

# 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 3

### INTRODUCTION

The City of Poulsbo is continuing its four part Housing Affordability Workshop Series to support City Council in developing a shared understanding of local housing challenges and establishing a structured pathway toward policy direction. Workshop 1 grounded the discussion in data and clarified the distinction between market forces outside the City's control, such as interest rates, construction costs, and regional demand, and local cost drivers that the City can influence through zoning, development standards, fees, permitting processes, and infrastructure requirements. The workshop emphasized that while the City cannot control market conditions, local decisions can meaningfully affect feasibility, predictability, and housing outcomes, particularly for smaller and infill projects.

Workshop 2 shifted from diagnosis to potential responses by introducing the range of incentives and programs available to address local cost drivers. A key takeaway was that different tools serve different purposes and income levels, and that no single strategy will solve housing affordability on its own. The discussion also highlighted the importance of calibration, fiscal responsibility, staff capacity, and the potential to thoughtfully layer tools. Based on Council feedback and survey results, a focused set of priority tools was identified for deeper evaluation.

Workshop 3 represents the transition from exploration to applied evaluation. The purpose of this workshop is to examine how the selected priority tools could be implemented in Poulsbo, including fiscal implications, administrative requirements, staffing considerations, potential focus areas, and policy trade offs. Using a consistent presentation framework and illustrative scenarios, staff will provide the practical context needed for Council to compare options and prepare to offer clear policy direction in Workshop 4. No final policy decisions are requested as part of Workshop 3.

### COUNCIL-SELECTED INCENTIVES AND PROGRAMS

Based on feedback provided during Workshop 2 and the results of the Council survey, a focused subset of housing affordability incentives and programs has been identified for deeper evaluation in Workshop 3. The tools outlined below are not recommendations or policy decisions, but are presented to support discussion and comparison using a consistent framework.

#### Priority Incentives and Programs Advancing to Workshop 3

The following tools received the strongest and most consistent interest across Council and will serve as the primary focus of Workshop 3:

- UGA Swap / Annexation
- Local Housing Fund
- Land Banking / Land Donation
- Fee Reductions and Deferrals
- Preservation and Acquisition Programs

Workshop 3 will focus on how these priority tools could be implemented in Poulsbo, with particular attention to staffing implications, fiscal exposure, administrative complexity, sequencing, and strategic layering opportunities.

#### Secondary Tools – Not Primary Workshop 3 Focus

The survey also identified several tools that received mixed or moderate levels of interest. While Council interest exists, these tools are not proposed for in-depth evaluation in Workshop 3:

- Density Bonus
- Public–Private Housing Partnerships
- Dimensional and Design Flexibility
- Grant Partnerships

These secondary tools may be referenced at a high level during Workshop 3 where relevant to illustrate complementary strategies or potential stacking opportunities, but they will not be evaluated in detail unless directed otherwise by Council.

**IMPLEMENTATION AND STRATEGIC CONSIDERATIONS OVERVIEW**

To assist Council in evaluating implementation realities, the embedded table incorporates a color-coded implementation intensity scale for four cross-cutting factors: staff capacity, fiscal impact, administrative complexity, and implementation timeline. These factors most directly influence the City’s ability to move a tool from concept to action.

The color shading provides a visual reference for relative intensity across tools and does not represent a recommendation or ranking. Rather, it is intended to help Council quickly compare the operational demands and strategic flexibility associated with each option.

This visual framework should be read in conjunction with the attached table, which provides detailed narrative information for each incentive or program.

Incentive or Program	Staff Capacity	Fiscal Impact	Complexity	Implementation Timing
Urban Growth Area Swap/Annexation	Red	Red	Red	Red
Local Housing Fund	Light Red	Light Red	Light Red	Yellow
Land Banking/Land Donation Programs	Red	Light Red	Yellow	Yellow
Fee Reductions and Deferrals	Yellow	Yellow	Yellow	Green
Preservation/Acquisition Programs	Light Red	Light Red	Yellow	Red

Red = Higher intensity or resource demand, Yellow = Moderate intensity, Green = Lower intensity or near-term

The table below provides a general illustration of the income ranges potentially served by each incentive or program advancing to Workshop 3. Area Median Income (AMI) is the standard benchmark used to define housing affordability levels and to align programs with the needs of different household income groups. This table is intended to show broad alignment rather than precise eligibility thresholds or funding allocations.

Because several tools are flexible by design, the AMI ranges shown reflect typical application rather than fixed requirements. Final income targeting, if applicable, would be determined through Council policy direction and program development. This visual is provided to support discussion about who each tool is most likely to serve and how the tools collectively address different segments of Poulsbo’s housing need.

Incentive of Program	AMI Range Generally Served				
	0%	30%	60%	80%	+120%
<b>Primary</b>					
Urban Growth Area Swap/Annexation					
Local Housing Fund					
Land Banking/Land Donation Programs					
Fee Reductions and Deferrals					
Preservation/Acquisition Programs					

**POLICY QUESTIONS FOR COUNCIL CONSIDERATION**

The following questions are intended to guide discussion during Workshop 3 and focus specifically on implementation choices associated with the priority housing tools identified by Council. These questions do not revisit whether a tool should be considered; rather, they address how each program or incentive should be structured, targeted, sequenced, and aligned with the City’s fiscal capacity and staffing resources.

The intent is to surface key policy decisions related to scope, eligibility, funding, geographic focus, performance expectations, and administrative structure. Clear direction on these implementation considerations will inform staff recommendations and refine options for policy direction in Workshop 4.

UGA Swap/Annexation: Adjusts the Urban Growth Area boundary or annexes land to expand long-term housing capacity.

- Is Council willing to support boundary expansion that requires future infrastructure investment?
- Should annexation be tied to specific housing outcomes or remain a general supply strategy?

Local Housing Fund: Creates a locally controlled funding source to support housing production, preservation, or other Council-defined housing priorities.

- Should the fund prioritize income-restricted housing, workforce housing, preservation, or remain flexible?
- Should funding be targeted geographically (e.g., centers, corridors, preservation sites)?
- What funding source is Council willing to commit?

Land Banking / Land Donation Programs: Allows the City to acquire or hold land for future housing development aligned with Council priorities.

- What criteria should guide which properties are acquired or accepted as donations?
- Should City-controlled land be reserved exclusively for affordability commitments, workforce housing, or remain flexible?

Fee Reductions and Deferrals: Reduces or delays certain development-related fees to improve project feasibility.

- Which fees should be eligible for reduction or deferral (e.g., permitting fees, impact fees, general facilities charges), and under what conditions?
- Should fee relief be tied to specific income targets or housing types?

Preservation/Acquisition Programs: Supports the protection of existing housing from conversion or redevelopment through acquisition or funding partnerships.

- Which types of properties should be prioritized for preservation (multifamily, manufactured housing, naturally occurring affordable housing)?
- Should the City act directly or rely on nonprofit partners?

## **NEXT STEPS**

Following Workshop 3, staff will prepare a summary of Council's direction on implementation design elements for each priority tool, including targeting, geographic focus, funding considerations, performance standards, sequencing, and administrative structure. Particular attention will be given to Council guidance related to staff capacity, fiscal exposure, implementation timing, and strategic layering opportunities.

Based on this direction, staff will prepare a Housing Implementation Plan (HIP). The HIP will serve as a six-year action plan outlining how Council's housing affordability priorities will be advanced, sequenced, and monitored. The plan will identify near-term actions, mid-term program development, longer-term planning initiatives, and associated staffing and fiscal considerations. It will also establish a structured process for periodic evaluation and updates to ensure that housing strategies remain responsive to market conditions, community needs, and Council direction.

Workshop 4 will focus on providing clear policy direction and confirming the framework for the HIP. The intent is to identify which tools should move forward in the near term, which require additional coordination or funding alignment, and how housing affordability initiatives should be integrated into the City's future work program, budget planning, and long-range planning efforts.

No final policy decisions are required as part of Workshop 3. However, clear direction on implementation priorities and guardrails will allow staff to return in Workshop 4 with actionable, structured recommendations aligned with Council's housing objectives and the City's operational capacity.

## **PRESENTATION 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/>

INCENTIVE OR PROGRAM	POLICY OBJECTIVE	HOUSING TYPES/ AMI FOCUS	STAFF CAPACITY	FISCAL IMPACT	COMPLEXITY	IMPLEMENTATION TIMING	STACKING POTENTIAL
<i>Primary</i>							
<b>Urban Growth Area Swap/ Annexation</b>	Supports long-term housing capacity expansion through coordinated UGA adjustments or annexation.	Broad housing supply tool. It can support a range of housing types depending on zoning. Not inherently income targeted.	High. Requires inter-governmental coordination, planning analysis, infrastructure review, and public process.	Infrastructure expansion and service extension costs may be significant. Long-term tax base growth possible but not immediate.	High. Involves Growth Management Act compliance, County coordination, and Comprehensive Plan amendments.	Long-term (2026 and beyond). Initial coordination for UGA Swap could begin in 2026 with multi-year implementation out to 2029.	Moderate. Can align with land banking strategies or housing fund investments.
<b>Local Housing Fund</b>	Establishes a locally controlled funding source to support housing priorities identified by Council.	Flexible. May be structured to support income-restricted housing, workforce housing, preservation, homeownership, or mixed-income development, as defined by Council policy.	Moderate to High. Requires program setup, funding criteria, agreements, and ongoing monitoring. Capacity needs depend on whether the City directly administers funds or partners with an external entity.	Depends on funding source. General fund contributions create direct fiscal trade-offs, while dedicated revenue sources may redirect funds from other purposes.	Moderate to High. Requires clear governance structure, eligible uses, award criteria, and reporting framework. Complexity increases with scale and scope of activities funded.	Mid-term (2026 to 2028). Initial framework and policy direction could be established in 2026, with funding and program rollout dependent on identified revenue sources.	High. Can be layered with grants, land banking strategies, preservation programs, fee reductions, or other local incentives to strengthen overall impact.
<b>Land Banking / Land Donation Programs</b>	Secures strategically located land for future affordable housing development or preservation. Reduces long-term land acquisition costs.	Most effective for multifamily or higher-density projects serving lower income households when paired with subsidy.	High. Requires acquisition evaluation, negotiation, and coordination with development partners.	Upfront acquisition costs and potential holding expenses.	Moderate. Involves acquisition strategy, holding costs, valuation analysis, and long-term development agreements.	Mid-term (2026 to 2028). Acquisition strategy could begin in 2026 with development following funding alignment.	High. Strong alignment with housing fund resources, preservation programs, and nonprofit partnerships.
<b>Fee Reductions and Deferrals</b>	Reduces upfront development costs to improve feasibility of housing.	Most effective for workforce housing and small-scale residential projects.	Moderate. Requires eligibility criteria, tracking, and reporting.	Foregone or delayed revenue. Impact varies based on participation rates.	Moderate to High. Administrative requirements increase with participation rates and monitoring conditions.	Near-to-Mid-term (2026-2027). Dependent on extent of program.	Moderate to High. Can complement housing fund investments, preservation programs, or grant funding.
<b>Preservation / Acquisition Programs</b>	Protects existing affordable housing stock from market conversion and preserves long-term affordability.	Rental housing serving low- and moderate-income households. Focus typically below 80% AMI.	Moderate to High Requires coordination with partners, funding administration, and compliance monitoring.	Requires dedicated funding source or reallocation of resources.	Moderate. Involves property evaluation, funding coordination, and long-term affordability agreements.	Near-to-Mid-term (2026-2027). Dependent on funding readiness and partner capacity.	High. Works best when paired with housing fund resources, grants, or nonprofit partnerships.

INCENTIVE OR PROGRAM	POLICY OBJECTIVE	HOUSING TYPES/ AMI FOCUS	STAFF CAPACITY	FISCAL IMPACT	COMPLEXITY	IMPLEMENTATION TIMING	STACKING POTENTIAL
<i>Secondary</i>							
<b>Density Bonus</b>	Encourages additional housing units in exchange for defined public benefits, such as affordability or other community priorities.	Typically applied to multifamily or mixed-use projects. May target income-restricted or workforce housing depending on how bonus thresholds are structured.	Low. Requires code review, recalibration of bonus thresholds, and ordinance updates. Ongoing monitoring required if affordability provisions are included.	Generally limited direct fiscal impact. Indirect impacts may occur if increased density affects infrastructure demand.	Moderate. Requires careful calibration to ensure the bonus is meaningful enough to incentivize participation while remaining compatible with infrastructure capacity.	Near-to-Mid-term (2026-2027). Could be addressed through targeted code amendment and calibration of existing provisions.	Moderate to High. Can be paired with fee reductions, housing fund investments, or grant funding to strengthen feasibility and participation.
<b>Public-Private Partnerships</b>	Leverages partnerships with nonprofit or mission-aligned developers to advance housing priorities through coordinated resources, expertise, and risk-sharing.	Flexible. May support income-restricted housing, workforce housing, preservation, or mixed-income projects depending on partnership structure.	High. Requires coordination, negotiation of development agreements, and oversight of partnership performance.	Variable. May require direct funding contributions, land value concessions, or infrastructure coordination. Fiscal exposure depends on partnership terms.	Moderate to High. Complexity increases depending on project scale, financing structure, and long-term compliance obligations.	Mid-term (2027-2028). Dependent on project opportunities and partner readiness.	High. Works effectively when combined with housing fund resources, land banking strategies, grants, or fee incentives.
<b>Dimensional and Design Flexibility</b>	Reduces regulatory barriers by allowing flexibility in setbacks, lot coverage, height, or design standards to improve development feasibility.	Broad applicability. Can support missing middle housing, townhomes, small multifamily, or workforce housing. Not inherently income targeted.	Low. Requires code amendments and clear administrative guidelines to ensure consistent application.	Generally minimal direct fiscal impact, though cumulative impacts on infrastructure and services should be considered.	Moderate. Must balance flexibility with neighborhood compatibility and clear design standards.	Near to Mid-term (2026). Addressed through code amendment process.	Moderate. May enhance effectiveness of fee reductions or density bonuses by improving yield or site efficiency.
<b>Grant Partnerships</b>	Secures external funding from state, federal, or philanthropic sources to support housing priorities identified by Council.	Often aligned with state and federal affordability programs serving lower income households, but dependent on grant criteria.	High. Requires grant identification, application preparation, compliance reporting, and coordination with partners.	Limited direct local fiscal impact; may require local match or administrative support.	High. Dependent on grant requirements, reporting standards, and funding timelines.	Ongoing. Dependent on grant cycles and availability.	High. Most effective when layered with local housing funds, land banking, or preservation strategies.