



# HOUSING AFFORDABILITY

*Understanding Costs. Exploring Tools. Shaping Poulsbo's Housing Future.*

*January 7, 2026 / Workshop 1*



# FOUR PART WORKSHOP SERIES

WORKSHOP 1:  
UNDERSTANDING  
COST DRIVERS  
(JANUARY 7)

WORKSHOP 2:  
PROGRAMS AND  
INCENTIVES  
(FEBRUARY 4)

WORKSHOP 3:  
IMPLEMENTATION  
AND TRADE-OFFS  
(FEBRUARY 18)

WORKSHOP 4:  
POLICY DIRECTION  
AND NEXT STEPS  
(MARCH 4)



*Creating a common understanding to guide  
future decisions.*

# WHY ARE WE HERE?

This workshop series is designed to build a shared understanding of the factors that influence housing affordability in Poulsbo, identify the tools and incentives within the City's control, and guide Council in setting clear policy direction for 2026 (and beyond).

Through 4 workshops, we will explore local cost drivers, evaluate feasible affordability programs, understand fiscal and administrative trade-offs, and ultimately determine which strategies the City should pursue to support a wider range of housing options for our community.



# WORKSHOP 1: UNDERSTANDING COST DRIVERS

**Goal:** Ground discussion in facts – what drives housing costs and what's within local control.



## *Key Questions :*

- What does “affordable” mean in Poulsbo’s context?
- What costs can the City influence?
- What trade-offs are we willing to make?



# WHAT DOES HOUSING AFFORDABILITY MEAN?

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When we talk about housing affordability, we are talking about more than simply lowering costs—we are talking about creating a community where people at all income levels, ages, and stages of life can find a home that meets their needs .

Affordability means that young adults can take their first steps into the rental market, that families can grow without being priced out, that essential workers can live near their jobs, and that older adults can downsize or age in place within the community they helped build.

# WHY HOUSING AFFORDABILITY MATTERS

Housing affordability matters because it directly affects who can live and work in Poulsbo. When housing costs outpace incomes, we risk losing the teachers, nurses, service workers, young families, and older adults who sustain our community. Ensuring a range of housing options supports economic stability, strengthens local businesses, and preserves the social and cultural fabric that makes Poulsbo a vibrant and livable city.



# DEFINING AFFORDABLE HOUSING

- **Federal:** Housing is considered affordable when occupants pay no more than 30% of their gross income toward total housing costs, including utilities. Households paying more than 30% are cost burdened; those paying more than 50% are severely cost burdened.
- **Workforce Housing:** Generally refers to housing affordable to households earning 80 – 120% of AMI, often targeting essential workers such as teachers, nurses, and public safety employees.
- **Area Median Income (AMI)** is the midpoint of household incomes within the Bremerton – Silverdale Metropolitan Statistical Area. AMI is published each year by the U.S. Department of Housing and Urban Development (HUD) and varies by household size (1 – 8 persons)

# DEFINING AFFORDABLE HOUSING

- Housing is considered affordable when a household spends no more than 30 % of income on housing costs .
- Cost burden occurs above 30 %; severe cost burden occurs above 50 %.
- Affordability varies significantly by tenure (renters vs. owners) and by income segment (AMI levels) .



# DEFINING INFILL HOUSING

- Infill housing is new housing built on vacant, underused, or redeveloped land within existing neighborhoods, where roads, utilities, and services are already in place .
- Missing middle housing includes housing types that fall between single-family homes and large apartment buildings, such as duplexes, triplexes, fourplexes, townhomes, and small courtyard apartments .





## Appendix A.1

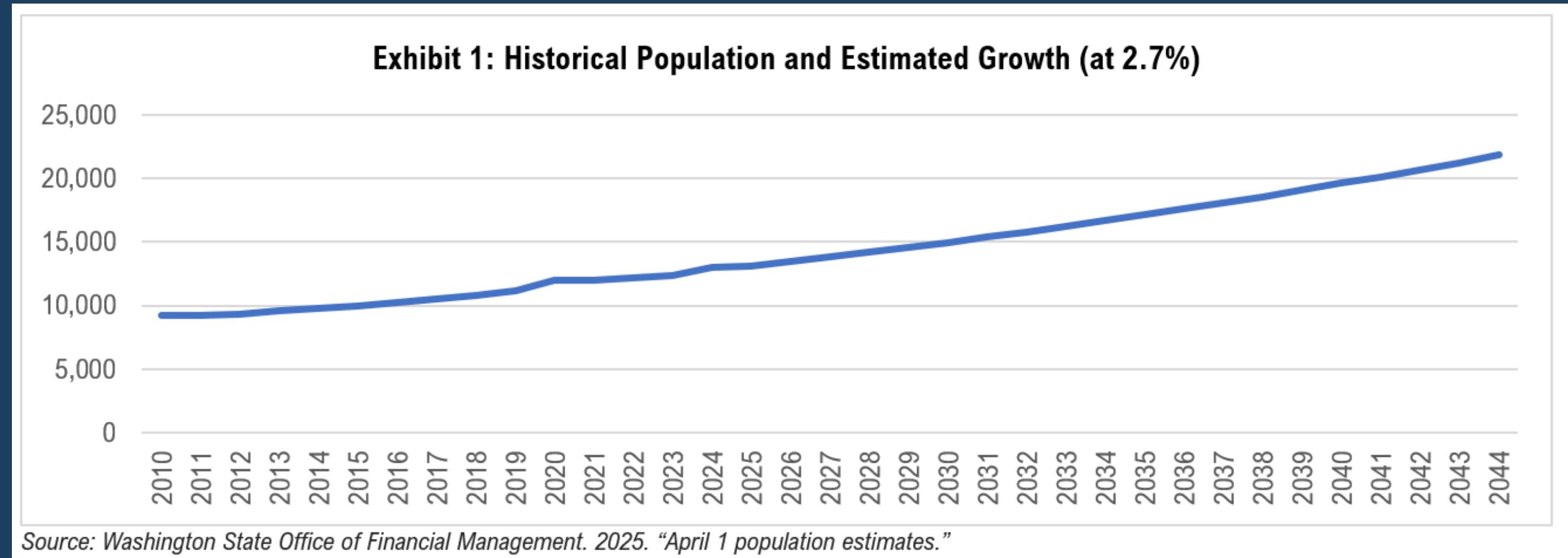
### Housing Needs Assessment

#### Housing Needs Assessment Contents

<b>Community Profile .....</b>	<b>2</b>
POPULATION .....	2
AGE OF POPULATION .....	2
<b>Housing Units/Households .....</b>	<b>4</b>
HOUSING TENURE .....	5
HOUSEHOLD SIZE .....	5
HOUSEHOLD INCOME .....	6
COST-BURDENED HOUSEHOLDS .....	7
<b>Employment Profile .....</b>	<b>10</b>
EMPLOYMENT AND WAGES .....	10
<b>Housing Inventory .....</b>	<b>14</b>
HOUSING UNITS BY TYPE AND SIZE .....	14
PUBLIC AND SUBSIDIZED HOUSING .....	16
DISPLACEMENT RISK .....	16
HOMEOWNERSHIP AFFORDABILITY .....	17
RENTAL AFFORDABILITY .....	17
HOUSING PRODUCTION .....	18
LAND CAPACITY .....	19
<b>Allocations and Projections .....</b>	<b>19</b>

- HNA: Appendix A.1 in the Comprehensive Plan
- Census data - 2023
- WA State OFM Population and Housing Unit Estimates - 2025 data

# HOUSING NEEDS ASSESSMENT



Since 2010, the City of Poulsbo has grown at an average annual rate of 2.72%, which is well above the countywide average annual growth of 0.95% and Washington State average annual growth of 1.04%. Since 2020 Poulsbo has grown by 9.48%.

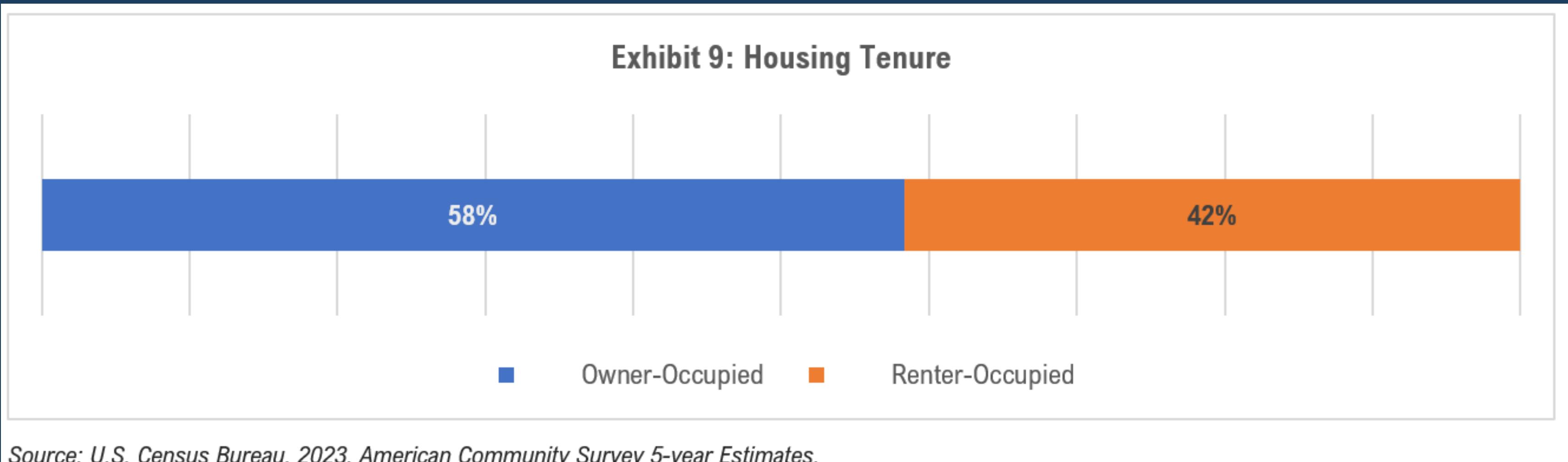
# HOUSING NEEDS ASSESSMENT

## Exhibit 5: Percent Population Change by Age Group 2010-2023

Under 5 years	-30%
5 to 9 years	+11%
10 to 19 years	-26%
20 to 29 years	+58%
30 to 39 years	-63%
40 to 49 years	+11%
50 to 59 years	+108%
60 to 69 years	+60%
70 to 79 years	+126
80 years and over	+25%

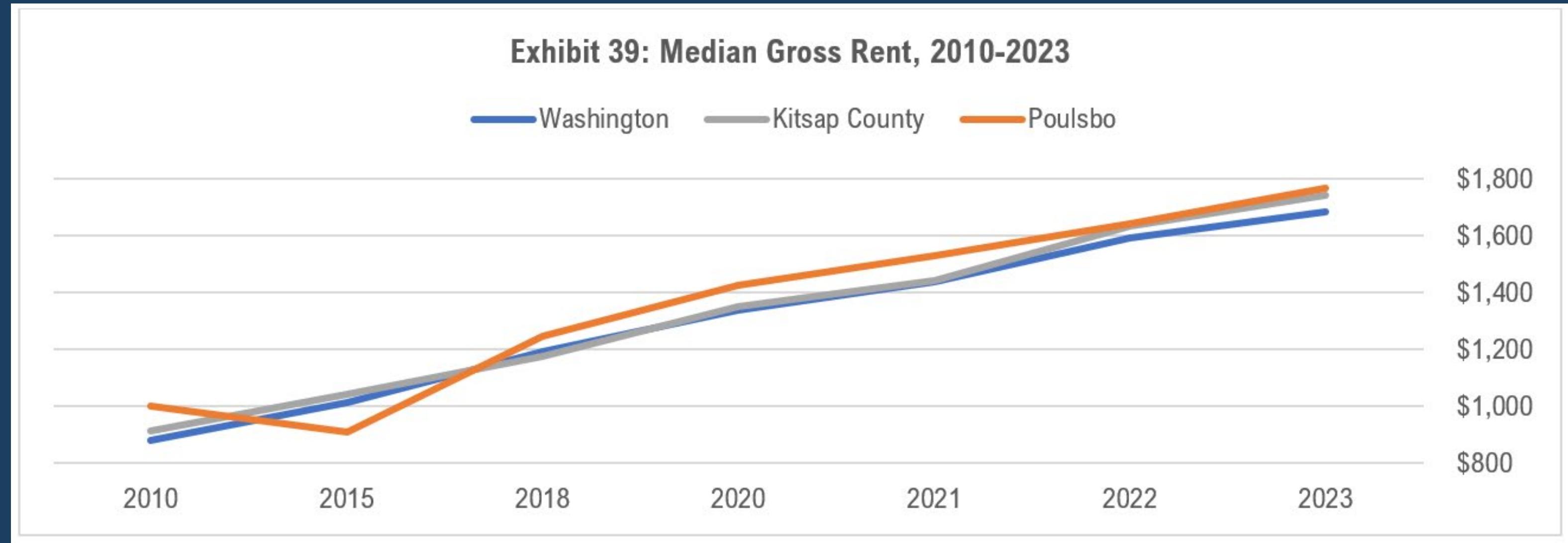
Source: U.S. Census Bureau. 2023. *American Community Survey 5-year Estimates*.

# HOUSING NEEDS ASSESSMENT



Source: U.S. Census Bureau. 2023. *American Community Survey 5-year Estimates*.

# HOUSING NEEDS ASSESSMENT



# AFFORDABILITY FOR RENTERS IN POULSBO

- Median rent (2023): \$1,767 → requires approx. \$66,000 annual income to be affordable .
- Median renter income : \$52,211 → typical renter falls short of what is needed .
- 47% of renters are cost -burdened or severely cost -burdened .
- Nearly 1/3 of renters earn < \$35,000 /year, placing them at high risk for cost burden .
- Renters make up 42% of households, with smaller average household sizes (1.95 people) .
- Greatest affordability needs among households below 30 % AMI, especially elderly individuals and small families .

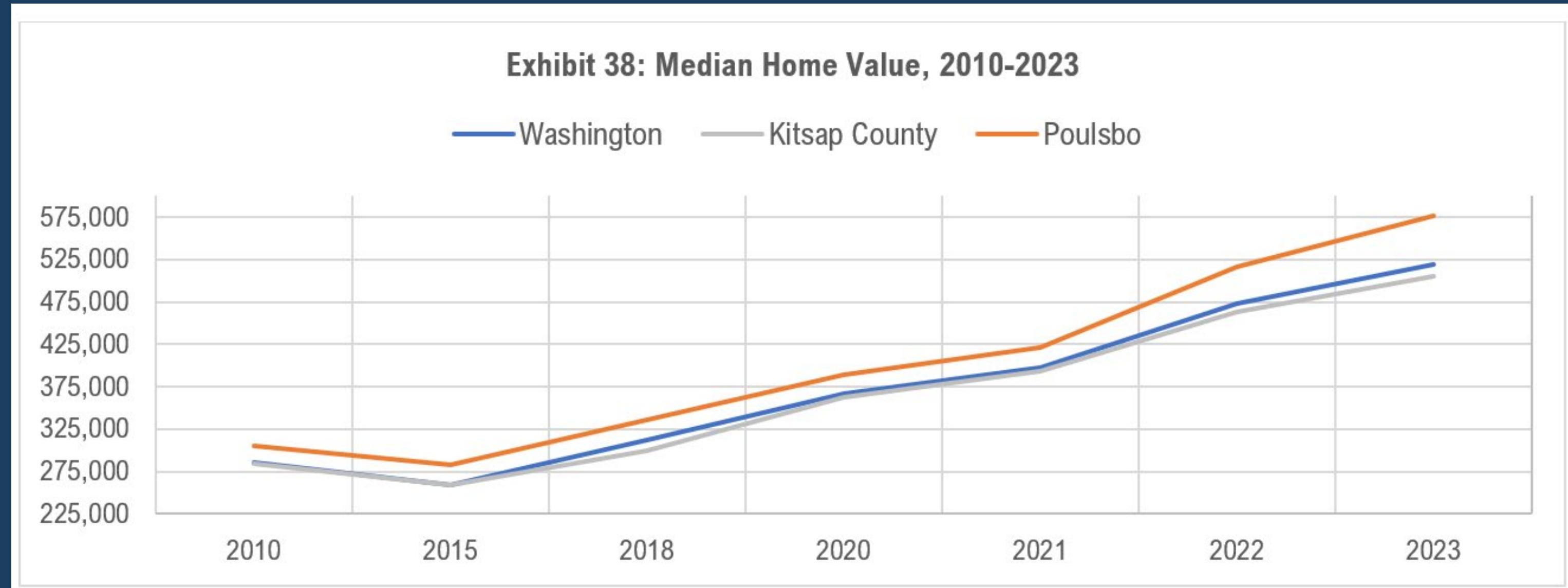


## RENTAL AFFORDABILITY, 2010-2023

	2010	2023	PERCENT CHANGE
MEDIAN RENT	\$1,000	\$1,767	%77
INCOME NEEDED TO AFFORD (AT 30% OF MHI)	~ \$40,000	~ \$70,440	%60
MEDIAN HOUSEHOLD INCOME (RENTERS)	\$33,056	\$52,211	%58

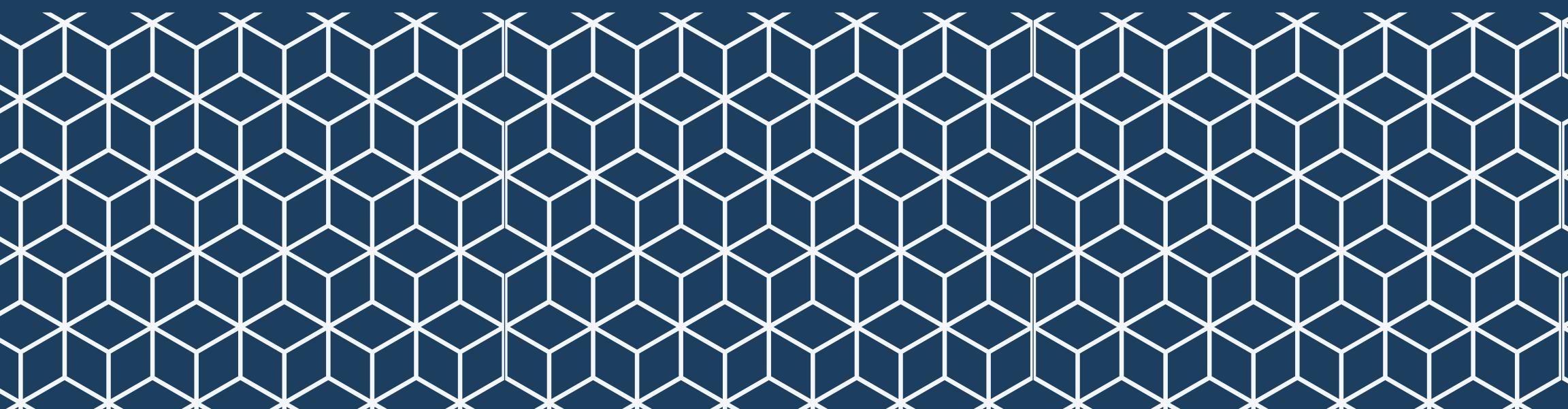
- A household earning the MHI for a renter of \$52,211 per year and living in an average priced apartment has a little over \$2,500 /month to cover food, healthcare, transportation, childcare, and any discretionary spending .
- Food = \$550 , Health care = \$600 , Transportation = \$700 , Childcare = \$1,400 (Total = \$3,250 )

# HOUSING NEEDS ASSESSMENT



# AFFORDABILITY FOR OWNERS IN POULSBO

- Median home value (2023): \$575,900 —up 104% since 2015.
- Median homeowner income: \$ 129,904.
- 27% of owners remain cost -burdened or severely cost -burdened.
- Ownership increasingly out of reach for households making below ~100% AMI.
- Large share of older adults rely on fixed incomes (retirement or Social Security), creating future affordability risk despite ownership.



## Average Home price: \$575,900 (2023 Census)

Down payment (10%): \$57,590

Loan amount: \$518,310

### Principal & Interest (30 -year mortgage)

At 6.75%:  $\approx \$3,363/\text{mo}$

At 7.00%:  $\approx \$3,446/\text{mo}$

At 7.25%:  $\approx \$3,530/\text{mo}$

### Taxes & Insurance

Property tax  $\approx \$480/\text{mo}$

Insurance  $\approx \$120/\text{mo}$

### Total estimated monthly housing cost:

At 6.75%:  $\approx \$3,963/\text{mo}$

At 7.00%:  $\approx \$4,046/\text{mo}$

At 7.25%:  $\approx \$4,130/\text{mo}$

### What income is needed for this home?

Affordability benchmark: housing  $\leq 30\%$  of gross income.

### Required annual income:

At 6.75%  $\rightarrow \$3,963 \times 12 \times (1 / 0.30) = \approx \$158,500/\text{year}$

At 7.00%  $\rightarrow \approx \$162,000/\text{year}$

At 7.25%  $\rightarrow \approx \$165,000/\text{year}$

### Highest Job Sectors and Wages:

Retail Trade (20.1%)  $\rightarrow \$40,611/\text{year}$

Health Care (16.6%)  $\rightarrow \$55,874/\text{year}$

Education Services (16.5%)  $\rightarrow \$39,584/\text{year}$

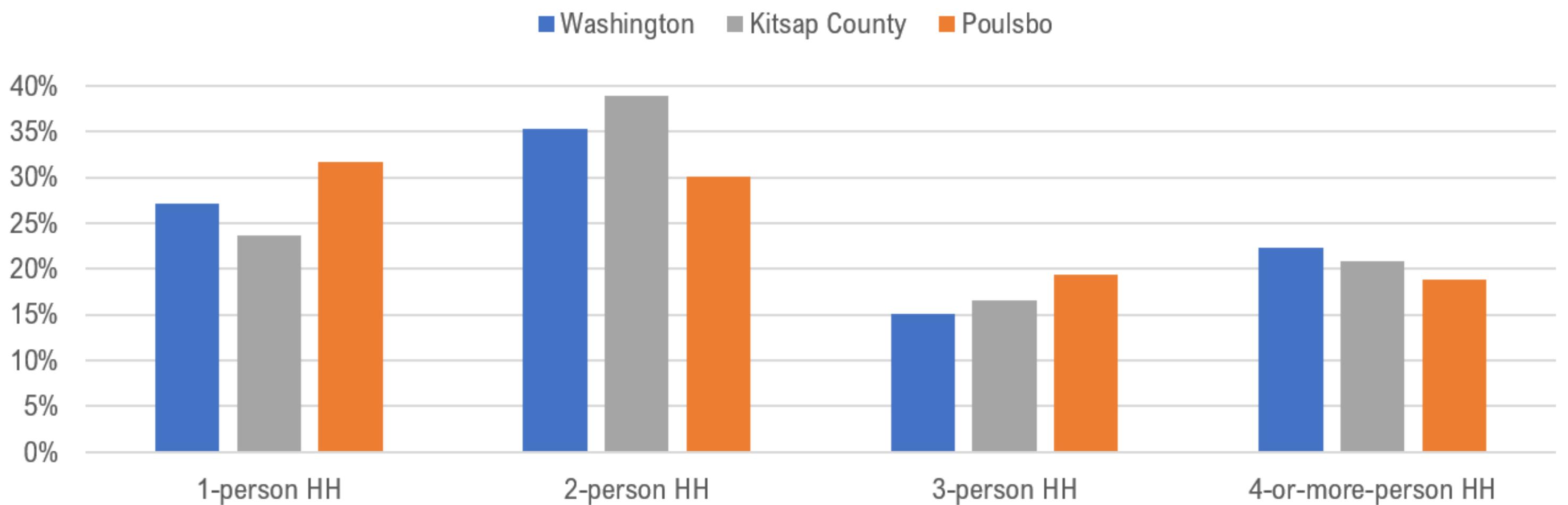
Food Services (15.4%)  $\rightarrow \$25,692/\text{year}$



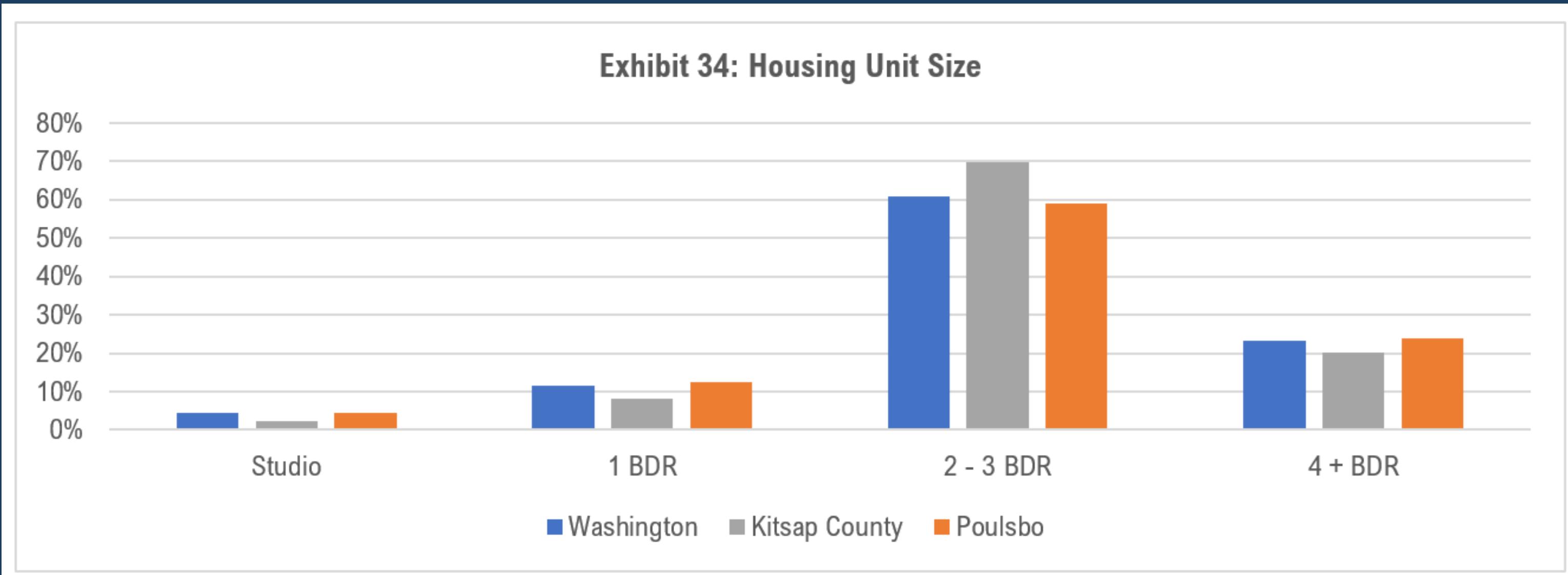
What Do  
You Think?

# HOUSING NEEDS ASSESSMENT

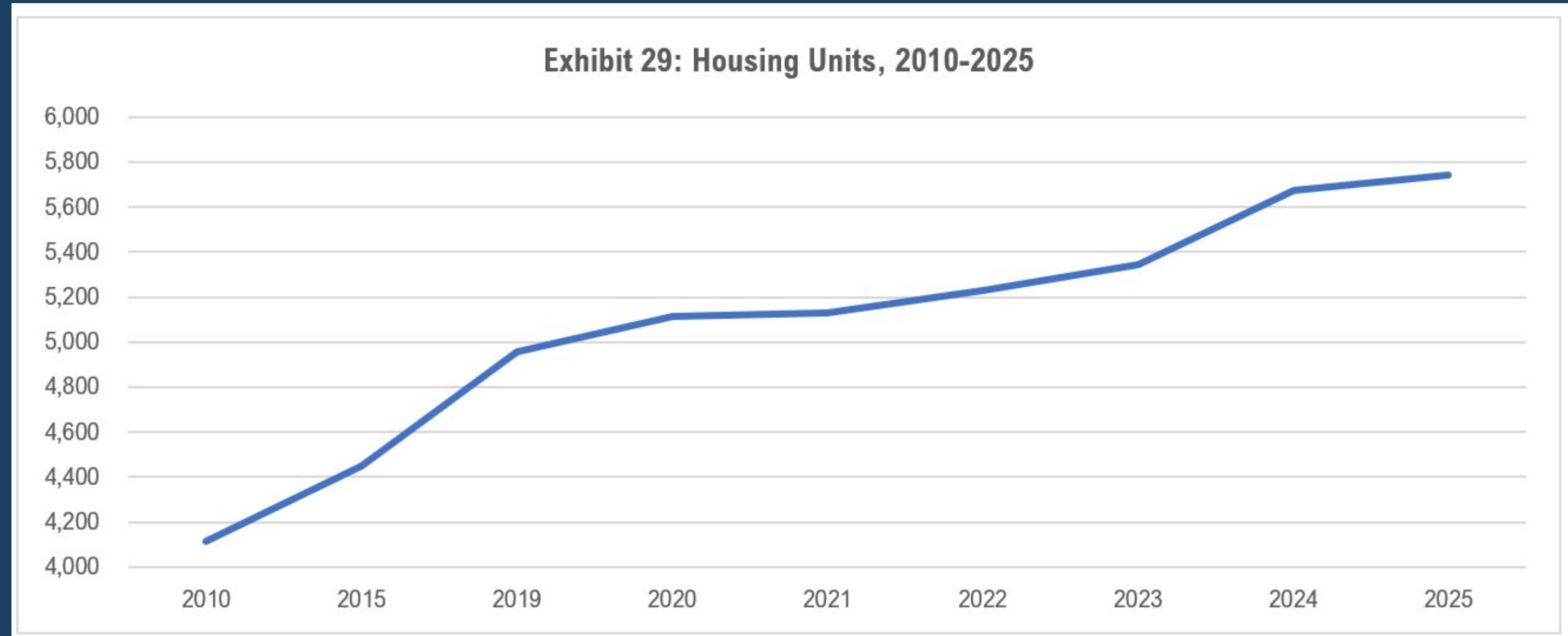
Exhibit 33: Household Size



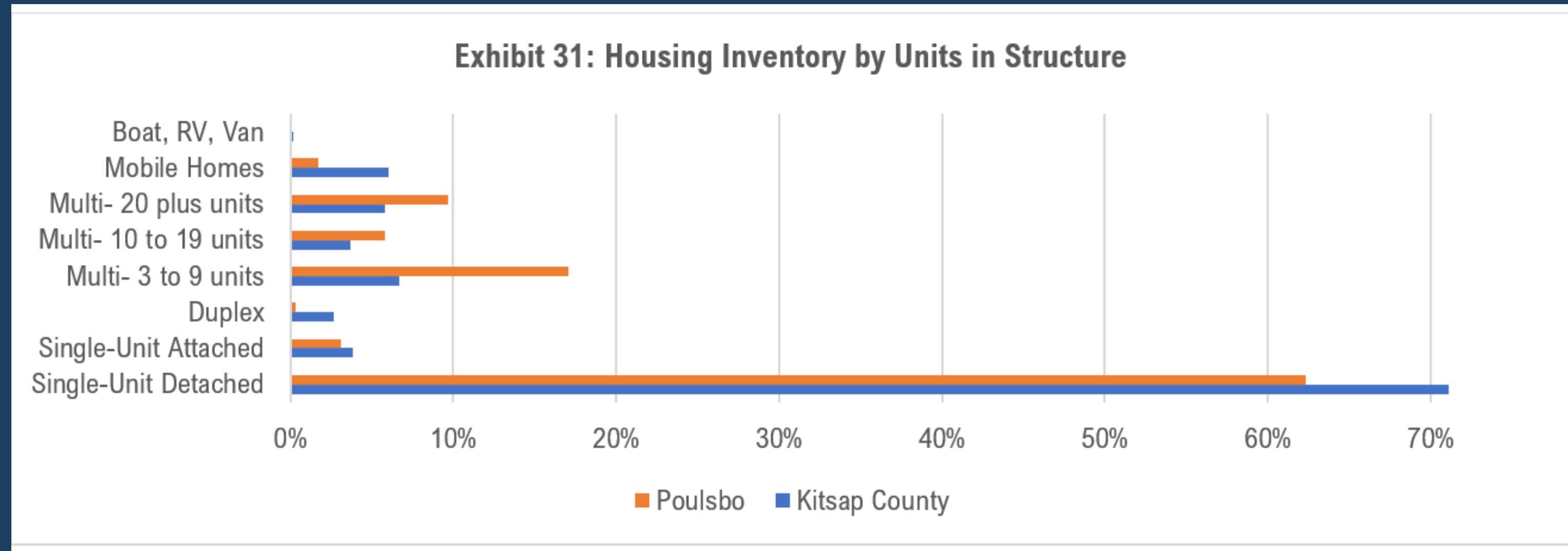
# HOUSING NEEDS ASSESSMENT



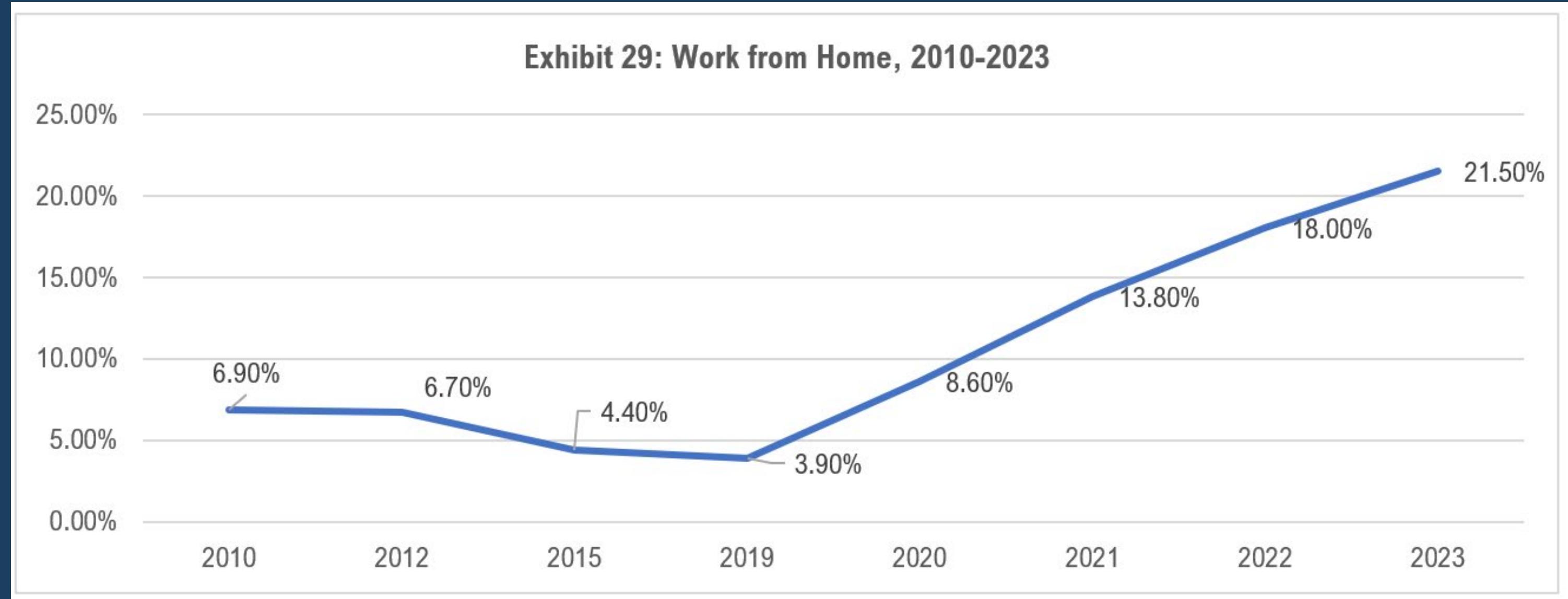
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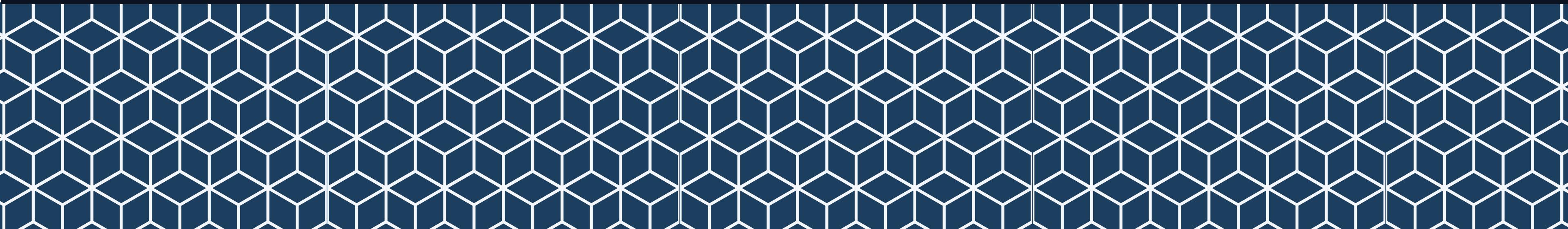


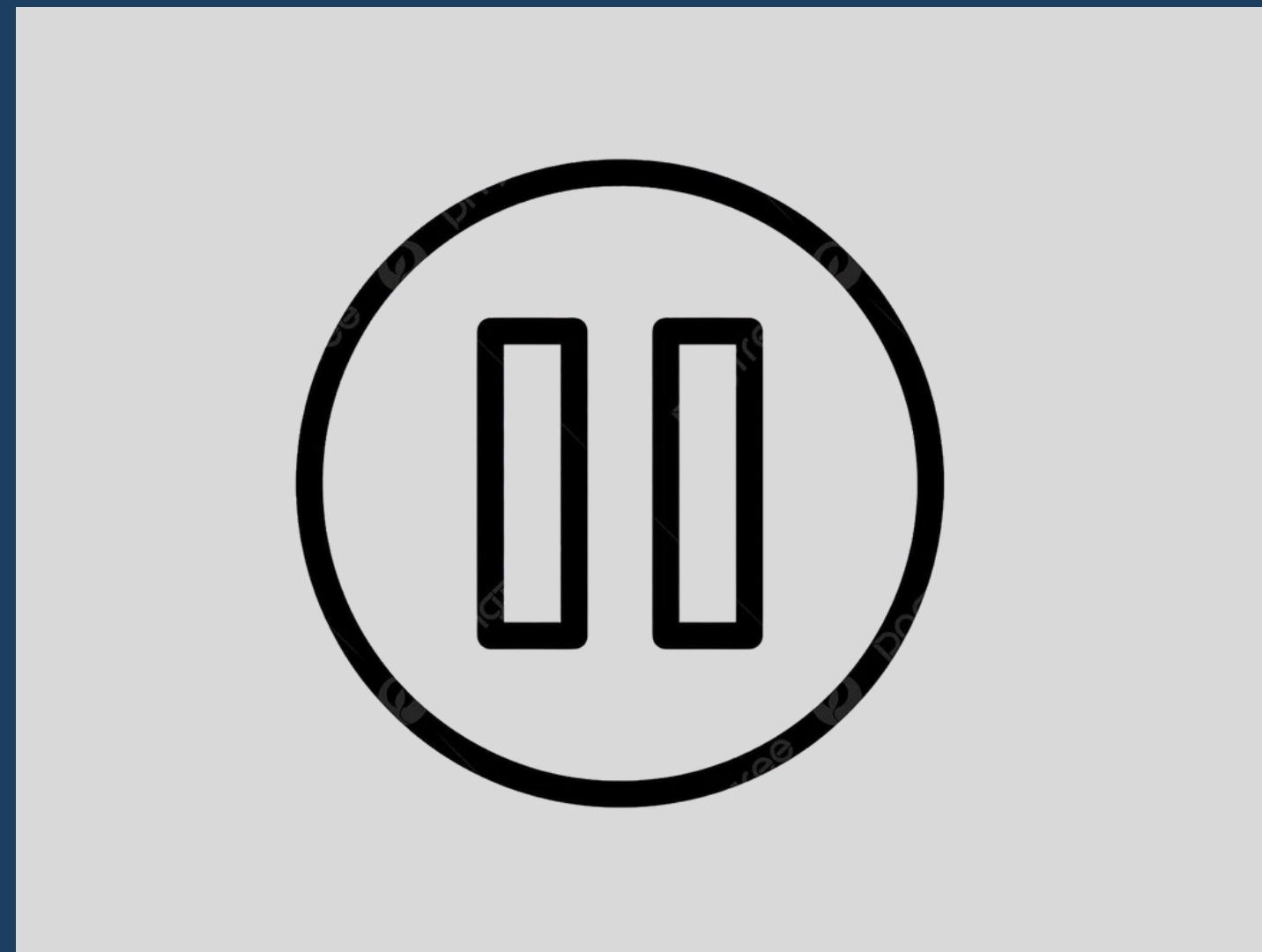
# HOUSING NEEDS ASSESSMENT



# HOUSING NEEDS ASSESSMENT *IN SUMMARY*

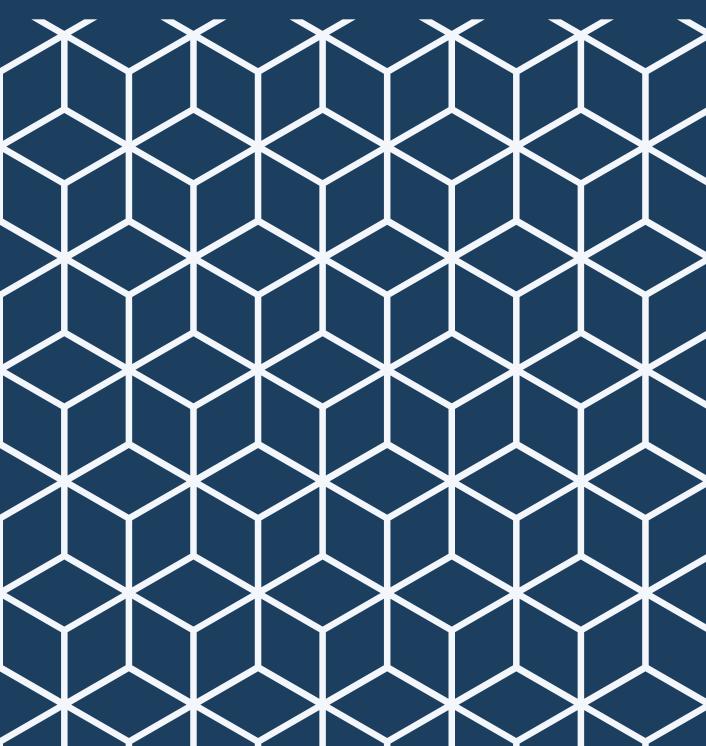
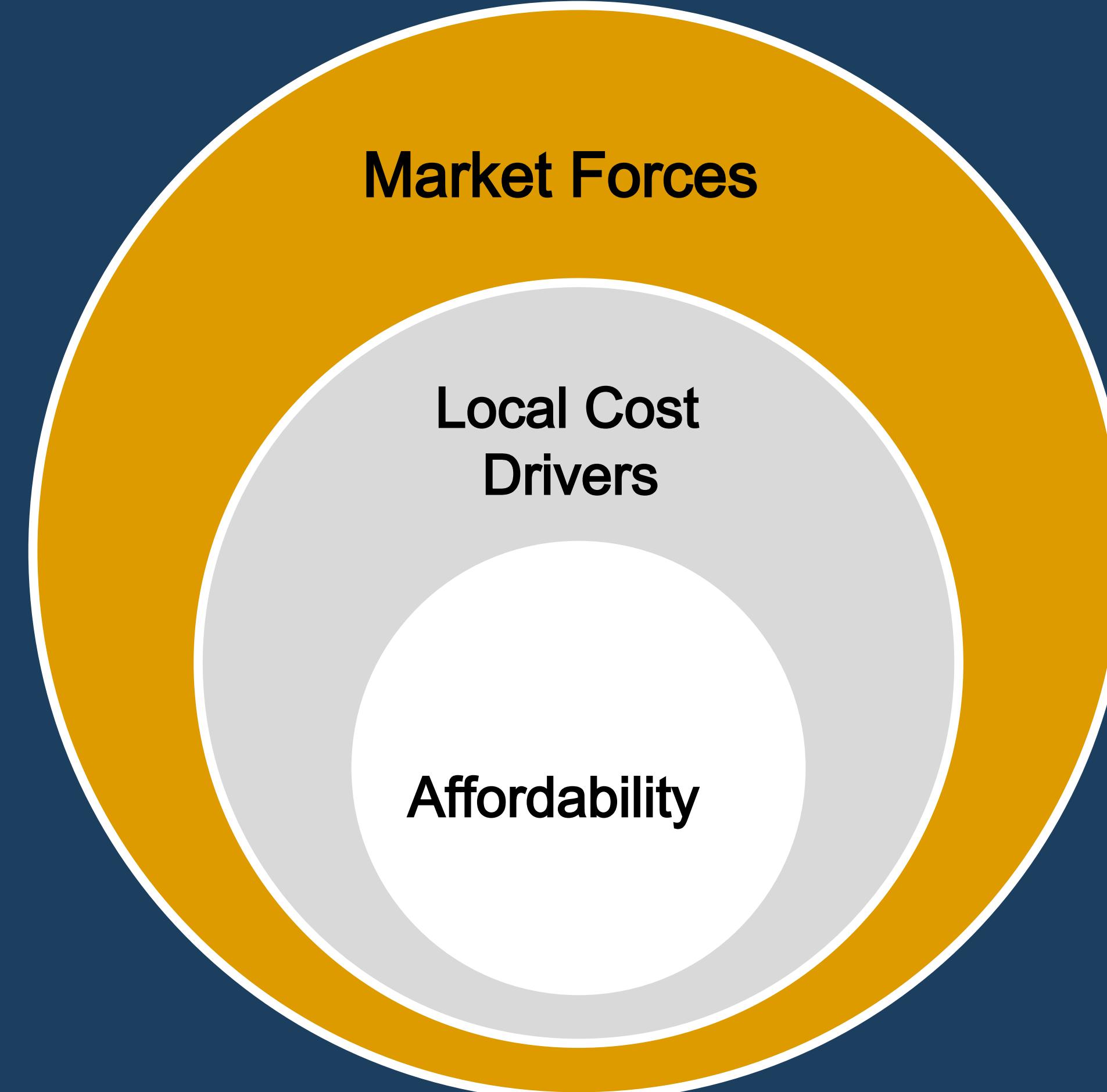
- Poulsbo is growing faster than the region, increasing pressure on the housing supply.
- Rents/home prices have risen faster than incomes, leaving many unable to afford housing.
- Renters face the greatest strain, with nearly half spending more than 30% of their income on housing.
- Older adults are increasing demand for smaller, accessible, and age -friendly housing options.
- Housing affordability affects local workers.







# WHAT DRIVES HOUSING COSTS?



# MARKET FACTORS

FINANCING &  
INTEREST RATES

LABOR & MATERIAL  
COSTS

LAND & DEVELOPMENT  
FEASIBILITY

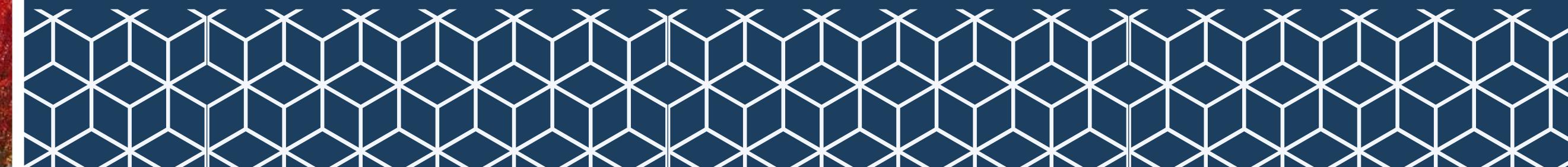
REGIONAL  
HOUSING DEMAND

ECONOMIC  
CONDITIONS

INVESTOR & LENDING  
ENVIRONMENT

DEMOGRAPHIC &  
MARKET SHIFTS

REGULATORY & UTILITY  
MARKET CONDITIONS



# MARKET FACTORS

## National:

- Interest rates remain high, reducing buying power and increasing construction loan costs.
- Material prices stay elevated, especially lumber, concrete, and electrical components.
- Labor shortages in skilled trades push wages higher and slow production.
- Lenders have tightened standards, requiring more equity and offering fewer construction loans.
- Inflation raises all project costs, from insurance to transportation.
- National housing shortages keep prices high across all regions.

## Kitsap County –Specific Factors

- Strong in -migration from King County increases competition for limited homes.
- Military demand adds pressure to both rental and ownership markets.
- Local wages lag far behind home prices, creating a persistent affordability gap.
- Ferry access increases demand for homes in Poulsbo and nearby areas
- Small builder market struggles to absorb cost spikes or long review timelines.



# LOCAL COST DRIVERS

ZONING & DEVELOPMENT STANDARDS

INFRASTRUCTURE & FRONTAGE REQUIREMENTS

LOCAL FEES

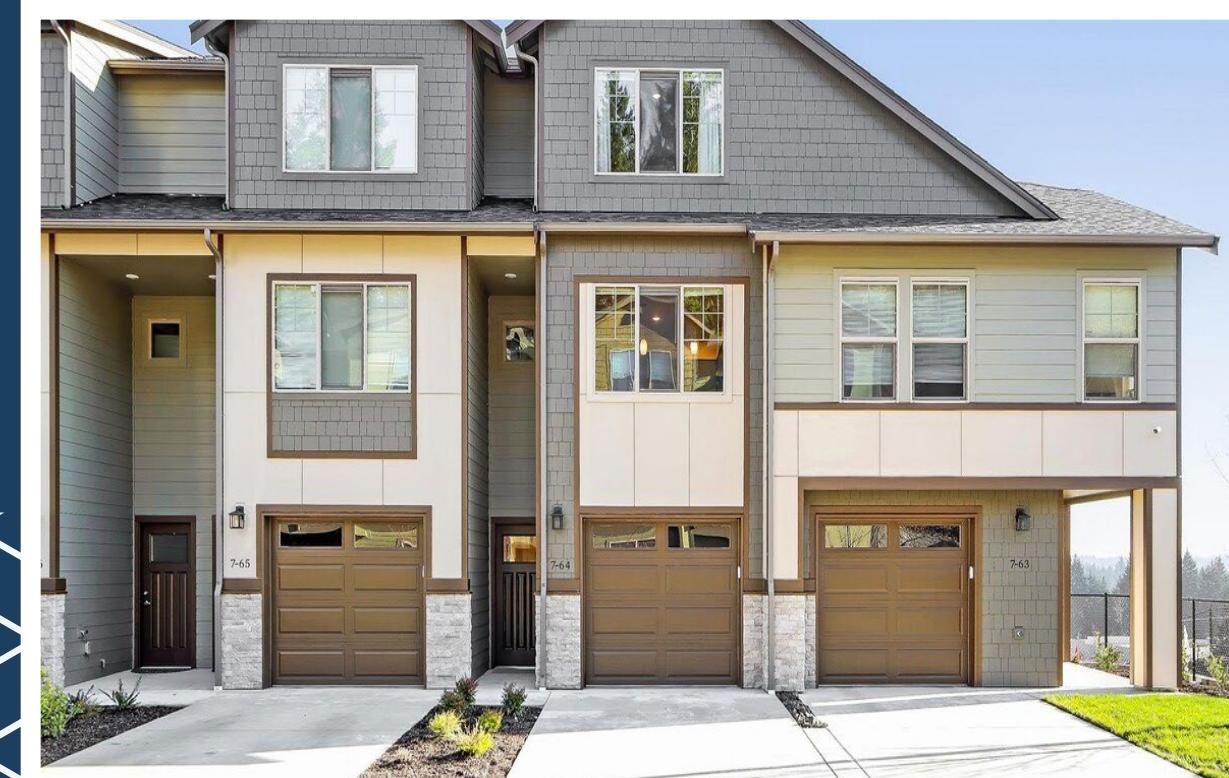
PERMITTING PROCESS & TIMELINES

BUILDABLE LAND SUPPLY & LAND-USE CONSTRAINTS

IMPACT FEES

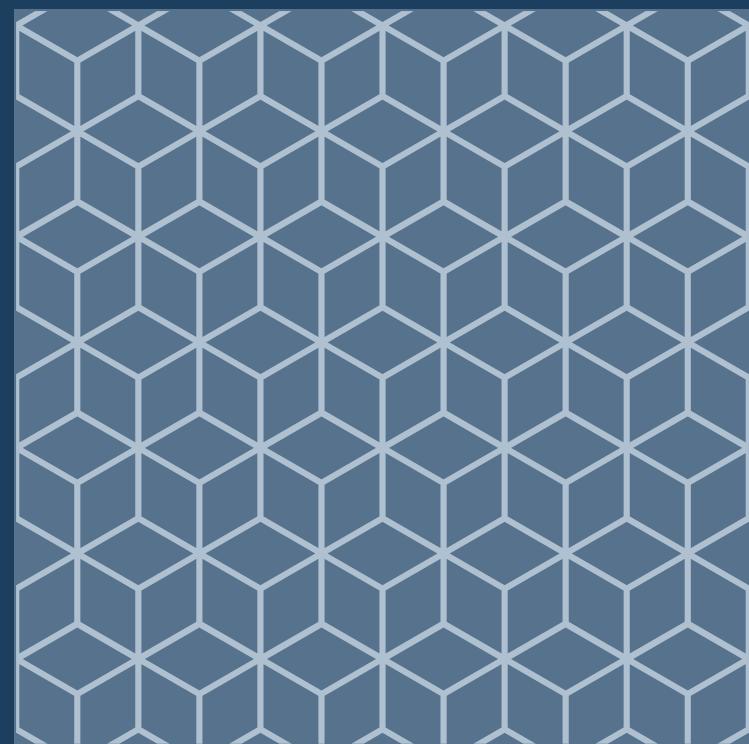
UTILITY CONNECTIONS & SDC/GFC COSTS

LOCAL INCENTIVES

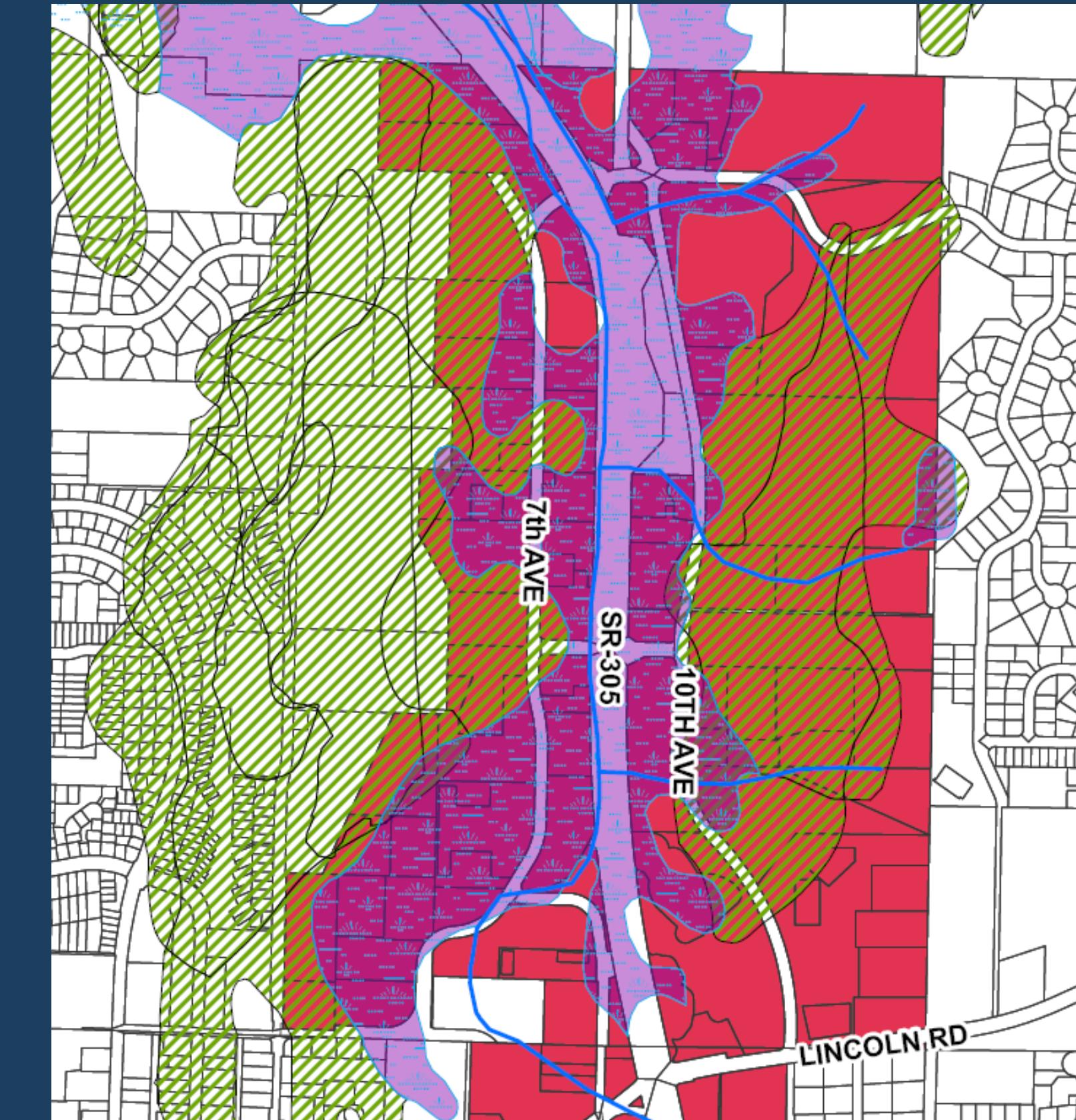
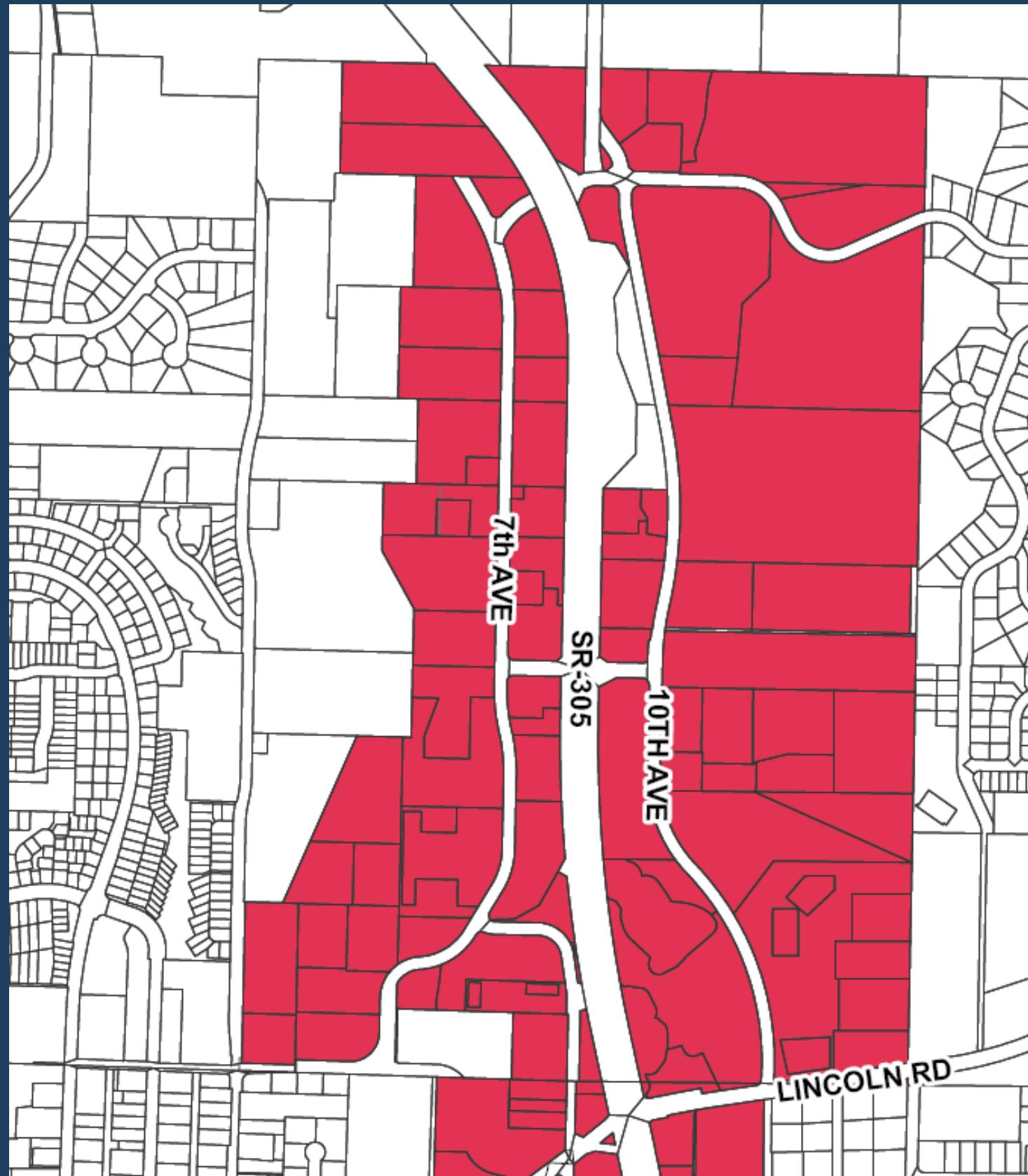


# *LOCAL COST DRIVERS:* BUILDABLE LAND SUPPLY AND CONSTRAINTS

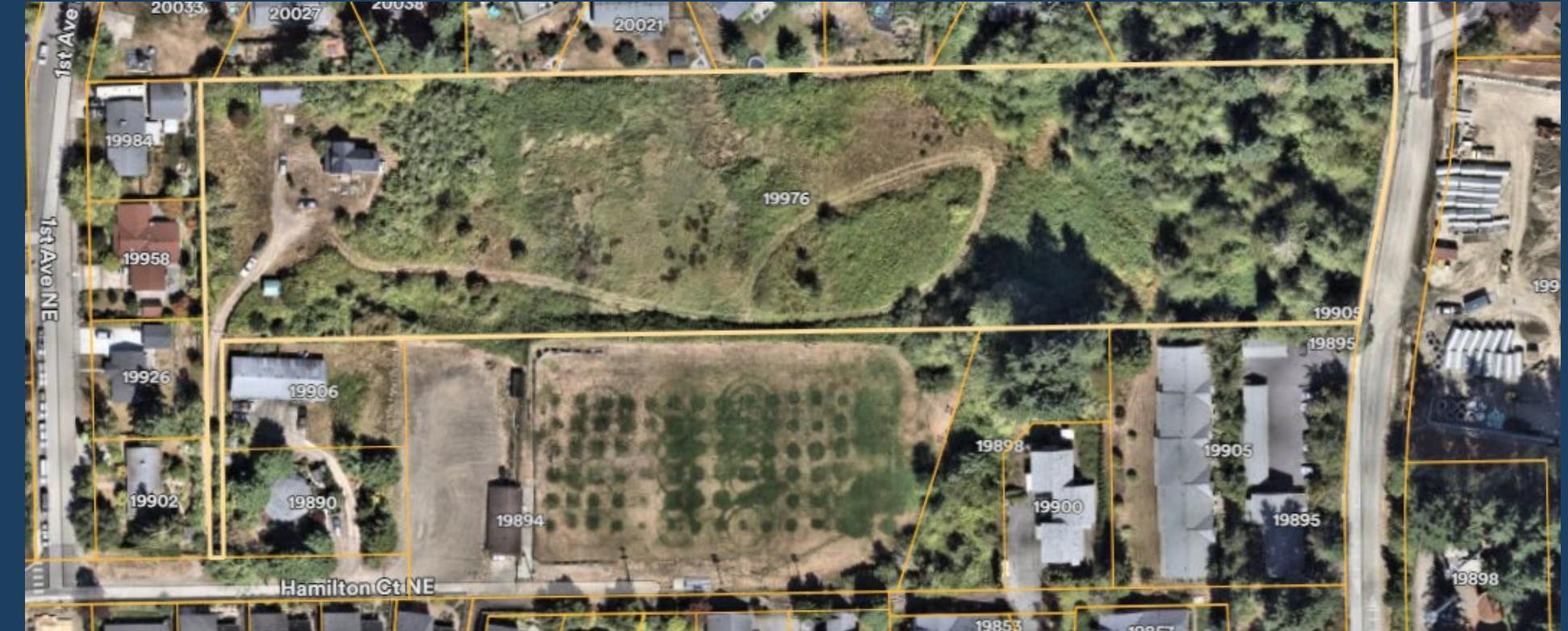
- Vacant land is limited, restricting new housing opportunities.
- Parcel size and shape affect whether land can be efficiently developed.
- Critical areas and buffers reduce the net buildable area.
- Infrastructure gaps may limit development or require costly extensions.
- Zoning patterns may not allow needed densities or housing types.
- Frontage and design standards can reduce achievable units on small sites.
- Redevelopment is costly, making infill projects harder to pencil.
- Rising land values increase acquisition costs and reduce affordability.



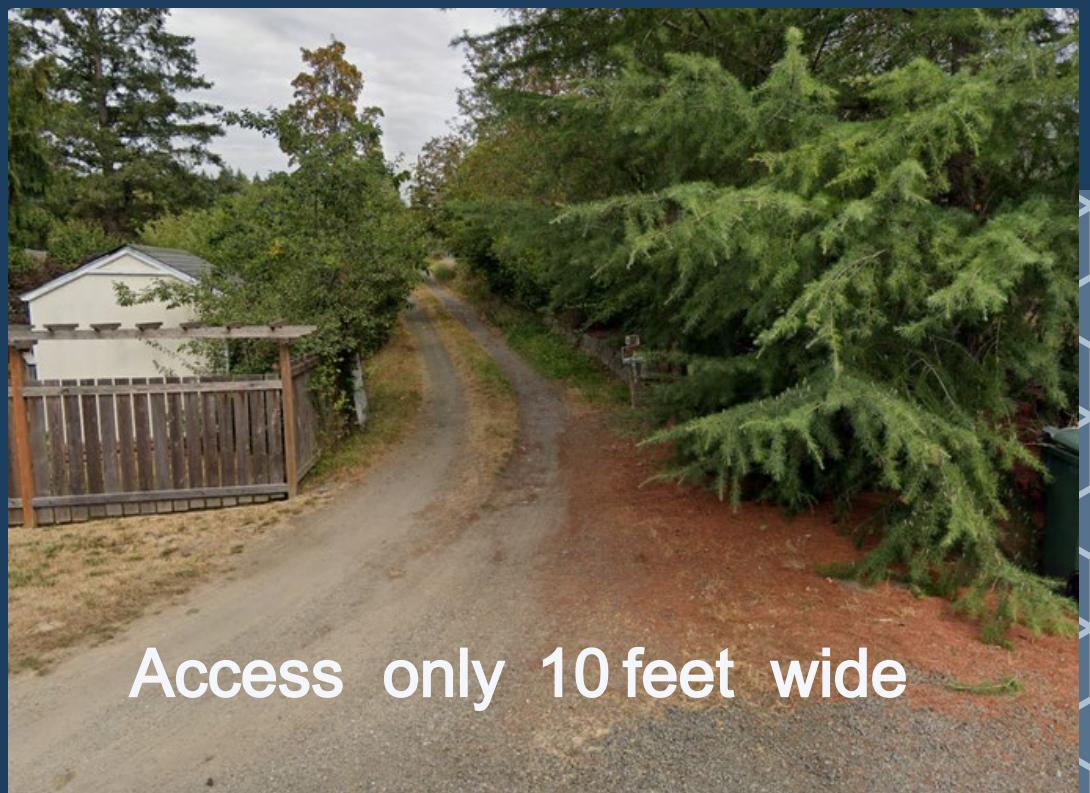
# BUILDABLE LAND SUPPLY AND CONSTRAINTS



# BUILDABLE LAND SUPPLY AND CONSTRAINTS



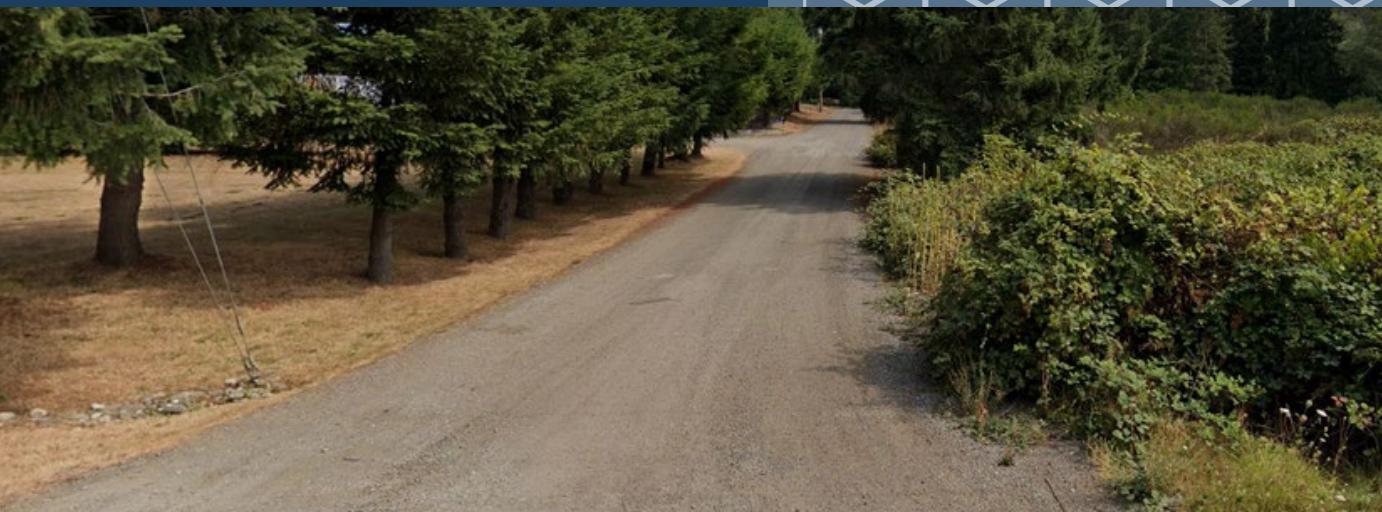
- 4.94 Acres
- $\frac{1}{2}$  mile from downtown Poulsbo
- Critical area concerns
- Existing access limited
- Additional access constrained by topography
- With consideration for critical areas, could possibly get 40-50 multi-family units



# BUILDABLE LAND SUPPLY AND CONSTRAINTS



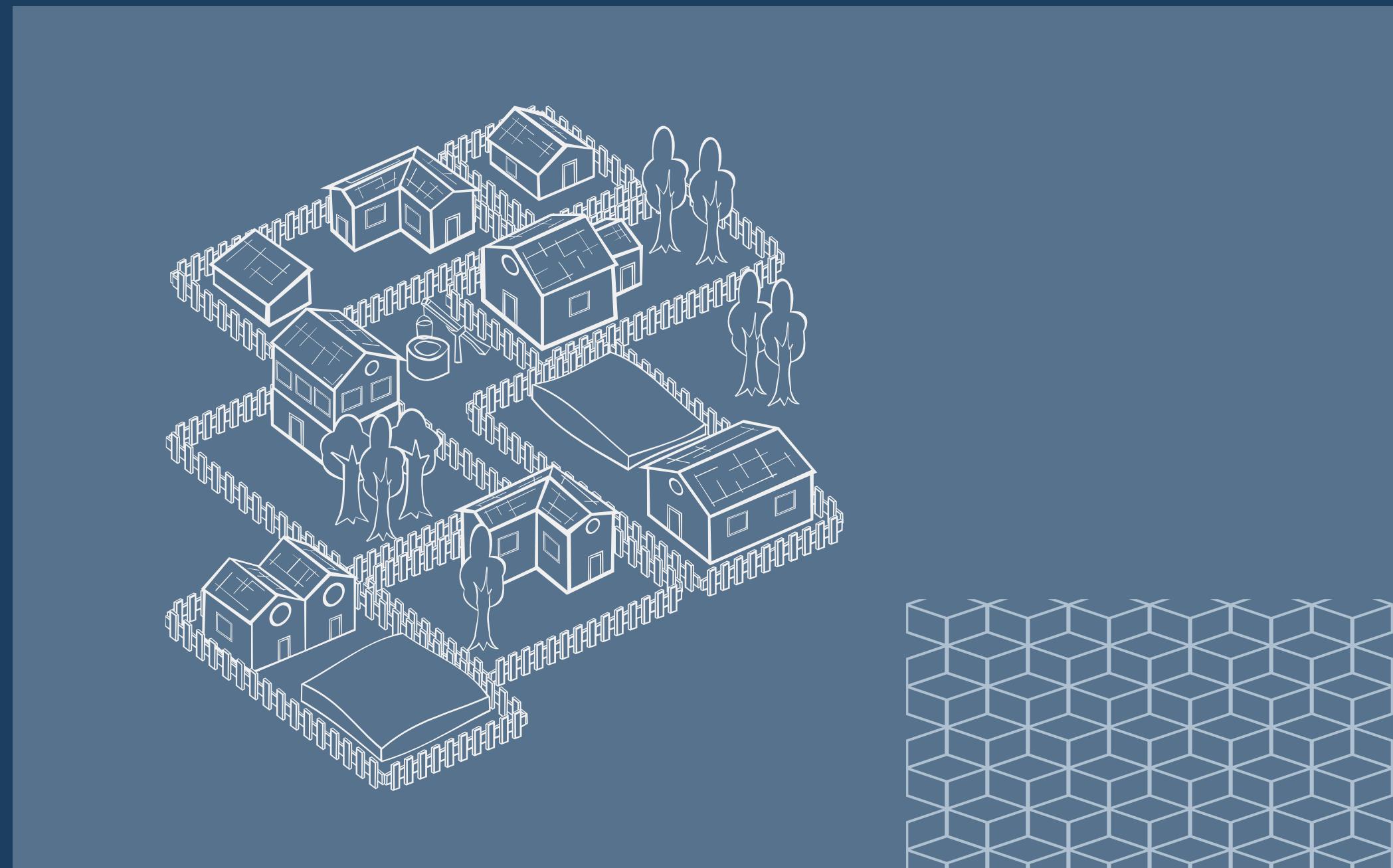
- ~ 20 Acres combined
- Critical area concerns
- Existing access limited
- Sewer and water service a factor
- Could possibly get 60 single-family units



# *LOCAL COST DRIVERS:* ZONING & DEVELOPMENT STANDARDS

Development standards and zoning regulations shape what can be built, where it can be built, and at what density—directly influencing the cost and feasibility of new housing.

- Minimum Lot Size
- Minimum Lot Width
- Maximum Building Lot Coverage
- Setbacks (front, side, rear)
- Density
- Height Limits
- Parking
- Landscaping
- Tree Retention



# *ZONING & DEVELOPMENT STANDARDS: 2024 -2025 CODE AMENDMENTS*

## **Housing Variety and Flexibility**

- ADUs: Increased maximum size to 1,000 SF; allowed two per primary unit; streamlined review (building permit only); allowed conversions of non-conforming structures.
- Duplexes: Permitted on corner lots in all residential zones (RL, RM, RH), additional unit does not count towards density.
- PRDs: Reduced minimum size (5 → 3 acres); increased attached units (4 → 6).
- Unit Lot Subdivisions: Enabling fee-simple ownership of townhomes.

## **Commercial & Mixed - Use Zoning Updates**

- C-4 College Marketplace and Business Park: Added residential and mixed-use options; raised height and lot coverage limits; modernized permitted uses.
- C-3 SR 305 & C-2 Viking Avenue: Expanded height and coverage; revised setbacks; modernized use tables to allow more flexibility and reduce auto-oriented uses.
- Flex Space: Enabled adaptable first floor in all commercial zones (outside shopfront overlay).

# *ZONING & DEVELOPMENT STANDARDS:* 2024 -2025 CODE AMENDMENTS

## Process Efficiency & Predictability

- Permit Review Timelines: Updated to align with state SB 5290, improving predictability.
- Minor Site Plan Thresholds: Increased to simplify small-scale project review.
- Project Review: Streamlined for Planned Mixed-Use Developments (Type II instead of III).
- Appeals: Type III decisions now appealed to Hearing Examiner (not Council).

## State - Mandated and Equity - Driven Updates

- Added definitions and use allowances for emergency housing, shelters, permanent supportive, and transitional housing consistent with state law.
- Manufactured Home Park Overlay: Added to protect existing affordable housing options.
- Parking Standards: Adjusted ratios and allowed parking studies to justify reductions.

## **Residential Projects Approved 2020-2025**

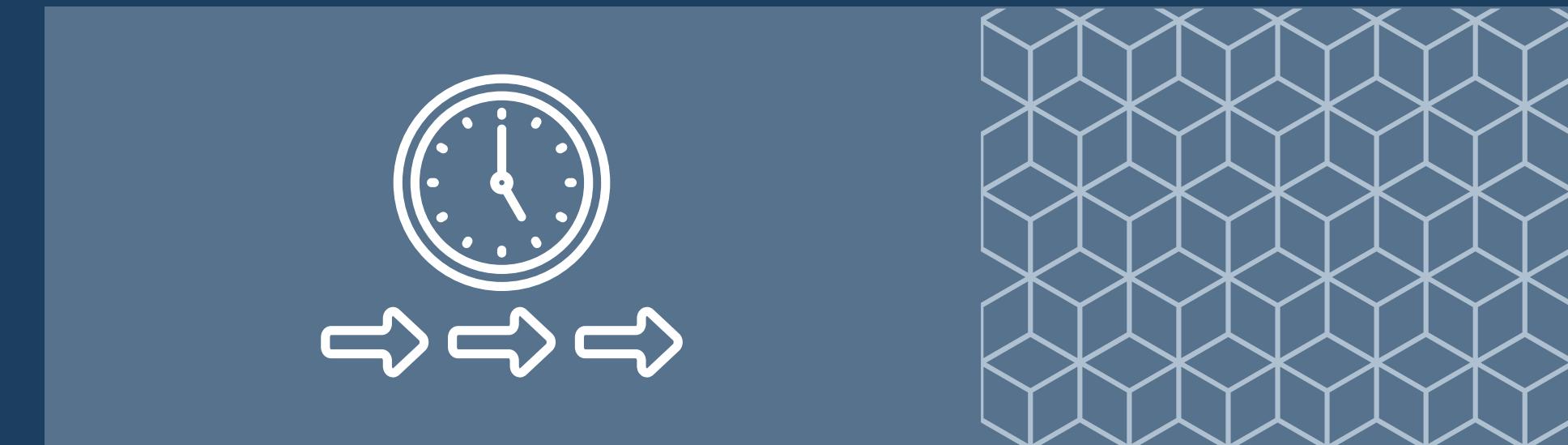
<b>Zoning District</b>	<b>Approved Lots/Units</b>	<b>Population Estimate</b>
Residential Low	568	1,278
Residential Medium	720	1,404
Residential High	138	269
C-1/Downtown	56	109
C-3/SR 305	34	66
<b>Total</b>	<b>1,516</b>	<b>3,126*</b>
		<i>* 24% of 2025 population</i>

- 561 Lots/Units Built Out/Constructed
- 702 Lots/Units Under Construction
- 253 Remaining Lots/Units Approved, Not Under Construction

# *LOCAL COST DRIVERS:* PERMITTING PROCESS & TIMELINES

The length and complexity of the permitting process can add time and cost to building new homes.

- Multiple review steps each add time and coordination.
- Carrying costs increase with longer timelines, including interest, holding costs, and consultant fees.
- Concurrent vs. sequential reviews can significantly affect project duration.
- Staff capacity and workload influence review speed and predictability.
- Complex projects require more rounds of review and agency coordination.
- Regulatory certainty and clear pathways help reduce delays and developer risk.
- Faster, predictable timelines improve project feasibility.



# ***PERMITTING PROCESS & TIMELINES***

When a developer has to hold a project longer, it means the land and project remain in a non-productive, pre-construction phase for an extended period while permits, reviews, or decisions are pending. During this time, the developer continues incurring costs without generating any revenue. These “holding costs” can be significant and directly affect whether a project remains financially feasible.

- Every additional month adds cost, which must be recouped in the final sale price or rent.
- Extended holding times can turn feasible projects into infeasible ones, particularly for smaller builders.
- Higher risk for the developer means fewer lenders are willing to finance the project or they offer financing at higher rates.

**PRD/Subdivision/Single Family Lots** - about 2 years to start vertical home construction.

**Multifamily Apartments** - about 12 months to start vertical construction.

# *LOCAL COST DRIVERS:* UTILITY CONNECTIONS & SDC/GFC COSTS

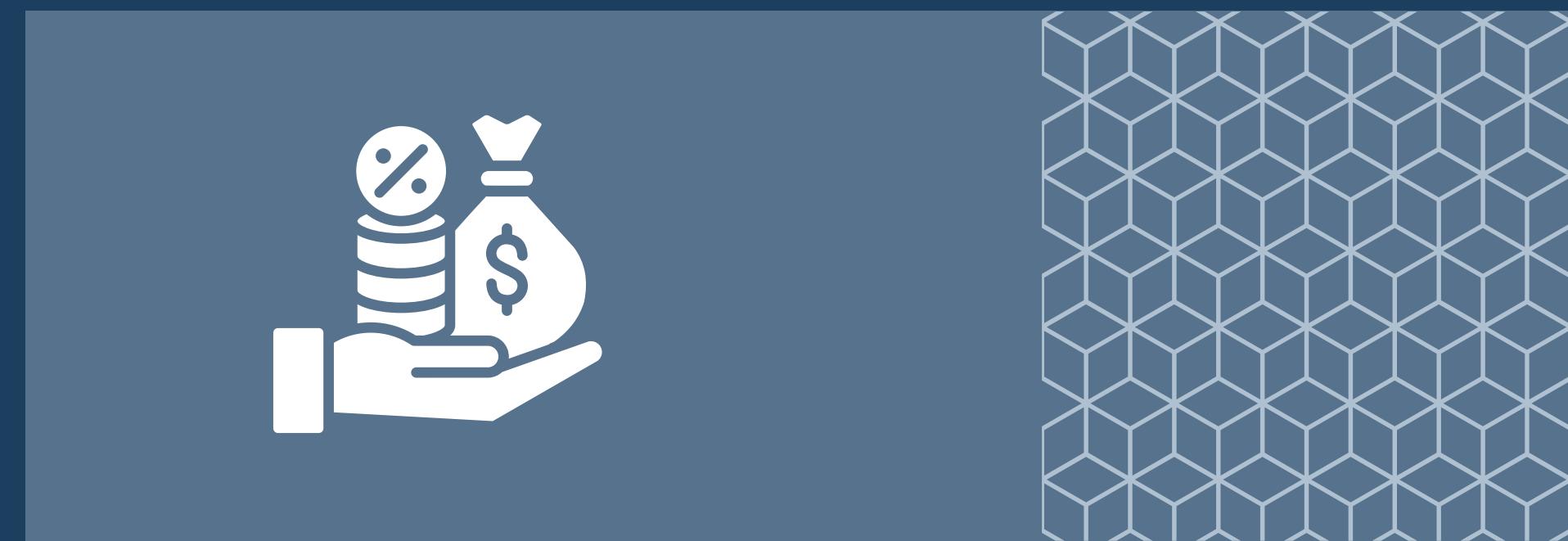
GFCs, SDCs, and utility connection requirements represent major upfront expenses that directly affect the feasibility of new housing.

- Connections require both physical installation and payment of system development charges.
- Upfront fees often represent one of the largest per-unit local cost components.
- Costs vary by housing type and meter size, affecting feasibility for smaller units or infill projects.
- Infrastructure capacity or extension needs can create additional costs.
- Fees help fund future system improvements, but higher costs can impact project affordability.
- Payment timing matters—whether fees are due at permit issuance or at occupancy influences carrying costs and cash flow.



# *LOCAL COST DRIVERS:* APPLICATION FEES/IMPACT FEES

- Impact fees fund needed infrastructure generated by new development.
- They add significant upfront cost per unit.
- Fees vary by project type and size, influencing which housing types are more feasible to build.
- Timing of payment matters, with upfront fees increasing carrying costs and cash flow demands.
- Cities can adjust, waive, or defer fees for income-restricted housing to improve feasibility.
- Balancing affordability and fiscal responsibility is critical, as reduced fees may decrease funding for infrastructure needs.



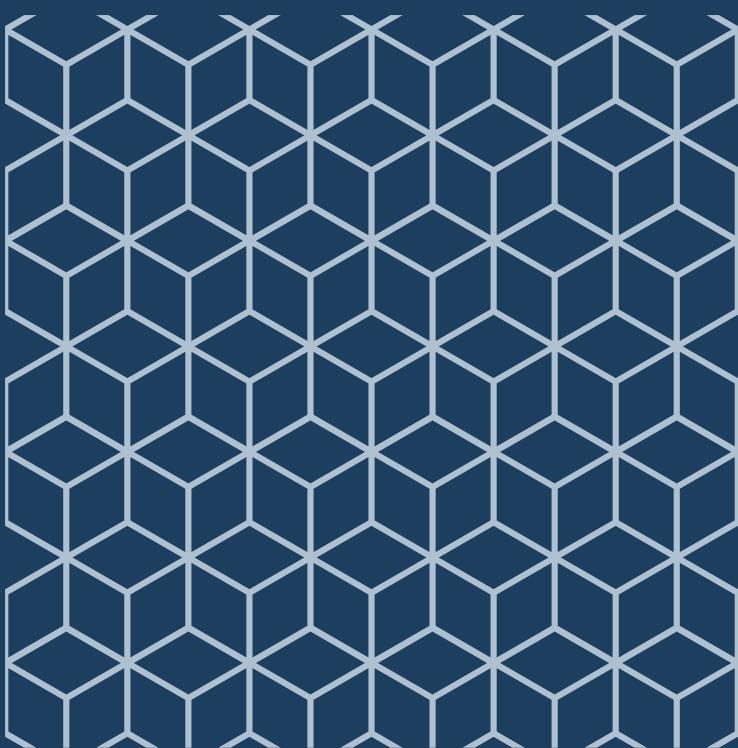
# HOW FEES INFLUENCE HOUSING COSTS

## Why This Matters

- Local fees are one of the few cost drivers fully within City control.
- Even when individually small, cumulative fees meaningfully increase project cost.
- Fees are fixed costs — they don't scale with home size — which can disproportionately affect modest starter homes and ADUs.

## Categories of City - Controlled Fees

- Application & Review Fees (planning, engineering, building)
- Impact Fees (transportation, park, school, fire — depending on category)
- Utility System Development Charges / General Facility Charges (GFCs/SDCs)
- Frontage and Infrastructure Requirements (not a fee, but a cost driver)



## Estimated Local Fees for a New Single-Family Home

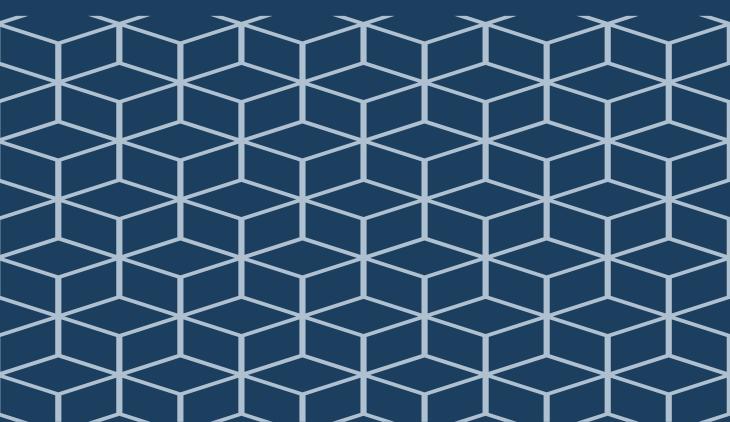
- Application & Permit Fees: ~\$28,000
- Impact Fees: ~\$5,117
- Utility GFC/SDCs: ~\$25,000
- Adds approximately \$360–\$370 per month to the buyer's mortgage payment.
- Over 30 years, the buyer pays ~\$132,000 in principal + interest for \$58,000 in fees



*Also, required Infrastructure (sidewalks, frontage, onsite stormwater): varies widely – often \$30,000–\$80,000 depending on site.*

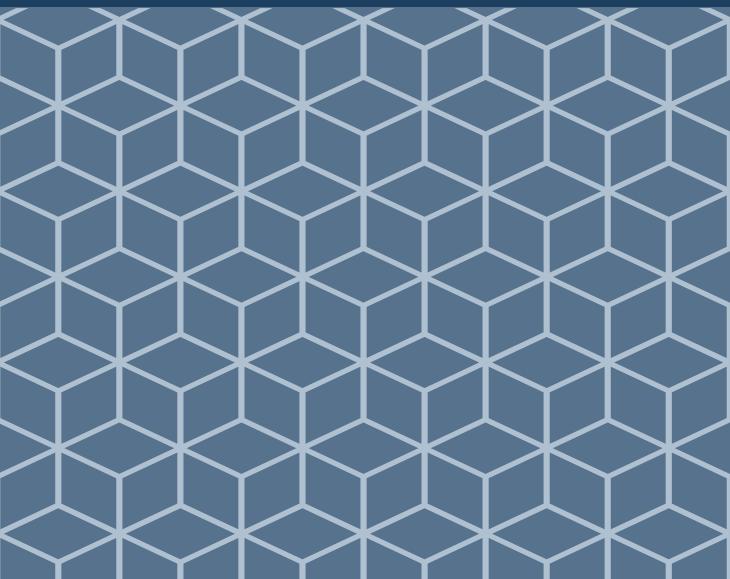
Fees do not scale with home size.

- A \$25k GFC fee is a smaller % of a \$900k home than a \$550k home.
- This reduces production of “starter homes,” townhomes, missing-middle units, and ADUs.



# *LOCAL COST DRIVERS:* INFRASTRUCTURE & FRONTAGE REQUIREMENTS

- Frontage improvements can be one of the most expensive components of small or infill development—often exceeding the value of the land itself.
- Requirements may include curbs, gutters, sidewalks, ADA ramps, stormwater infrastructure, street lighting, utility undergrounding, and roadway widening.
- Costs are highly variable and depend on existing conditions, utility conflicts, and design standards.
- Small sites bear disproportionate impacts because they pay 100% of improvement costs, regardless of project scale.
- Utility upgrades triggered by development—such as upsizing water or sewer lines—can add significant unplanned cost.



# INFRASTRUCTURE & FRONTAGE REQUIREMENTS



- .66 Acres
- With minimum lot size, could get 3-4 lots
- 700 feet from downtown Poulsbo
- Full street improvements would be required on both streets



# *INFRASTRUCTURE & FRONTAGE REQUIREMENTS*



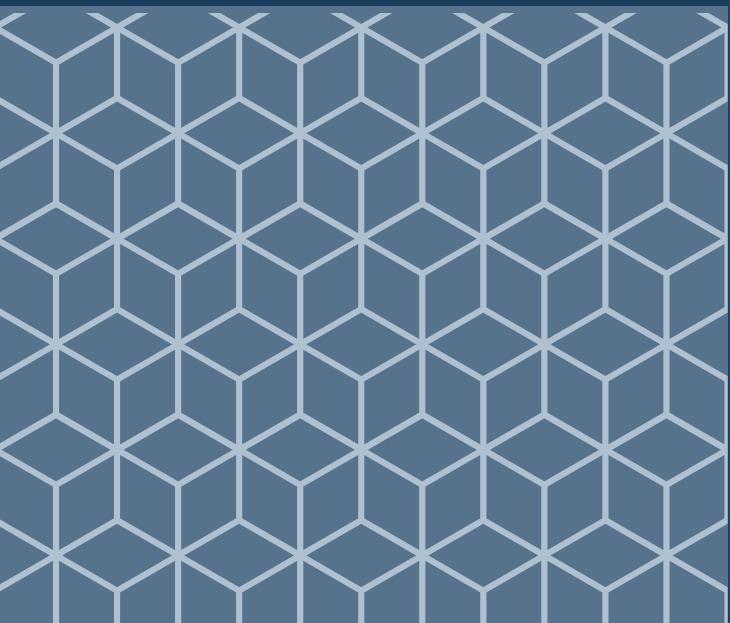
- 1.03 Acres
- 8 detached single-family (~1,400 SF each)
- $\frac{1}{2}$  mile from downtown Poulsbo
- Off-site improvements, including frontage improvements and utilities, \$52,500 per unit

# *LOCAL COST DRIVERS: INCENTIVES*

An incentive is a policy tool that reduces costs or provides benefits to encourage certain types of development.

- Can lower development costs, helping affordable and missing-middle projects pencil.
- Encourage desired housing types and direct private investment toward public goals.
- May reduce short-term revenue for infrastructure or services.
- Require administrative oversight to ensure compliance and track outcomes.
- Must be calibrated carefully—too small to matter or too generous to be efficient.

Will discuss at length in workshop 2



# HOUSING AFFORDABILITY

## Local Control



Zoning



Development Standards



Permitting Timelines



Local Fees  
Impact Fees



GFC/SDC  
Charges



Infrastructure Requirements

## Market Control



Land Prices



Labor Costs



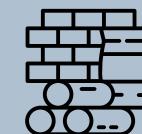
Financing  
Conditions



Interest Rates



State  
Regulations



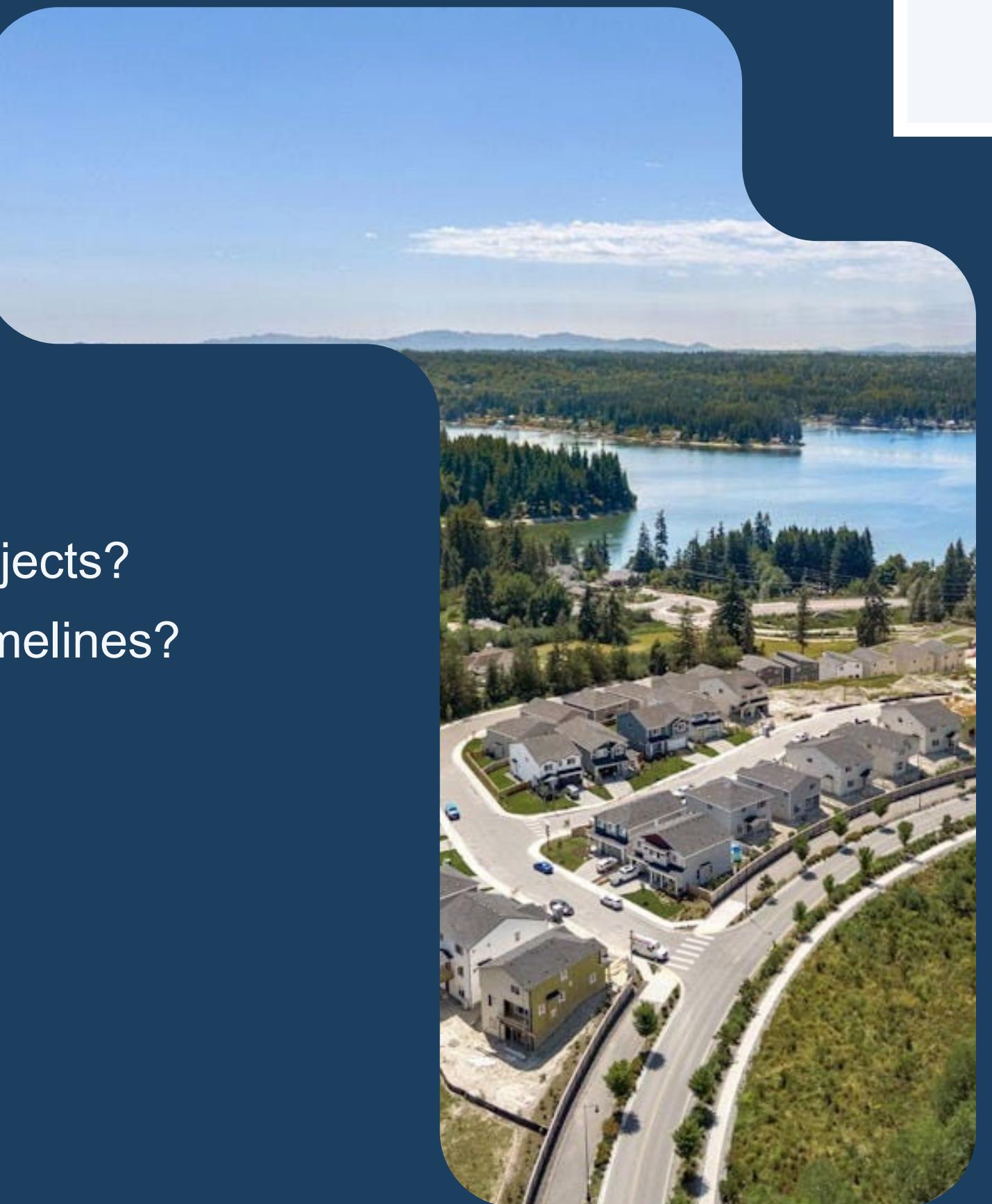
Materials Costs



What Do  
You Think?

# WHERE SHOULD WE FOCUS EFFORT?

- Areas where small changes unlock meaningful housing supply?
- Upfront cost drivers that disproportionately affect smaller/infill projects?
- Process improvements that increase predictability and shorten timelines?
- Incentive structures that align with community goals?
- Simplifying pathways for duplexes, triplexes, and townhomes?
- Balancing flexibility with infrastructure needs?
- Strategies that keep Poulsbo competitive regionally?



# KEY TAKEAWAYS

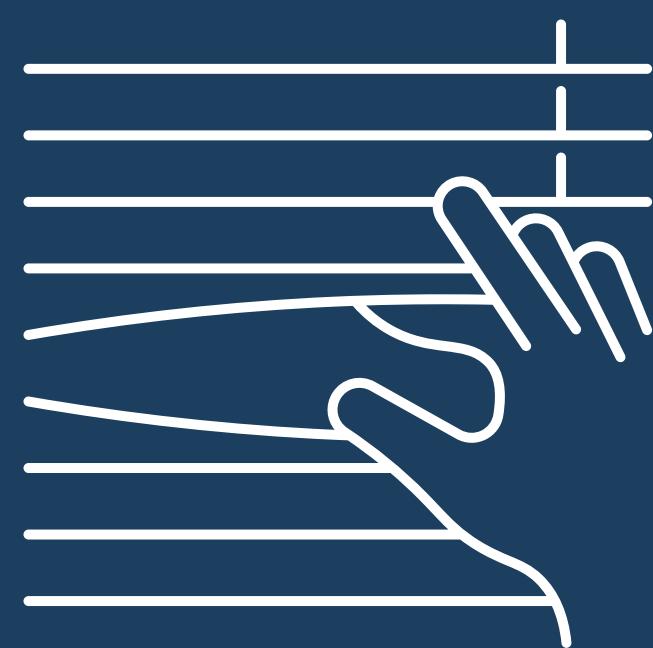
- Housing affordability is shaped by both market forces and local policy choices.
- Local cost drivers matter—especially for smaller projects.
- Time is money in development.
- Poulsbo already has some tools and flexibility built into its code.
- Trade-offs are unavoidable.
- Regional competitiveness matters.
- Data and shared understanding provide the foundation for next steps.
- This is the beginning of a structured decision-making process.



# PROGRAMS & INCENTIVES - WORKSHOP 2

## *ANYTHING MISSING?*

- Multi-Family Tax Exemption (MFTE): 8-, 12-, or 20-year affordability options
- Impact fee waivers, reductions, or deferrals
- Utility GFC/SDC reductions, credits, or payment deferrals
- Permit and application fee waivers
- Local Housing Fund / fee-in-lieu contributions
- Density and development bonuses
- Inclusionary zoning
- Parking reductions
- Bundled permit review for missing-middle and/or affordable projects
- Frontage improvement waivers or cost-sharing
- State and federal grants (Commerce, HUD, ARPA, etc.)
- Small-lot or cottage housing incentive package
- ADU incentives (fee waivers)
- Cluster/PRD flexibility tied to affordability
- Pre-approved plans for missing middle and/or affordable projects



# THANK YOU

<https://cityofpoulsbo.com/affordable-housing/>

