



# PLANNING AND ECONOMIC DEVELOPMENT

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## White Paper

To: Planning and Economic Development Committee  
From: Amanda Negi, Community Planner  
Subject: Religious Properties Density Bonus Ordinance  
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### 1. BACKGROUND

The purpose of this white paper is to invite thoughtful discussion regarding the pathways through which Poulsbo can respond to *Revised Code of Washington (RCW) 36.70A.545* and how our municipal code and development standards may be affected by such an ordinance.

Washington State Legislature enacted *State House Bill (SHB) 1377* in 2019, which is implemented by state law provision *RCW 36.70A.545*. *RCW 36.70A.545* mandates that cities provide density bonuses to affordable housing projects located on property owned or controlled by religious organizations if developments adhere to local land use, environmental standards and regulations, and serve local needs. The basic tenets of the law are as follows:

- Affordable housing developments (comprised of either or both single family and multifamily residential dwelling units) must be exclusively for low-income households for at least 50 years, even if the property changes ownership. For this law, low-income households are defined as having income less than 80% AMI (area median income) based on the respective county in which the development is located.
- Sales price and/or rental amounts may not exceed 30% of the income limit for the unit.
- Properties need not be where the religious institution is physically located.
- Religious organizations must pay all fees, mitigation costs, and any other charges related to the development.
- If applicable, the institutions should work with local transit authorities to ensure appropriate services are made available to residents.

### 2. WHY IS THE CITY EXPLORING A DENSITY BONUS ORDINANCE FOR RELIGIOUS PROPERTIES?

Despite limited land and rising construction costs that have reduced the availability of diverse housing choices within Poulsbo, the Planning and Economic Development (PED) department has demonstrated commitment to proactively exploring and addressing affordable housing challenges and opportunities. In 2019, the PED department sought and received a Housing Action Plan (HAP) grant from the Washington State Department of Commerce to create Poulsbo's Housing Action Plan (HAP), which City Council adopted in December 2021. The HAP identifies multiple Housing Objectives and Strategies that would be supported by a religious properties density bonus ordinance, the most relevant of which are highlighted below:

- Housing Objectives:
  - "Promote new market-rate and affordable housing construction that expands housing choices."

- “Encourage homeownership opportunities and support equitable housing outcomes.”
- “Partner with housing educators, providers, non-profit organizations and faith-based to find equitable housing solutions.”
- Housing Strategies:
  - “Identify City code and process barriers for permit efficiencies.”
  - “Identify opportunities to provide financial incentives and/or fee waivers to support affordable housing.”
  - “Partner with faith-based, non-profit and government housing programs that produce affordable housing stock.”
  - “Support the needs of an aging population.”
  - “Encourage the development of multifamily housing.”

As part of these interdependent objectives and strategies, the city began to explore what actions could be taken to influence the housing market through adopting and updating development regulations (e.g. zoning and design standards) and by utilizing and updating development incentives (e.g. density bonuses and streamlined permitting). In 2022, as part of this process, the PED department sought and received a **Housing Action Plan and Implementation (HAPI) grant** from the Department of Commerce to facilitate and implement HAP objectives and strategies. It became clear that there was a significant opportunity to address *RCW 36.70A.545* by pursuing a religious properties density bonus ordinance through the HAPI grant. Specifically, HAPI Grant Objective 2 is to “Develop a program to encourage the development of affordable housing on property owned by religious organizations.”

Incentivizing affordable housing on religious properties through a density bonus ordinance may have the following community impacts:

- Religious organizations often have underutilized real estate and amenities, such as parking, building structures and offices, that can be repurposed to address Poulsbo’s affordable housing needs. In some instances, entire sites may be available due to changes in congregation size or the institution closing or moving. Providing housing to vulnerable and cost-burdened community members is often a natural extension of the outreach and mission programming that religious organizations already provide
- Increasing a project’s density can strengthen the financial feasibility of affordable housing projects for project applicants and developers, making it far more likely that projects move from the vision and idea stage to construction and completion
- Responding proactively to bring PMC into accordance with *RCW 36.70A.545* and develop a specific vision for the impact of this ordinance in Poulsbo will increase clarity and efficiency for all stakeholders and city staff throughout the entire project review process

### 3. STATEWIDE JURISDICTION RESPONSE AS OF MAY 2022

*RCW 36.70A.545* gives municipalities flexibility to incentivize the affordable housing development projects according to their respective specific needs. As the law does not specify the amount of density bonus nor in which zones such a bonus must be undertaken, Poulsbo is able to craft an ordinance that best suits our community needs and character and is both responsive to the present and intelligently anticipates the future. Though still a relatively new ordinance, PED department research shows that between 2020 and July 2022, the following municipalities are in various stages of crafting their response to *RCW 36.70A.545*: Bainbridge Island, Bellevue, Bremerton, Kenmore, Seattle, Vancouver, and Wenatchee. Each jurisdiction has approached the topic in unique ways, which are highlighted in small summaries below.

#### Bainbridge Island

In 2020, a Bainbridge Island church approached the city with a desire to develop an underutilized area of their property into affordable housing. As a result, the city began discussing the impact of the religious properties density bonus on this site as a pilot project, in addition to taking stock of additional religious-owned properties in

the city under the anticipation this ordinance may be applied island-wide in the future. Relevant highlights of the draft ordinance are as follows:

- New type of land use but only in a particular zone, and projects will trigger a Conditional Use Permit
- Must be affordable for minimum 99 years (*increase from state law mandate of 50 years*)
- Density bonus of 1.5-2 units per acre depending on neighborhood location
- City will establish a financial formula to keep housing affordable over time for future occupants while still allowing owners to see growth in homeowner equity

### **Bellevue**

In 2020, in response to *RCW 36.70A.545*, Bellevue adopted a Comprehensive Plan Amendment to add new housing policies to their Housing Element. These policies sought to incentivize permanent affordable housing on properties owned by faith-based institutions and encourage flexible and contextual development standards in multifamily and single-family districts. In 2021, Bellevue adopted a LUCA (Land Use Code Amendment) that gave a 50% density bonus to affordable housing developments on faith-based, non-profit, or publicly owned properties. Projects on these properties were eligible for certain development modifications, including:

- Up to 1 additional FAR (additional story of height) in multifamily land use districts
- Provisions for duplex and triplexes in single family land use districts
- Open space requirements reduced to 35% of gross land area

For multifamily land use area projects, providing a 50% density bonus was significant due to already high underlying base density, but it was determined that a 50% density bonus would likely not be enough to support affordable housing projects in single-family land use districts due to the lower base density allowed in such zones. As a result, the City Council directed Bellevue to begin a Phase 2 with a 2022 CPA and LUCA to increase density bonus options for properties that meet the following criteria:

- Owned by religious organization in a single-family land use district
- Within 0.5 miles of transit stops, including future light rail or bus rapid transit
- Location on an arterial street and within 300 ft of multifamily and/or commercial land use districts

### **Bremerton**

After consulting with the Kitsap Housing and Homeless Coalition (KHHC) and their partner agencies (Bremerton Housing Authority, Kitsap Community Resources, Housing Kitsap and Habitat for Humanity Kitsap County), Poulsbo's neighbor, the city of Bremerton is taking the following approach for providing density bonuses for affordable housing projects on sites owned by religious organizations:

- 50% density bonus for applicable development proposals
- Bremerton Housing Authority (BHA) may also be considered as a project applicant
- Conditional Use Permit will be required for proposals
- Applicant must consult with Kitsap Transit to ensure appropriate transit services to the site

### **Kenmore**

The city of Kenmore addressed *RCW 36.70A.545* by incorporating it into their development agreement process. Applicable projects may also take advantage of additional affordable housing incentives, such as streamlined permit review processes and increased unit density. For projects that will provide only moderate-income affordable housing units, the density bonus is limited to the maximum density allowed by the zoning district of the site. However, if the project is in multifamily or commercial zones and if a significant amount of the project's units will be designated as low income (at or below 50% AMI) or very low-income (at or below 35% AMI) affordable housing units, a density bonus of 1-2 additional units for every 1 unit of affordable housing will be awarded.

## Seattle

In June 2021, Seattle City Council approved Council Bill 120081 with amendments. Relevant density bonus elements of the bill are:

- In multifamily zoning districts: 1 additional floor for projects (standard max. height is 3-8 stories)
- In mixed-use commercial zones: 1-3 additional floors for projects (standard max. height is 3-8 stories)
- In zones with height limits over 85 ft: Up to 6 additional floors for projects (standard max. height is 12-44 stories)
- In single-family zones: No change in height permitted unless site is near more intensive zones or frequent transit, in which case up to 1 additional floor; Housing type flexibility (e.g. affordable for-sale townhomes)

In addition to increased density bonuses, Council Bill 120081 lowers the AMI requirement from the mandated 80% under state law to 60%. Proponents argued that this is necessary to ensure that the most vulnerable populations are being served. Opponents who hope to repeal the amendment argue that at 60% AMI, the affordable housing projects are going to struggle to financially stay afloat without taking considerable outside support from subsidies or from institutions with whom the churches may not align ideologically.

## Vancouver

The city of Vancouver is addressing *RCW 36.70A.545* by providing a density bonus of 50% in single-family residential zones and 100% bonus in multifamily residential zones provided that allowed building types and height limits of the underlying zones are adhered to. Additionally, due to developer interest in this bonus, eligibility was expanded from religious organizations to any category of applicant.

## Wenatchee

Wenatchee's response to this bill is granting additional density for affordable housing projects able to demonstrate compliance with the city's comprehensive plan. General affordable housing density bonuses not specifically tied to religious organizations specify that the number of affordable units in a development corresponds with the bonus awarded. For example, a 100% density bonus could be given if 100% of the units in a rental property are affordable, while up to 100% density bonus could be given if 60% of the units in an ownership-based property are affordable.

## **4. PATHS FORWARD FOR POULSBO**

After researching the approaches taken by seven other jurisdictions, internal discussion within the PED department has highlighted various elements of *RCW 36.70A.545* that should be discussed to encourage engagement and feasibility for project applicants while also maximizing efficiency for municipal project review and approval. One of the unique aspects of *RCW 36.70A.545* is the allowance of local jurisdictions to decide the extent and nature of the density bonus to be applied.

Poulsbo is considering providing a base density bonus that could be incrementally increased based on the applicant's voluntary inclusion of elements that the PED department wishes to incentivize. Current examples being explored are below, with a final list to be determined through further discussion and stakeholder engagement:

- A. Providing units serving lower AMI households
- B. Diversifying missing middle housing types and integrating universal design
- C. Including community amenities appropriate for residents and the surrounding neighborhood context

### **A. Area Median Income (AMI) Threshold**

As per state law under *RCW 36.70A.545*, all units must be inhabited by people at or below 80% AMI level. Some jurisdictions have chosen to keep this threshold, while others have lowered it with the intention of incentivizing housing developments for individuals with higher housing cost burdens. In Poulsbo, 32% of Poulsbo households are

either cost-burdened (30%+ of monthly income towards housing) or severely cost-burdened (50%+ of monthly income towards housing).

### House-burden by Tenure and Severity

	Percentage of Households	Median Household Income (MHI)	Cost-burdened	Severely Cost-burdened
Homeowners	64%	\$89,333	21%	8%
Renters	36%	\$47,321	14%	25%

A Community Input Key Takeaway from the HAP is that “... young adults and single-headed female households, elderly, service workers, and public workers are unable to afford housing in Poulsbo.” In addition to elderly residents, many small and large families in Poulsbo are cost-burdened and in need of diverse housing options. The majority of low-income small families are considered extremely low-income (0-30% AMI), and of cost-burdened large families, the largest group falls into the low-income category (50-80% AMI). The difference in degrees of housing burden highlights the necessity of diverse affordable housing options in the city. The table below provides information about the household size and age categories most affected by housing affordability in Poulsbo.

### Percentage of Poulsbo Elderly Residents and Families by AMI Level

	<u>Extremely Low-Income</u> (At or below 30% AMI) (\$21,282 or less)	<u>Very Low-Income</u> (30-50% AMI) (\$22,016 – \$36,694)	<u>Low-Income</u> (50-80% AMI) (\$37,427-\$58,710)	<u>Moderate Income</u> (80-100% AMI) (\$59,444 - \$73,388)	<u>Above Median Income</u> (Above 100% AMI)
Elderly Family	0%	2.2%	6.2%	49.8%	41.9%
Elderly Living Alone	16.5%	26.0%	10.4%	27.7%	19.5%
Small Family	5.8%	4.1%	4.5%	43.8%	41.8%
Large Family	2.9%	7.1%	21.4%	37.1%	31.4%

#### Elderly Families

- Approximately 92% live at or above 80% AMI
- Of low-income elderly families, most fell in the 50-80% AMI category

#### Elderly Living Alone

- Approximately half of elderly individuals living alone live at or above 80% AMI
- About one quarter of individuals are considered very low-income, followed by 16.5% at the extremely low-income and 10.4% at the low-income levels

#### Small Families

- Approximately 86% of small families live at or above 80% AMI
- The majority of low-income small families are considered extremely low-income (5.8%), closely followed by 4.5% of families as low-income and 4.1% as very low-income

#### Large Families

- Approximately 69% of families live at or above 80% AMI
- For low-income large families, the largest group falls into the low-income category (21.4%), followed by very low-income (7.1%) and then extremely low-income (2.9%)

### Size of Housing Units and Target Residents

- By far, elderly residents living alone formed the largest percentage of extremely low-income and very low-income residents
- 68.2% of all cost-burdened large families could be served through bigger, multi-bedroom units that accommodate larger families in the 50-80% AMI range
- 49.1% of cost-burdened elderly living alone could be served through smaller units priced for individual elderly residents in the 30-50% AMI range, and 31.2% of cost-burdened elderly living alone could be served through smaller units priced for individual elderly residents in the 0-30% AMI range

These data provide valuable insight into potential design and financial impacts that prioritizing various affordability levels of housing could have for each respective group of residents. This information can be used to help guide Poulsbo's focus for incentivizing various levels of affordability with respect to local population data and municipal policies.

### **B. Diverse Housing Types with Universal Design**

A second potential avenue for receiving an increased density bonus is through projects whose unit size and design accurately reflect Poulsbo's current population and growth trajectories as well as prioritize creating units to serve community members of all ages and abilities through universal design. To better understand the impact of proposals that seek to build diverse housing types for households of people with diverse ages and needs, it is imperative to look to data and visions from Poulsbo's HNA and HAP.

### Housing Types and Household Size: Multifamily and Missing Middle Housing

Data from Poulsbo's Housing Needs Assessment (HNA) show that there is a significant mismatch in current housing stock and household size: 63% of households have 1-2 members but 61% of all units have 3+ bedrooms. Further, 68% of housing stock is detached, single family homes, with multifamily housing types divided as follows: Multi-family of 5+ units: 23%; Multi-family of 3-4 units: 4%; Mobile Homes: 3%; Duplex: 1%.

These data contributed to HAP Housing Objective #1: "Promote new market-rate and affordable housing that expands housing choices." The ability to closely match the average household size, available housing stock variety, and affordability levels can have the following impacts: ability of residents to successfully age in place; increase in density and decrease in sprawl; and a decrease in traffic and greenhouse gases due to a more balanced jobs-housing ratio in which more people that work in Poulsbo can afford to live here.

Encouraging the development of diverse and contextually appropriate multifamily housing developments, as outlined below in HAP Housing Strategy #9, is a significant path to pursue in efforts to house Poulsbo's growing population, many of whom need affordable housing.

### **HAP Housing Strategy #9: "Encourage the development of multifamily housing."**

<i>Recommended Action 9.1</i>  "Support transit-oriented development along current transit corridors."	Opportunity to thoughtfully rezone and/or amend code to support neighborhood character and design that is anchored by mixed-use development, multi-modal transportation, and access to variety of services
<i>Recommended Action 9.2</i>  "Allow greater flexibility in multifamily zones."	Opportunity to identify areas where increased building heights or density levels are appropriate and supported by infrastructure and services. End goal is increasing housing and economically feasible redevelopment of existing properties

<i>Recommended Action 9.4</i>  “Explore “micro-housing” style developments.”	Opportunity to explore and determine feasibility of micro-housing developments for small household sizes where large living spaces are not needed
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#### Impact of Elderly Population on Housing Needs

Data from Poulsbo’s Housing Action Plan (HAP) detail that Poulsbo’s median age (42.5 years) and population 65+ are greater than in both Kitsap County and Washington State; further, the population of 85+ (3.1%) is double that of Kitsap County. The percentage of elderly residents is growing, and in the next 10 years, approximately 40% of Poulsbo’s population will be over 60 years old. With a significant elderly population that continues to grow, many of whom are cost-burdened, it is imperative that our housing policies set the stage for future initiatives to support elderly residents aging in place and having easy access to services they need over their lifespan. The HAP addresses this in HAP Housing Strategy #8, outlined below:

#### **HAP Housing Strategy #8: “Support the needs of an aging population.”**

<i>Recommended Action 8.1</i>  “Pursue partnerships to support aging in place.”	Opportunity for religious organizations to be involved in longer-term plans or make partnerships with other organizations in elder care support
<i>Recommended Action 8.2</i>  “Examine property tax relief and utility rate/tax relief programs.”	Opportunity to “expand participation in these programs through increased outreach and education” if seniors are the target resident populations for developments under RCW 36.70A.545
<i>Recommended Action 8.3</i>  “Examine development regulations if there are barriers to senior housing.”	Opportunity to adjust development standards, such as parking needs for residential facilities that serve the elderly

#### Affordable Housing and Universal Design

With an increasing elderly population and a municipal vision to provide housing to the most vulnerable of our community members, such as elderly and disabled individuals, it is not only a natural but seemingly necessary step to consider incentivizing the incorporation of universal design as part of Poulsbo’s response to (RCW) 36.70A.545. A founding visionary for Universal Design, Ron Mace explains that universal design is “the design of products and environments to be usable by all people to the greatest extent possible without the need for adaptation or specialized design” (Ron Mace, 1985). To understand the impact of and visualize what this could look like in our community, it may be helpful to explore two examples of universal design incorporated into multifamily housing. One development is 100% affordable housing, and the other is 56% market-rate and 44% affordable housing.

The University Neighborhood Apartments development in Berkely, CA is the first 100% affordable housing development in the U.S. built with Universal Design principles integrated throughout the entire building. The 27 units are occupied by people who live at the 30-50% AMI level. Beyond their income level, residents were of all ages and made up households of various sizes, and some had various mobility or sensory disabilities while others did not. Every unit and community area were built to allow each resident full access to and enjoyment of every space regardless of ability or age. From a design perspective, this meant integrating a suite of elements, such as wide doorways and hallways, adjustable height counters and storage areas, and high contrast colors and signage, into every single unit and community space. Development amenities include community laundry, community rooms, a play structure for children, open terrace with views, and access to an in-house agency to help residents with job and social opportunities (Satellite Affordable Housing Associates, [www.sahahomes.org](http://www.sahahomes.org))



6<sup>th</sup> North Apartments in St. Louis, Missouri is a mixed-use, 80-unit residential building serving mixed-income households. It is one of the first, larger scale multifamily housing developments to have incorporated 100% universal design throughout the buildings units and common spaces, which include an accessible gym, patios, and a coffeehouse and live-work units on the ground floor. The ground floor amenities were particularly important to the neighboring community, who was initially hesitant about the affordable housing component and strongly desired to see community services incorporated into the building, which now include a stationery store, coffee shop, and an architectural firm. (6<sup>th</sup> North Apartments, [www.udinstitute.org](http://www.udinstitute.org))

Research on both developments repeatedly highlighted that the cutting-edge work to incorporate universal design elements into their housing projects was liberating, exciting and driven by a passion of partners and stakeholders to respect and serve people of all abilities, as opposed to doing the bare, required minimum to technically accommodate.

### **C. Holistic Site Plan: Community Amenities and Neighborhood Commercial**

When considering the vast community benefit and potential of these developments, an area the PED department discussed is incentivizing community amenities. Our research shows that only one jurisdiction, Bainbridge Island, required a specific amenity, namely neighborhood gardens, as part of their ordinance; however, at this time the PED department recommends that there be choices on what to incorporate into the community development to fit the surrounding neighborhood context and character most appropriately. Examples of amenities may be:

- multigenerational playgrounds and parks for fitness and fun for all ages
- flex spaces for community events
- dedicated spaces for suite of health and social service providers
- Neighborhood Commercial

Neighborhood Commercial “is intended to encourage small areas of low intensity commercial businesses located near residential neighborhoods, with the purpose of providing for the needs of residents or visitors within that limited geographic area. The neighborhood commercial use is intended to provide goods and services within walkable distances” (PMC 18.70.070F : Additional standards and provisions for R zoning districts: Commercial uses in the R Zones). Examples of allowed neighborhood commercial uses are grocery, food, and beverage sales, bakeries, coffeeshops, pharmacies, day care centers, and salons.

## **5. ROADMAP**

The information below outlines the steps needed to take the project forward to adoption of an ordinance. For each step, either an estimated or action completion date is provided.

1. Research jurisdictions that have implemented RCW 36.70A.545 and draft and discuss white paper (May to June '22): COMPLETED, June 2022
2. Identify needed Poulsbo Municipal Code amendments to bring development standards into consistency with RCW 35A.63.300 (June – July '22): In progress, and to be completed post staff review.
  - Housing Action Plan Housing Strategy #2- Identify City code and process barriers for permit efficiencies
    - “Review standards for additional incentives and flexibility”
    - “Evaluate permit processes and identify opportunities to streamline and provide permit efficiencies.”
  - Development and planning standards that may be affected:
    - Land Use Permits: conditional use permit; variances; subdivisions
    - Design and Development Standards: setbacks and building height; roadside buffers; landscaping; tree retention, cutting and clearing
    - Permitting Fees and Review Timelines
    - Transit Oriented Development



- Poulsbo Municipal Code
    - Residential Districts (18.70)
      - Zoning District (18.70.010)
      - Minimum and Maximum Densities (18.70.040)
        - New table that compares existing allowances with proposed density bonuses in certain areas
      - Additional Standards and Provisions for R Zoning (18.70.070B)
        - Section B: Affordable Low-Income Housing Incentives: discusses density bonuses and eligibility criteria
    - Design Review (18.120) and Site Plan Review (18.270)
    - Landscaping (18.130)
    - Planned Residential Dev. (18.260) ; Short Subdivision (17.40) ; Preliminary Subdivision (17.60)
    - Exceptions Housing Authorities (18.310.050)
3. Identify and map properties owned by religious organizations (June – July '22)
    - Opportunity to overlay the properties with other elements of municipal long-range focus, such as transit-oriented development initiatives. Being able to visually overlay layers of data and foci will aid in potential site prioritization.
    - Do any sites overlap with TOD areas (e.g. 305 corridor) or Commercial areas?
      - Need for housing close to “services, health care, social opportunities, shopping, transportation, and other needs” (HAP): Most vulnerable populations that tend to be housing burdened are elderly or families with children; being housing burdened takes financial resources away from other areas of life, often affecting access to healthcare, nutrition, transportation, etc. Prioritizing sites near TOD and commercial areas could help alleviate these burdens
  4. Perform density calculations for all the properties owned by the religious organizations to give stakeholders an idea of the potential scale for such a project on each parcel (June – July '22)
  5. Coordinate a meeting with religious organizations and other stakeholders (Aug. – Sep. '22)
    - Faith-based organizations who own parcels identified
    - Affordable housing developers and other potential development partners
  6. Long-term Timeline to Adopt Ordinance that implements RCW 36.70A.545 (Jan. '23)
    - Planning Econ. Dev. Committee and Planning Commission review (Aug. '22)
    - Draft ordinance implementing RCW 36.70A.545 (Sept. '22)
    - SEPA Checklist, prepare notices, distribute information (Oct. '22)
    - Perform further outreach with religious orgs and stakeholders (Oct. '22)
    - Conduct public hearings and finalize and adopt ordinance (Nov. – Jan. '23)