-Family Residential	4.0 du/acre	4.54 du/acre	5.45 du/acre	5.68 du/acre
R-1, 5.0, Single-Family Residential	4.0 du/acre	5.73 du/acre	6.88 du/acre	7.16 du/acre
R-1, 7.0, Single-Family Residential	4.0 du/acre	7.26 du/acre	8.71 du/acre	9.08 du/acre
Duplex and Townhouse (R-2)	8.0 du/acre	10.0 du/acre	12 du/acre	12.5 du/acre
Multi-Family (R-3)	10.0 du/acre	12.0 du/acre - or - 15 du/acre if 50% of required parking located beneath the habitable floors of the building	14.4 du/acre - or – 18 du/acre if 50% of required parking located beneath the habitable floors of the building	15 du/acre - or – 18.75 du/acre with 50% of required parking located beneath the habitable floors pf the building
Multi-Family (R-4)	10.0 du/acre	15.0 du/acre - or - 20 du/acre if 50% of required parking located beneath the habitable floors of the building	18 du/acre - or – 24 du/acre if 50% of required parking located beneath the habitable floors of the building	18.75 du/acre - or – 25 du/acre if 50% of required parking located beneath the habitable floors of the building

Kirkland

- 10% inclusionary requirement
- 2 market rate units for each affordable unit when affordable units exceed 25% of the project
- Maximum bonus density 50%
- ARCH manages housing
- Allows fee-in-lieu payment
- Complex system
- Largest bonus studied – may be needed in that market

RESIDENTIAL ZONING DISTRICTS	EXISTING DENSITY REQUIREMENTS		DENSITY BONUS
	MINIMUM	MAXIMUM	
R-1, 4.0, Single-Family Residential	4.0 du/acre	4.54 du/acre	6.83 du/acre maximum
R-1, 5.0, Single-Family Residential	4.0 du/acre	5.73 du/acre	8.6 du/acre maximum
R-1, 7.0, Single-Family Residential	4.0 du/acre	7.26 du/acre	10.89 du/acre maximum
Multi-Family (R-3)	10.0 du/acre	12.0 du/acre - or - 15 du/acre if 50% of required parking located beneath the habitable floors of the building	18 du/acre maximum - or – 22.5 du/acre maximum with parking located beneath the habitable floors of the building
Multi-Family (R-4)	10.0 du/acre	15.0 du/acre - or - 20 du/acre if 50% of required parking located beneath the habitable floors of the building	22.5 du/acre maximum with parking located beneath the habitable floors of the building 30 du/acre maximum with parking located beneath the habitable floors of the building

Ellensburg

- One market rate unit for each affordable unit up to 50% bonus density
- Must be affordable at 80% AMI
- Requires covenant in place for 25 years
- Easy to administer
- Would be a significant increase in density in Mount Vernon's single-family zones

RESIDENTIAL ZONING DISTRICTS	EXISTING DENSITY REQUIREMENTS		50% DENSITY BONUS
	MINIMUM	MAXIMUM	
R-1, 4.0, Single-Family Residential	4.0 du/acre	4.54 du/acre	6.81 du/acre
R-1, 5.0, Single-Family Residential	4.0 du/acre	5.73 du/acre	8.60 du/acre
R-1, 7.0, Single-Family Residential	4.0 du/acre	7.26 du/acre	10.89 du/acre
Duplex and Townhouse (R-2)	8.0 du/acre	10.0 du/acre	15 du/acre
Multi-Family (R-3)	10.0 du/acre	12.0 du/acre - or - 15 du/acre if 50% of required parking located beneath the habitable floors of the building	18 du/acre - or - 22.5 du/acre if 50% of required parking located beneath the habitable floors of the building
Multi-Family (R-4)	10.0 du/acre	15.0 du/acre - or - 20 du/acre if 50% of required parking located beneath the habitable floors of the building	22.5 du/acre - or – 30 du/acre if 50% of required parking located beneath the habitable floors of the building