

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 2

INTRODUCTION

The City of Poulsbo is continuing its four-part Housing Affordability Workshop Series to support the City Council in developing a clear, shared understanding of housing affordability challenges and the policy tools available to influence housing outcomes. Following the foundational discussion in Workshop 1, which focused on understanding local cost drivers and housing market conditions, Workshop 2 shifts the focus to incentives and programs that the City could use to directly support housing affordability.

The workshop series is intentionally structured to progress from education and shared understanding toward targeted policy direction. Workshop 2 builds on the baseline established in Workshop 1 by examining specific affordability tools, how they function in practice, and the trade-offs associated with their use. This step-by-step approach is intended to ensure that future policy decisions are grounded in a clear understanding of both feasibility and impacts.

Workshop 2 is intentionally focused on *narrowing, not expanding, the menu of housing tools under consideration*. The discussion is designed to help Council identify which incentives and programs are most aligned with Poulsbo's housing needs, market conditions, staff capacity, and fiscal considerations, and therefore warrant deeper, project-level evaluation in Workshop 3. No policy decisions or commitments are requested at this stage.

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 SUMMARY

Workshop 1 established a shared understanding of the factors that drive housing costs in Poulsbo and clarified the distinction between market factors and local cost drivers. Market factors, such as interest rates, construction labor and material costs, land prices, regional demand, and lending conditions, are the *primary* determinants of whether a housing project is financially feasible, or "pencils." These forces operate largely outside the City's control and set the baseline economics of development, influencing what types of housing can be built and which income levels the market can realistically serve.

The workshop also highlighted that while local governments cannot control market conditions, local cost drivers still matter, particularly at the margins. City-controlled factors such as zoning and development standards, permitting timelines, local fees, utility connection charges, and infrastructure and frontage requirements can significantly affect project risk, upfront costs, and feasibility, especially for smaller, infill, and missing-middle housing. Individually these costs may appear modest, but when layered together they can delay projects, reduce unit counts, push housing toward higher price points, or prevent development altogether.

By clearly separating what the City can and cannot control, Workshop 1 provided a factual foundation for the remainder of the Housing Affordability Workshop Series. The discussion emphasized that improving affordability is less about overcoming market forces and more about reducing unnecessary barriers, increasing predictability, and making targeted local adjustments where small changes can meaningfully influence housing outcomes. This framework sets the stage for Workshop 2, where Council will begin evaluating specific incentives and programs to address local cost drivers within real-world market constraints.

WORKSHOP 2, INCENTIVES AND PROGRAMS

While Workshop 1 focused on diagnosing the factors that drive housing costs in Poulsbo, Workshop 2 shifts the conversation from diagnosis to response. This workshop introduces the specific incentive tools and policy programs that cities commonly use to address local cost drivers, improve project feasibility, and better align private development with public housing goals, within real-world market constraints.

Workshop 2 introduces and evaluates housing affordability incentives and programs commonly used by cities to influence housing feasibility, supply, and affordability outcomes. While market forces such as interest rates, construction costs, and regional demand remain largely outside local control, cities can use incentives and programs to reduce specific barriers, close feasibility gaps, and align private development with public goals.

A key theme of Workshop 2 is the distinction between incentives and programs:

- Incentives are project-level tools that reduce costs, 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, such as MFTE or inclusionary housing, that require ordinance adoption, ongoing administration, monitoring, and long-term oversight. These programs generally deliver deeper and longer-lasting affordability outcomes but require greater staff capacity and fiscal commitment.

This distinction is important not only from a policy standpoint, but also from an implementation perspective. Incentives generally represent near-term, lower-risk adjustments that can often be implemented more quickly, while formal programs require ordinance adoption, sustained staffing, long-term monitoring, and ongoing fiscal commitment.

INCENTIVES AND PROGRAMS OVERVIEW

Rather than reviewing each housing incentive and program in isolation, Workshop 2 is structured around the attached Programs and Incentives Summary Table, which is included in the Council packet. The table provides a side-by-side overview of the incentives and programs that will be discussed during the workshop, including:

- *What each tool does and how it functions in practice*
- *The income groups (AMI ranges) each tool is most likely to serve*
- *The types of housing each tool is designed to encourage*
- *The areas of Poulsbo where each tool may be most appropriate*

This approach is intended to help Council compare tools across multiple dimensions, understand how different incentives and programs align with Poulsbo's housing needs and market conditions, and recognize that different tools serve different purposes. The table also highlights the distinction between project-level incentives, which generally improve feasibility and can be implemented more quickly, and formal programs, which require ordinance adoption, ongoing administration, and long-term oversight but can deliver deeper affordability outcomes.

The attached table serves as the primary reference for Workshop 2 and will guide the workshop discussion, examples, and questions. No policy decisions are required at this stage; the purpose is to build a shared understanding and help narrow the range of tools for deeper evaluation in Workshop 3.

Each incentive and program will be discussed not only in terms of potential housing outcomes, but also relative implementation timeframe and anticipated staff effort. This framework recognizes that staff capacity, administrative complexity, and sequencing are critical considerations in determining which tools can be successfully implemented in the near term versus those that require longer-range planning.

KEY TAKEAWAYS FROM WORKSHOP 2

Workshop 2 highlights several overarching themes:

- No single tool will meaningfully address housing affordability; a mix of incentives and programs is needed.
- Different tools serve different housing needs, including workforce housing, low-income housing, and infill development.
- Many tools are most effective when layered together (e.g., parking reductions combined with MFTE).
- Incentives must be calibrated to local market conditions to improve feasibility without discouraging development.
- Several options carry direct fiscal implications, including tax shift, foregone revenue, or delayed fee collection, which must be weighed alongside housing outcomes.
- Most tools require some level of ongoing staff capacity for administration, monitoring, and reporting.
- Several options carry fiscal implications, including foregone revenue, tax shift, or reduced fee collections.
- Frontage, parking, and fee flexibility are particularly important for making small and infill projects feasible.
- Council direction is needed to narrow the list of tools for deeper analysis in Workshop 3.

KEY QUESTIONS FOR COUNCIL CONSIDERATION

During Workshop 2, staff will be listening for Council feedback on which tools appear most aligned with Poulsbo's housing goals, market realities, fiscal sustainability, staff capacity, and desired implementation timeframe. The following questions are intended to help shape the discussion and prepare for Workshop 3:

- Which housing tools would Council like to better understand using real-world, project-level examples?
- What balance should the City strike between housing outcomes and fiscal sustainability?
- Should Poulsbo prioritize tools that are ready for implementation in 2026, even if they deliver more modest affordability outcomes?
- Is there interest in piloting select programs before broader implementation?
- Which income levels should be the primary focus of near-term implementation efforts?

NEXT STEPS

At the conclusion of Workshop 2, Council will participate in a non-binding vote (anonymously) to identify approximately four to six housing incentives and programs for deeper evaluation. This vote will establish the shortlist of tools that will move forward to Workshop 3, where the Council-selected incentives and programs will be evaluated using real-world, project-level development scenarios, including fiscal impacts, administrative and staffing requirements, implementation timelines, and key trade-offs. Tools not selected through this process are not being eliminated from future consideration; however, they will not be advanced for near-term implementation without additional Council direction.

PRESSSENTATION AVAILABILITY

All presentation materials and supporting documents will be posted to the [Housing Affordability](https://cityofpoulsbo.com/affordable-housing/) webpage following each workshop. <https://cityofpoulsbo.com/affordable-housing/>

| Incentives | What This Does | Who It Helps | Housing Types Encouraged | Where It Makes Sense | Staff Effort for Implementation | Implementation Timeframe |
|---|--|--|---|---|---------------------------------|---------------------------------|
| Density Bonuses | Allows more homes on a site | Lower/moderate-income households (<80%–120% AMI) | Affordable Housing (Income-Restricted), Smaller Units (Naturally Affordable), Missing-Middle Housing Types | Citywide for Affordable, Smaller Units and, Missing-Middle Housing Types | Low | 2026 |
| Dimensional Flexibility | Smaller lots and buildings use land more efficiently | Lower/moderate-income households (<80%–120% AMI) | Duplexes, triplexes, courtyard housing, cottage housing | Citywide for Affordable, Smaller Units and, Missing-Middle Housing Types | Low | 2026 |
| Parking Requirement Reductions | Requires fewer parking spaces | Renters and workforce households (60–120% AMI) | ADUs, duplexes, triplexes, townhomes, small multifamily | Citywide for Affordable, Smaller Units and, Missing-Middle Housing Types | Low | 2026 |
| Fee Reductions and Deferrals | Lowers or delays city fees to reduce upfront costs | Lower/moderate-income households (<80%–120% AMI) | ADUs, small multifamily, missing-middle, entry-level ownership | Citywide for Affordable, Smaller Units and, Missing-Middle Housing Types | High | 2027 |
| Expedited Permitting/By-Right Approvals | Shortens review timelines, provides clear rules so housing can be approved faster | All households | All housing types, especially small and mid-scale projects | Citywide | High | 2027 |
| Frontage and Infrastructure Flexibility | Adjusts street improvement requirements on small sites | Lower/moderate-income households (<80%–120% AMI) | Infill, duplexes, triplexes, townhomes, small multifamily | Citywide for Affordable, Smaller Units and, Missing-Middle Housing Types | High | 2028 |
| Fee Credits for Public Improvements | Credits developers who build public infrastructure | Moderate-income households (80–120% AMI) | Redevelopment and infill projects | Citywide | High | 2029 |
| Programs | What This Does | Who It Helps | Housing Types Encouraged | Where It Makes Sense | Implementation Timeframe | Staff Effort for Implementation |
| Multi-Family Tax Exemption (MFTE) | Temporarily reduces property taxes in exchange for affordable rents | Renters and workforce households (60–120% AMI) | Multifamily rental housing | C-2/Viking, C-3/SR 305, C-4/College Marketplace | Moderate | 2027 |
| Affordable housing fee-in-lieu | Collects funds for affordable housing instead of on-site units | Lower-income households (<80% AMI) | Funds affordable rental or ownership projects | Citywide (strategic investment) | Moderate | 2027-2028 |
| Grant partnerships | Uses state/federal grants to reduce project costs | Very low-income households (<60% AMI) | Multifamily affordable housing | Opportunity and redevelopment sites | Moderate | 2026 |
| Voluntary inclusionary housing | Incentives when developers include affordable units | Workforce households (80–120% AMI) | Multifamily, mixed-use | High-demand growth areas | Low | 2026 |
| Mandatory inclusionary zoning | Requires affordable units in strong markets | Lower-income households (<80% AMI) | Multifamily | Limited to strongest market areas | High | 2027-2028 |
| Local housing fund | Implement recommendations of ad-hoc committee | Lower-income households (<80% AMI) | Funds affordable rental or ownership projects | Citywide, priority locations | Low | 2026 |
| Land banking / land donation programs | Secures land now for future affordable housing | Lower-income households (<80% AMI) | Affordable rental and ownership | Citywide, priority locations | Moderate | 2027 |
| Preservation / acquisition programs | Prevents loss of existing affordable housing | Lower-income renters (<80% AMI) | Existing multifamily housing | Older multifamily areas | Moderate | 2028 |
| Public-private housing partnerships | Uses City land or support to deliver housing | Lower-income households (<80% AMI) | Mixed-income, multifamily | City-owned or strategic sites | Moderate | 2026 |
| Other | What This Does | Who It Helps | Housing Types Encouraged | Where It Makes Sense | Implementation Timeframe | Staff Effort for Implementation |
| Annexation | Brings land into the City where urban services and zoning can be applied, allowing additional housing capacity and long-term growth alignment. | Future residents and households citywide by increasing overall housing supply and enabling a broader range of housing types over time. | Single-family, missing-middle housing, townhomes, and multifamily (depending on zoning and infrastructure capacity). | Areas adjacent to existing city limits with logical service extension, infrastructure capacity, and consistency with the Comprehensive Plan and County planning. | High | 2027-2029 |
| UGA Swap | Adjusts the Urban Growth Area boundary by exchanging land to better align growth with infrastructure capacity, environmental constraints, and City planning goals. | Future households by directing growth to more suitable locations and reducing long-term development costs and service inefficiencies. | Primarily future residential growth areas; housing types depend on subsequent annexation, zoning, and infrastructure decisions. | Locations where existing UGA land is constrained by environmental, access, or service limitations and can be swapped for more suitable land near existing infrastructure. | High | 2027-2028 |