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# City of Bremerton & Kitsap County Affordable Housing Recommendations Report

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March 2020

Prepared for: The City of Bremerton and Kitsap County

**FINAL REPORT**

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ECONorthwest prepared this report for the City of Bremerton and Kitsap County. It received substantial assistance, guidance, and data from staff at the City of Bremerton and Kitsap County as well as the development and affordable housing community.

That assistance notwithstanding, ECONorthwest is responsible for the content of this report. The staff at ECONorthwest prepared this report based on their general knowledge of housing development economics and affordable housing, and on information derived from government agencies, private statistical services, the reports of others, interviews of individuals, or other sources believed to be reliable. ECONorthwest has not independently verified the accuracy of all such information, and makes no representation regarding its accuracy or completeness. Any statements nonfactual in nature constitute the authors' current opinions, which may change as more information becomes available.

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# Acknowledgements

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# Executive Summary

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In response to the housing challenges facing many households in Kitsap County, the County and the City of Bremerton sought an *Affordable Housing Inventory and Market Analysis* to find data and recommendations on ways to encourage more affordable housing. This report concludes this study, and includes key findings and recommendations for the City and County to consider as they continue to work with residents, nonprofits, and the private sector to encourage and support the development of more housing to meet residents' needs. This report:

- Offers an overview of the housing landscape, developers, and planning environment,
- Provides key data and analysis on the housing market and future housing demand in the County,
- Sheds light on the development considerations that are working well, areas that need improvement, and emerging development issues that require new solutions,
- Identifies key recommendations to improve the housing landscape in the county, including potential partnerships to create or strengthen,
- And helps Kitsap County jurisdictions plan for additional housing over the next 10-20 years.

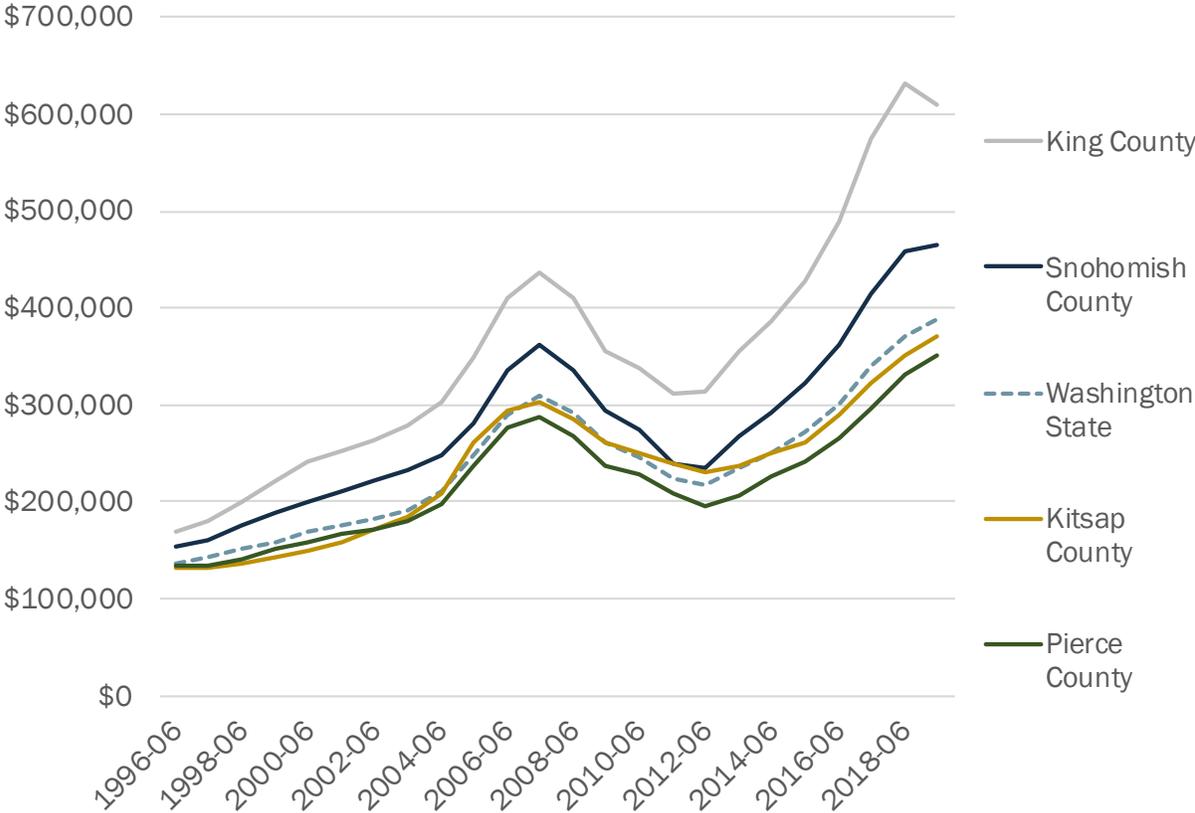
Kitsap County has several housing related challenges, including the need for a variety of housing types and the need for more housing affordable to low-income households. Based on population forecasts, Kitsap County and its jurisdictions will need approximately 25,150 new housing units through 2036, or about 1,480 per year for the next 17 years, of all types and price points. Over the 2010-2017 time period, jurisdictions across the County produced only 3,600 new housing units (including demolitions), or about 515 units per year (see Appendix B for more information on the current inventory and recent production trends). Thus, jurisdictions will need to almost triple their annual housing production to accommodate the expected 25,150 new units through 2036. Sub-county housing need and the distribution of the 25,150 new units across the county were not analyzed as part of this study. This work can be pursued with new funding grants from the Washington Department of Commerce.

Kitsap has also been significantly underproducing housing, producing only 42 new units for every 100 new households formed over the 2010-2017 timeframe. With development and construction costs just as high on the westside of the sound, but rents and price points lower, Kitsap has not been competitive for the post-recession housing supply increases seen in Seattle and the east side of Puget Sound.

However, the economic spillover from the rest of Puget Sound has made its way to Kitsap County. Because housing markets operate at a regional scale, the availability and affordability of different types of housing in one area affect the demand for that housing in other areas. Despite recent increases in prices, housing costs in Kitsap County overall have historically been relatively less expensive than elsewhere in the region (see Exhibit 1 below).

Households across the Puget Sound region facing price increases and cost burdening—as well as increased congestion or traffic—are now looking at the relatively more affordable housing in Kitsap. This increased demand for housing has had major implications for the local market, which has not caught up by building new supply. Residents in Kitsap County are feeling the brunt of these changes, seeing price pressure and low vacancies from growing demand and lack of production.

**Exhibit 1. Increasing Home Values for Multifamily, Single-family, Condo/Co-op Housing in Puget Sound Counties and Washington State, 1996-2019**



Source: Zillow Home Value Index, 2009-2019

These factors (explored comprehensively in the Housing Market Analysis in Appendix C), combined with the rural nature of Kitsap County, the natural land and infrastructure constraints of the area, and the presence of numerous vacation homes or second homes, present challenges in providing housing for Kitsap’s working and full time residents.

This report offers 10 high priority, near term recommendations for the City and County to consider in support of housing production and improvements to affordability across income spectrums. In general, they align with three major goals for housing production and affordability:

- A. **Help people stay in affordable housing.** This includes work to preserve existing regulated housing, preserve unregulated housing, improve affordability (or reduce

costs) for tenants, and enhance tenant protections. This goal focuses on affordable housing, workforce housing, and low-income homeownership opportunities.

- B. **Encourage the development of more affordable housing.** This includes work to expand partnerships, improve local affordable housing development capacity, boost existing programs and resources, and reduce development costs to encourage supply. This goal focuses on rent restricted affordable housing and to a lesser extent, workforce housing.
- C. **Expand housing options and grow housing supply to address existing shortages and future growth.** This includes projects and programs relating to reducing development costs or time the it takes to deliver a project from start to finish, changing zoning that limits density, and allowing more housing choices for new construction to meet the varying needs of Kitsap residents. This goal focuses on multifamily housing and alternative housing types, with the understanding that more supply can help relieve price pressure in a tight market.

The City, County, and other planning jurisdictions have meaningful work ahead. Recent annual housing production trends need to more than triple in order to meet the expected housing needs by 2036. These ten priority recommendations are aimed at significant changes to boost production and help vulnerable residents at risk of rent increases and displacement.

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# Introduction

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Throughout 2019, ECONorthwest worked with staff at the City of Bremerton and Kitsap County to prepare this *Affordable Housing Inventory and Market Analysis*. This report offers concrete actions the County, local cities, and local planning jurisdictions can take to advance housing solutions to better meet the housing needs of all residents with a particular focus on improving the affordable housing landscape for low- and moderate-income residents across the County.

While the focus of this report is on improving affordable housing options in the County, several actions and recommendations are aimed at increasing the supply and production of housing affordable to moderate and higher incomes, with an understanding that supply of all types can help ease the affordability challenges posed by a tight market.

The findings and recommendations advanced herein are informed by three technical appendices that surveyed (a) the housing landscape and existing organizations providing housing and affordable housing in the county, (b) the housing inventory including characteristics, size, type, age, and price of housing, and (c) a housing needs assessment that evaluates the drivers of housing supply, drivers of housing demand, and the future needs for housing of all types and price points across the county over the next 20 years.

This report is broken down into the following sections:

- I. **Opportunities, Challenges, and Key Findings** lists the most important information from the supporting analysis that inform the recommendations,
- II. **Recommended Actions** offers *comprehensive action sheets* on 10 high-priority actions and another 33 recommendations that can help to increase housing affordability across Kitsap County,
- III. **Implementation** outlines the decision points, funding considerations, and lead agencies that can move forward on each action,
- IV. **Methods & Data Summary** describes the report creation process and summarizes key data sources,
- V. **Appendices** include short summaries of the three technical appendices that provide supporting data. The technical appendices can be found online at [www.KitsapGov.com](http://www.KitsapGov.com) or at [www.BremertonWa.gov](http://www.BremertonWa.gov).

Readers should come away with an understanding of the policy recommendations and concrete actions that Bremerton, Kitsap County and the jurisdictions can consider as they continue working to provide safe, affordable housing for all Kitsap residents.

## Geographic References Used

Throughout this analysis, statistics are referenced for different geographies across Kitsap County. This section steps through the geographic boundaries used, and nomenclature used to address different planning jurisdictions.

### Cities and Census Designated Places vs Urban Growth Areas

Our analysis uses a variety of data sources. Because the U.S. Census Bureau is the main source of data for the appendices that support this report, we use its definitions of “Places” and “Census Designated Places” (CDPs) to analyze and display the data pertinent to this study. Places typically refer to cities, towns, villages, and boroughs, and are “a concentration of population either legally bounded as an *incorporated* place, or identified as a Census Designated Place.”<sup>1</sup> CDPs differ from places in that CDPs are “statistical geographic entities representing closely settled, *unincorporated* communities that are locally recognized and identified by name.”<sup>2</sup> CDPs are statistically equivalent to incorporated places and they are the Census Bureau’s best approximation for unincorporated areas across the country.

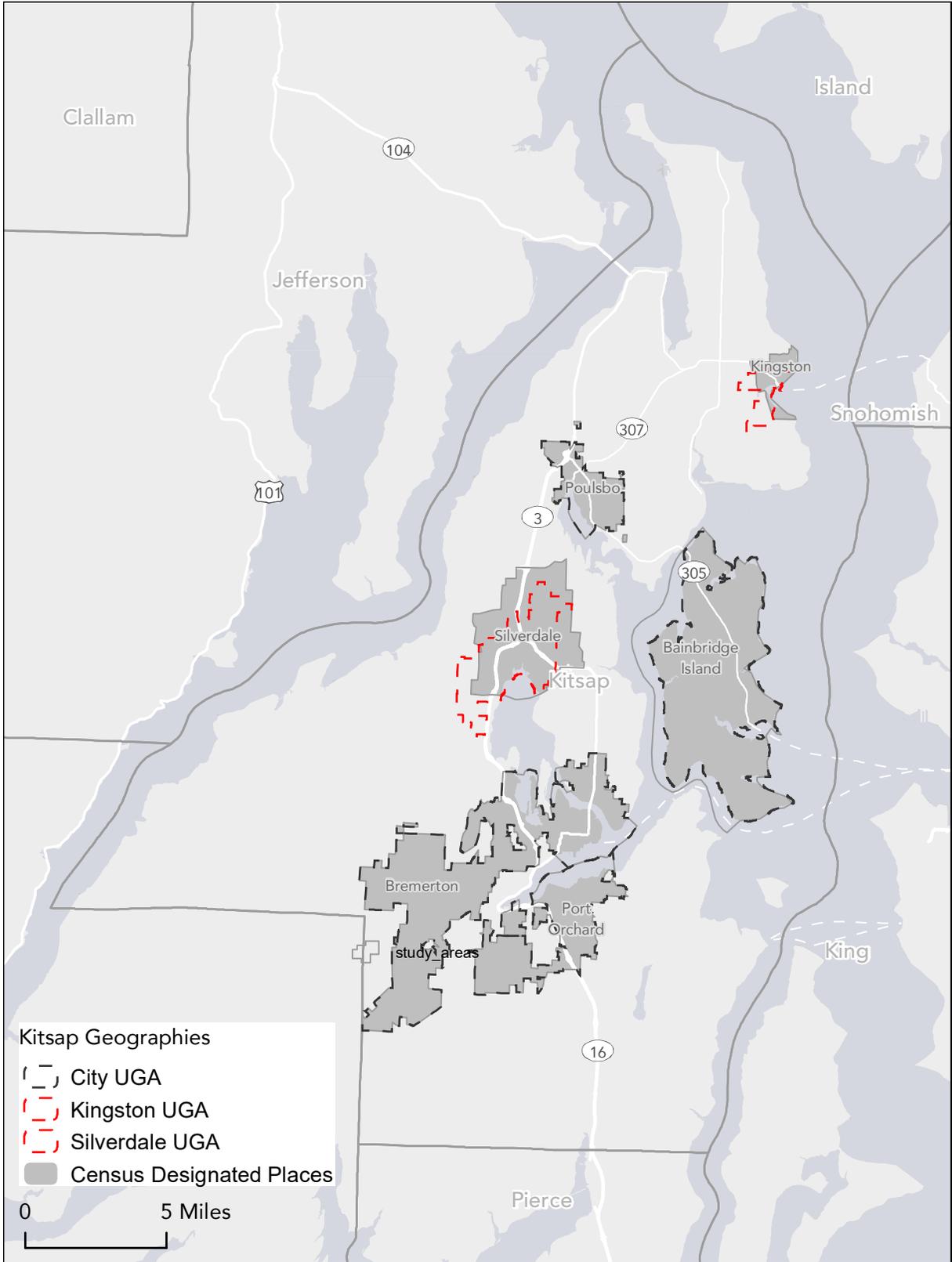
This analysis uses CDP boundaries instead of Urban Growth Areas (UGAs), which are the County’s urban planning boundaries for Kingston and Silverdale, because the Census provides more data on these areas’ population and economic characteristics. The map in Exhibit A below shows the CDP boundaries in grey, the UGA boundaries for Bainbridge Island, Bremerton, Port Orchard, and Poulsbo in black, and the UGA boundaries for Kingston and Silverdale in red. As the map demonstrates, the UGA boundaries for Bainbridge Island, Bremerton, Port Orchard, and Poulsbo are aligned with the CDPs, and the Kingston and Silverdale UGAs have meaningful overlap. As such, they are a good approximation and allow us access to more data.

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<sup>1</sup> U.S. Census Bureau, *Place* definition. Retrieved from: <https://factfinder.census.gov/help/en/place.htm>

<sup>2</sup> U.S. Census Bureau, *Census Designated Place (CDP) Program for the 2010 Census – Proposed Criteria*, 72 Federal Register 17326-17329. April 6, 2007. Retrieved from: <https://www.govinfo.gov/content/pkg/FR-2007-04-06/pdf/E7-6465.pdf>

**Exhibit A. We use Census Designated Places, Which Closely Align with Kitsap UGAs**



Source: UGA boundaries come from the Kitsap County Department of Community Development. Census boundaries come from Census GIS files.

## Kitsap County Inclusive vs Kitsap County Jurisdiction

In this analysis, references to “Kitsap County,” “Kitsap,” or “the County” relate to the county as a whole, inclusive of the other planning areas (cities and urban growth areas). For example, if a statistic shows the average age for Kitsap County residents alongside the average age for residents of the City of Bremerton, the ages of Bremerton residents would be included in the Kitsap County average.

Readers should assume that in-text references to “Kitsap County” or “the County” are inclusive of all other jurisdictions within the County. At times, we further clarify this point by referencing residents “across the County” or businesses “throughout the County,” or we will discuss “Kitsap County as a whole,” or a statistic for “the entire County.”

## Housing, Finance, and Development Terms Used

**Affordable Housing.** Regulated affordable housing that is income or rent-restricted to ensure the housing is occupied by households earning a certain income. Regulations are set according to the types of funding used to develop the housing, such as the Low-Income Housing Tax Credit, or U.S. Housing and Urban Development (HUD) funding. Most rent-restricted affordable housing is restricted to be affordable to households earning under 60% MFI, but these restrictions vary. We refer to regulated affordable housing and rent-restricted affordable housing interchangeably in this memorandum.

**Community Development Financial Institution (CDFI).** Community development financial institutions (CDFIs) are regulated financial institutions that exist to expand economic prosperity and opportunity to low income communities. They do so by providing access to financing tools, products, and services for residents and businesses. They operate much like banks or credit unions by offering loans, microloans, or venture capital. Most often, CDFIs are regulated by the U.S. Treasury Department.

**Community Land Trust.** A land banking model where a community organization owns land and provides long-term ground leases to low-income households to purchase the homes on the land, agreeing to purchase prices, resale prices, equity capture, and other terms. This model allows low-income households to become homeowners and capture a portion of the growth in home value as equity, but ensures that the home remains affordable for future homebuyers.

**Cost Burdened.** We use the term “cost burdening” to refer to households who pay more than 30 percent of their income on housing costs. We use the term “severe cost burdening” for households paying more than 50 percent of their income on housing. These terms come from HUD, and include mortgage payments and interest, or rent, utilities, and insurance.

**Development Capital Stack.** The mix of funding sources either in a fund or used to pay for construction of a development project. Different types of funding are “stacked” together. Each type of funding sits at a different level in the stack corresponding to risk and rate of return (lower risk corresponds with lower return and vice-versa).

**Development Feasibility.** A new development project needs to be financially feasible, demonstrating that the revenues generated from rents are sufficient to cover operations, debt servicing, and capital reserves. A project’s development team will create a pro forma to determine feasibility and adjust the number of units, size, rents, and construction costs until the project revenues match expected operating costs (often referred to as “penciling out”). Affordable housing funders need to understand financial feasibility before they will award a project funding.

**Development Phases.** The typical phases are predevelopment, construction, and operation. Predevelopment can be split into early-stage predevelopment (project visioning, design, and concept planning) and late-stage predevelopment (securing project funding, securing sites, permits, and entitlements such as zoning or rezoning). Early-stage predevelopment projects often end up infeasible and cannot carry debt.

**Housing Affordability.** “Housing that is affordable” refers to any type of housing, regulated or not, that costs less than 30% of a household's pre-tax income. This definition is a generally accepted definition of affordability.

**Land Banking.** See Community Land Trust.

**Low Cost Market Rentals.** We refer to housing that is affordable to low income households but not regulated or restricted by a funding source, as “low cost market rentals.” These housing units are often affordable by nature of their location, condition, age, or the amenities offered nearby or at the property.

**Median Family Income (MFI).** The U.S. Housing and Urban Development (HUD) produces an area median family income each year to measure affordability thresholds against. Affordable housing deals, loans, and other HUD requirements will be assigned to a percentage of the MFI (see sidebar).<sup>3</sup>

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#### **Kitsap County MFI**

According to HUD, Kitsap County's MFI was \$77,119 in 2017.

- 30% of MFI is about \$23,135
  - 50% of MFI is about \$38,559
  - 60% of MFI is about \$46,271
  - 80% of MFI is about \$61,695
  - 100% of MFI is \$77,119
  - 120% of MFI is about \$92,542
- 

**“Missing-Middle” Housing.**<sup>4</sup> Missing middle housing is a term coined by Opticos Design to refer to medium-density housing like duplexes, triplexes, townhouses, courtyard style apartments, cottage clusters, or accessory dwelling units. These types of housing developments were largely outlawed in the post-war period in favor of single-family housing units. Recent efforts call for relegalizing missing middle housing to increase density and affordability in highly walkable, opportunistic neighborhoods.

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<sup>3</sup> HUD releases MFI data each year. However most of the data used in this study is through 2017, so we refer to the 2017 HUD MFI for consistency.

<sup>4</sup> Opticos Design. 2019. “Missing-Middle Housing.” Available from: [opticosdesign.com/missing-middle-housing/](https://opticosdesign.com/missing-middle-housing/)

**Mission-Based Developers.** Refers to public or non-profit organizations working to provide affordable housing and services. These developers may sacrifice financial return for the positive social impact of providing affordable housing.

**Multi-Family Tax Exemption (MFTE).** Washington state law (RCW 84.14) allows for cities to exempt multifamily housing developments from property taxes in certain areas for a period of eight or 12 years in exchange for affordability restrictions on some of the units. This exemption reduces the costs of operating (and therefore developing) multi-family housing and helps to increase the supply of market rate and affordable housing.

**Net Operating Income (NOI).** In a new development proforma, NOI is equal to revenues less operating expenses. The amount of permanent financing that can be obtained is determined by the NOI.

**Permanent Debt / Permanent Financing / Take-Out Financing.** A long-term loan (maturity of 15-30 years) that is obtained after completion of construction. It is used to repay the short-term construction loan.

**Real Estate Investment Trust (REIT).** A financing vehicle that generates returns to investors by buying and operating workforce or moderately-affordable housing to generate quarterly cash flow. REITs are stand-alone companies or investment entities that own, and in most case operate, income-producing real estate. REITs generate stable, moderately-low risk real estate-investments for private equity, much like private investors invest in mutual funds. They are used broadly throughout most major development markets.

**Return On Investment.** Measure of profitability: net income as a percent of the equity or funding that went into the project. Banks, institutional investors, and for-profit developers will not build a project if they cannot guarantee a sufficient return on investment.

**Revolving Loan Fund.** A pool of money from which loans are issued to eligible recipients for specific uses. In the case of affordable housing revolving loan funds, the loans have lower interest rates and more generous terms compared to market loans. When the loans are repaid, new loans can be issued.

**Severely Cost Burdened.** See Cost Burdened.

**Transit-Oriented Development (TOD / ETOD).** Development located within walking distance (usually  $\frac{1}{4}$  or  $\frac{1}{2}$  mile) of a designated transit network or high-capacity transit stop. ETOD stands for equitable TOD, which approaches TOD with an equity lens to ensure that all communities, particularly minority, low-income or historically marginalized communities, benefit from transit investments and transit-related development.

**Unregulated or Unrestricted Housing.** See Low Cost Market Rentals.

**Workforce Housing.** The term “workforce housing” is often used to describe housing units that are affordable to households earning more than 60% MFI. These can be regulated or unregulated.

**Zoning / Rezoning.** Regulations are often statewide mandates that are implemented at a local government on the allowable land uses and density on a parcel of land. Landowners can apply to their local government to change the zoning of their parcel of land (whether a specific use and/or the density).

# I. Opportunities, Challenges, and Key Findings

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This section summarizes the opportunities and challenges facing housing development in and across Kitsap County, and includes key findings from the data analyzed in the Housing Inventory and Needs Analysis. More information, including comprehensive data, charts, and graphs can be found in the three supporting appendices, the Housing Landscape Overview (Appendix A), the Housing Inventory (Appendix B), and the Housing Needs Analysis (Appendix C).

## Summary Goals

These opportunities, challenges, and key findings form the basis of the 10 high priority recommendations advanced in Part II and III. In general, they fall into three major categories of goals for housing:

- A. **Help people stay in affordable housing.** This includes opportunities and challenges to preserve existing regulated housing, preserve unregulated housing, improve affordability (or reduce costs) for tenants, and enhance tenant protections. This goal focuses on affordable housing, workforce housing, and low-income homeownership opportunities.
- B. **Encourage the development of more affordable housing.** This includes opportunities and challenges relating to expanding partnerships, improving local affordable housing development capacity, boosting existing programs and resources, and by reducing development costs to encourage supply. This goal focuses on rent restricted affordable housing and to a lesser extent, workforce housing.
- C. **Expand housing options and grow housing supply to address existing shortages and future growth.** This includes opportunities and challenges relating to development costs, zoning changes that limit density, and allowing more housing choices for new construction to meet the varying needs of Kitsap residents. This goal focuses on multifamily housing and alternative housing types, with the understanding that more supply can help relieve price pressure in a tight market.

## Opportunities and Challenges

The following opportunities and challenges are affecting the development of housing across Kitsap County. Not all opportunities and challenges are present in every jurisdiction, and many do not apply to single-family housing development, the development of which remains relatively strong in Kitsap and its jurisdictions.

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### More information:

For more information about Kitsap’s housing inventory, including recent production trends, see Appendix B: Housing Inventory.

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Rather, these opportunities and challenges primarily relate to the development that is not occurring in the county: higher-density multifamily housing, alternative housing types (such as accessory dwelling units, “missing-middle housing” or townhomes), and rent-restricted affordable housing options.

It is important to note that local context matters greatly as local governments contemplate both the relevance and implementation of these goals. They will need to review zoning, Growth Management Act law, relevant case law, and other applicable regulations as necessary to determine which opportunities and recommendations (in Section II) are implementable at the local level.

**Exhibit 2. Opportunities and Strengths for Residential Development in Kitsap County**

Goal	Opportunity
Stay in Affordable Housing	Good partnerships exist between community agencies helping vulnerable residents at risk of housing instability
	Existing programs like weatherization and minor home repair and housing rehabilitation help residents stay in their homes
	Housing Resources Bainbridge’s Community Land Trust opens up home ownership opportunities for low-income households
Encourage the development of more affordable housing	Good partnerships exist between community agencies helping vulnerable residents at risk of housing instability
	Kitsap County has sufficient land available for housing development within its existing urban growth boundaries
	Kitsap County has relatively lower land costs compared to elsewhere in the region, helping to improve affordable housing development feasibility
	Key opportunity sites exist along major corridors and in growing communities
	Opportunity zones present investment opportunities that can aid development feasibility
	Bremerton’s infill toolkit is seen as a best practice and helpful guide for high density development
Grow housing supply and options	Spillover demand from economic growth in Seattle and the underproduction of housing in Kitsap causes rent growth and low vacancy which helps development feasibility of market rate multifamily housing
	Kitsap County has sufficient land available for housing development within its existing urban growth boundaries
	Kitsap County has relatively lower land costs compared to elsewhere in the region, helping to improve affordable housing development feasibility
	Kitsap County and its jurisdictions have planning documents that are generally supportive of housing development
	Opportunity zones present investment opportunities that can aid development feasibility
	Bremerton’s infill toolkit is seen as a best practice and helpful guide for development
	Leadership is open to conversations about improving housing development
	The online permitting tool has been a benefit for improving permitting timelines and helping development move faster, thereby reducing costs
	Key opportunity sites exist along major corridors and in growing communities

**Exhibit 3. Challenges and Risks for Residential Development in Kitsap County**

Goal	Challenge/Risk
Stay in Affordable Housing	Spillover demand from economic growth in Seattle and the underproduction of housing in Kitsap causes rent growth, low vacancy, and high displacement risk for Kitsap residents
	High housing prices lock low-income residents out of homeownership and wealth building opportunities
	Expensive home repairs can prevent people from remaining in their homes as needs change
	Many mobile homes are sitting on valuable land and could be at risk of displacement if land prices create pressure to redevelop
	Outside of the government and healthcare sectors, there are few high-paying private sector jobs in Kitsap County, which can limit income growth and upward economic mobility for residents
	Housing near ferries is largely single family, limiting the ability for renter households (who are often lower income) to access high-paying jobs throughout the region
	Access to transit is limited and reduces access to high paying jobs throughout the region
Encourage the development of more affordable housing	Kitsap County jurisdictions lack sufficient funding to leverage for affordable housing funding applications
	Affordable housing developers are generally operating at capacity and lack training or staff to increase development capacity
	Construction costs are just as high in Kitsap County as elsewhere, making development of affordable housing difficult
	Few development opportunities exist on larger lots, which are attractive to high density development.
	Kitsap County has largely already been divided into parcels
	Many unincorporated areas lack infrastructure and the costs of mitigation make affordable housing development prohibitive
	Zoning can be a barrier to affordable housing development by disallowing higher density development
	Jurisdictions in Kitsap County do not offer many zoning incentives to encourage affordable housing
	NIMBYs can stall or delay affordable housing development
	Remaining infill lots are generally difficult and costly to develop compared to greenfield development
Grow housing supply and options	Parking shortages can drive up the cost of new housing development by requiring off-street parking stalls
	Construction costs are just as high in Kitsap County as elsewhere, making development of higher density housing difficult
	Few development opportunities exist on larger lots, which are attractive to high density development.
	Kitsap County has largely already been divided into parcels
	Many unincorporated areas lack infrastructure and the costs of mitigation make higher density housing development prohibitive
	Zoning presents a barrier to development by disallowing higher density development, disallowing secondary units in high-demand areas or along transit lines, or by requiring lots to be built to the maximum size or subdivided
	Jurisdictions in Kitsap County are not offering many zoning incentives to encourage the types of housing needed
	Remaining infill lots are generally difficult and costly to develop compared to greenfield development
	NIMBYs can stall or delay multifamily or higher density housing
	There are few good examples of alternative housing types (e.g. ADUs or “missing middle” housing) for developers new to Kitsap County
	Moratoriums on new development are not helpful for achieving housing needs
	There are many second homes and vacation homes in Kitsap County, reducing the overall supply of housing and buildable land
The presence of Naval Base Kitsap increases housing demand without providing tools, funding, or incentives for housing or parking in the area	

# Key Findings

In addition to the opportunities and challenges present in Kitsap County and its jurisdictions outlined above, the following key findings help to shape the recommendations offered in Section II and III. These findings come from data and analysis in the Housing Inventory and Needs Analysis.

**Kitsap needs 25,150 new housing units by 2036...** Kitsap County is expected to need an additional 25,147 total housing units over the next 17 years, or approximately 1,480 per year. As currently zoned, the majority of these housing units are expected to be single-family detached, similar to current development trends.

Jurisdictions across Kitsap County will need to more than triple their annual rates of net housing production in the 2010-2017 time period (515 units per year) to reach the rate of production needed to accommodate these new housing units by 2036.

**And is already behind housing production.** Jurisdictions across the county have not been building enough housing to meet the needs of its residents. Over the 2010 to 2017 time period, it only built 42 new housing units for every 100 new households formed.

Over that timeframe, fewer than 3,800 housing units have been built, and when accounting for demolition or obsolescence of units, the net new units is about 3,600.

**Job growth is incredibly strong...** Kitsap is seeing strong job growth, in line with the strong national and regional economies. In 2018, total covered employment reached almost 90,000 jobs. The County passed its pre-recession job peak of 84,400 jobs back in 2015. Since the recession, the fastest growing sectors include management jobs, manufacturing, construction and transportation/warehousing jobs, and accommodation/food service jobs. That the fastest growing sectors have moderate to high wages is a sign for continued purchasing power for future housing demand.

**And Kitsap is gaining a lot of high income households...** Due to this strong economic growth and spillover effects from the Seattle region, Kitsap County appears to be gaining households at higher income levels (earning more than \$80,000) since 2010.

**But it lacks sufficient housing for these households.** Kitsap has a deficit of rental housing appropriately priced for higher-income households. In the 2010-2017 time period, Kitsap had about 7,000 households earning more than the median family income (\$77,119 for a family of four) but only 1,800 units that are “affordably priced” for those households. This means these higher income renter household are competing for available housing stock with lower-income households, putting further pressure on the availability of housing for low-income households.

**Kitsap is also gaining low income households...** In the 2010-2017 time period, Kitsap also gained households at the lowest income levels (earning under \$20,000 per year). Trends for households earning between \$20,000 and \$80,000 were mixed.

**And has a gap in housing inventory for these households, too.** However, as of 2013-2017, Kitsap County had a shortage of almost 5,800 units of rental housing affordable to its extremely low-income renter households (those earning less than 30 percent of the median family income or about \$23,135 for a family of four). This lack of housing plus increased competition from higher-income households puts many renter households at risk of rent increases and displacement.

**Rent-restricted affordable housing is scarce and difficult to build.** Rent restricted affordable housing is scarce in Kitsap County and is concentrated in a few locations around the County. Bremerton has the most affordable housing and also has the most deeply affordable housing: about 66 percent of all units restricted below 30% MFI are located in Bremerton, likely due to the presence of the Bremerton Housing Authority (housing authorities often operate deeply affordable units) and the presence of extremely low income households needing housing.

<b>And displacement risks are high for low income mobile homeowners, too.</b>	Kitsap County has many mobile homes that are not located in mobile home communities, but are a home located on a unique, often large parcel. The average land value for these mobile homes can be pretty high in some areas, reaching up to \$240,000 on Bainbridge Island. Rising land values can create pressure to redevelop, which puts these residents at risk of displacement.
<b>Limited employment opportunities prevent earnings growth and upward economic mobility...</b>	Outside of the government and healthcare sectors, Kitsap has limited employment options with a high number of residents either entering or leaving the County for employment. A high share of Kitsap's workers do not live in the county, which is an opportunity when planning for future housing growth. In 2017, more than 46,300 people commuted out of Kitsap County for work, 23,750 people commuted into the county, and about 43,300 people stayed put (work and live in the county).
<b>And housing near ferries is largely single-family.</b>	With multiple ferry routes to Seattle and other Puget Sound cities, households living near a ferry terminal gain immense access to employment, healthcare, higher education, recreation, and amenities in other areas of the Puget Sound. Approximately 1,550 households on Bainbridge live within one mile of a ferry terminal, about 2,110 households live near a ferry in Bremerton, and so do about 1,180 households in Kingston and Southworth combined. In Bremerton, this figure includes 407 households in multi-family housing.
<b>This locks lower-income households out from access to employment opportunities.</b>	Because of the prevalence of single-family housing near ferries, and because homeownership is out of reach for most low-income, minority, or marginalized households, these communities are also locked out of important access to jobs, opportunity, amenities, and services in the region.
<b>Economic development is important to grow the local economy, and it should include housing considerations.</b>	For low-income households that cannot travel outside the region for higher-paying jobs, economic development within the County is critically important. However, these efforts should include considerations relating to housing provision, especially when a large number of new jobs are created. Job creation absent housing creation will not solve the economic insecurity that many Kitsap households face, and can exacerbate issues around traffic congestion, emissions, and cost burdening.
<b>Kitsap County is aging...</b>	In like with national trends, Kitsap County is aging and seeing older households account for a larger share of the total population. This is most pronounced on Bainbridge Island, in Port Orchard, and in Kingston. Bainbridge saw a seven percentage point increase in the number of residents over age 44 between the year 2000 and the years 2013-2017, while Port Orchard saw a 10 percentage point increase over that time. In Kingston, the share of residents over age 65 grew by 11 percentage points, while the share of residents under age 20 declined in the same timeframe.
<b>And Kitsap County is diversifying.</b>	The Hispanic or Latinx population almost doubled from four percent of Kitsap County's total population in 2000, to seven percent of the population in the 2013-2017 period. Bremerton, Port Orchard, and Poulsbo are more ethnically diverse than the Kitsap County average, with the Hispanic/Latinx population making up nine percent, ten percent, and 12 percent of residents, respectively. Bainbridge Island has the lowest share of Hispanic/Latinx residents, although the proportion doubled across the 2000 to 2013-2017 period. Port Orchard's Hispanic/Latinx population also doubled over the analysis period.
<b>Both of these trends will shift the types of housing needed and demanded in the future.</b>	Due to Kitsap's increasing diversity, the future housing stock consisting of primarily single-family homes could be mismatched with the housing needs of non-white households (for example, larger households who have intergenerational household members, extended family members, or more children). This coupled with Kitsap's growing baby-boomer population looking to "age in place," could mean that competition for housing may continue to put upward pressure on housing prices.

**Jurisdictions in Kitsap County need to make changes to meet housing needs...**

Kitsap County jurisdictions will need to almost triple their annual housing production to accommodate the expected 25,150 new units in the next 17 years. Continued spillover demand from the Seattle region and strong local economic growth will likely increase the number of high-income and low-income residents seeking housing in the County.

**Or continued rising prices, rents, and displacement risk are likely to worsen.**

These trends, coupled with the gap in housing affordable to both of these income brackets, and compounded by structural difficulties in producing rent-restricted housing in Kitsap, mean that jurisdictions will need to implement meaningful changes where possible to catch up and meet production needs. Rising prices, rents, displacement, and households falling into homelessness are likely to continue if jurisdictions cannot increase housing production at all levels.

## Housing Development is Multi-faceted and Dynamic

Housing development is an incredibly complex and lengthy process. The private sector produces the majority of all new housing development, and this market is governed by economic fundamentals of supply and demand, which is influenced by government regulation. However, many regulations are set at the state level (such as Growth Management Act requirements or environmental review processes). These factors limit local governments' ability to influence housing development.

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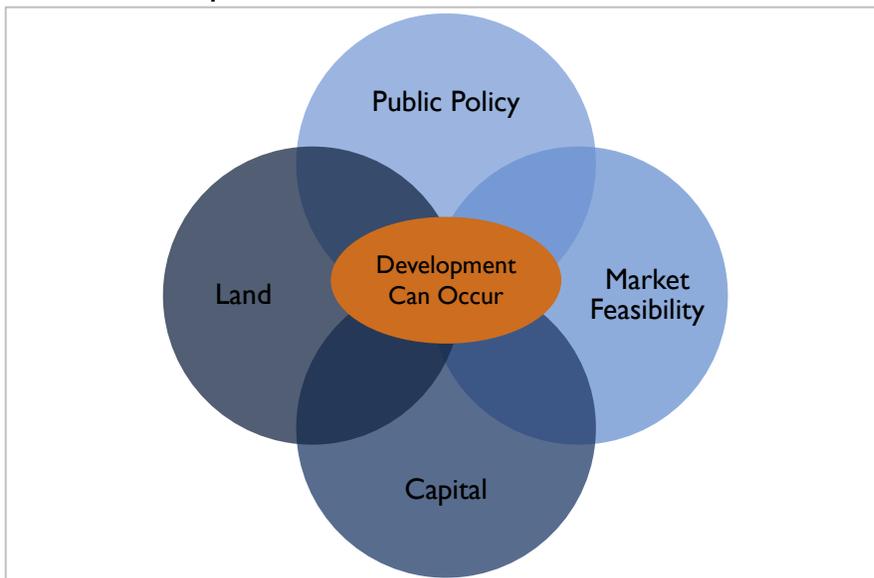
### More information:

For more information about Kitsap's housing market trends, and factors influencing future demand, see Appendix C: Housing Needs Analysis.

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Private sector development occurs at the intersection of land availability, public policies, market feasibility, and capital funding. In a similar way, publicly supported rent/income controlled housing is subject to the same factors. Housing development relies on inputs set by numerous interrelated markets and players – from the cost of land to the cost of labor and materials to the price of rents – each input to development is its own market with supply and demand factors constantly in flux.

**Exhibit 4. Development Fundamentals**



Source: ECONorthwest.

- On a **parcel of land**, for-profit (which are the majority) landowners and property developers will evaluate a site for the economically highest and best use allowed, be that office, residential, commercial, or vacant land, depending on the parcel's unique characteristics.
- **Public policies**, like land use restrictions or zoning, dictate what types of development can occur and where, usually for aesthetic, health, safety, or economic reasons. A single policy can have many different impacts; adding new policies and removing existing regulations is a complex process with a lot of influence across many sectors.
- **Market feasibility** is a robust process that assesses the demand for development, comparing the expected revenues against the investment costs (e.g. labor and materials), for the desired types of development. If a development project is not feasible, it will not get built.
- **Capital** is necessary to pay for the costs of development and influences market feasibility due to the expected return on investment. Capital seeking return on investment can flow to other sectors – stocks, bonds, etc. – when development cannot meet return requirements.

Development occurs when all these factors align: the land is available and properly zoned, the regulations allow the development, the market says it is feasible, and the capital can be deployed for an investment return. Influencing where development occurs and what is built is challenging, takes time, and requires input from numerous players (government, the general public, impacted neighbors, and the development community).

## Recommended Actions to Address the Key Issues

The 10 high-priority recommendations advanced in the next section can help Kitsap County and its jurisdictions implement changes where possible – to funding structures, zoning patterns, or incentive programs – to increase housing production to meet future housing needs. While we cannot determine that the County will meet its 25,000 housing unit need if all or some of these recommendations are taken, we can point to the trends that will continue if housing production does not increase and housing demand continues: rising prices, rents, and displacement, culminating in more cost burdening, more housing instability, and more households falling into homelessness.

Implementing these changes will require involvement from many different partners – including for profit housing providers, non-profit developers, the different jurisdictions, and the community at large. Importantly, further review of zoning, Growth Management Act case law, and other applicable regulations will be necessary to determine which recommendations can be implementable at the local level. However, no single strategy will solve housing affordability challenges for Kitsap's residents. The recommendations below are for the City of Bremerton and Kitsap County to consider as a starting point. They are not exhaustive of the possible improvements, and can be mixed together or selected individually as the City, the County, and the general public see fit.

## II. Recommended Actions

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The key findings and discussions of housing opportunities and barriers generated a long list of potential recommendations for the jurisdictions in Kitsap County to consider. This section steps through 10 high priority recommendations that, if implemented, could have meaningful impacts on housing supply and affordability, and another 33 recommendations that are lower priority but should be included as part of the City's and County's toolbox when considering affordable housing and development solutions.

### Many Actions will Be Needed to Meet Housing Needs

No single change will fix the affordable housing crisis in the region, and many strategies can be deployed at different levels (e.g., affecting a property, a neighborhood, or working across the market) and in different sectors (e.g., for-profit housing, affordable housing, multifamily, or single family).

These 10 high-priority recommendations and 33 additional recommended tools and strategies could be implemented in any combination to make a meaningful impact on the development of more housing and less expensive housing across the County.

We cannot determine that the County will meet its 25,000 new housing unit need if all or some of these recommendations are taken. But if meaningful action is not taken to increase the rate of housing production, and the County continues to see population growth and housing demand, prices will continue to rise, displacement pressures will continue to increase, and vulnerable households will continue to fall into homelessness.

### Meaningful Action will Include Many Players

Many factors affecting housing production are out of the control of public agencies – such as rent and home prices, costs of labor and materials, and population growth. Many partners and housing providers will ultimately be involved in spurring new housing development. While the public sector can play a lead role in setting the stage for change, implementing these recommended actions will require ongoing coordination with many departments, jurisdictions, developers, and the general public.

While these recommendations have been created to help the City of Bremerton and Kitsap County advance housing solutions, there is no one-size-fits all approach. Rather, this list is a starting point for considering different tools that can be mixed together or selected individually depending on circumstances. These recommendations are not exhaustive of the possible improvements that might be identified and should be considered a menu of preliminary ideas to be considered.

It is also important to note that further review of zoning, Growth Management Act case law, and other applicable regulations are necessary to determine which recommendations can be implementable at the local level.

## Actions Toward Three Goals

These 10 high-priority recommendations are grouped by the high-level goals they can help to achieve. These goals summarize the development and housing challenges identified in prior tasks and the paths to creating more affordable housing options for Kitsap County residents.

- A. **Help people stay in affordable housing**, such as preserving existing regulated housing, preserving unregulated housing, reducing costs for tenants, and enhancing tenant protections. This includes workforce housing and low-income homeownership opportunities.
- B. **Encourage development of more affordable housing** by expanding partnerships, local development capacity, boosting funding, and reducing development costs.
- C. **Expand housing options and grow housing supply to address existing shortages and future growth** by reducing costs, supporting zoning changes to increase residential capacity, walkability, and lower price point development, and allowing more housing choices for new construction to meet the varying needs of Kitsap residents.

**Exhibit 5. Primary Recommendations Assessed**

Recommendation	Goal Achieved		
	Create More Affordable & Workforce Housing	Preserve Affordability	Increase Housing Options & Supply
1. Create a Preservation & Anti-Discrimination Strategy		✓	
2. Update Comprehensive Land Strategy	✓	✓	✓
3. Create a Revolving Loan Fund	✓	✓	
4. Create a Real Estate Investment Fund	✓	✓	
5. Establish Additional Affordable Housing Funding Sources	✓	✓	
6. Pool Existing Resources	✓	✓	
7. Expand Community Land Trust	✓	✓	
8. Encourage “Missing Middle” Housing	✓		✓
9. Review and Revise Land Use Barriers	✓		✓
10. Review Up-Zoning Urban Land For Multifamily Housing	✓		✓

## 10 High-Priority Action Sheets

The 10 high-priority recommendations are assessed via “action sheets” that allow for a quick snapshot of each recommendation, and allow the City and County to compare specific

recommendations with one another. These actions sheets can be monitored, updated, and edited as recommendations are addressed or as market conditions change. Each action sheet provides a description of the recommendation and evaluates the following considerations:

- **The primary goal** the recommendation is helping to achieve (A, B, or C above),
- **The development barrier** each recommendation helps to overcome,
- The **sector** most likely to lead the action,
- The **potential scale** (works at market level, neighborhood level, or property by property),
- The potential **impact on housing affordability** (high, medium, or low),
- **Potential partners** to work with,
- Applicable **locations or sites**,
- **Critical considerations** about sources of funding, timing, needed analysis, political will, neighborhood opposition, and immediate steps to move forward, and
- Relevant **resources or links** from other communities working on the same issue.

# 1 Create a Preservation & Anti-Displacement Strategy

<b>Primary Goal</b>		<b>Sector</b>
Preserve Affordability		Public
<b>Housing Barriers Overcome</b>		
Preserves aging or expiring restricted units, prevents displacement.		
<b>Description</b>		
<p>A county-wide, comprehensive preservation and anti-displacement strategy would work on expanding housing affordability in numerous ways. This could include any of the following facets:</p> <ul style="list-style-type: none"> <li>▪ Monitoring regulated affordable housing properties that are nearing their affordability expiration dates, and working with the property owner to recapitalize and rehabilitate the property with new funding. Create a database and mapping system to monitor and plan for upcoming expirations.</li> <li>▪ Setting up a process to monitor unregulated affordable rental properties and mobile home parks that might be at risk of being sold to private investors and seeing rents/leases increase. Establish criteria to flag properties at risk, such as: low-rents, deferred maintenance, under 20 units, non-institutional owners (aka., “mom and pop” owners), located in amenity rich areas, near recent redevelopments, or on high cost land.             <ul style="list-style-type: none"> <li>○ This could be done in conjunction with Action 3; the use of low-interest loans from a revolving loan fund could purchase these properties in partnership with a local affordable housing provider, to maintain affordability and habitability for years.</li> <li>○ This strategy could also establish procedures or guidelines to help the residents at these properties to establish a co-operative ownership structure, thereby preventing future displacement. This can be a highly effective model for preventing mobile home parks from being purchased and redeveloped.</li> </ul> </li> <li>▪ Evaluate communities and neighborhoods across the county that may be especially vulnerable to displacement as Kitsap’s housing market continues to rise. Many of the tenants living in unregulated affordable properties will be at risk if their building is purchased and rents rise. Many risk and screening tools exist that can be applied to communities. Special attention should be paid to historically marginalized communities like communities of color, immigrants, or non-English speaking communities.</li> <li>▪ Establish, update, or strengthen tenant protections and resources, such as policies relating to just-cause evictions, low-barrier application screening, fair-housing and anti-discrimination policies, and anti-price gouging when military personnel arrive with Basic Housing Allowances. Ensure that all new housing resources for households experiencing a housing crisis are coordinated with the countywide one-stop housing resource center, the Housing Solutions Center.</li> </ul>		
<b>Scalability</b>	A preservation strategy could be scaled at the market level.	<b>Critical Considerations</b> <ul style="list-style-type: none"> <li>▪ This is a Medium-term opportunity since funding and an operator may need to be identified, and a plan needs to be put in place. However, discussions could start immediately with the following next steps:             <ul style="list-style-type: none"> <li>○ Develop a community engagement plan to meet with and understand the housing challenges of communities at risk of displacement,</li> <li>○ Seek out national or state funding sources to staff this effort and create a plan, and</li> <li>○ Identify the departments to house, manage, and monitor a database or map of properties at risk.</li> </ul> </li> <li>▪ The Multi-Family Tax Exemption could help preserve unregulated affordable properties in targeted areas such as the City of Bremerton. This tool gives property owners property tax exemptions typically for 8-10 years in exchange for rent restrictions. Under current regulations, this tool is available in Kitsap cities, not the County.</li> </ul>
<b>Potential Affordability Impact</b>	High – potential to maintain rent restricted affordability for low-income households and create the opportunity to preserve affordability in at risk properties.	
<b>Potential Partnerships</b>	Local affordable housing providers, investment companies, mission-based lenders, Community Development Financial Institutions (CDFIs), philanthropic organizations, or foundations.	

<b>Applicable Locations</b>	Countywide.	<ul style="list-style-type: none"> <li>▪ Neither a preservation strategy nor an anti-discrimination strategy will likely face political or neighborhood opposition.</li> <li>▪ A process to monitor private market rentals may face headwinds from a landlord association. Creating these strategies will require significant public engagement and outreach to truly understand the housing and affordability challenges of the communities most at risk.</li> </ul>
<b>Relevant Resources</b>	<ul style="list-style-type: none"> <li>▪ Oregon Housing Preservation Program: <a href="http://www.PreserveOregonHousing.org">www.PreserveOregonHousing.org</a></li> <li>▪ Urban Displacement Project’s displacement risk factor: <a href="http://www.UrbanDisplacement.org">www.UrbanDisplacement.org</a></li> <li>▪ The Tenants Union of Washington State: <a href="http://www.TenantsUnion.org">www.TenantsUnion.org</a></li> <li>▪ CASA of Oregon Manufactured Homeowner Assistance: <a href="http://casaoforegon.org/for-individual/manufactured-housing-cooperative-development/">casaoforegon.org/for-individual/manufactured-housing-cooperative-development/</a></li> <li>▪ Oregon Housing &amp; Community Services Manufactured Communities Resource Center: <a href="http://www.oregon.gov/ohcs/Pages/manufactured-dwelling-park-services-oregon.aspx">www.oregon.gov/ohcs/Pages/manufactured-dwelling-park-services-oregon.aspx</a></li> <li>▪ Tenant information at Housing Resources Bainbridge: <a href="http://www.housingresourcesbi.org/programs/tenant-resources/">www.housingresourcesbi.org/programs/tenant-resources/</a></li> <li>▪ Example jurisdictions using MFTE: Kirkland, Bellingham, Tacoma, Spokane, Yakima, and Moses Lake (limited to cities with 15,000 persons or more)</li> </ul>	

## 2 Review and Update the Comprehensive Land Strategy

<b>Primary Goal</b>		<b>Sector</b>
Create More Affordable & Workforce Housing; Preserve Affordability; Increase Housing Supply		Public
<b>Housing Barriers Overcome</b>		
Prohibitive costs of land, lack of infrastructure on suitable land, small parcel sizes needing reaggregation.		
<b>Description</b>		
<p>Review and update Countywide Planning Policies and Comprehensive Plans to include any of the following:</p> <ul style="list-style-type: none"> <li>▪ A surplus public land database and strategy, like Sound Transit’s 80-80-80 policy. This policy requires 80% of “surplus land” not used for the light-rail expansion (often temporarily used for construction staging) be used for affordable housing developers, who must reserve 80% of their units for households making less than 80% of Area Median Income (AMI).</li> <li>▪ A land banking or land acquisition strategy that sets criteria for purchasing land before it appreciates in value, holding it either a short or long period of time, and conveying that land to developers building affordable housing. This strategy can take several forms, from nonprofit entities to city-led programs to cities donating, selling, or leasing publicly-owned land for the development of affordable housing. Criteria on site characteristics, timeline, price per acre, and other considerations should be determined.</li> <li>▪ A funding and process mechanism for overcoming development barriers in priority areas. Many developers stressed that areas suitable for residential development lack necessary infrastructure, and the cost of installing it makes the deal prohibitive. The jurisdictions participating in this land strategy could source and commit funding to pay a share of these infrastructure costs, in exchange for affordability covenants or priority development types (e.g., larger apartments, live-work studios, or small-scale community centers). Criteria – such as eligible developers, priority locations/development types, and requirements in exchange for funds – would need to be established <i>with developers</i> to ensure they would work in a deal structure.</li> <li>▪ A process should be created to help developers overcome the site development barriers such as challenges with small parcels needing to be aggregated to make deals work (e.g. Downtown Kingston area has these issues). This was another development barrier discussed by developers in this research and in prior outreach. The land strategy could include commitments from the jurisdictions to streamline, prioritize, or work with developers facing this barrier to ensure that residential housing can get built.</li> <li>▪ A policy or plan to work with landowners who may have excess land that could be purchased for affordable housing development (e.g. Church parking lots). These deals could provide owners with needed funds and secure well-located land for development.</li> </ul>		
<b>Scalability</b>	Land strategies can be scaled across the market to seize opportunities as they arise.	<b>Critical Considerations</b> <ul style="list-style-type: none"> <li>▪ Near term opportunity: acquiring the land sooner will increase positive impact.</li> <li>▪ This strategy will need funding.</li> <li>▪ This strategy would need buy-in and commitment from many participating jurisdictions in the County. However, discussions and negotiations could begin immediately.</li> <li>▪ Immediate next steps could include: <ul style="list-style-type: none"> <li>○ Getting this idea on the next KRCC agenda to gauge interest</li> <li>○ Meeting with affected county and jurisdictional departments to discuss this plan</li> <li>○ Identify barriers and departmental hurdles, and what it would take to overcome them</li> <li>○ Seek out national or state funding sources</li> <li>○ Map out planned capital improvement projects and align with potential residential developments in the pipeline</li> </ul> </li> </ul>
<b>Potential Affordability Impact</b>	High – reducing land costs can greatly aid feasibility.	
<b>Potential Partnerships</b>	Housing Kitsap, Bremerton Housing Authority, developers (for profit and nonprofit), land trusts, and philanthropic foundations.	
<b>Applicable Locations</b>	Countywide.	

<p><b>Relevant Resources</b></p>	<p>Sound Transit’s ETOD policy: <a href="http://www.soundtransit.org/get-to-know-us/news-events/news-releases/board-adopts-policy-promoting-equitable-development-near">www.soundtransit.org/get-to-know-us/news-events/news-releases/board-adopts-policy-promoting-equitable-development-near</a></p>	<ul style="list-style-type: none"> <li>○ Coordinate with local developers to understand where the highest priority areas are given rents and development interest.</li> <li>▪ Analysis needs: funding amounts and sources, leverage opportunities, target geographies and development types, criteria in exchange for funding, decisions on land discounts, and when selling (at market rates) would be more beneficial.</li> <li>▪ Siting affordable housing may face some neighborhood opposition.</li> </ul>
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### 3 Create a Revolving Loan Fund

<b>Primary Goal</b>		<b>Sector</b>
Create More Affordable & Workforce Housing; Preserve Affordability		Public/Non-profit/Private Partnerships
<b>Housing Barriers Overcome</b>		
Reduces cost of capital for affordable housing development, deploys capital at scale and quickly in a fast market.		
<b>Description</b>		
<p>An affordable housing revolving loan fund is a pool of money that offers low-interest loans to eligible recipients for the development of affordable housing. Revolving loan funds can aid the feasibility of affordable housing development by offering below-market interest rates and generous loan terms compared to market loans, and can be used to fill funding gaps in a development deal (a major hurdle for creating new affordable housing).</p> <p>A revolving loan fund is seeded with capital from numerous investors: public funders, philanthropic funders, banks, financial institutions, or other investors. These investors are often called impact investors because they are willing to have lower rates of return on investment (compared to other investment funds), for a positive social impact (e.g. affordable housing).</p> <p>The below-market rates, loan types, and loan terms offered for affordable housing development will depend on the capital sources and the fund investors' return requirements. These lower rates of return are passed on to developers as below-market interest rate loans, which reduce the cost of capital and help improve project feasibility, thereby increasing the supply of affordable housing units.</p> <p>Revolving loan funds are generally tailored to meet the local affordable housing development barriers and bottlenecks. Loans have specific purposes, such as acquisition for site control, predevelopment financing when a project is in design and concept, bridge financing before funding is awarded, or construction financing. They are repaid when the property secures its permanent loan at the end of construction. Funds can also be used for preservation deals, to preserve restrictions, or keep add rent restrictions to an unregulated property (see discussion in Action 1).</p> <p>Funds are generally short term (1-2 years for predevelopment, 3-5 years for construction), and they revolve: when loans are repaid, new loans can be issued. Investors commit capital according to the fund agreement, and are repaid after a specified period of time.</p>		
<b>Scalability</b>	A revolving loan fund could be scaled at the market level, but acts property-by-property.	<b>Critical Considerations</b> <ul style="list-style-type: none"> <li>▪ This is a medium term opportunity since a lot of groundwork needs to be done to understand interest and feasibility of the fund, as well as the major development barriers it would overcome.</li> <li>▪ However, negotiations and discussions could start immediately. Immediate steps include: <ul style="list-style-type: none"> <li>○ Committing and training staff on how to stand up a fund and guide the capital campaign,</li> <li>○ Gauge early interest with likely participants,</li> <li>○ Seek out national or state funding sources to pair with local funds understanding leverage points, and</li> <li>○ Meet with local affordable housing developers to understand the loans most likely to unlock development potential in Kitsap.</li> </ul> </li> </ul>
<b>Potential Affordability Impact</b>	High – revolving loan fund can greatly increase the supply of affordable housing units.	
<b>Potential Partnerships</b>	Socially Responsible Investors (SRIs), Credit Unions, Banks, Foundations, large affordable housing nonprofits, or other philanthropic organizations focused on affordable housing or community development. This could be an effort across the entire Olympic Peninsula. Craft3 CDFI could be an investor.	

<b>Applicable Locations</b>	Countywide	<ul style="list-style-type: none"> <li>▪ After doing the groundwork, a formal plan will need to be put in place to understand how development needs can be met with investment needs. Negotiations and additional analysis about capital needs and investment terms will follow.</li> </ul>
<b>Relevant Resources</b>	<ul style="list-style-type: none"> <li>▪ Seattle REDI Fund: <a href="http://www.EnterpriseCommunity.org/financing-and-development/community-loan-fund/redi-fund">www.EnterpriseCommunity.org/financing-and-development/community-loan-fund/redi-fund</a></li> <li>▪ Oregon Network for Affordable Housing Preservation Fund: <a href="http://Noah-Housing.org">Noah-Housing.org</a></li> <li>▪ Metro Vancouver TOAH Fund: <a href="http://www.MetroVancouver.org/services/regional-planning/housing-affordability/transit-oriented/Pages/default.aspx">www.MetroVancouver.org/services/regional-planning/housing-affordability/transit-oriented/Pages/default.aspx</a></li> </ul>	<ul style="list-style-type: none"> <li>▪ A capital campaign would be necessary to find seed funding from banks, investment companies, philanthropies, national foundations, and government agencies.</li> <li>▪ This loan fund will not likely face political or neighborhood opposition.</li> </ul>

## 4 Create a Real Estate Investment Trust

<b>Primary Goal</b>		<b>Sector</b>
Create More Affordable & Workforce Housing; Preserve Affordability		Private and Non-profit
<b>Housing Barriers Overcome</b>		
Preserves aging or expiring restricted units, prevents displacement, deploys capital at scale and quickly in a fast market.		
<b>Description</b>		
<p>Similar to a Revolving Loan Fund (see Action 3), a real estate investment trust (REIT) is a financing vehicle that generates returns by investing in workforce or moderately affordable housing. REITs are stand-alone companies or investment entities that own, and in most case operate, income-producing real estate. REITs generate stable, moderately-low risk real estate-investments for private equity, much like private investors invest in mutual funds. They are used broadly throughout most major development markets.</p> <p>A REIT would bring investors into a fund that purchases and rehabilitates unrestricted affordable housing, operates it with moderate affordability restrictions (via deed restrictions), and provides a competitive but less-than-market-rate return to investors in the form of a quarterly cash flow. Investors would need to be either mission-oriented or willing to sacrifice some financial return in exchange for lower risk. Funds come from public sector partners, national philanthropic partners, local banks or investment firms, and CDFIs.</p> <p>A REIT is a market-based investment tool with a dual focus on generating competitive returns and preserving moderately affordable housing. Because it needs to generate returns for investors, it must invest in income-producing properties, so it cannot invest in deeply affordable housing (e.g. aimed at households earning less than 50% AMI).</p> <p>As a non-governmental entity, REITs can act quickly in a tight housing market and can be a partner with local jurisdictions focused on preserving unregulated affordable housing. It can be a key partner in a preservation strategy (see Action 1).</p>		
<b>Scalability</b>	A REIT could be scaled at the market level, but acts property-by-property.	<b>Critical Considerations</b> <ul style="list-style-type: none"> <li>▪ This is a medium-term opportunity since the city/county would likely play a supportive role and will need to determine a funding source for this type of program.</li> <li>▪ Next steps include: <ul style="list-style-type: none"> <li>○ Discussions with major real estate investors across the Puget sound to gauge interest and feasibility in Kitsap County,</li> <li>○ Discussions of what role the City and County can play to help get a REIT formed,</li> <li>○ Analyze the amount of capital necessary for the REIT to achieve scale.</li> <li>○ Analyze the market to understand how many properties (and what size) could be investments.</li> </ul> </li> <li>▪ Aspects of this may face some political opposition.</li> </ul>
<b>Potential Affordability Impact</b>	Medium – to be effective, the REIT must be mission-based and willing to receive lower than market returns	
<b>Potential Partnerships</b>	Socially Responsible Investors (SRIs), Credit Unions, Banks, Foundations, large affordable housing nonprofits, or other philanthropic organizations focused on affordable housing or community development.	
<b>Applicable Locations</b>	Countywide	
<b>Relevant Resources</b>	<ul style="list-style-type: none"> <li>▪ National Association of REITs: <a href="http://www.reit.com/news/reit-magazine/may-june-2019/social-purpose-reits-tackle-affordable-housing-challenges">www.reit.com/news/reit-magazine/may-june-2019/social-purpose-reits-tackle-affordable-housing-challenges</a></li> <li>▪ Chan, Xiang Ying Estelle. 2016. “Real Estate Investment Trusts as an alternative source of capital for housing development.” <a href="https://hdl.handle.net/1721.1/107862">hdl.handle.net/1721.1/107862</a></li> <li>▪ Clinton Foundation: <a href="http://www.clintonfoundation.org/clinton-global-initiative/commitments/social-purpose-reit-preserve-affordable-housing">www.clintonfoundation.org/clinton-global-initiative/commitments/social-purpose-reit-preserve-affordable-housing</a></li> <li>▪ The Meyer Memorial Trust (<a href="http://www.mmt.org">www.mmt.org</a>) is negotiating with Gerding Edlen (<a href="http://www.GerdingEdlen.com">www.GerdingEdlen.com</a>) development company to develop a REIT focused on workforce housing in the Portland region.</li> </ul>	

## 5 Establish Additional Regional Affordable Housing Funding Sources

Primary Goal		Sector
Create More Affordable & Workforce Housing; Preserve Affordability		Public
Housing Barriers Overcome		
Lack of funding for affordable housing developments, reduces cost of development for affordable housing.		
Description		
<p>Kitsap County and its jurisdictions could implement various different local options to increase funding for affordable housing. In addition, the Washington State legislature is very focused on housing affordability and may add more options in the near term. So long as voters approve the uses, these taxing measures can be designed for a wide array of uses. According to the Municipal Research and Services Center (MRSC), the following local taxing measures for affordable housing could be considered. A sales tax redirect for affordable housing, allowed under HB1406, is already underway in Kitsap County.</p> <ol style="list-style-type: none"> <li>1) A property tax levy (RCW 84.52.105) – allows jurisdictions to place an additional tax up to \$0.50 per thousand dollars assessed for up to ten years. Funds must go toward financing affordable housing for households earning below 50% MFI.</li> <li>2) A sales tax levy (RCW 82.14.530) – allows jurisdictions to place a sales tax up to 0.1%. At least 60% of funds must go toward constructing affordable housing, mental/behavioral health-related facilities, or funding the operations and maintenance costs of affordable housing and facilities where housing-related programs are provided. At least 40% of funds must go toward mental / behavioral health treatment programs and services or housing-related services.</li> <li>3) A real estate excise tax (REET) (RCW 82.46.035) – allows a portion of city REET funds to be used for affordable housing projects and the planning, acquisition, rehabilitation, repair, replacement, construction, or improvement of facilities for people experiencing homelessness. These projects must be listed in city's the capital facilities plan.</li> </ol>		
Scalability	A housing levy could be scaled at the market level, but acts property-by-property.	Critical Considerations
Potential Affordability Impact	High – could meaningfully increase funding available for affordable housing.	<ul style="list-style-type: none"> <li>▪ Several of these taxing options are near-term, due to recent legislation. New taxes would be medium-term opportunities since they require voter approval.</li> <li>▪ Immediate next steps could include: <ul style="list-style-type: none"> <li>○ Provide information to community groups and supporters</li> <li>○ Early analysis to understand the target revenue, and potential uses of the revenue.</li> <li>○ Early analysis and or polling to understand types of taxes, rates, and the general appetite for these measures with the public.</li> <li>○ Early analysis and or polling to see if certain programs, housing types, or locations are more or less favorable with voters.</li> </ul> </li> <li>▪ This could face political or voter-driven opposition.</li> </ul>
Potential Partnerships	Nearby cities (could be paired with a regional bond to cover both capital and support costs) or Kitsap County (if the County is interested in issuing a levy). Housing Authorities and affordable housing service providers would be implementation partners.	
Applicable Locations	Countywide	
Relevant Resources	<ul style="list-style-type: none"> <li>▪ Seattle Housing Levy: <a href="http://www.seattle.gov/housing/levy">www.seattle.gov/housing/levy</a></li> <li>▪ MRSC tax information: <a href="http://mrsc.org/Home/Explore-Topics/Planning/Specific-Planning-Subjects-Plan-Elements/Affordable-Housing-Ordinances-Flexible-Provisions.aspx">mrsc.org/Home/Explore-Topics/Planning/Specific-Planning-Subjects-Plan-Elements/Affordable-Housing-Ordinances-Flexible-Provisions.aspx</a></li> <li>▪ MRSC REET information: <a href="http://mrsc.org/Home/Explore-Topics/Finance/Revenues/Real-Estate-Excise-Tax.aspx">mrsc.org/Home/Explore-Topics/Finance/Revenues/Real-Estate-Excise-Tax.aspx</a></li> </ul>	

## 6 Continue to Pool Together County and Cities Affordable Housing Resources

Primary Goal		Sector
Create More Affordable & Workforce Housing; Preserve Affordability		Public
Housing Barriers Overcome		
Lack of funding for affordable housing developments, Kitsap's uncompetitive experience with state or federal funding applications.		
Description		
<p>Departments that fund the development of affordable housing and homeless services could continue to pool affordable housing funds into larger loans or grants and deploy them less frequently, with the goal of increasing leveraging opportunities for state and federal sources and providing increased stability and predictability for developers. New funds that come online in the next few years (federal or state), so future affordable funding that is raised should be pooled to maximize the impact and leverage additional non-local dollars.</p> <p>The uses of these funds could vary from the development of rent-restricted affordable housing, to preservation deals (both restricted and unrestricted – see Action 1 for a description of unrestricted preservation), to offering loans or grants to funding services at existing developments, to building new homeless shelters or resource centers. Most commonly used for rent-regulated properties, this funding could be extended to unregulated properties in exchange for affordability restrictions. Opening up public funding to private, for-profit landlords brings many new questions to the model.</p> <p>Depending on legislated allowable uses, these funds could be used in the form of low-interest loans, deferred payment, interest-only loans, or grants to help bridge funds for acquisition-rehab projects, to help cover the cost of capital repairs, or to cover costs associated with a project's recapitalization (work done at the end of affordability periods to renew contracts and re-start affordability restrictions).</p>		
Scalability	Resources could be scaled at the market level, but would act property-by-property.	Critical Considerations
Potential Affordability Impact	High – this would meaningfully impact affordability at regulated properties.	<ul style="list-style-type: none"> <li>▪ This is a medium-term opportunity since funding and the lead entities need to be identified, and a plan needs to be put in place.</li> <li>▪ Beginning steps could include:               <ul style="list-style-type: none"> <li>○ Internal department discussions to understand how much funding could be pooled,</li> <li>○ Research into past funding applications as well as discussions developers to understand how much funding would make developments more competitive,</li> <li>○ Discussions with state agencies and funders to understand how to make Kitsap applications more competitive,</li> <li>○ Research and analysis into whether funders would allow this pooling, and if appeals could be made,</li> <li>○ Discussions of which departments would manage and deploy the funding, as well as how to set up criteria and guidelines to ensure each department/jurisdiction's goals are adequately being addressed.</li> </ul> </li> <li>▪ This will not likely face political or neighborhood opposition, but it could be difficult to negotiate with internal departments that want to hold onto scarce resources.</li> </ul>
Potential Partnerships	Local development community, especially affordable housing developers. Consider partnering with large local employers to gauge their willingness to contribute.	
Applicable Locations	Countywide.	
Relevant Resources	N/A	

## 7 Expand Community Land Trust Countywide

<b>Primary Goal</b>		<b>Sector</b>
Create More Affordable & Workforce Housing; Preserve Affordability		Non-profits
<b>Housing Barriers Overcome</b>		
Few homeownership opportunities for low-income households, rising home prices locking households out of homeownership and wealth-generating opportunities.		
<b>Description</b>		
This effort would work with the community land trust (CLT) operating on Bainbridge Island (through Housing Resources Bainbridge) to expand the CLT county-wide.		
<p>A model, similar to land banking, where a community organization owns land and provides long-term ground leases to low-income households to purchase the homes on the land, agreeing to purchase prices, resale prices, equity capture, and other terms. This model allows low-income households to become homeowners and capture some equity as the home appreciates, but ensures that the home remains affordable for future homebuyers. CLTs may also lease land to affordable housing developers for the development of rental housing or to develop and manage mixed-income or workforce rental housing. This effort would expand marketing and awareness of existing low-income homebuyer programs as the CLT is established.</p>		
<b>Scalability</b>	CLTs can be scaled at the market level, but would act property-by-property.	<b>Critical Considerations</b> <ul style="list-style-type: none"> <li>▪ This is a near-term opportunity since a CLT already exists to help achieve efficiencies. Groundwork has been done.</li> <li>▪ Next steps are to identify funding, identify lead partner, perform key analysis, and develop a plan. <ul style="list-style-type: none"> <li>○ Analysis needs: how many low-income households could be served, what purchase price would be affordable to those households, how much funding could be raised, and how the home equity gain would be split.</li> <li>○ The plan will need to consider criteria for purchasing a home to be included in the CLT, such as price, condition, size, location, and proximity to transit or other amenities.</li> <li>○ Create a community engagement plan to understand incomes needed and appropriate home equity sharing</li> </ul> </li> <li>▪ A CLT will not likely face as much political or neighborhood opposition as other types of affordable housing developments.</li> <li>▪ Funding could come from HUD's Neighborhood Stabilization Program which focuses on stabilizing communities that have struggled with high rates of foreclosure and abandonment.</li> </ul>
<b>Potential Affordability Impact</b>	High – a CLT has the potential to greatly improve affordability for the households that participate.	
<b>Potential Partnerships</b>	Housing Resources Bainbridge and other local nonprofits offering homeownership opportunities.	
<b>Applicable Locations</b>	Countywide.	
<b>Relevant Resources</b>	<ul style="list-style-type: none"> <li>▪ National Community Land Trust Network: <a href="http://GrounedSolutions.org">GrounedSolutions.org</a></li> <li>▪ Northwest Community Land Trust Coalition: <a href="http://www.nwcltc.org">www.nwcltc.org</a></li> <li>▪ Washington Association of Land Trusts: <a href="http://WALandTrusts.org">WALandTrusts.org</a></li> </ul>	

## 8 Encourage “Missing Middle” Housing

<b>Primary Goal</b>		<b>Sector</b>
Create More Affordable & Workforce Housing; Increase Housing Supply		Public
<b>Housing Barriers Overcome</b>		
Overcome zoning barriers (illegality) of diverse and dense housing types, increase development feasibility via reduced costs.		
<b>Description</b>		
<p>Encouraging certain types of moderately-dense housing, such as cottage clusters, internal division of larger homes, duplexes, and accessory dwelling units, can help to increase housing supply and choice in appropriate neighborhoods. In theory, these units can be more affordable than other units because they are smaller. This would not guarantee affordability, but would expand opportunities for unregulated housing types that may be lower cost than single family detached housing.</p> <p>Planning for this type of housing often starts with a review of zoning codes and development standards, and adjusting them to legalize this type of housing where appropriate. In many cities, these types of moderately-dense housing are illegal in urban areas zoned for single-family dwellings.</p> <p>Beyond legalizing this type of housing, jurisdictions may also need to remove barriers that effectively prevent them from being developed (even if legal) in appropriate areas. These changes could include any the following concepts, implemented in combination or separately. This is not an exhaustive list, but is meant as a starting point for incremental changes:</p> <ul style="list-style-type: none"> <li>▪ Lower impact fee and utility hookup charges for internal conversions if no net-new square footage is added to a property.</li> <li>▪ Allowing property owners to finance impact fees and utility hookup charges, thereby spreading the upfront costs over time.</li> <li>▪ Reduce or waive off-street parking requirements for “missing middle” housing, particularly for internal conversions if no net-new square footage is added to a property.</li> <li>▪ Having pre-approved designs for ADUs or “missing middle” housing types that homeowners can choose from thereby reducing the complexity, time, and cost for development. Consider by-right development standards for ADUs in areas that are already medium density, walkable, and desirable communities.</li> </ul> <p>Beyond removing barriers, jurisdictions can actively encourage this type of housing development via zoning and financial incentives. These may include:</p> <ul style="list-style-type: none"> <li>▪ Density bonuses for new construction of a “missing middle” property type.</li> <li>▪ Streamlined or prioritized permit and design review for “missing middle” properties in high-opportunity areas.</li> </ul>		
<b>Scalability</b>	These changes can be scaled and implemented at the neighborhood level.	<b>Critical Considerations</b> <ul style="list-style-type: none"> <li>▪ This is a medium term opportunity since it would require zoning updates and approval.</li> <li>▪ Identify the zones seeing change, the types of units allowed, the size, scale, and development standards of those units.</li> <li>▪ HB1923 sets out example zoning changes, parameters, goals, and also protection from legal appeals for communities that change zoning designation in favor of higher density housing.</li> <li>▪ A public engagement plan to reduce fears about neighborhood change, upzoning, and density would be helpful to reduce political or neighborhood opposition. This should include conversations on how added density can be designed to blend into communities.</li> </ul>
<b>Potential Affordability Impact</b>	Medium – legalizing middle housing can increase the supply of housing but does not guarantee affordability.	
<b>Potential Partnerships</b>	N/A	
<b>Applicable Locations</b>	Countywide.	
<b>Relevant Resources</b>	<ul style="list-style-type: none"> <li>▪ Portland Residential Infill Project: <a href="http://www.portlandoregon.gov/bps/67730">www.portlandoregon.gov/bps/67730</a></li> <li>▪ Beaverton Housing Options Project: <a href="http://www.beavertonoregon.gov/2197/Housing-Options-Project">www.beavertonoregon.gov/2197/Housing-Options-Project</a></li> </ul>	

- Seattle Neighborhoods For All: [www.seattle.gov/Documents/Departments/SeattlePlanningCommission/SPCNneighborhoodsForAll-ExecSummary.pdf](http://www.seattle.gov/Documents/Departments/SeattlePlanningCommission/SPCNneighborhoodsForAll-ExecSummary.pdf)
- Seattle ADU By-Right Development: [www.sightline.org/2019/07/01/seattle-approves-best-backyard-cottages-rules-united-states/](http://www.sightline.org/2019/07/01/seattle-approves-best-backyard-cottages-rules-united-states/)
- Lincoln Institute of Land Policy Density Catalog [www.hcccpc.org/wp-content/uploads/2013/02/Density-Catalog-CD.pdf](http://www.hcccpc.org/wp-content/uploads/2013/02/Density-Catalog-CD.pdf)
- Missing Middle Housing: [missingmiddlehousing.com/](http://missingmiddlehousing.com/)
- Analysis needs include: development costs, the number of units likely to be developed, the likely potential rents, and the locations where rents make development feasible.

# 9 Review and Revise Land Use and Development Regulations

<b>Primary Goal</b>		<b>Sector</b>
Create More Affordable & Workforce Housing; Increase Housing Supply		Public
<b>Housing Barriers Overcome</b>		
Overcome zoning barriers (illegality) of diverse and dense housing types, increase development feasibility via reduced costs, increase density and walkability.		
<b>Description</b>		
<p>The jurisdictions in Kitsap County should routinely systemically review or audit their major land use and development considerations to see if they present barriers to new residential development or to affordability (by driving up costs). Jurisdictions should work with the development community regularly to understand where and how barriers to development exist. Jurisdictions should work to reduce these barriers and implement cost reduction strategies to maximize the private sector's ability to create housing that is affordable and create a more favorable environment to build housing for all incomes. Priority should be given to barriers preventing regulated affordable development.</p> <p>Factors that should be reviewed include:</p> <ul style="list-style-type: none"> <li>▪ Requirements for new multi-family housing along transit lines, near employment centers, or by ferries,</li> <li>▪ Zoning requirements (height, setbacks, density, parking) that add costs, time, or complexity to development,</li> <li>▪ Planning or permitting timelines (which add costs),</li> <li>▪ Density bonus programs such as inclusionary zoning or vertical housing bonuses in appropriate areas (which will require careful study and calibration),</li> <li>▪ The uptake and potential improvements or expansion to the MFTE program, and / or</li> <li>▪ Zoning, permitting, or funding preferences for rent-restricted affordable housing developments.</li> </ul> <p>Jurisdictions in Kitsap County should follow the City of Bremerton's lead in establishing Infill Development Toolkits, and take every effort to reduce review and processing times for housing development. This would allow regulated affordable housing projects to move from design to building permit quicker, thereby reducing carrying and financing costs and delivering affordable units sooner. These steps could include:</p> <ul style="list-style-type: none"> <li>▪ Formally adopting shortened review timelines for affordable housing applications</li> <li>▪ Limiting public comment and appeals for affordable housing projects,</li> <li>▪ Scheduling pre-application conferences, hearings, meetings with staff, and / or</li> <li>▪ Appointing staff or an ombudsman to serve as a liaison for affordable housing projects during the development review process. This would allow regulated affordable housing projects to get more quickly from design to building permit, reducing carrying / financing costs and delivering affordable units sooner.</li> </ul>		
<b>Scalability</b>	Impact would be at the market level.	<b>Critical Considerations</b>
<b>Potential Affordability Impact</b>	Medium – land use changes would promote but not guarantee affordability.	<ul style="list-style-type: none"> <li>▪ This is a medium-term opportunity since it will require multiple stages including review, proposed changes, and / or voting.</li> <li>▪ Immediate steps include:               <ul style="list-style-type: none"> <li>○ Identify example projects to be evaluated for the permitting steps,</li> <li>○ Analyze costs, timeline, and challenges required to develop affordable housing.</li> <li>○ Work with development community to identify steps in the process where surprises and unnecessary barriers occur.</li> <li>○ Identify departments and staff who would lead this effort, or</li> </ul> </li> </ul>
<b>Potential Partnerships</b>	Local development community, especially affordable housing developers.	
<b>Applicable Locations</b>	Countywide.	

<p><b>Relevant Resources</b></p>	<ul style="list-style-type: none"> <li>▪ Oregon City Code Audit: <a href="http://www.orcity.org/sites/default/files/fileattachments/planning/page/11252/codeaudit_publicdraft171017.pdf">www.orcity.org/sites/default/files/fileattachments/planning/page/11252/codeaudit_publicdraft171017.pdf</a></li> <li>▪ Smart Growth America Code and Zoning Audit: <a href="http://www.smartgrowthamerica.org/app/legacy/documents/zoningaudit.pdf">www.smartgrowthamerica.org/app/legacy/documents/zoningaudit.pdf</a></li> </ul>	<ul style="list-style-type: none"> <li>○ Meet with affected jurisdictions and outline concerns and procedural barriers as well as how those could be overcome.</li> <li>▪ Consider a public education campaign or plan to demonstrate how much delays in planning costs developers and thus translates into higher prices/rents.</li> <li>▪ HB1923 sets out example zoning changes, parameters, goals, and also protection from legal appeals for communities that change zoning designation in favor of higher density housing.</li> <li>▪ This could face political or neighborhood opposition, depending on findings (e.g., change to zoning, affordable housing site preferences, etc.).</li> <li>▪ The plan could consider a cost-benefit analysis of additional staff.</li> </ul>
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# 10 Review Up-Zoning Urban Land For Transit-Oriented Development

Primary Goal	Sector
Create More Affordable & Workforce Housing; Increase Housing Supply	Public

**Housing Barriers Overcome**  
Overcome zoning barriers (illegality) of diverse and dense housing types, increase development feasibility via reduced costs, increase density and walkability.

**Description**

Up-zoning appropriate areas to allow multifamily and transit-oriented development could be a meaningful approach for Kitsap’s jurisdictions to increase housing production and meet their future housing needs.

Up-zoning appropriate areas near transit should be reviewed during the next round of comprehensive plan updates. As the region continues to grow, it will need to accommodate new residents and will need significant new housing. Allowing more housing near transit can help meet these goals while simultaneously easing many other issues like cost burdening, traffic congestion, and emissions. Jurisdictions should also work to ensure that infrastructure investments are made to accommodate more and denser housing types. Understandably, the ability to up-zone land near the transit hubs will vary according to each jurisdiction, neighborhood density, and transit type. This type of up-zoning will look different across the county.

Because land prices are higher near transit hubs (including ferries), up-zoning these areas will not create new multifamily units affordable to Kitsap’s lowest-income households (those earning under 30% MFI). However, increasing the overall supply of housing can help to relieve the price pressure on the market stemming from growing demand. With the right combination of development incentives, tax exemptions, and financial support it could be possible to provide workforce housing (affordable to middle-income earners) or a few units of regulated affordable housing. Providing many units of regulated affordable housing would require meaningful development incentives and or government rental subsidies.

**Land Near Ferries**

Recognizing that Kitsap’s ferries offer unparalleled access to economic, educational, and job opportunities throughout Puget Sound, jurisdictions should consider up-zoning the land within one mile of ferry terminals (walking distance) to encourage multifamily housing and regulated affordable housing. Doing so could greatly expand access to opportunity by allowing more people (in denser housing) to live near ferries, and could boost economic opportunities for lower-income households.

Currently, the vast majority of housing within one mile of ferry terminals is single-family, which is the opposite of transit-oriented development (TOD) planning, and especially *equitable* transit-oriented development (eTOD) planning. Because renters are most often lower income than homeowners, current zoning results in higher barriers to economic, education, and job opportunities throughout Puget Sound.

**Land Near Transit Hubs**

In addition, land near transit hubs, park-and-rides, and high-occupancy buses should also be reviewed for up-zoning potential. Developing more housing near these areas can allow Kitsap residents to access jobs throughout the county without the burden of paying for gas and parking, or spending hours in the car.

<b>Scalability</b>	Changes should be scaled and tailored to each neighborhood.	<b>Critical Considerations</b> <ul style="list-style-type: none"> <li>▪ This is a medium term opportunity since it would require zoning updates and approval.</li> <li>▪ Groundwork associated with examining the current zoning and where there are opportunities for up-zoning should be done before the next comprehensive plan update.</li> </ul>
<b>Potential Affordability Impact</b>	Low – up-zoning has the potential to greatly increase density and supply, with small effects on affordability. Doing so near transit increases walkability.	

<b>Potential Partnerships</b>	Jurisdictions with ferry service, Kitsap Transit, state and federal transit agencies, local development community, affordable housing developers, and nearby residents.	<ul style="list-style-type: none"> <li>▪ Discussions would be needed around the neighborhoods seeing change, the new size and scale development, parking, setback and other design standards, and potential transit ridership.</li> <li>▪ Analysis needs include: the cost of infrastructure, population forecasts for cities with ferry terminals, the number of units needed and the potential rents, and the environmental benefits associated with TOD.</li> <li>▪ This will likely face neighborhood opposition and will thus require a robust community outreach plan.</li> </ul>
<b>Applicable Locations</b>	Countywide, focus on Kingston, and Southworth.	
<b>Relevant Resources</b>	<ul style="list-style-type: none"> <li>▪ Puget Sound Regional Council TOD Guidelines: <a href="http://www.psrc.org/sites/default/files/transit_oriented_development.pdf">www.psrc.org/sites/default/files/transit_oriented_development.pdf</a></li> <li>▪ Puget Sound Regional Council Growing Transit Communities Strategy: <a href="http://www.psrc.org/growing-transit-communities">www.psrc.org/growing-transit-communities</a></li> <li>▪ Poverty &amp; Race Research Action Council eTOD: <a href="http://prrac.org/pdf/EquitableTOD.pdf">prrac.org/pdf/EquitableTOD.pdf</a></li> </ul>	

## Additional Recommendations

An additional 33 recommendations are listed below that did not rise to the same priority level as the 10 recommendations listed above. However, these strategies can be included as part of the City’s and County’s toolbox when working toward affordable housing solutions. Each recommendation would need to be implemented in an area, neighborhood, or urban place that is appropriate for the action being suggested.

These recommendations are grouped toward the three goals (help people stay in affordable housing, encourage development of more affordable housing, and expand housing options and grow housing supply to address existing shortages and future growth) and are arranged according to the ease of implementation:

1. **Expand or Enhance Current Programs.** These actions are listed first as they expand or enhance programs and efforts that are already being done to encourage housing supply and affordability. Aside from finding more funding (when needed), the implementation of these actions might
2. **New, Straightforward Recommendations.** These actions are listed second, given that the City and County could reasonable achieve them without major staff, funding, or political obstacles to overcome. However, they will take more planning and effort than the actions listed in Group 1.
3. **New, Complex Recommendations.** These are actions that would require substantially more effort, staff, or funding, or that would require overcoming major obstacles from political will or neighborhood opposition.

1) Expand or Enhance Current Programs	
A) Help People Stay in Affordable Housing	
1	Expand marketing and awareness of existing assistance programs and services.
2	Expand rehabilitation, repair, and weatherization programs for existing, unsubsidized affordable housing in exchange for affordability restrictions.
3	Work with public and private sector partners to expand utility assistance programs offered via Kitsap Community Resources’ Utility Assistance program.
4	Consider rate relief, utility tax relief, and property tax relief programs for income-eligible residents.
5	Work with developers building multi-family housing in transit-rich areas to provide transit passes in conjunction with the reduced fare Kitsap Transit ORCA card.
6	Expand resources to improve the livability of existing owner-occupied homes and mobile homes through Housing Kitsap’s Home Rehabilitation Program.
B) Encourage Development of More Affordable Housing	
7	Advocate for changes or expansion to state legislation that would bring more affordable housing units or funding to Kitsap County.
8	Expand Bremerton’s Abandoned Property registration which details vacant homes, ownership, and contact information of the responsible party, and requires that properties be properly maintained by the owners, lenders or other responsible persons.
9	Establish relationships with nonprofit and affordable housing developers around the region who are not yet building in Kitsap County.
10	Formalize and enhance existing relationships with affordable housing providers. Increase communication and data sharing to unlock potential solutions.

- 11 Work with affordable housing partners and developers to explore innovative, low-cost opportunities to serve persons exiting homelessness.
- 12 Identify sources and expand assistance for predevelopment, gap financing, or operating subsidies for affordable housing.
- 13 Identify and expand funding for services for permanent supportive housing.
- C) Expand Housing Options and Grow Housing Supply to Address Existing Shortages and Future Growth
- 14 Coordinate future planning within UGAs for annexation into the City of Bremerton.

## 2) New Straightforward Actions

- A) Help People Stay in Affordable Housing
- 15 Consider requiring energy efficiency in the design and construction of regulated affordable properties to reduce energy and utility costs for residents by including these elements as design criteria in county-funded grants or loans.
- 16 Consider working with developers to subsidize transit passes for income-eligible populations, in exchange for reduced parking at a new development that is located in an area well-served by transit.
- 17 Explore the feasibility of creating a rental licensing and inspection program to monitor habitability standards, track inventories, and monitor potential multi-family property sales for preservation opportunities. Program should maintain tenant confidentiality of complaints to avoid retaliation.
- 18 Consider establishing good landlord incentives, such as landlord training programs, crime reduction programs, and financial incentives (e.g. exemptions from fees). Consider use in conjunction with rental registration or inspection programs.

### B) Encourage Development of More Affordable Housing

- 19 Consider a risk mitigation pool offering landlords damage insurance in exchange for renting to low-income households.
- 20 Work with developers to understand opportunities to include affordable housing units in developments occurring in Opportunity Zones or Enterprise Zones. Advocate for or implement changes to these programs to enhance their effectiveness.
- 21 Consider Community Revitalization Financing to create tax increment areas and reinvest in neighborhoods with increased private investment and market pressure. Dedicate areas that have planned or existing high-capacity transit.
- 22 Explore innovative development models and build relationships with developers who create low- to moderate-income housing without highly competitive federal subsidies.

### C) Expand Housing Options and Grow Housing Supply to Address Existing Shortages and Future Growth

- 23 Explore SEPA categorical exemptions and flexible exemptions for small and medium scale multi-family housing that can help a jurisdiction accommodate its needs. "Flexible thresholds" must be designated through ordinance or resolution by the city or county.
- 24 Advocate for amendments to state condominium statutes to rekindle interest in condominium development.
- 25 Establish incentives for the development or conversion of cooperative housing models.
- 26 Consider an adaptive reuse ordinance encouraging smaller scale multifamily housing, workforce housing, or live-work housing in vacant retail storefronts.
- 27 Consider code or zoning changes that allow for low-cost development opportunities to serve persons exiting homelessness.
- 28 Establish Vertical Housing Development Zones/Overlays in areas along transit or near ferries to encourage higher density or mixed-use housing.

## 3) New Complex Actions

- B) Encourage Development of More Affordable Housing
- 29 Consider a pilot program offering incentives in the development of ADUs (grants, fee waivers, etc.) in exchange for renting to homeless or low-income households.
- 30 Create partnerships with large private employers, financial institutions, philanthropy, or others to fund affordable housing.
- 31 Evaluate a tax on vacant homes, or vacation rentals to fund affordable housing.
- C) Expand Housing Options and Grow Housing Supply to Address Existing Shortages and Future Growth
- 32 Advocate to the Federal Government for more military housing development or parking in urban areas near military bases.
- 33 Consider establishing a design or development competition for specific parcel that needs a creative solution for smaller scale multifamily, and pair it with development incentives, publicity, or funding.

# III. Implementation

The recommendations profiled in the action sheets in Part II offer some implementation steps and critical considerations needed to move forward. Recommendations were considered near-term if substantial progress can be made in one year, and were prioritized as medium-term if substantial progress would take 2-3 years.

Because these recommendations are aimed at larger scale improvements in housing supply, affordable development, and overall affordability (as shown in Exhibit 7 on the following pages), the majority of them are medium term actions. Larger changes such as these require more participation, ongoing community engagement, and thus take longer to achieve.

**Exhibit 6. Near and Medium Term Recommendations and Immediate Steps**

Recommendation	Public	Non-Profit	Private	Immediate Steps
1. Create a Preservation & Anti-Discrimination Strategy	✓			<ul style="list-style-type: none"> <li>▪ Create a community engagement plan</li> <li>▪ Seek out funding</li> <li>▪ Identify departments to manage, monitor preservation database</li> </ul>
2. Update Comprehensive Land Strategy	✓			<ul style="list-style-type: none"> <li>▪ Discuss at KRCC with affected/participating jurisdictions and departments</li> <li>▪ Identify barriers to participation and how to overcome them</li> <li>▪ Seek out funding</li> <li>▪ Match infrastructure needs to planned capital improvement projects</li> </ul>
3. Create a Revolving Loan Fund	✓	✓	✓	<ul style="list-style-type: none"> <li>▪ Committing and training staff on how to stand up a fund and guide the capital campaign</li> <li>▪ Gauge early interest with banks, CDFIs, foundations, or other likely participants</li> <li>▪ Seek funding</li> <li>▪ Meet with developers to understand what loan products can unlock development</li> </ul>
4. Create a Real Estate Investment Fund		✓	✓	<ul style="list-style-type: none"> <li>▪ Start discussions with real estate investors to gauge interest and feasibility</li> <li>▪ Discuss roles City and County can play</li> <li>▪ Analyze needed capital to achieve scale</li> <li>▪ Understand how many properties (and what size) could be investments</li> </ul>
5. Establish Additional Affordable Housing Funding Sources	✓			<ul style="list-style-type: none"> <li>▪ Establish coalition of supporters</li> <li>▪ Create staffing and funding plan to lead a campaign</li> <li>▪ Early analysis to understand needed revenue and potential uses</li> <li>▪ Early polling to understand appetite for taxes, rates and certain uses with the public.</li> </ul>

Recommendation	Public	Non-Profit	Private	Immediate Steps
6. Pool Existing Resources	✓			<ul style="list-style-type: none"> <li>▪ Internal discussions to understand how much funding could be pooled</li> <li>▪ Research into why past applications were uncompetitive, including discussions developers and state agencies / funders</li> <li>▪ Research and analysis into whether funders would allow this pooling, and if appeals could be made,</li> <li>▪ Discuss which departments would manage and deploy the funding, how to ensure different goals are met</li> </ul>
7. Expand Community Land Trust		✓		<ul style="list-style-type: none"> <li>▪ Identify funding sources and needs</li> <li>▪ Identify lead partnership and ways to scale</li> <li>▪ Create a community engagement plan</li> <li>▪ Establish criteria for participation, property acquisition</li> </ul>
8. Encourage “Missing Middle” Housing	✓			<ul style="list-style-type: none"> <li>▪ Create a community engagement plan</li> <li>▪ Identify the zones seeing change, the types of units allowed, the size, scale, and development standards of those units</li> </ul>
9. Review and Revise Land Use Barriers	✓			<ul style="list-style-type: none"> <li>▪ Identify example projects to be evaluated for the permitting steps and places where surprises and unnecessary barriers occur</li> <li>▪ Analyze costs, timeline, and challenges required to develop affordable housing</li> <li>▪ Identify departments and staff who would lead this effort, or</li> <li>▪ Get on the agenda and pursue this as a collaborative process via KRCC meetings.</li> <li>▪ Meet with affected jurisdictions and outline concerns and procedural barriers as well as how those could be overcome</li> </ul>
10. Review Up-Zoning Urban Land For Multifamily Housing	✓			<ul style="list-style-type: none"> <li>▪ Create a community engagement plan</li> <li>▪ Identify neighborhoods to see change, new size and scale of development, parking, setback and other design standards,</li> <li>▪ Analyze potential transit ridership increases</li> <li>▪ Analyze infrastructure costs, population forecasts for cities with ferry terminals, the number of units needed and the potential rents, and the environmental benefits associated with TOD.</li> </ul>

Exhibit 7 summarizes the potential scale and potential impact to affordability that each of the 10 priority recommendations could achieve. The table below is a legend for Exhibit 7: the shading of green, yellow, and orange to indicate the greatest impact and achievability.

	Potential Scale		Potential Impact on Affordability
Market	Impacts the greatest number of households	High	Greatly reduces costs or improves/extends affordability
Neighborhood	Impacts fewer households, but still has good scale across a community	Medium	Has a moderate effect on affordability
Property	Impacts only those households living in the property affected.	Low	Has a very low effect on affordability (impact is due to effects of market supply on overall prices)

**Exhibit 7. Potential Scale and Impact on Affordability**

Recommendation	Potential Scale	Potential Impact on Affordability
1. Create a Preservation & Anti-Discrimination Strategy	Market	High
2. Update Comprehensive Land Strategy	Market	High
3. Create a Revolving Loan Fund	Property	High
4. Create a Real Estate Investment Fund	Property	Medium
5. Establish Additional Affordable Housing Funding Sources	Property	High
6. Pool Existing Resources	Property	High
7. Expand Community Land Trust	Property	High
8. Encourage “Missing Middle” Housing	Neighborhood	Medium
9. Review and Revise Land Use Barriers	Market	Medium
10. Review Up-Zoning Urban Land For Multifamily Housing	Neighborhood	Low

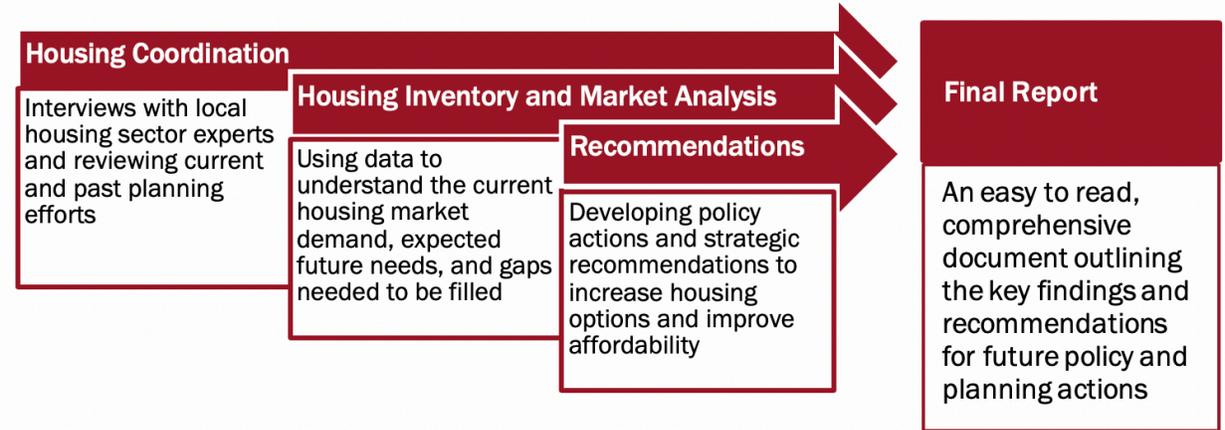
The City of Bremerton and Kitsap County can further prioritize those recommendations that have high impacts on affordability and work at the market level thereby impacting many households.

# IV. Methods & Data Summary

## Methods

To prepare this recommendations report and the technical appendices that support the strategies, ECONorthwest took the following approach:

- July-September 2019: interviews and survey of housing information in key planning documents (Appendix A: Housing Landscape)
- September-December 2019: Created the housing inventory and performed the housing needs analysis (Appendix B: Housing Inventory, and Appendix C: Housing Needs Analysis).
- November-December 2019: Created recommendations based on the key findings from the prior steps
- December 2019-January 2020: Created recommendations report



## Data Summary

This analysis uses data from multiple sources, focusing on those that are well-recognized and reliable. One of the key sources for housing and household data is the U.S. Census. This memorandum primarily uses data from two Census sources:

- The **Decennial Census**, which is completed every ten years and is a survey of all households in the U.S. The Decennial Census is considered the best available data for information such as demographics (e.g., number of people, age distribution, or ethnic or racial composition), household characteristics (e.g., household size and composition), and housing occupancy characteristics. As of 2010, the Decennial Census does not collect more detailed household information, such as income, housing costs, housing characteristics, and other important household information. Decennial Census data is available for 2000 and 2010.

- The **American Community Survey (ACS)**, which is completed every year and is a *sample* of households in the U.S. From 2013 to 2017, the ACS sampled an average of 3.5 million households per year, or about 2.9% of the households in the nation. The ACS collects detailed information about households, including demographics (e.g., number of people, age distribution, ethnic or racial composition, country of origin, language spoken at home, and educational attainment), household characteristics (e.g., household size and composition), housing characteristics (e.g., type of housing unit, year unit built, or number of bedrooms), housing costs (e.g., rent, mortgage, utility, and insurance), housing value, income, and other characteristics.
- **Kitsap County Assessor**, which provides descriptive data on the housing stock in the County as well as recent sales data.
- **Kitsap Economic Development Alliance**, which provides data and insights on Kitsap County’s workforce, such as the County’s largest employers.
- **Permits**, provide the active building permits within the last 5 years for each jurisdiction in Kitsap County including: Kitsap County Department of Community Development; Bainbridge Island Building Department; Bremerton Department of Community Development; Poulsbo Building Department; Port Orchard Department of Community Development.
- **Housing Kitsap and the Bremerton Housing Authority**, which provides data on the housing stock and rental prices for publicly subsidized housing in the County.
- **Washington State Housing Finance Commission**, which is the state agency responsible for funding and monitoring Washington’s regulated affordable housing stock. The Commission provided data through a public information request, detailing past and current regulated affordable housing properties that had received low-income housing tax credit financing from the Commission.
- The Longitudinal Employer-Household Dynamics (LEHD) **Origin Destination Employment Statistics (LODES)**, which we access via the Census’s mapping tool, OnTheMap, is a dataset that shows where workers are employed and where those workers also live.
- The Bureau of Labor Statistics’ **Quarterly Census of Employment and Wages (QCEW)**, which provides employment and average annual pay estimates of covered jobs, and their **Local Area Unemployment Statistics (LAUS)**, which provides monthly unemployment and labor force statistics for states, metropolitan areas, counties, and cities 25,000 persons or larger.
- The **Washington Office of Financial Management (OFM)**, which provides research and data related to Washington state’s demographics, economy, labor force, population projections, and more.
- **Zillow**, which provides economic data such as median home sale prices, monthly home sales, rent indices, and many other statistics for the U.S., metropolitan areas, as well as populous counties and cities.

- **CoStar**, which provides data on multi-family units development over years.
- **PSRC**, which provided data for 1) Affordable Housing Units managed in the Puget Sound Metro and 2) completed building permits up to 2017.

This memorandum uses data from the 2013-2017 ACS for Kitsap County. Where information is available and relevant, we report information from the 2000 and 2010 Decennial Census. Among other data points, this memorandum includes population, income, and housing price data from the Washington Office of Financial Management, the United States Department of Housing and Urban Development, the U.S. Bureau of Labor Statistics, and Zillow.

It is worth commenting on the methods used for the American Community Survey.<sup>5</sup> The American Community Survey (ACS) is a national survey that uses continuous measurement methods. It uses a sample of about 3.54 million households to produce annually updated estimates for the same small areas (census tracts and block groups) formerly surveyed via the decennial census long-form sample. It is also important to keep in mind that all ACS data are estimates that are subject to sample variability. This variability is referred to as “sampling error” and is expressed as a band or “margin of error” (MOE) around the estimate.

This memorandum uses Census and ACS data because, despite the inherent methodological limits, they represent the most thorough and accurate data available to assess housing needs. We consider these limitations in making interpretations of the data and have strived not to draw conclusions beyond the quality of the data.

The foundation of the housing needs analysis is the population forecast for Kitsap from the OFM forecasting and research. Vacancy rate and household size come from the American Community Survey (ACS).

## Assumptions/Caveats

- **HUD Median Family Income & adjusting for household size.** In several exhibits we look at the share of housing units affordable to different MFI levels that are occupied by renter households in those MFI levels. A limit to this method is that we are not able to adjust the data to account for household size. The HUD MFI is designated for a family of four. Clearly, not all households in Kitsap County are families of four, and not all units are appropriately sized for a family of four. In addition, HUD income limits are adjusted for household size, and the rents that would be affordable would thus vary by household size. In these ways, this matching exercise is rough and theoretical.
- **U.S. Census Bureau ACS Public Use MicroSample (PUMS).** PUMS are microdata, or person-level responses to the ACS questionnaire. Each record (or row) describes one person’s responses to the questionnaire and these are numerically codified for statistical analysis. Every individual is assigned a statistical weight, which indicates how many

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<sup>5</sup> A thorough description of the ACS can be found in the Census Bureau’s publication “What Local Governments Need to Know.” <https://www.census.gov/library/publications/2009/acs/state-and-local.html>

persons in the population are represented by the sampled response. We make use of these weights to create accurate estimates of populations and their characteristics in Kitsap County.

- **U.S. Bureau of Labor Statistics' Quarterly Census of Employment and Wages (QCEW).** It's important to note that QCEW data are limited to workers that are covered by State Unemployment Insurance (UI) laws and the Unemployment Compensation for Federal Employees (UCFE). This means that QCEW data do not account for every job worked. Important employment exclusions include proprietors, self-employed workers, the majority of agricultural workers on small farms, railroad employees, unpaid family workers, some domestic workers, and some state and local government workers.
- The Census Bureau's **OnTheMap** tool uses data from several sources, including Unemployment Insurance (UI) wage records, the Office of Personnel Management (OPM), and the QCEW. It's important to note that OnTheMap is a synthetic dataset, meaning statistical noise is injected into the original dataset to protect employer confidentiality. This is worth noting because it explains, in part, why employment numbers provided in the OnTheMap tool do not line up exactly with QCEW employment estimates.

## V. Appendices

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The following technical appendices provide critical supporting information, data, and analysis and accompany this analysis. The technical appendices can be found online at [www.KitsapGov.com](http://www.KitsapGov.com) or at [www.BremertonWa.gov](http://www.BremertonWa.gov).

- A. **Housing Landscape Overview** describes the housing landscape, partnerships, and planning environment in Kitsap County and its jurisdictions. The purpose of this appendix is to set a contextual foundation to better understand the remaining appendices and final report. This appendix relies on interviews with local housing providers, key public sector staff, and the planning documents that govern housing and development in the region. This assessment primarily focuses on the opportunities and barriers for development that is not occurring in the County. As the development market for single-family homes is strong in Kitsap County, this type of housing was not the focus of our research.
- B. **Housing Inventory** evaluates the current housing inventory, offering a detailed look at the housing in Kitsap County and its jurisdictions, segmented by type, location, price, tenure, and size, among other characteristics. This inventory evaluates the following aspects of housing in Kitsap County:
  - i) Physical Characteristics of Housing
  - ii) Housing Tenure Characteristics
  - iii) Housing Costs
  - iv) Housing Affordability
  - v) Access to Transit and Employment Centers
  - vi) Recent Supply Trends
- C. **Housing Needs Analysis** provides a needs assessment for housing in Kitsap County and its major jurisdictions by examining the drivers of housing supply, drivers of housing demand, gaps in housing supply, and the future needs for housing of all types and price points across the county over the next 17 years.