HOUSING AFFORDABILITY

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

February 4, 2026 | Workshop 2

CITY OF POULSBO
VIKING CITY

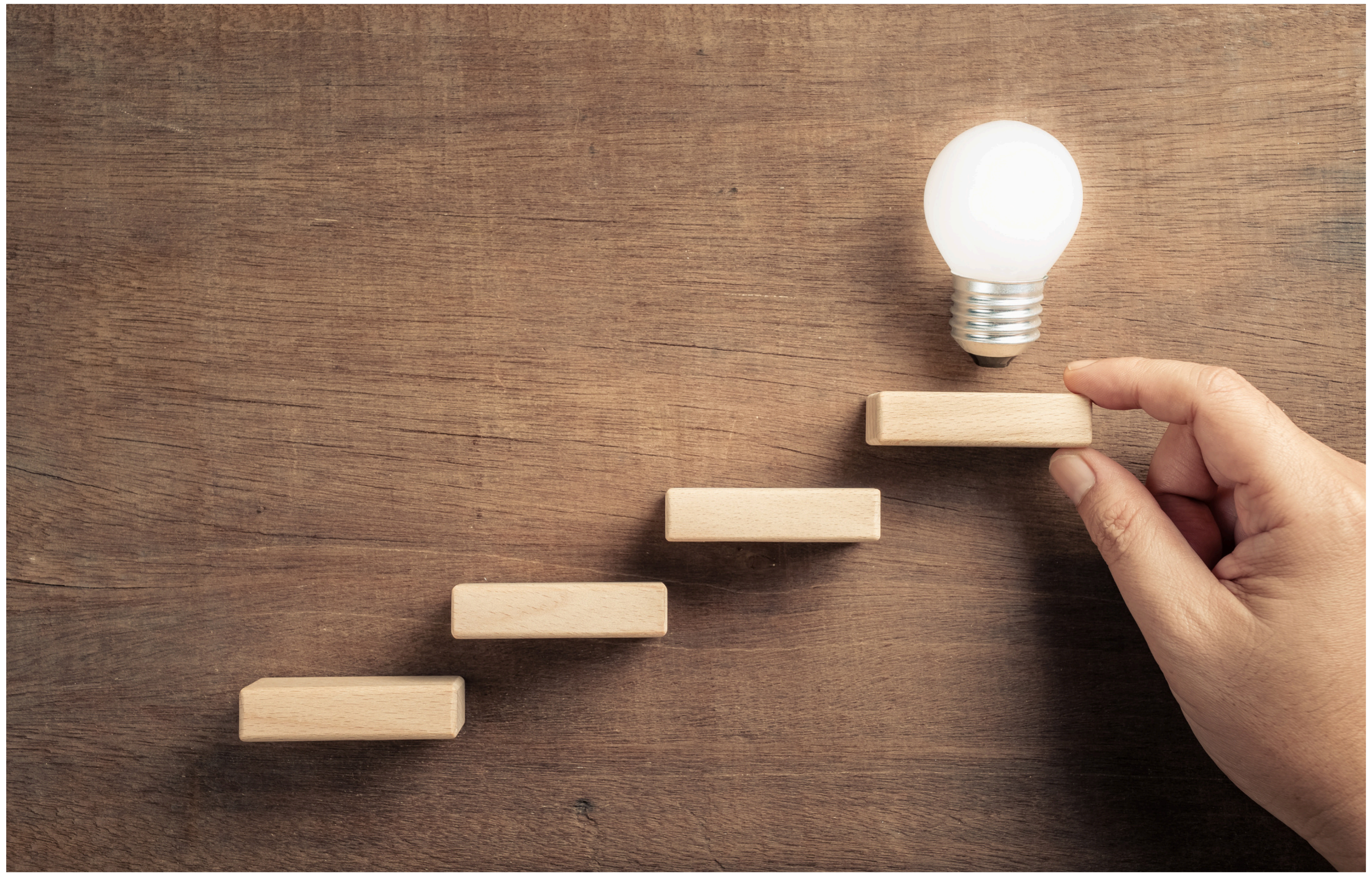
FOUR PART WORKSHOP SERIES

WORKSHOP 1: UNDERSTANDING COST DRIVERS (JANUARY 7)

WORKSHOP 2: PRORAMS AND INCENTIVES (FEBRUARY 4)

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

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

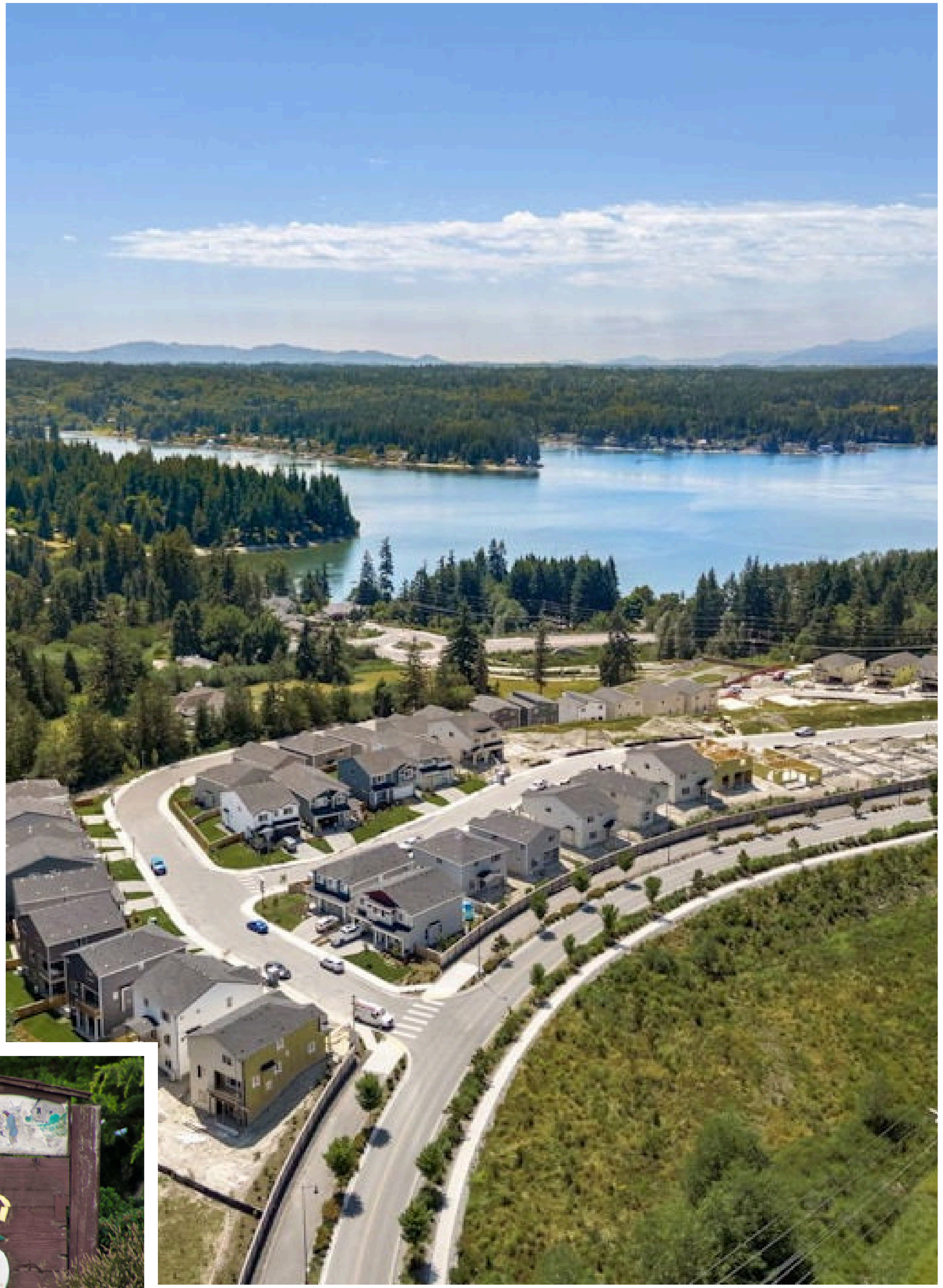


Creating a common understanding to guide future decisions.

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 RECAP — WHAT WE LEARNED

- Workshop 1 established a shared understanding of what drives housing costs in Poulsbo and distinguished between market factors and local cost drivers.
- Market factors, such as interest rates, labor and material costs, land prices, regional demand, and lending conditions, largely determine project feasibility and are outside the City’s control.
- Local cost drivers matter at the margins, especially for projects that are close to penciling.
- City-controlled factors, including zoning standards, permitting timelines, local fees, utility charges, and infrastructure requirements, can affect risk, upfront costs, and feasibility, particularly for small, infill, and missing-middle housing.
- By clarifying what the City can and cannot influence, Workshop 1 set the foundation for evaluating programs and incentives in Workshop 2.

WORKSHOP 2: PROGRAMS AND INCENTIVES

Goal: Introduce potential incentive tools and identify those most aligned with Poulsbo's needs, capacity, and policy direction.

Key Questions:

- What outcomes are we trying to achieve with housing affordability programs?
- Which barriers do incentives need to address?
- Which households are we trying to support?

Tonight is not about adopting programs or making commitments. It’s about helping staff understand which tools are worth deeper, real-world analysis in the next workshop.

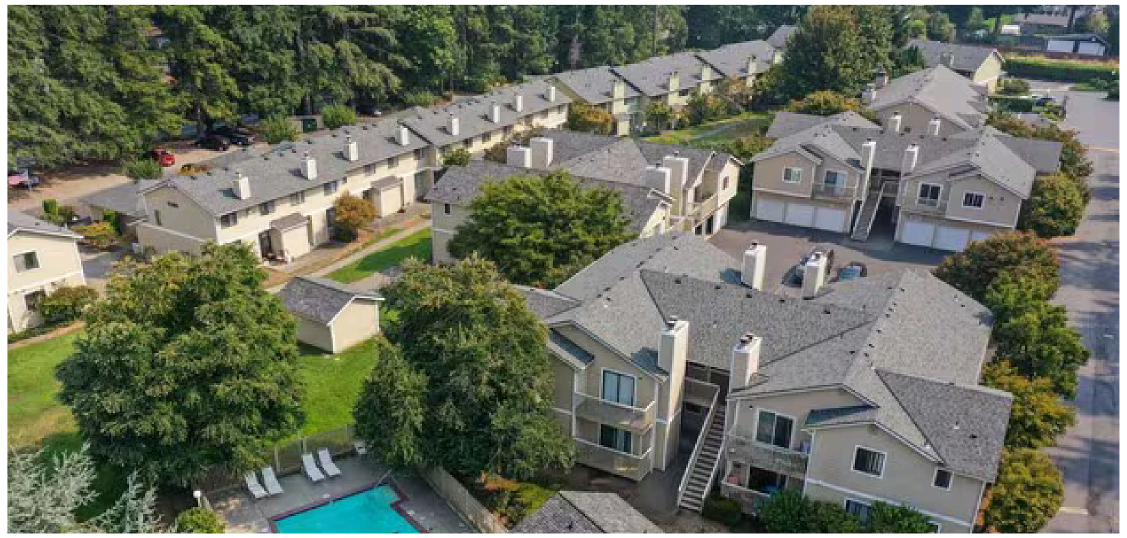
DIFFERENCE - INCENTIVES AND PROGRAMS

- **Incentives** are project-level tools that reduce cost, increase capacity, or improve feasibility for individual developments; they are typically faster to implement, more flexible, and have lower administrative and fiscal impacts.
- **Programs** are formal policy frameworks that establish ongoing systems—such as MFTE or inclusionary housing—that require ordinance adoption, dedicated administration, monitoring, and long-term oversight, and generally deliver deeper, longer-lasting affordability outcomes but with higher staff and fiscal commitments.

INCENTIVES

- DENSITY BONUS
- FEE REDUCTIONS & DEFERRALS
- FEE CREDITS FOR PUBLIC IMPROVEMENTS
- DIMENSIONAL FLEXIBILITY
- PARKING REQUIREMENT REDUCTIONS
- FRONTAGE / INFRASTRUCTURE FLEXIBILITY
- EXPEDITED PERMITTING/ BY-RIGHT APPROVALS

DENSITY BONUSES



What Are Density Bonuses? Allowing a project to exceed base zoning density in exchange for providing public benefits, typically affordable housing.

Typical Bonus Incentives

- +20–40% more units with an affordability requirement

Options to Consider:

- Density bonus in RM/RM-H zones for mixed-income projects
- Tiered system encouraging deeper affordability for larger bonuses
- PRD modernization to include a clear “affordable housing bonus path”
- Bonuses paired with dimensional flexibility to maximize impact

DENSITY BONUSES

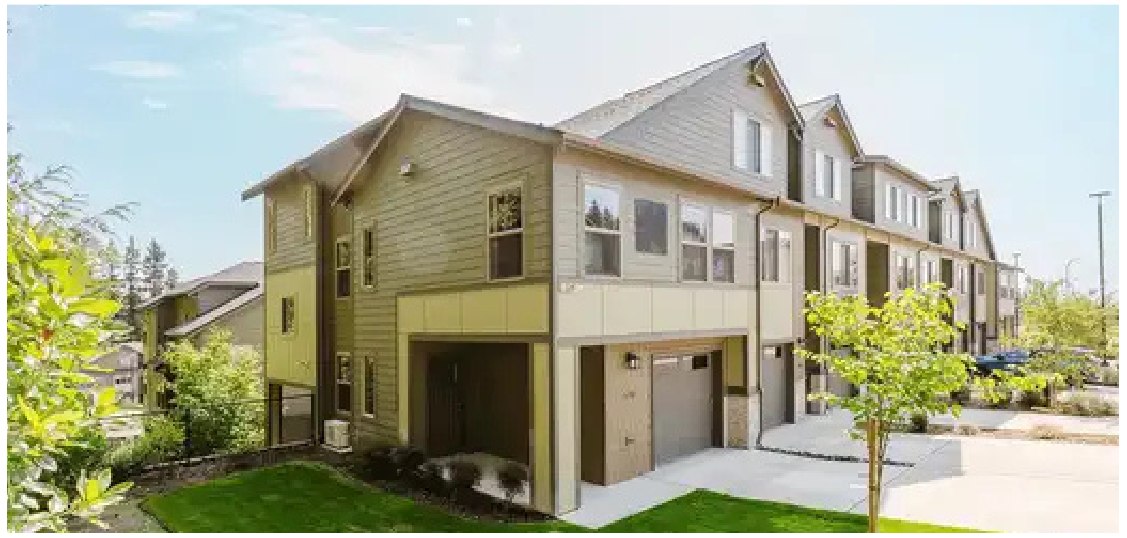
What This Does	Allows more homes on a site
Who It Helps	Lower/moderate-income households (<80%–120% AMI)
Housing Types Encouraged	Affordable Housing (Income-Restricted), Smaller Units (Naturally Affordable), Missing-Middle Housing Types
Where It Makes Sense	Citywide for Affordable, Smaller Units and, Missing-Middle Housing Types
Implementation Timeframe	Short - 2026
Staff Effort	Low

DENSITY BONUS

Trade-Offs:

- *Infrastructure Capacity*: Additional units may increase demand on streets, utilities, parks, stormwater facilities, requiring coordination with capital planning.
- *Neighborhood Perception*: Increased unit count can raise concerns about scale, character, and compatibility, especially in transition areas.
- *Feasibility Balance*: Bonuses must be large enough to offset affordability requirements or costs—too small results in no uptake; too large can strain services.
- *Equity and Location*: Applying bonuses citywide may produce uneven impacts; targeting them to centers and corridors can better align growth with services.
- *Administrative Complexity*: Bonus programs require clear standards and monitoring to ensure promised public benefits (affordable units, design features) are delivered.

DIMENSIONAL AND DESIGN FLEXIBILITY



Adjustments to zoning and development standards that allow housing to be built more efficiently without increasing public cost. These tools focus on how buildings fit on a site, rather than how many units are allowed.

Options to Consider:

- Reduced setbacks for missing-middle housing types
- Flexible lot standards for townhomes and cottage clusters
- Higher lot coverage allowances in walkable areas
- Reduced building separation for multifamily projects
- Consolidated or reduced open space requirements for small sites
- By-right dimensional standards tied to objective design rules

Common standards addressed include:

Setbacks
Lot size and lot width
Lot coverage
Building footprint and orientation
Open space and landscaping requirements
Building separation and modulation requirements

DIMENSIONAL AND DESIGN FLEXIBILITY

What This Does	Smaller lots and buildings use land more efficiently
Who It Helps	Lower/moderate-income households (<80%–120% AMI)
Housing Types Encouraged	Duplexes, triplexes, courtyard housing, cottage housing
Where It Makes Sense	Citywide for Affordable, Smaller Units and, Missing-Middle Housing Types
Implementation Timeframe	Short - 2026
Staff Effort	Low

DIMENSIONAL AND DESIGN FLEXIBILITY

Trade-Offs:

- *Neighborhood Fi*t: Reduced setbacks or increased lot coverage can raise concerns about building scale, privacy, and compatibility if not paired with clear design standards.
- *Consistency* vs. *Flexibility*: Case-by-case flexibility can create perceptions of uneven application; objective, by-right standards are needed to ensure fairness.
- *Design Quality*: Simplifying dimensional standards must be balanced with maintaining quality architecture, livability, and streetscape character.
- *Cumulative Impacts*: Small dimensional adjustments across many sites can change neighborhood form over time, even if individual projects seem modest.
- *Public Understanding*: Flexibility can be misunderstood as “more density,” requiring clear communication that these tools improve feasibility without changing zoning intensity.

PARKING REQUIREMENT REDUCTIONS

Parking requirement reductions are policies that adjust or lower minimum off-street parking requirements so development provides parking that better matches actual demand, rather than a fixed standard, helping improve site efficiency and project feasibility.

Options to Consider:

- Lower minimum parking ratios for multifamily and missing-middle housing
- Eliminate parking minimums in specific areas, near transit.
- Reduce parking requirements for small units, studios, or affordable housing.
- Count on-street parking toward parking requirements where appropriate.
- Provide administrative flexibility for infill sites with physical constraints.
- Pair reductions with design standards (bike parking, ADA spaces, guest parking).

Typical Cost of Parking

Surface Parking: $5,000–$15,000 per stall
Structured Parking: $25,000–$50,000 per stall
Underground Parking: $50,000–$80,000+ per stall

PARKING REQUIREMENT REDUCTIONS

What This Does	Requires fewer parking spaces
Who It Helps	Renters and workforce households (60–120% AMI)
Housing Types Encouraged	ADUs, duplexes, triplexes, townhomes, small multifamily
Where It Makes Sense	Citywide for Affordable, Smaller Units and, Missing-Middle Housing Types
Implementation Timeframe	Short - 2026
Staff Effort	Low

PARKING REQUIREMENT REDUCTIONS

Trade-Offs:

- *Spillover Risk:* Reduced on-site parking can raise concerns about overflow parking on nearby streets, even where demand is lower than assumed.
- *Context Sensitivity*: Parking needs vary by location, housing type, and household size; a one-size-fits-all reduction may not work everywhere.
- *Market Acceptance*: Lenders or buyers may be cautious about projects with less parking, particularly in auto-oriented areas.
- *Equity Considerations:* Reduced parking can benefit households without cars but may disadvantage those who rely on vehicles if alternatives are limited.
- *Public Communication:* Parking reductions are often misunderstood as eliminating parking entirely, requiring clear explanation that parking is being right-sized, not removed.

FEE REDUCTIONS & DEFERRALS

Fee reductions & deferrals are policies that lower or delay required development fees, such as impact fees, utility connection charges, or permit fees, to reduce upfront project costs and improve housing feasibility, particularly for infill, missing-middle, or affordable housing projects.

Options to Consider:

- Deferral of fees until Certificate of Occupancy (rather than permit issuance) to reduce upfront financing and carrying costs.
- Targeted fee reductions for specific housing types.
- Tiered fee schedules based on unit size, unit count, or affordability level ((where not already required by code) rather than a flat rate.
- Partial fee waivers tied to public benefits (income-restricted units).
- Fee caps for small projects where fees are disproportionate to project scale.
- Geographic targeting of fee reductions.
- Time-limited or pilot programs to test effectiveness without long-term revenue commitments.

Fees can be:

Reduced (partial or full)

Deferred (paid at Certificate of Occupancy instead of at issuance)

Credited (public improvements in lieu of fees)

FEE REDUCTIONS & DEFERRALS

What This Does	Lowers or delays city fees to reduce upfront costs
Who It Helps	Lower/moderate-income households (<80%–120% AMI)
Housing Types Encouraged	ADUs, small multifamily, missing-middle, entry-level ownership
Where It Makes Sense	Citywide for Affordable, Smaller Units and, Missing-Middle Housing Types
Implementation Timeframe	Mid - 2027
Staff Effort	High

FEE REDUCTIONS & DEFERRALS

Trade-Offs:

- *Revenue Timing and Availability*: Deferring or reducing fees can delay or reduce funding for parks, transportation, and utilities, requiring careful coordination with capital planning.

- E*quity and Proportionality:* Reductions must be structured so projects still pay their fair share for impacts, avoiding perceptions of preferential treatment.

- *Targeting Effectiveness*: Broad fee reductions may dilute impact; targeted reductions for infill, missing-middle, or affordable housing are more effective but require clear eligibility criteria.

- *Administrative Tracking*: Deferrals require systems to track payments through Certificate of Occupancy and ensure fees are ultimately collected.

- *Cumulative Impact:* While individual reductions may be modest, multiple reductions layered together can significantly affect long-term revenue if not monitored.

EXPEDITED PERMITTING & BY-RIGHT APPROVALS

Tools that shorten development review timelines and increase certainty by prioritizing project review, reducing discretionary steps, pre-clearing certain housing types or locations for streamlined approval, setting guaranteed review windows.

Expedited review = faster timeline
By-right approval = simpler process with fewer subjective steps

Options to Consider:

Expedited Review

- Priority processing for income-restricted or missing-middle housing
- Guaranteed land use review in no more than 45 days
- Guaranteed building permit review for qualifying projects
- Concurrent review for land use + engineering

By-Right Approvals

- Cottage clusters, multiplexes, and townhomes as by-right where zoning supports them
- By-right multifamily in C-1/C-2/C-3 with objective standards
- Pre-approved infill plans to shorten design review

EXPEDITED PERMITTING & BY-RIGHT APPROVALS

What This Does	Shortens review timelines, provides clear rules so housing can be approved faster
Who It Helps	All households
Housing Types Encouraged	Small and mid-scale projects
Where It Makes Sense	Citywide
Implementation Timeframe	Mid - 2027
Staff Effort	High

EXPEDITED PERMITTING & BY-RIGHT APPROVALS

Trade-Offs:

- *Staff Capacity and Workload:* Faster review timelines can strain staff resources and may require phasing or eligibility limits.
- *Reduced Discretionary Review:* By-right approvals limit case-by-case judgment, which can raise concerns about flexibility or site-specific issues if standards are not well drafted.
- *Upfront Code Clarity Required:* Expedited processes rely on clear, objective standards; poorly defined codes can lead to disputes or inconsistent outcomes.
- *Equity and Expectations:* Offering faster processing to certain projects may be perceived as preferential unless eligibility criteria are transparent and consistent.
- *Quality Control:* Compressed timelines require strong internal coordination to ensure technical review, safety, and compliance are not compromised.

FRONTAGE & INFRASTRUCTURE FLEXIBILITY

Adjustments to required off-site and on-site public improvements so that infrastructure obligations are proportional to the scale and impact of a housing project. This flexibility focuses on how and when infrastructure is built, not eliminating it, but right-sizing it to support housing feasibility while maintaining public safety and long-term system goals.

Options to Consider

- Proportional frontage standards tied to unit count or trip generation
- Alternative sidewalk/path standards for small sites (where ADA compliance can still be met)
- Stormwater flexibility using LID for infill projects (consistent with the Ecology Stormwater Manual)
- Utility connection deferrals where appropriate (without eliminating required connections)
- Reduced open space requirements for small sites
- Open space credits for proximity to public parks
- Clear administrative criteria for when flexibility applies

FRONTAGE & INFRASTRUCTURE FLEXIBILITY

What This Does	Adjusts street improvement requirements on small sites
Who It Helps	Lower/moderate-income households (<80%–120% AMI)
Housing Types Encouraged	Infill single-family, duplexes, townhomes, small MF
Where It Makes Sense	Citywide for Affordable, Smaller Units and, Missing-Middle Housing Types
Implementation Timeframe	Long - 2029
Staff Effort	High

FRONTAGE & INFRASTRUCTURE FLEXIBILITY

Trade-Offs:

- *Timing of Infrastructure Delivery:* Deferring or scaling improvements can shift construction to a later City-led project, requiring careful capital planning.
- *Equity and Proportionality:* Flexible requirements must still ensure projects pay their fair share to avoid perceptions of unequal treatment.
- *Coordination Across Departments:* Implementing flexibility requires close alignment between Planning, Engineering, and Public Works to maintain safety and system integrity.
- *Interim Conditions:* Partial or interim improvements must be designed so they do not create safety issues or conflict with ADA, fire access, or future full build-out.
- *Public Perception:* Reduced or alternative frontage improvements can be misunderstood as lowering standards, requiring clear communication about long-term plans and outcomes.

FEE CREDITS FOR PUBLIC IMPROVEMENTS

A policy tool that allows developers to receive credit against required development fees when they construct eligible public infrastructure that benefits the broader community—not just their own project. Instead of paying full fees and building infrastructure, developers are credited for improvements that advance City capital needs.

Options to Consider

- Establish a clear list of credit-eligible improvements
- Cap credits by fee category (transportation, parks, utilities)
- Allow credits only for improvements identified in the CFP/CIP
- Require engineer cost certification
- Apply credits at permit issuance or Certificate of Occupancy
- Pair credits with latecomers agreements where appropriate

Eligible improvements often include:
Streets, sidewalks, and frontage improvements
Water, sewer, and stormwater infrastructure
Parks, trails, and public open space amenities
Traffic, pedestrian, or safety improvements

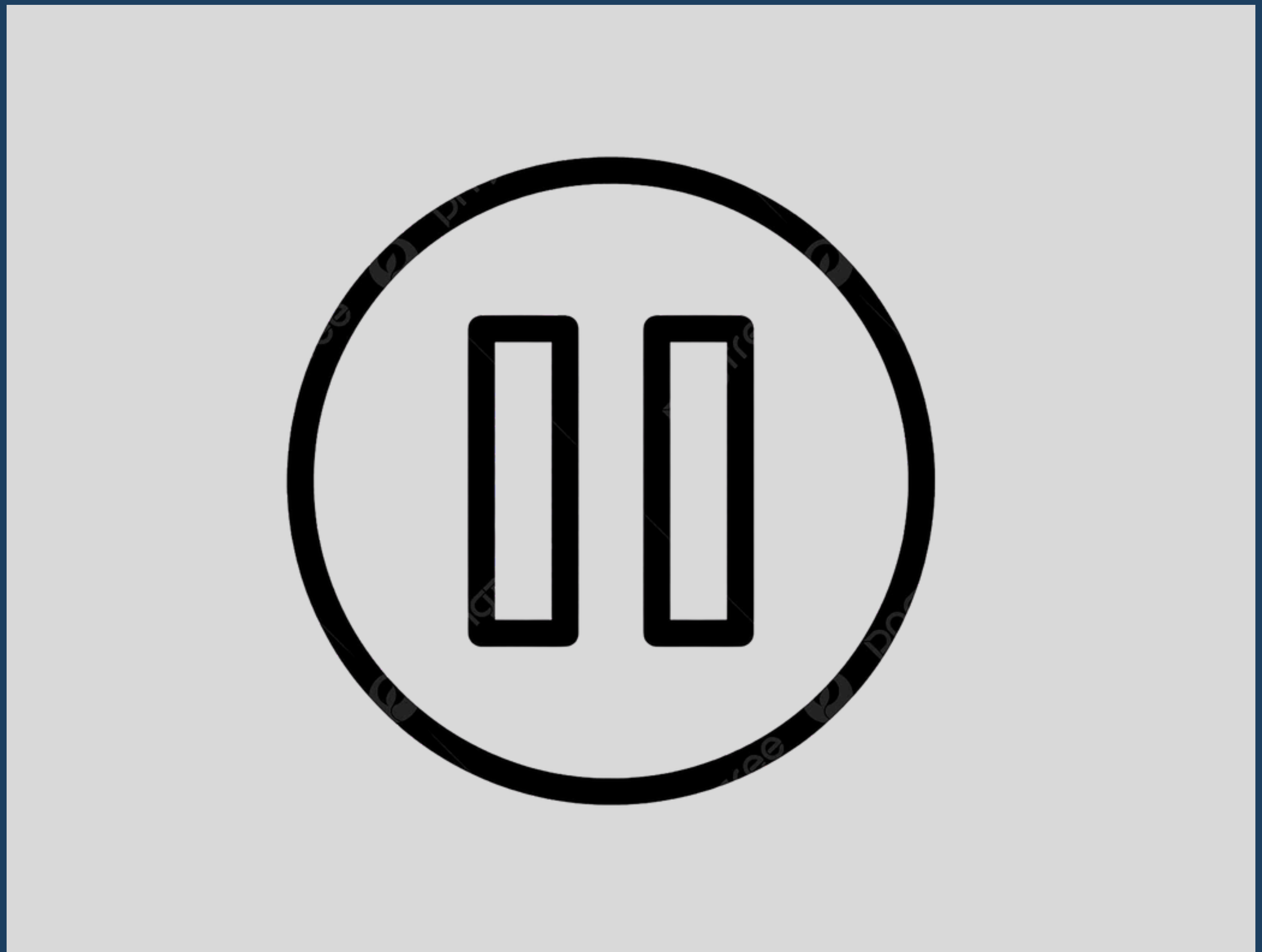
FEE CREDITS FOR PUBLIC IMPROVEMENTS

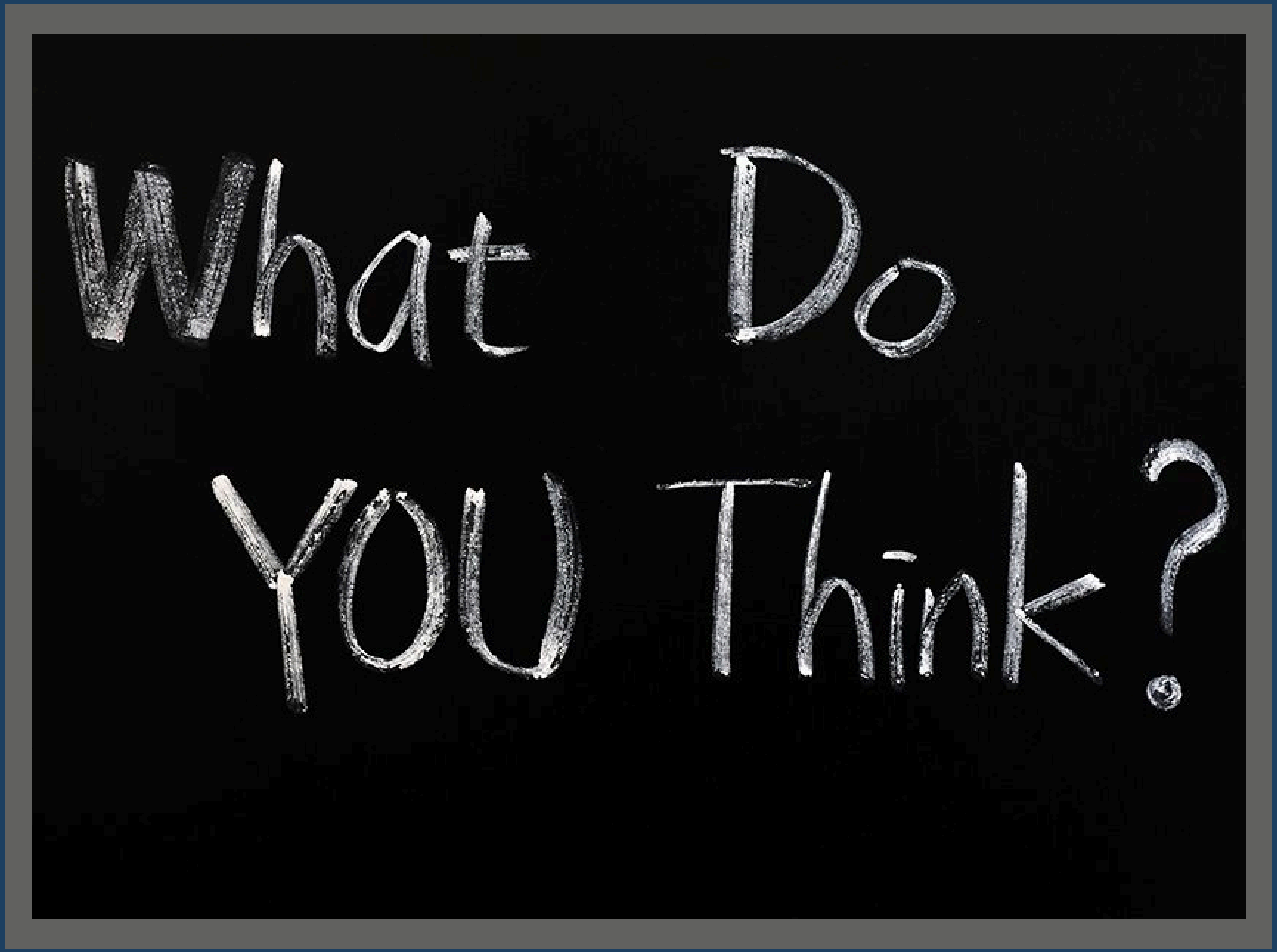
What This Does	Credits developers who build public infrastructure
Who It Helps	Moderate-income households (80–120% AMI)
Housing Types Encouraged	Redevelopment and infill projects
Where It Makes Sense	Citywide
Implementation Timeframe	Long - 2029
Staff Effort	High

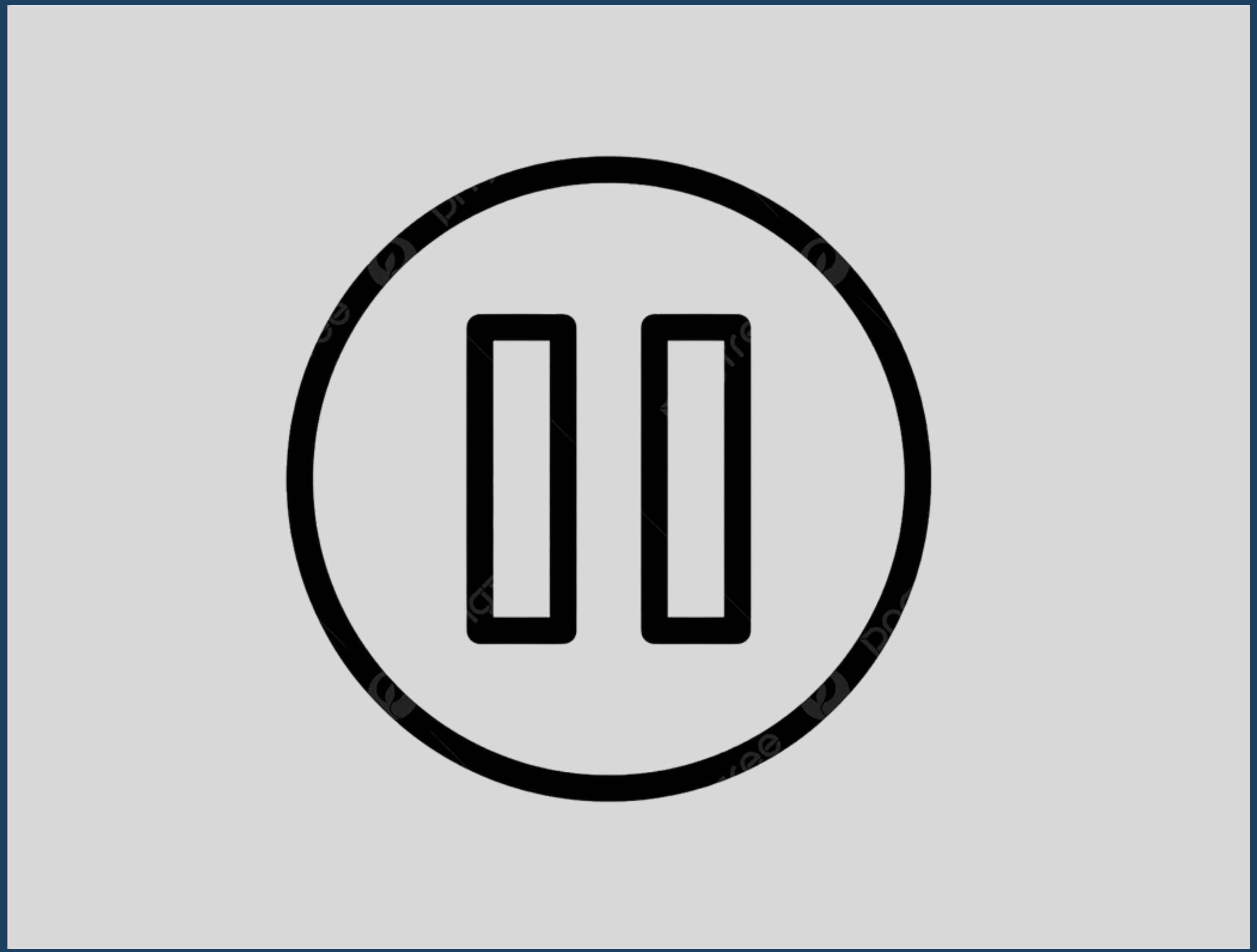
FEE CREDITS FOR PUBLIC IMPROVEMENTS

Trade-Offs:

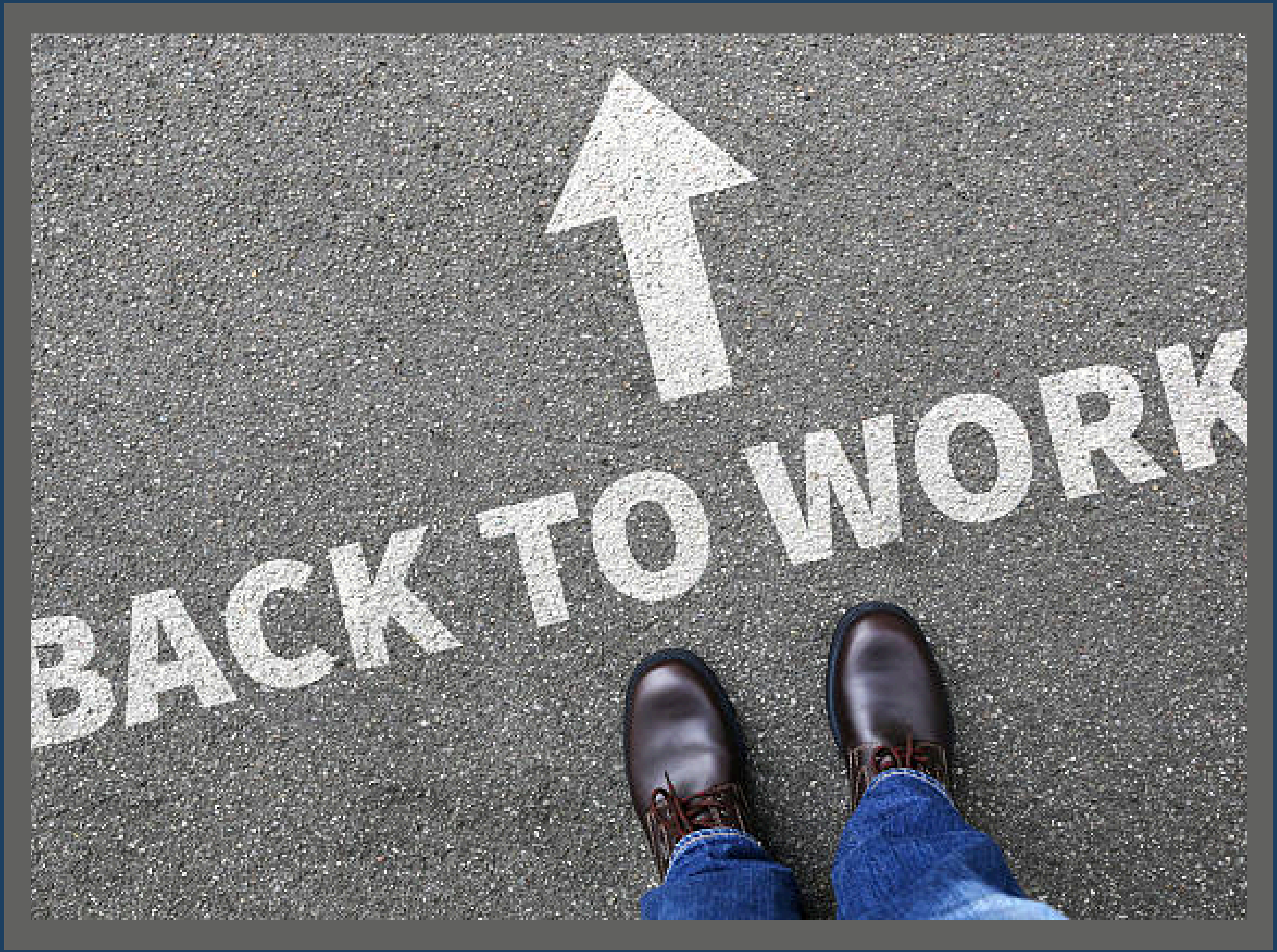
- *Revenue Timing and Predictability:* Fee credits reduce near-term fee collections, which can affect the timing and funding of planned capital projects.
- *Proportionality and Equity:* Credits must be carefully calculated so developers receive credit only for improvements that exceed their project's proportional impact, ensuring fairness across developments.
- *Administrative Complexity*: Valuing, tracking, and applying credits requires coordination across departments and clear documentation, adding modest staff workload.
- *Capital Planning Alignment:* Credits work best when tied to CFP/CIP priorities; misalignment can result in infrastructure that is delivered early but outside planned sequencing.
- *Consistency and Expectations:* If not clearly defined, credit policies can create expectations for case-by-case negotiations rather than predictable, by-right outcomes.




What Do
YOU Think?




TIME FOR A
BREAK


BACK TO WORK

PROGRAMS

- MULTI-FAMILY TAX EXEMPTION (MFTE)
- VOLUNTARY INCLUSIONARY HOUSING
- PUBLIC-PRIVATE HOUSING PARTNERSHIPS
- AFFORDABLE HOUSING FEE-IN-LIEU
- MANDATORY INCLUSIONARY ZONING
- LAND BANKING / LAND DONATION PROGRAMS
- LOCAL HOUSING FUND
- GRANT PARTNERSHIPS
- PRESERVATION / ACQUISITION PROGRAMS

MULTI-FAMILY TAX EXEMPTION (MFTE)

MFTE is a state-authorized property tax exemption program (RCW 84.14) that allows cities and counties to exempt the residential improvements of qualifying multifamily projects for a set period of time.

Options to Consider:

- Program term options (8, 12 , or 20-year)
- Affordability targets (60% AMI, 80% AMI, or a mix)
- Apply MFTE citywide or limit it to specific areas.
- Minimum project size (e.g., 10+ or 20+ units).
- Require a mix of unit sizes to support families, seniors, and workforce households.
- Allow MFTE to be combined with density bonuses, or parking reduction to increase effectiveness.
- Monitoring & administration to manage income certification, annual reporting, and compliance.
- Adopt as a time-limited program with periodic review to assess fiscal impacts and housing outcomes.

MFTE is a widely used tool with over 50 Washington communities participating

MULTI-FAMILY TAX EXEMPTION (MFTE)

What This Does	Temporarily reduces property taxes in exchange for affordable rents
Who It Helps	Renters and workforce households (60–120% AMI)
Housing Types Encouraged	Multifamily rental housing
Where It Makes Sense	C-2/Viking, C-3/SR 305, C-4/College Marketplace
Implementation Timeframe	Mid - 2027
Staff Effort	High

MULTI–FAMILY TAX EXEMPTION (MFTE)

8-Year Exemption

- No affordability requirement
- Incentivizes general multi-family supply in targeted areas

12-Year Exemption

- Requires 20% affordable units, income categories defined in RCW 84.14
- Mixed-income buildings

20-Year Exemption

- Rental properties not eligible (2022 change), homeownership with permanent affordability req’d
- Be sold to households earning ≤80% of AMI
- Have resale price and income restrictions enforced for at least 20 years, often much longer
- Used in partnerships (nonprofit or housing authority)

MULTI-FAMILY TAX EXEMPTION (MFTE)

Trade-Offs:

- *Tax Shift or Foregone Revenue:* Exempting building value can reduce tax collections or shift part of the tax burden to other properties during the MFTE term.
- *Fiscal Predictability:* MFTE reduces near-term property tax revenue from new development, which may affect long-range budgeting for the City and other taxing districts.
- *Administrative Oversight:* The program requires ongoing income verification, rent monitoring, and annual reporting for the life of the exemption.
- *Targeting Effectiveness:* If applied too broadly, MFTE may subsidize projects that would have been built without the incentive; if too narrow, participation may be limited.
- *Market Sensitivity:* MFTE effectiveness varies with market conditions—during downturns it may not be sufficient on its own to make projects feasible.

MULTI-FAMILY TAX EXEMPTION (MFTE)

Tax Shift Example:

- A new 50-unit apartment building is constructed with a $10 million residential improvement value and $2 million land value.
- During construction, the $10 million in new construction is added to the tax base, which can increase the levy limit for taxing districts in future years.
- After completion, the project receives a 12-year MFTE, and the $10 million building value becomes tax-exempt (land remains taxable).
- The levy limit does not decrease when the MFTE exemption begins, because it is based on prior-year levy calculations that already included the new construction.
- As a result, taxing districts are still allowed to collect the higher levy amount, but the MFTE project no longer contributes its share.
- The difference is either foregone revenue or shifted to other taxable properties through slightly higher tax rates — this redistribution is the tax shift.

AFFORDABLE HOUSING FEE-IN-LIEU

A payment option that allows a developer to contribute funds instead of providing on-site affordable units when participating in a voluntary incentive program (e.g., density bonuses, inclusionary housing).

Options to Consider:

- Limit eligibility to small or constrained projects; require on-site units for larger developments.
- Set fee levels per unit or per square foot, calibrated to local housing costs and realistic construction costs.
- Tie fees to AMI depth, with higher fees replacing deeper affordability.
- Deposit revenues into a dedicated Local Housing Fund with clear use priorities.
- Review and adjust fees periodically to reflect market conditions.

AFFORDABLE HOUSING FEE-IN-LIEU

What This Does	Collects funds for affordable housing instead of on-site units
Who It Helps	Lower-income households (<80% AMI)
Housing Types Encouraged	Funds affordable rental or ownership projects
Where It Makes Sense	Citywide (strategic investment)
Implementation Timeframe	Mid - 2027-2028
Staff Effort	Moderate

AFFORDABLE HOUSING FEE-IN-LIEU

Trade-Offs:

- *On-site Affordability vs. Pooled Impact:* Allowing fees instead of units can reduce mixed-income integration in individual projects, even while supporting affordability elsewhere.
- *Revenue Uncertainty:* Fee-in-lieu revenue depends on development activity and may fluctuate year to year, making funding levels less predictable.
- *Fee Calibration Risk*: If fees are set too low, they may not meaningfully support affordable housing; if too high, they may discourage development.
- *Timing of Housing Delivery:* Affordable units funded through fees are often delivered later than on-site units, delaying affordability outcomes.
- *Administrative Accountability:* Requires clear governance, tracking, and reporting to ensure funds are used transparently and for intended housing purposes.

GRANT PARTNERSHIPS

Tools that allow the City to leverage state, federal, and regional funding, often in partnership with housing authorities, nonprofits, or other jurisdictions, to reduce infrastructure or development costs and support affordable housing.

Options to Consider:

- Target specific grant programs that align with Poulsbo’s housing and infrastructure priorities.
- Use local funds strategically as match to strengthen applications.
- Partner with Housing Kitsap or nonprofits to leverage experience, capacity, and eligibility.
- Focus on a small number of high-impact projects rather than pursuing many grants at once.
- Pilot a grant-first approach for priority sites or housing types to test staff capacity and ROI.

Why Grant Partnerships Matter

Fill partial financing gaps for affordable or mixed-income housing (often in combination with local funds or incentives)

Offset infrastructure costs (water, sewer, storm, frontage)

Reduce fee burden for projects serving low- or moderate-income households

Expand the feasibility of public/private developments

GRANT PARTNERSHIPS

What This Does	Uses state/federal grants to reduce project costs
Who It Helps	Very low-income households (<60% AMI)
Housing Types Encouraged	Multifamily affordable housing
Where It Makes Sense	Opportunity and redevelopment sites
Implementation Timeframe	Short - 2026
Staff Effort	Moderate

GRANT PARTNERSHIPS

Trade-Offs:

- *Staff Capacity and Workload:* Grant writing, coordination, and reporting can be time-intensive and may strain limited staff resources.
- *Uncertain Outcomes:* Grant funding is competitive and not guaranteed, even with strong applications.
- *Timing Constraints:* Grant cycles and award schedules can delay project delivery compared to local tools.
- *Match Requirements:* Many grants require local matching funds, which may compete with other City priorities.
- *Compliance Obligations:* State and federal grants often come with long-term reporting, monitoring, and regulatory requirements.

VOLUNTARY INCLUSIONARY HOUSING

A policy approach where developers may choose to provide affordable housing units in exchange for incentives that improve project feasibility. Participation is optional—developers opt in only if the incentives outweigh the costs. This approach differs from mandatory inclusionary zoning by relying on market choice rather than requirement.

Options to Consider

- Voluntary participation tied to density or height bonuses
- Target AMI levels (e.g., 80% AMI workforce housing)
- Tiered incentives for deeper affordability (60% AMI)
- Allow fee-in-lieu for small or constrained sites
- Geographic targeting (C-1, C-3, centers, corridors)
- Partner with Housing Kitsap for compliance monitoring

VOLUNTARY INCLUSIONARY HOUSING

What This Does	Incentives when developers include affordable units
Who It Helps	Workforce households (80–120% AMI)
Housing Types Encouraged	Multifamily, mixed-use
Where It Makes Sense	High-demand growth areas
Implementation Timeframe	Short - 2026
Staff Effort	Moderate

VOLUNTARY INCLUSIONARY HOUSING

Trade-Offs:

- *Uncertain Participation:* Because the program is optional, affordable unit production depends on whether incentives are strong enough to attract developers.
- *Incentive Calibration:* Incentives must be carefully balanced—too weak results in little uptake; too strong can create fiscal or infrastructure impacts.
- *Administrative Oversight:* Requires ongoing monitoring of income eligibility and rent limits for participating projects.
- *Uneven Outcomes:* Affordable units may cluster in areas where incentives are most valuable, rather than being evenly distributed citywide.
- *Market Sensitivity:* Program effectiveness can vary with market conditions and may slow during economic downturns.

MANDATORY INCLUSIONARY HOUSING

A regulatory approach that requires certain new residential developments to include income-restricted affordable housing units or, in limited cases, pay a fee-in-lieu into a local housing fund. Unlike voluntary programs, participation is not optional once a project meets the applicability threshold.

Options to Consider:

- Can the local market support mandatory requirements without reducing housing production?
- What minimum project size should trigger the requirement?
- Which AMI targets best meet local needs?
- Should it apply citywide or only in targeted areas?
- What incentives are needed to keep projects viable?

MANDATORY INCLUSIONARY HOUSING

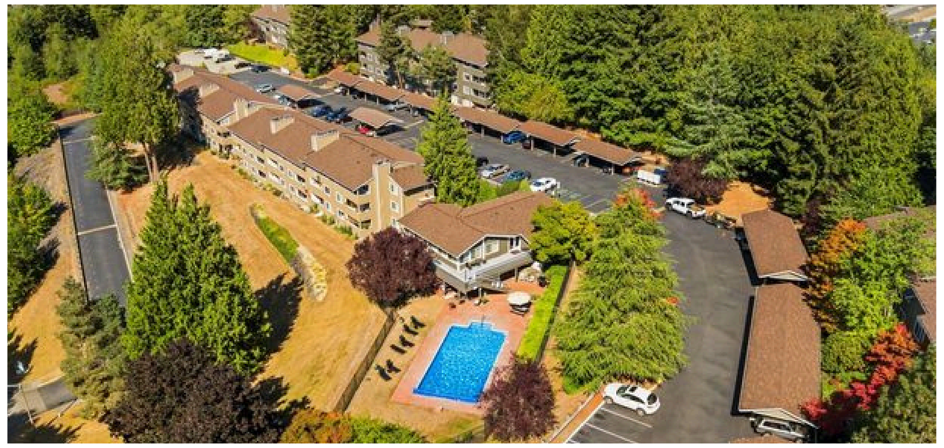
What This Does	Requires affordable units in strong markets
Who It Helps	Lower-income households (<80% AMI)
Housing Types Encouraged	Multifamily
Where It Makes Sense	Limited to strongest market areas
Implementation Timeframe	Mid - 2027-2028
Staff Effort	High

MANDATORY INCLUSIONARY HOUSING

Trade-Offs:

- *Feasibility Risk:* If requirements are not well-calibrated, mandatory set-asides can reduce housing production or discourage development.
- *Market Sensitivity:* Mandatory programs work best in strong markets; in moderate markets they may push development to neighboring jurisdictions.
- *Administrative Burden:* Requires long-term monitoring, enforcement, and management of affordability covenants.
- *Project Scale Impacts:* Smaller projects may be disproportionately affected unless thresholds are carefully set.
- *Need for Offsets:* Often requires pairing with incentives (density, parking, fee reductions) to maintain project feasibility.

LOCAL HOUSING FUND



A dedicated City-managed fund used exclusively to support housing affordability. Funds are pooled from multiple sources and deployed strategically to close financing gaps, preserve existing affordable housing, and leverage external grants.

Options to Consider:

- Identify which revenues will capitalize the fund (fee-in-lieu, grants, General Fund contributions).
- Decide whether to focus on production, preservation, land acquisition, or grant match—or a mix.
- Determine who can access funds (City projects, Housing Kitsap, nonprofits, PPPs).
- Target investments to specific neighborhoods, centers, or corridors—or allow citywide use.
- Establish clear oversight, spending criteria, and regular Council reporting.

LOCAL HOUSING FUND

What This Does	Implement recommendations of ad-hoc committee
Who It Helps	Lower-income households (<80% AMI)
Housing Types Encouraged	Funds affordable rental or ownership projects
Where It Makes Sense	Citywide, priority locations
Implementation Timeframe	Short - already exists
Staff Effort	Low

LOCAL HOUSING FUND

Trade-Offs:

- *Revenue Variability:* Funding levels depend on development activity and other sources, making annual revenues unpredictable.
- *Time to Impact:* Funds often need to accumulate over time before they can support a housing project.
- *Administrative Oversight:* Requires ongoing management, reporting, and clear governance to ensure transparency and effectiveness.
- *Limited Standalone Impact:* A local housing fund typically cannot produce housing on its own and must be paired with other tools or grants.
- *Opportunity Cost:* Using local funds for housing may limit their availability for other City priorities.

LAND BANKING / LAND DONATION PROGRAMS

Tools that allow the City to acquire, hold, or receive land for the purpose of supporting future affordable or mixed-income housing. The City controls when and how the land is developed, helping ensure long-term public benefit.

Options to Consider:

- Identify priority locations based on access to services, transit, jobs, etc.
- What role would the City play, direct developer or landowner issuing an RFP to a private or nonprofit partner?
- Use purchases, donations, or transfers of surplus public land, with clear cost and timing expectations.
- Will land be sold, ground-leased, or transferred to a nonprofit?
- Clear expectations for income levels, housing types, and duration of affordability.
- Partner to manage development, financing, and long-term stewardship.

Land banking = proactive acquisition and holding of land
Land donation = voluntary transfer of land (or partial interest) for housing purposes
Land can later be conveyed via sale, long-term lease, or partnership with affordability requirements

LAND BANKING / LAND DONATION PROGRAMS

What This Does	Secures land now for future affordable housing
Who It Helps	Lower-income households (<80% AMI)
Housing Types Encouraged	Affordable rental and ownership
Where It Makes Sense	Citywide, priority locations
Implementation Timeframe	Mid - 2027
Staff Effort	Moderate

LAND BANKING / LAND DONATION PROGRAMS

Trade-Offs:

- *Upfront Capital Needs:* Acquiring land requires early investment, often before housing funding or partners are secured.
- *Long Timelines:* Land may be held for years before development occurs, delaying visible housing outcomes.
- *Holding Costs:* The City may incur ongoing costs for maintenance, insurance, or management while land is held.
- *Market Risk:* Changes in market conditions or priorities could affect when and how land is ultimately developed.
- *Capacity & Governance:* Successful land banking requires clear policies, active management, and strong development partners to avoid underutilized sites.

PRESERVATION / ACQUISITION PROGRAMS

Programs that allow the City (often with nonprofit or housing authority partners) to acquire existing housing, or provide funding to do so, in order to preserve affordability, prevent displacement, and stabilize rents. These programs focus on Naturally Occurring Affordable Housing (NOAH): housing that is affordable today without formal income restrictions, but vulnerable to rent increases or redevelopment.

Options to Consider:

- Use the Local Housing Fund for preservation acquisitions.
- Partner with Housing Kitsap for rapid response purchases.
- Prioritize properties near centers, corridors, or planned investment
- Focus on small multifamily and mobile home parks.
- Combine preservation with modest rehabilitation funding.
- Track inventory to identify early risk.

PRESERVATION / ACQUISITION PROGRAMS

What This Does	Prevents loss of existing affordable housing
Who It Helps	Lower-income renters (<80% AMI)
Housing Types Encouraged	Existing multifamily housing
Where It Makes Sense	Older multifamily areas
Implementation Timeframe	Long - 2028
Staff Effort	Moderate

PRESERVATION / ACQUISITION PROGRAMS

Trade-Offs:

- *Upfront Funding Needs:* Acquisitions require immediate capital, often before long-term funding is secured.
- *Property Condition Risk:* Older buildings may need substantial rehabilitation, increasing total project cost.
- *Competitive Market Pressure:* At-risk properties may be sold quickly, limiting the City's ability to respond.
- *Long-Term Management:* Preserved units require ongoing oversight, affordability monitoring, and asset management.
- *Less Visible Impact:* Preservation stabilizes existing housing but may be less noticeable than new construction.

PUBLIC–PRIVATE HOUSING PARTNERSHIPS

Collaborative arrangements where the City partners with private developers, housing authorities, or nonprofit organizations to deliver housing that advances public goals, such as affordability, mixed-income development, or strategic redevelopment, while sharing risk, cost, and responsibility. The City typically contributes land, funding, regulatory certainty, or infrastructure, while private or nonprofit partners deliver development expertise and capital.

Options to Consider:

- Inventory City-owned or surplus properties
- Identify priority sites for housing partnerships
- Use long-term ground leases to retain public control
- Pair PPPs with grants, MFTE, or Local Housing Fund dollars
- Partner with Housing Kitsap or experienced nonprofit developers
- Focus on 1–2 strategic projects rather than many small ones

PUBLIC–PRIVATE HOUSING PARTNERSHIPS

What This Does	Uses City land or support to deliver housing
Who It Helps	Lower-income households (<80% AMI)
Housing Types Encouraged	Mixed-income, multifamily
Where It Makes Sense	City-owned or strategic sites
Implementation Timeframe	Short - 2026
Staff Effort	Moderate

PUBLIC–PRIVATE HOUSING PARTNERSHIPS

Trade-Offs:

- *Complex Negotiations:* Partnerships require detailed agreements, legal review, and extended coordination, increasing time and effort.
- *Staff Capacity Demands:* Managing partnerships and overseeing compliance can be resource-intensive for City staff.
- *Risk Sharing:* The City may assume financial, political, or timing risk if projects face delays or cost overruns.
- *Longer Timelines:* PPP projects often take longer to move from concept to construction than incentive-based approaches.
- *Public Accountability:* Use of public assets or funds requires transparency and careful oversight to maintain public trust.

OTHER

ANNEXATION

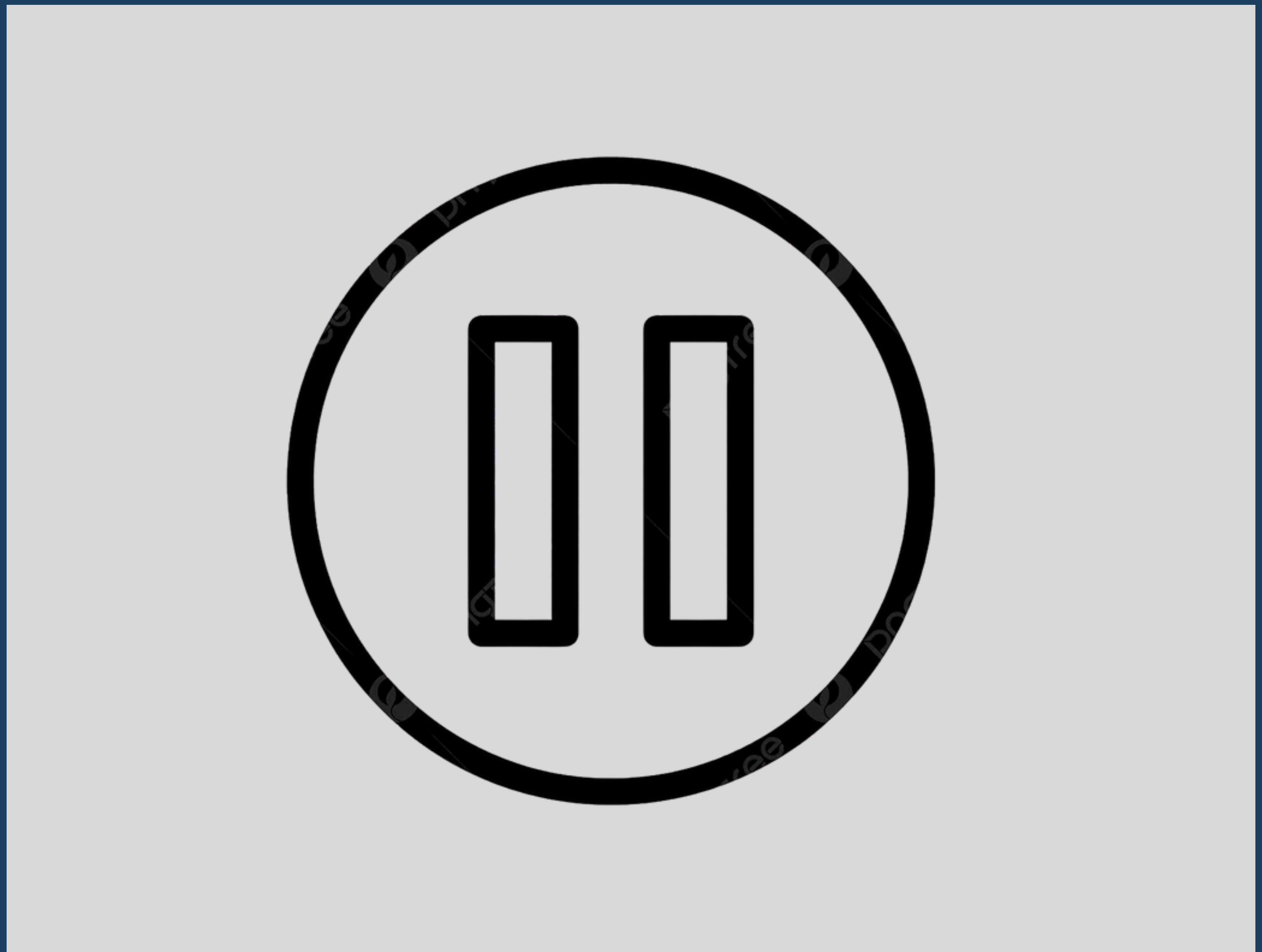
UGA SWAP

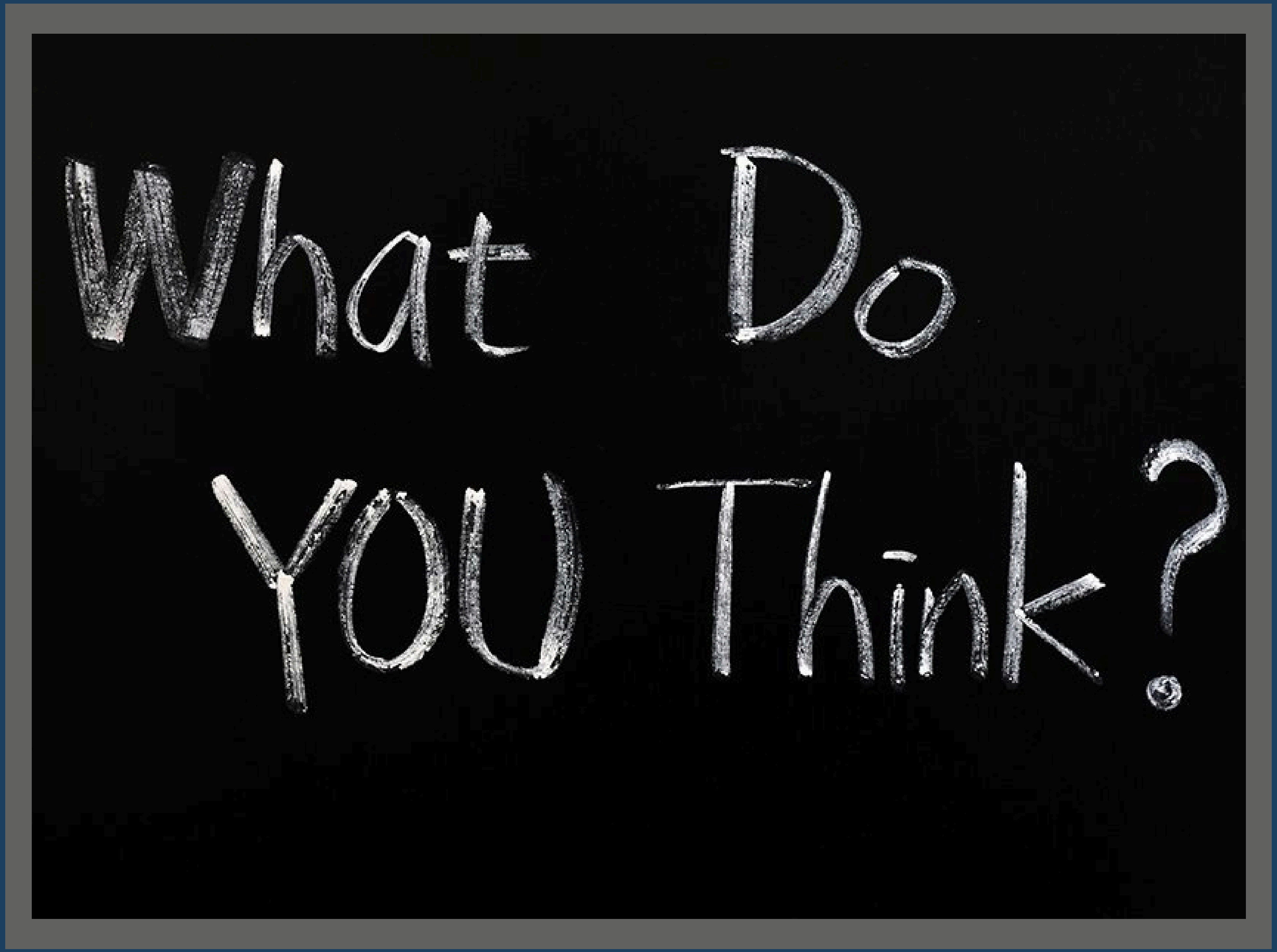
ANNEXATION

- **What it is:** Bringing land outside City limits into Poulsbo in exchange for City services, zoning, and development capacity.
- **What it requires:**
  - Consistency with the Comprehensive Plan and Kitsap Countywide Planning Policies
  - Extension of City utilities, streets, and services (often at developer cost, sometimes shared).
  - Potential pre-annexation agreements outlining infrastructure, phasing, and zoning
- **Staffing & capacity:**
  - High upfront staff time (planning, engineering, legal, finance)
  - Significant interdepartmental coordination and long timelines
- **Affordability implications:**
  - Can increase overall land supply and unit capacity
  - Does not inherently produce more housing unless paired with incentives or requirements
- **Key reality:** Long-term growth strategy, not a near-term housing production lever.

UGA SWAP

- **What it is:** Exchanging land inside the UGA for land outside the UGA to better align growth with infrastructure, environmental constraints, or development feasibility.
- **What it requires:**
  - County-led process with coordination among the City, County, and affected jurisdictions
  - Comprehensive Plan amendments and justification under GMA criteria
  - Environmental review and infrastructure analysis
- **Staffing & capacity:**
  - Very staff-intensive (long-range planning, legal, coordination with Kitsap County)
  - Multi-year timeline; typically outside annual work programs
- **Affordability implications:**
  - Can redirect growth to more feasible or less constrained land
  - Benefits are indirect and long-term, not immediate
- **Key reality:** Long-term growth strategy, not a near-term housing production lever.




What Do
YOU Think?

FROM TOOLS TO REAL-WORLD CHOICES

Workshop 3 is where these concepts meet real projects, real numbers, and real trade-offs

Which tools should move forward to deeper evaluation?

KEY TAKEAWAYS - WORKSHOP 2

- A mix of incentives, not one tool alone, is needed to meaningfully support housing affordability.
- Each incentive type serves different needs (workforce, low-income, infill).
- Programs must be calibrated to market conditions so they improve feasibility without discouraging development.
- Most incentives require ongoing staff capacity for monitoring, reporting, and administration.
- Some tools have fiscal implications (tax shift, foregone revenue, reduced fees) that must be weighed alongside housing goals.
- Council direction is needed to narrow down which programs should proceed to deeper analysis in Workshop 3.

THANK YOU