

City of Poulsbo

Planning & Economic Development



To: Poulsbo City Council
From: Nikole Coleman, AICP, Planning Manager
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RE: Housing Affordability Workshop Series 1

INTRODUCTION

The City of Poulsbo is undertaking a four-part Housing Affordability Workshop Series to support the City Council in developing a clear, shared understanding of the factors shaping housing costs and the policy tools available to influence housing outcomes. This series is intentionally structured to move from foundational education to targeted policy direction, ensuring that the Council is equipped with the information, analysis, and context needed to make informed decisions by the end of workshop 4.

The workshops are designed to:

1. *Establish a common factual baseline* around Poulsbo's housing needs, market conditions, and the components that drive housing costs (Workshop 1, January 7).
2. *Explore the range of incentive programs, regulatory tools, and affordability mechanisms* that the City could adopt or expand, including their legal frameworks and applicability to Poulsbo (Workshop 2, February 4).
3. *Examine the fiscal, administrative, and policy trade-offs* associated with different options, including impacts on City resources, staffing, long-term budgets, and infrastructure obligations (Workshop 3, February 18).
4. *Guide the Council toward clear policy direction* about which strategies should advance to code drafting, program development, or further study (Workshop 4, March 4).

WORKSHOP 1, Understanding Costs, Input on Policy Tools (Informational, No Policy Decisions)

The first workshop in the series, scheduled for January 7, 2026, is intended to ground the City Council in a clear and shared understanding of the forces that shape housing affordability in Poulsbo. This introductory session provides the factual and analytical foundation necessary for the policy discussions that will occur later in the series. Workshop 1 presents an overview of Poulsbo's current housing conditions and affordability challenges, including renter and homeowner cost burdens, housing production trends, and demographic factors influencing local demand. The workshop also distinguishes between market-driven cost components—such as interest rates, construction labor shortages, materials costs, and regional housing demand—and the local regulatory, financial, and procedural factors that the City directly influences through development standards, permitting processes, impact fees, utility connection charges, and frontage requirements.

Through this workshop, the Council will develop a common understanding of what "housing affordability" means in Poulsbo's context, how various cost drivers affect different types of housing, and where the City's policies may unintentionally constrain housing production or add cost. The session also introduces the areas where the City has meaningful authority to adjust standards, reduce barriers, or improve predictability to support a more diverse range of housing options. By clarifying the distinction between factors the City can influence and those it cannot, Workshop 1 prepares the Council for a more targeted evaluation of tools and incentives in subsequent workshops.

This session is informational and does not require policy decisions. Instead, it establishes the baseline knowledge, shared vocabulary, and analytical framework needed for Workshops 2–4, where the Council will evaluate potential affordability programs, consider trade-offs, and ultimately provide policy direction.

SUMMARY OF KEY FINDINGS FOR WORKSHOP 1

The Housing Needs Assessment and market data reveal several interconnected affordability challenges affecting renters, homeowners, and prospective buyers in Poulsbo. These findings provide the factual foundation for understanding where the City can meaningfully influence housing outcomes.

- A. *Rental Housing Affordability.* Renters face significant affordability barriers as rising rents outpace local wages, resulting in high rates of cost burden among lower-income households.
 - Median gross rent (2023) in Poulsbo is approximately \$1,767 per month.
 - A household must earn about \$66,000 annually to afford the average rental at 30% of income.
 - Median household renter income (2023) is \$52,211, meaning the typical renter cannot afford typical rents.
 - Nearly one-third of renters earn below \$35,000, making them the highest-risk group for housing instability.
- B. *Homeownership Affordability.* Home prices in Poulsbo have risen dramatically, placing ownership out of reach for moderate-income households and creating growing strain for cost-burdened owners, particularly seniors.
 - Median home value (2023) is \$575,900, up 104% since 2015.
 - With current mortgage rates, purchasing an average home requires \$158,000–\$165,000 in annual income.
 - Median household income is \$129,904, leaving many prospective buyers priced out.
- C. *Housing Stock and Production Trends.* Poulsbo's housing supply remains heavily weighted toward single-family homes, with limited production of smaller units and missing-middle housing.
 - Housing inventory continues to be dominated by single-family and larger-unit formats.
 - Smaller units and missing-middle types are underrepresented in recent development.
 - Land is constrained by parcel configuration, critical areas, infrastructure gaps, and rising land costs.
- D. *Zoning and Development Standards.* Zoning regulations and site-development standards establish the physical parameters for housing and directly influence cost, feasibility, and housing diversity.
 - Standards determine what can be built, where, and at what density.
 - Requirements such as lot size, setbacks, height limits, lot coverage, parking, landscaping, and tree retention shape unit yield and site design.
 - These rules influence whether small-format or missing-middle housing is feasible in a given area.
- E. *Permitting Process and Timelines.* Permit review timelines significantly affect development feasibility by increasing project financing and carrying costs.
 - Subdivisions typically require approximately two years to reach vertical construction.
 - Multifamily projects require about 12 months to begin construction.
 - Each additional month in review adds financing and holding costs that ultimately raise final housing prices.
- F. *Utility Connection Charges (GFC/SDC).* Utility system development charges represent a major upfront cost and affect the feasibility of smaller and more affordable units.
 - GFC/SDC fees for water and sewer do not scale with unit size, disproportionately impacting small units.
 - Required utility extensions or upsizing can add significant unplanned costs to projects.
 - These charges can be one of the largest per-unit cost components for new housing.
- G. *Infrastructure and Frontage Requirements.* Frontage improvements required with development can be among the most expensive site-level obligations, especially for infill projects.
 - Improvements such as sidewalks, curbs, ADA ramps, stormwater infrastructure, and roadway widening represent substantial cost.
 - On small parcels, frontage costs can exceed the value of the land itself.
 - Utility conflicts and right-of-way constraints further increase expense and complexity.

- H. *Local Fees and Impact Fees.* Local fees add to upfront development costs and influence the affordability of new units, particularly for entry-level housing.
 - A typical new single-family home pays approximately \$58,000 in combined local fees.
 - When financed, these fees add \$360–\$370 per month to a buyer's mortgage.
 - Over a 30-year mortgage, the buyer pays over \$130,000 in principal and interest attributable to local fees.
- I. *Buildable Land Supply and Constraints.* Physical, environmental, and infrastructure constraints reduce the number of feasible development sites and limit supply, particularly for missing-middle housing.
 - Critical areas and buffers reduce net developable land area.
 - Irregular parcel shapes and fragmentation limit efficient development.
 - Existing utility and roadway capacity constraints further restrict feasible sites.
 - Redevelopment costs make infill and small-scale projects significantly more difficult to deliver.

KEY QUESTIONS FOR COUNCIL CONSIDERATION

The following questions are intended to guide Council's thinking and help prepare for the policy-focused discussions in the next three workshops:

- Which cost drivers—market-based or locally controlled—appear to have the greatest influence on the feasibility of housing development in Poulsbo?
- Where do you see potential opportunities for the City to reduce barriers, improve predictability, or introduce flexibility in support of housing affordability?
- Are there regulatory or financial requirements that seem appropriate for deeper examination or potential adjustment in Workshops 2 and 3?
- How should the City balance housing affordability goals with fiscal responsibility, infrastructure needs, and community expectations?
- What additional data, examples, or comparative information would help you more confidently evaluate incentive programs and policy options in the next workshops?

NEXT STEPS

Following Workshop 1, staff will summarize Council feedback and develop a refined set of policy tools and incentive options for Workshop 2 on February 4, 2026. Workshops 3 and 4 will address fiscal impacts, implementation considerations, and final direction on program development.