

DRAFT HOUSING ACTION PLAN



CITIES OF BONNEY LAKE AND SUMNER, WASHINGTON

November 24, 2020



BONNEY LAKE



SUMNER

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C. EXECUTIVE SUMMARY



EXECUTIVE SUMMARY

Introduction

There is a housing affordability crisis impacting the State of Washington. Between 2000-2015 alone, the State underproduced housing by approximately 225,000 units¹. As the four-county region (Pierce, King, Snohomish, and Kitsap) grows by 1.8 million people by 2050, action must be taken. The development of strategies to increase the supply of housing for all income levels, while maintaining the character of each community, is a key step to solving this problem.

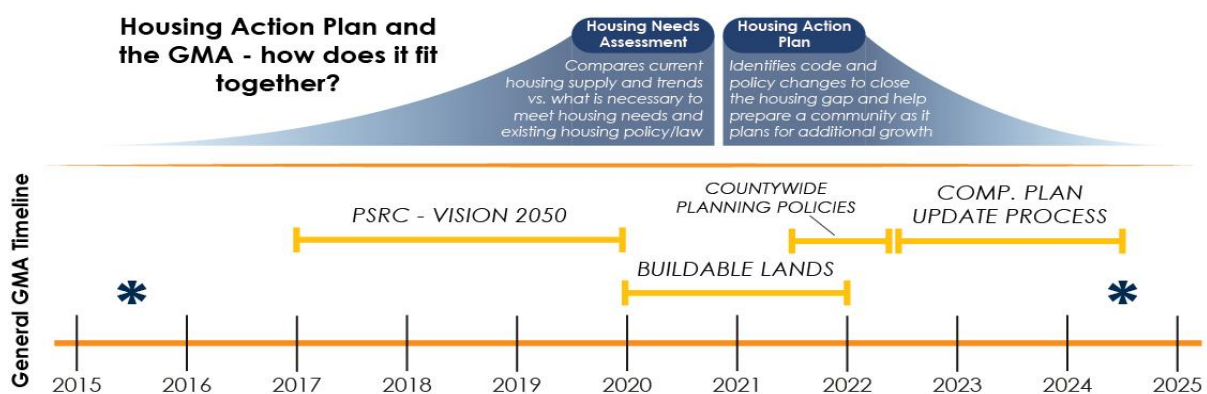
Recognizing the need to focus on housing, the Washington State Legislature passed House Bill (HB)1923 during the 2019 legislative session. The Bill provided grant funds to develop a Housing Action Plan (HAP).

The cities of Bonney Lake and Sumner came together to develop a joint HAP. The Plan allows both cities the opportunity to understand the existing and future housing needs for their communities through the development of a [Housing Needs Assessment](#) (HNA) and to develop strategies to make sure those needs are met through a [HAP](#).

The timing for this project is ideal. Both Bonney Lake and Sumner will be updating their respective Growth Management Act (GMA) Comprehensive Plans by June 2024. The update requires each city to make a variety of housing types available for all economic segments of the community. In addition, each Comprehensive Plan outlines how population growth will be accommodated out to 2044.

This early action to focus on the housing needs of Bonney Lake and Sumner and to develop strategies to address these issues is a valuable exercise.

Figure 1. HAP and GMA Timeline



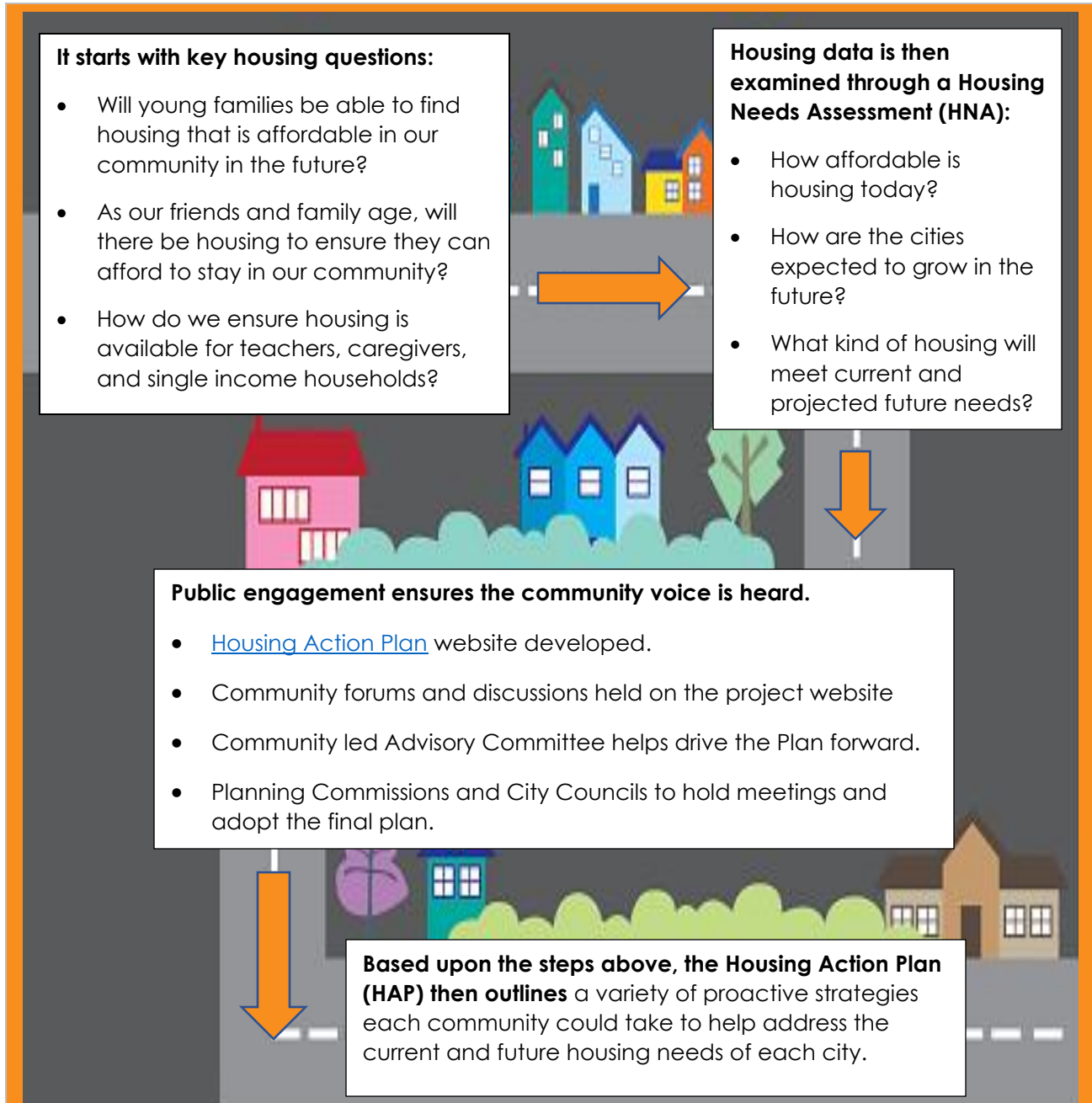
* Comprehensive Plan update deadlines

Note: ESHB 2342 was passed during the 2020 Legislative Session. It extended the time period between required updates from eight to nine years for this cycle.

¹ Up for Growth 2020. Housing Underproduction in Washington [www.upforgrowth.org/sites/default/files/2020-](http://www.upforgrowth.org/sites/default/files/2020-01/HousingUnderproductionInWashingtonState2020-01-10.pdf)

[01/HousingUnderproductionInWashingtonState2020-01-10.pdf](http://www.upforgrowth.org/sites/default/files/2020-01/HousingUnderproductionInWashingtonState2020-01-10.pdf)

THE ROADMAP TO HOUSING AFFORDABILITY – HOW A HOUSING ACTION PLAN (HAP) WORKS



D. INTRODUCTION



INTRODUCTION

Community Profile – Bonney Lake

Located in Pierce County, south of Lake Tapps, Bonney Lake has a population of approximately 21,000 residents. Like many Puget Sound-area communities, Bonney Lake has seen rapid population growth in the past two decades. Its population more than doubled between 2000 and 2018. The city's population, primarily composed of families, is a residential city with fewer jobs than neighboring Sumner. Its housing stock is mostly single family detached housing that has been built over the past 20 years.

Community Profile – Sumner

Located in Pierce County, west of Lake Tapps, Sumner has a population of approximately 10,000 residents. Sumner has grown by around 1,500 people since 2000, a growth rate similar to other cities in the county. The city's population is composed of mostly smaller single-family homes. The housing stock in the city is older and more affordable than surrounding cities. Sumner is more diverse than neighboring cities. Its population of people over 65 is higher, per capita, than Bonney Lake or Pierce County as a whole.

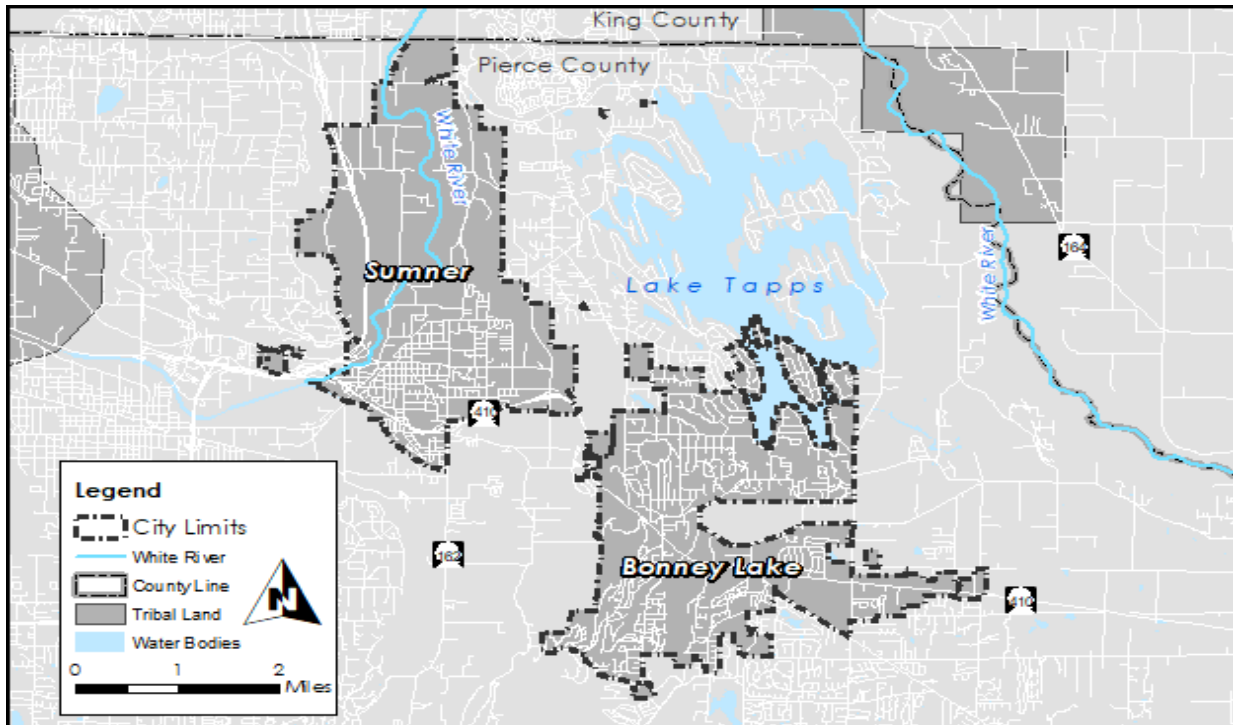


Figure 2. Vicinity Map

Project Overview

The Cities of Bonney Lake and Sumner proudly present this Housing Action Plan (HAP). The development of this Plan has engaged our communities in an important conversation about housing. Key questions have been asked such as:

- Will young professionals beginning their careers be able to afford to buy a home in our community when they are ready?
- Some members of our community, like single parent families, choose to live in apartments. Do we have enough apartments with good prices to meet this need?
- Essential workers, like caregivers, are vital to our community. How can we ensure we have housing in our community that essential workers can afford?
- How will we meet the needs of adults in our community who are in their working years now when their income changes after retirement?
- As our friends and family age how can we ensure they can afford to stay in our community?

To begin to answer these important questions, housing data was analyzed and developed into a Housing Needs Assessment (HNA) for each city. The HNA summary, located in [Chapter E](#) and full assessment located in [Appendix 1](#) provide important insights on issues such as:

- How affordable is housing today?
- How are cities expected to grow in the future?
- What kind of housing is necessary to meet current and future needs?

The intersection between key housing issues identified by the community and data highlighting current and future housing needs leads to the development of a Housing Action Plan (HAP). [Chapter F](#) outlines strategies and actions to ensure each city offers the right supply of housing to meet future demand for all income levels. Housing strategies are focused on important topics such as:

- Preservation of rental housing
- Incentives for new rental housing
- Bringing down the cost of development
- Improvement of the permit process to expedite certain types of permits
- Options to provide a wider variety of housing types
- Preventing and mitigating displacement as redevelopment occurs

“Placeholder for advisory committee quotes”

The actions identified within the HAP are code and policy changes focused on implementing the strategies listed above. A suite of options have been identified for each city to consider moving forward. Pros and cons for adopting certain code changes and the identification of other jurisdictions who have considered similar changes help to make this a user-friendly document for each city moving forward.

House Bill (HB) 1923

In 2019, the legislature passed [HB 1923](#) to assist cities in developing a HAP that will encourage construction of additional affordable and market rate housing in a greater variety of housing types and at prices that are accessible to a greater variety of incomes. The cities of Bonney Lake and Sumner have chosen to utilize this opportunity to develop a joint HAP.

The Washington State Department of Commerce ("Commerce") deadline for

the adoption of the Housing Action Plan is June 30, 2021.

Plan Impact on Housing Prices

Housing affordability (or lack thereof) is a big issue in our region. There are lots of reasons why housing has become so expensive and cities can only address certain aspects. While both Bonney Lake and Sumner could reduce fees for certain housing types, open up areas to allow for higher density housing, or provide more options for senior housing, they do not control issues such as labor shortages or the rising cost of lumber, for example.

This Plan is a piece of a larger puzzle that aims to help address important housing issues in our region. If each city in our region takes the steps that Bonney Lake and Sumner are taking as part of this plan, it will have a positive overall impact on housing affordability issues in our region.

Figure 3. HB 1923 Requirements

House Bill 1923 requirements for a Housing Action Plan

- Quantify existing and projected housing needs for all income levels, including extremely low-income households
- Develop strategies to increase the supply of housing, and variety of housing types
- Analyze population and employment trends, with documentation of projections
- Consider strategies to minimize displacement of low-income residents resulting from redevelopment
- Review and evaluate the current housing policies
- Provide for participation and input from community members, community groups, local builders, local realtors, nonprofit housing advocates, and local religious groups
- Include a schedule of programs and actions to implement the recommendations of the housing action plan

GOALS AND OBJECTIVES

Bonney Lake

Goal

The City of Bonney Lake's goal is to have a HAP with actionable items they can implement, including a clear vision of housing needs and solutions tied to salary ranges of people who work and live in the city.

Objectives overview

- Identify code and policy changes that will work when implemented.
- Assist in closing housing gap.
- Identify pros and cons for each action identified to assist the city and decision makers as actions are evaluated.
- Provide options on how best to utilize tax incentives to encourage certain housing types.
- Explore allowing or encouraging additional housing types in single-family home zoning, where appropriate. This includes accessory dwelling units, duplexes, and triplexes.
- Encourage continued community engagement on housing issues,.
- Review two cities together as a whole where appropriate.

Sumner

Goal

The City of Sumner's goal is to provide a realistic picture of affordable housing in Sumner, including an understanding of the demographics and economics. It

should provide a clear picture to the Council and the community of affordable housing issues and provide solutions.

Objectives overview

- Provide information on the interplay between businesses, workforce, and housing.
- Provide a solid understanding of why the plan matters, connections between the HAP and the GMA, what affordability means, where Bonney Lake and Sumner fit into regional affordability, and how that affects both communities.
- Identify concrete steps that can realistically be implemented and that the market will respond to.
- Focus on workforce and senior housing specifically.

“Placeholder for advisory committee quotes”

PLAN ELEMENTS

The goals and vision for each city are implemented through the development of this plan. The two primary pieces of this plan are the Housing Needs Assessment and the Housing Action Plan.

Each element was guided by development and implementation of a **Project Charter** and a **Public Participation Plan**.

Housing Needs Assessment (HNA) – high level findings

Bonney Lake and Sumner are highly desirable places to live, offering a high quality of life, and a prime location to nearby job centers and natural amenities. As the cities and region have grown, the competition for a limited supply of housing has also grown. The following are high level findings.

- Housing costs have greatly escalated. This is especially difficult for households earning below the median annual income.
- A focus on providing lower-cost rentals and increased moderate to middle-income priced homes is essential.
- The senior population (65+) has grown significantly. Promoting housing types that allow seniors to stay in the community is vital.
- Providing a variety of housing types will ensure there is housing for all. This includes single family homes, accessory dwelling units (ADUs), duplexes, townhomes, triplexes, and multi-family housing.

The need to provide housing that people can afford is real and growing. The Housing Action Plan provides a variety of options to address these issues.

Housing Action Plan (HAP) – high level approach

The Housing Action Plan (HAP) pairs the HNA findings with community goals to bring forward an identifiable set of actions each city can consider in the

future. The HAP is organized in the following sections:

- Review of cities' existing housing policies
- Development of strategies to address the communities' housing goals
- Actions to implement each of housing strategy

The strategies for this Plan are focused on:

- Preserving rental housing
- Incentives for new rental housing
- Bringing down the cost of development
- Providing a wider variety of housing types
- Preventing and mitigating displacement
- Improving the permit process

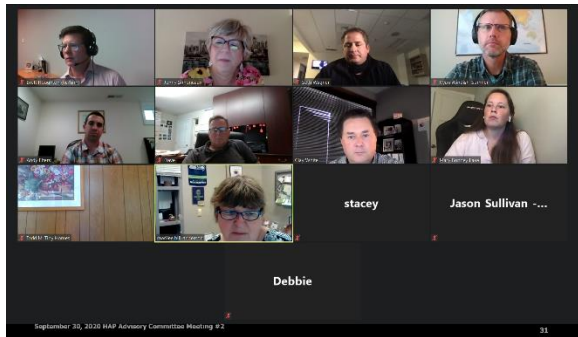
Each subsequent action identified is outlined to:

- Highlight the strategy or strategies this action addresses
- The pros/cons of taking the action
- Outline areas of code that could be modified
- Highlight jurisdictions that have already taken this action

Overall, the HAP provides a suite of options for each city to consider moving forward.

PUBLIC PARTICIPATION

This Housing Action Plan was developed with a wide range of public engagement. The cities relied on close consultation with an Advisory Committee, who helped to shape the issues, focus, and vision of the Plan and pointed the way to identification of strategies and actions. The project team held 2 meetings with the Committee.



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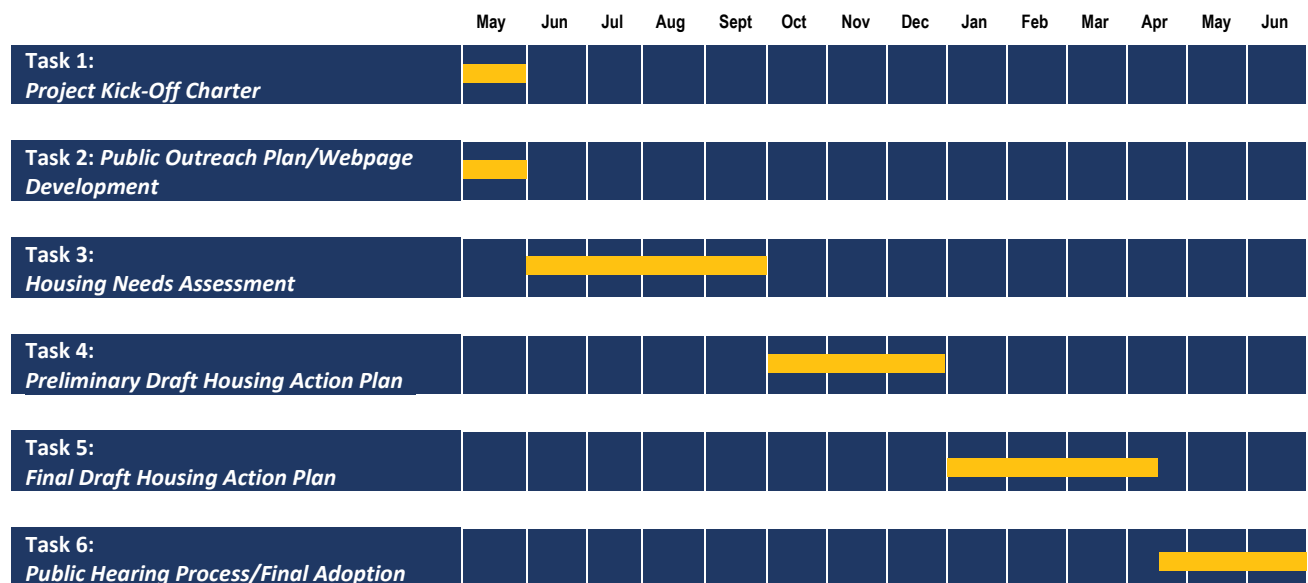
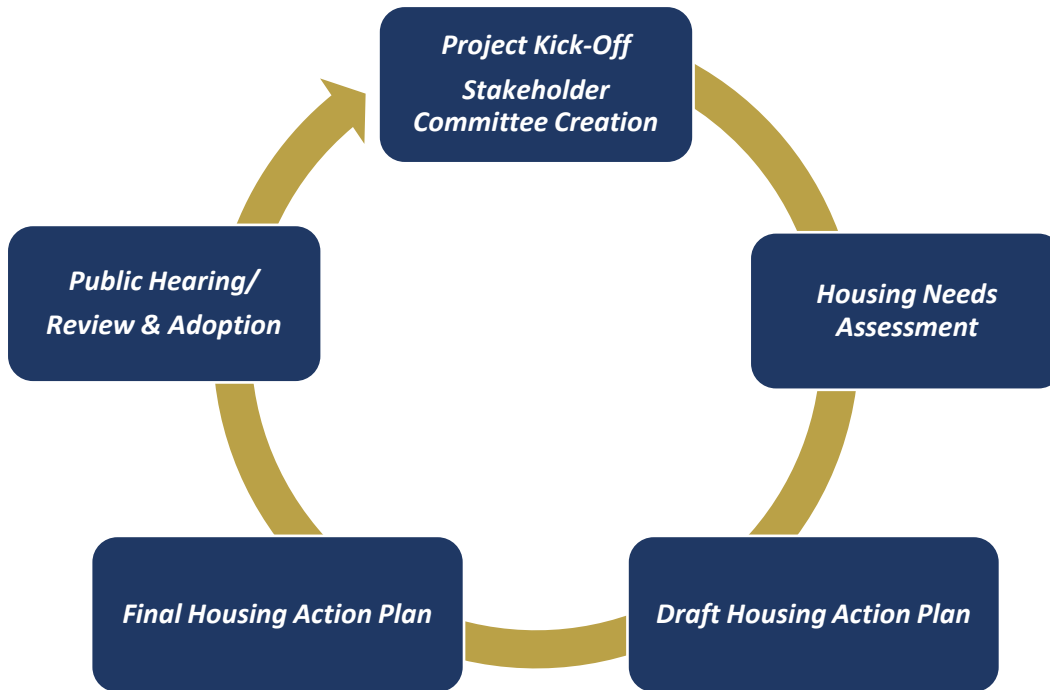
The project also engaged the public through the [City of Sumner's "Sumner Connects" website](#), where draft documents and a discussion forum allowed the public to engage with draft documents and discussion of the Stakeholder Advisory Committee.

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Additional language to be added as public participation continues, including Sumner Connects results and council /commission participation

PROJECT TIMELINE

The Commerce deadline for adoption of the HAP is June 30, 2021. The following process and schedule were followed to ensure state requirements and project goals were met for both Bonney Lake and Sumner.

Figure 4. Timeline and Process Graphic



E. HOUSING NEEDS ASSESSMENTS



HOUSING NEEDS ASSESSMENTS

This section contains an introduction to the Housing Needs Assessments. A full synopsis of the HNAs' findings can be found in the [Housing Needs Assessments](#) chapter, and the full HNAs can be found in [Appendix I](#).

Introduction

The needs for housing in the Cities of Bonney Lake and Sumner are substantial, and these needs will broaden as the communities change and grow over the next few decades. A key initial step to address housing challenges is to analyze the best available data that help accurately define the range of unmet housing needs and the depth of affordability needs. This analysis should answer questions about the availability of different housing, who lives and works in the different cities, and what range of housing is needed to meet pent up demand into the future. Housing analysis is an important exercise because housing needs tend to evolve based on changes in the broader economy, local demographics, and regulatory environment.

Bonney Lake and Sumner, like other communities in the region, have grown over the years, leading to affordable housing shortages and limited diversity in the range of housing options available for growing population sectors such as seniors, low-to-middle-income households, and young, newly-formed households. The [Pierce County Countywide Planning Policies](#) encourage municipalities to increase the availability of housing affordable to all economic segments of the

population and necessitates that they assess their achievement in meeting the housing needs to accommodate their 20-year population allocation by analyzing available data.²

Analyzing housing is complex since it represents a bundle of services that people are willing or able to pay for, including shelter and proximity to other attractions (job, shopping, recreation); amenities (type and quality of home fixtures and appliances, landscaping, views); and access to public services (quality of schools, parks, etc.). It is difficult for households to maximize all these services and minimize costs; as a result, households make tradeoffs and sacrifices between needed services and what they can afford. Housing markets tend to function at a regional scale, which makes it a challenge for jurisdictions to adequately address issues individually and a prime opportunity for neighboring cities like Bonney Lake and Sumner to work in partnership to broadly meet their housing needs. The following section helps frame the broader context associated with key housing trends.

Broader Demographic Trends

Several demographic changes have emerged since the mid-20th century that have influenced housing demand. These trends help explain forces shifting the housing landscape that are beyond the local purview.

- Nuclear family households, the predominant type of household of the mid-20th century, shrank from 40% in 1970 to 20% in 2018, while the share of single-person

² Countywide Planning Policies for Pierce County, Washington. Effective November 13, 2018.

households increased from 15% in 1970 to 28% in 2018.³ Households with persons living alone have become the most prevalent household type, which could result in smaller household sizes and increased housing unit demand.

- Around one-third of Americans between 18 and 34 are now living in their parents' homes, possibly delaying their household formation.
- Also, America is aging, and the number of U.S. seniors will continue to grow over the next twenty years. National estimates suggest that around 22% of Americans will be over 65 years by 2050. Seniors are projected to outnumber children for the first time ever by 2035. This is substantial growth considering that currently, the over 65 age group is about 15% of the population in Sumner and about 10% in Bonney Lake (2014-18, ACS). The aging Baby Boomer generation (born 1946 to 1964) could result in greater demand for smaller housing for those wishing to “downsize” and greater demand for assisted living housing situations.
- Nationwide, the Hispanic/Latino population is predicted to be the fastest growing racial/ethnic group over the next few decades. The growing diversity of American households will have a

large impact on domestic housing markets. Over the coming decade, minorities will make up a larger share of young households and constitute an important source of demand for rental housing and small homes.

- Another factor affecting housing is the COVID-19 pandemic. Since its emergence, the pandemic has slowed the production of housing in many regions and due to growing remote work practices, commuting rates have diminished and housing preferences are shifting. In addition, the pandemic has impacted the ability to pay for housing consistently, which will likely exacerbate housing availability and stability. These types of trends should be monitored as conditions and communities adjust.

Another factor crucial for estimating housing needs is the trends associated with population growth. The growth in the Puget Sound region has been intense, with the region welcoming one million new people (total of 4.3 million residents) since 2000 and a forecast showing a similar population surge up until 2040.⁴ The effects of this regional growth have diffused into local areas in the region, including Bonney Lake and Sumner. Both cities have grown, and this growth has put pressure on an already limited housing supply. Bonney Lake's population has doubled since 1990 to include 20,313 people.

³ Sources: AARP (2018) Making Room for a Changing America, U.S. Census Bureau Annual Social and Economic Supplements 1950 and 1970, 2015 U.S. Census ACS, PSRC Draft 2050 Forecast of People and Jobs.

⁴ Puget Sound Regional Council (PSRC). 2017. Land Use Vision Dataset. Retrieved from: <https://www.psrc.org/projections-cities-and-other-places>.

Bonney Lake is growing at a faster rate than Pierce County (6% vs 2%) while in contrast, Sumner welcomed 3,617 people from 1990 to 2018 and grew at the same pace as Pierce County. Despite having a similar population size in 1990, Sumner grew more slowly than

Bonney Lake and currently has an estimated 9,898 persons by 2014-18. As the county continues to grow, housing affordability increasingly has become a concern for people wishing to live and remain in the area.

Figure 5. Population Growth, Bonney Lake and Sumner, 1990 – 2018

Geography				Change, 1990 to 2018		
	1990	2000	2018	Number	Percent	AAGR
Bonney Lake	7,494	9,687	20,313	12,819	171.06%	6%
Sumner	6,281	8,504	9,898	3,617	57.59%	2%
Pierce County	586,203	700,820	859,840	273,637	46.68%	2%

Sources: Office of Financial Management (OFM), 1990 and 2000 Census, originally from the US Census Bureau, Decennial Census, Census of Population and Housing Summary Table; 2014-2018 American Community Survey (ACS) 5-year Estimates. Note: Average Annual Growth Rate (AAGR)

The following Housing Needs Assessment summarizes information about the factors that likely will affect residential development in Bonney Lake and Sumner over the next 20 years, including housing market dynamics, demographic and affordable housing trends, workforce profile, population projections, along with an estimated housing gap for each city that should be filled to meet future housing needs up until 2040.

The first section provides a summary of the housing needs for Bonney Lake, the second section synthesizes Sumner's housing needs, and the third section describes joint Bonney Lake-Sumner housing considerations. [Appendix 1](#) provides additional detail on the housing needs findings and background on the results referenced in this chapter.

Bonney Lake Housing Needs Assessment Results Summary

Bonney Lake Housing Gap and Housing Production Target

The results of the Housing Needs Analysis show a gap in housing estimated at around 3,065 housing units needed by 2040 when Bonney Lake's population is forecasted to reach approximately 23,158 persons. This gap combines the existing underproduction of around 1,774 housing units (based on trends from the past decade) and the future need of around 1,290 housing units. This means that at least 153 units per year on average would need to be built in Bonney Lake.⁵ Consequently, Bonney Lake should keep up the pace to support robust housing growth.⁶

In addition to supporting steady housing growth, Bonney Lake should also develop strategies to more equitably meet diverse housing needs such as the need to plan for housing for a range of income levels. Two scenarios were developed to inform discussions on what range of household incomes should be pursued when setting new targets to bridge the gap in housing. Scenario 1 is the status quo reflecting existing housing production trends with no new action. In contrast, Scenario 2 emphasizes the city's responsibility to provide a fair share of housing types distributed to a range of different income levels of residents, based on

⁵ In comparison, the county-level 2008-2030 target calls for Bonney Lake to add a total of 2,776 new units in total. Since 2008, Bonney Lake added 1,392 which is halfway to this target. Considering this progress, Bonney Lake should add a total of 1,384 or at least 138 units per year to meet the 2008-2030 target for the next ten years. All of these targets call for around 138 to 153 housing units to be added per year, on average.

county level averages. Each scenario has its benefits, differences, and trade-offs that should be considered. A key difference is that scenario 1 would have more higher income housing while scenario 2 calls for greater housing affordable to low-income households.

Bonney Lake's Households are Larger and Mostly Include Families

Several demographic trends including household size, race/ethnicity, incomes, and tenure influence housing demand and should be evaluated to identify emerging trends and variations in what people need for their families and households. Household sizes are larger in Bonney Lake in comparison to Pierce County and Sumner, with almost half of all households including three or more persons. This larger household size trend is reiterated for the average number of people per household, since Bonney Lake's average of 2.91 persons per household is even higher than the overall US average. Moreover, the dominant household composition for Bonney Lake consists of families with children (37%) or without children (40%).⁷

Finding: This trend indicates a need to support continued production of family-friendly housing including at least 2 bedrooms. Family-sized, family-friendly housing contains more than two bedrooms and includes features essential for families, such as areas where family members can gather for meals and other activities, sufficient storage space, and easy access to

⁶ This 2008-2030 target provided in the Pierce County Countywide Planning Policies is expected to be updated by the Puget Sound Regional Council (PSRC) in 2021.

⁷ A family household is one in which the residents are related to at least one other person in the household by birth, marriage, or adoption while non-family households include young people living alone, unmarried couples, and unrelated house mates.

outdoor play and recreations space. Allowing a broader mix of diverse family-friendly housing units at different price points in single-family neighborhoods can attract a larger number of families with a wider range of incomes.

Bonney Lake's Communities Have Become Increasingly Diverse

Consistent with national and county trends, the City of Bonney Lake has become more diverse since 2000. The share of people of color doubled in Bonney Lake from 8% to 19% of the total population between 2000 and 2014-18. In comparison to Pierce County, this increase in non-white populations was more dramatic, but the overall share still is lower than Pierce County's share. Hispanic/Latinos and those of two or more races doubled over this same time period to become the most prevalent non-white population groups in Bonney Lake. Hispanic and Latino households compared to non-Hispanic households overall tend to have a larger household size and younger Hispanic and Latino households on average have higher homeownership rates and lower than average incomes. Households for Hispanic and Latino immigrants are more likely to include multiple generations, requiring more space than smaller household sizes, and they tend to need lower-cost renting and ownership opportunities.

Findings: Strategies should focus on providing lower-cost rentals and increased moderate to middle-income priced homes with home ownership opportunities and multigenerational accommodations.

⁸ "Missing middle" housing referred generally herein as middle housing primarily includes single-family attached housing with two or more units (duplexes, triplexes, quad

Bonney Lake's Population Mostly Includes Families and Seniors

Since housing needs change over a person's lifetime, it is important to track shifts among age cohorts to anticipate expected demand. In comparison to Pierce County and Sumner, Bonney Lake has the highest share of individuals under age 20 (29%) and between 35 to 49 years. This backs up the finding that the Bonney Lake community primarily houses families with children and working adults. In addition, Bonney Lake's senior population (over 65) quadrupled over the last two decades and this trend increased the median age to 35. The senior population growth is expected to continue, almost tripling the number of seniors to 6,114 persons by 2040 (60+).

Findings: The HAP should include strategies to address the increased housing needs for seniors. Homeownership rates tend to increase as age increases and older people are more likely to live in single-person households which tend to be smaller in size. The aging of the Baby Boomer generation (born 1946 to 1964) could also generate greater demand for housing offering living assistance, multigenerational accommodations, and opportunities for residents to age-in-place or age elsewhere in their communities. Overall, these trends indicate high demand for "missing middle" housing (e.g., ADUs, townhomes, triplexes, duplexes, quad homes, and cottages) which allows more seniors and couples to downsize and remain in their community.⁸

homes, townhomes, courtyard cottages, accessory dwelling units, etc.) or other housing bridging a gap between single family and more intense multifamily housing.

Increased Demand and Housing Scarcity Have Led to Rising Costs

The housing underproduction in Bonney Lake, coupled with high demand for housing needed for home-buyers, has fueled rising home costs. Median sales prices have increased by 55% from \$255,224 to \$395,301 in Bonney Lake between 2000 and 2019 (Pierce County Assessor).⁹ Additionally, average rent for a 2-bedroom apartment (used as a proxy for all rental units) has largely remained above the area median income (100 % AMI) since 2000. Increases in housing costs and rent have been a trend felt across the Puget Sound region and state.

Alongside housing cost increases, the median household income in Bonney Lake was \$91,368 in 2018 – a rate well above Pierce County at \$67,868 and a 52% increase from the 2000 level. In Bonney Lake, 81% of households own rather than rent while Sumner is more evenly split with 51% of households owning. This is not surprising since most of Bonney Lake's housing stock consists of newer construction and single-family detached housing. Considering the ownership rate, it is no surprise that Bonney Lake has a large number of high-income households as well as the largest share, relative to Sumner and Pierce County. Income is strongly related to the type of housing a household chooses (e.g., townhome, or stand-alone single-family home) as well as household tenure since homeownership rates tend to increase as income increases.

Findings: Where feasible, additional home ownership opportunities should

be provided for households earning between 80 and 120% AMI. Housing serving this income bracket tends to be middle housing. Demand is mounting for middle housing mostly due to aging baby boomers, young households forming, and the growing workforce. As a result, strategies should be developed to support middle housing production in Bonney Lake. Although Bonney Lake has a small share of renters, the renter population tends to include households at the moderate to lower income level and the rising costs of housing has disproportionate impacts for homes priced at these levels. Consequently, additional production of apartments, multiplexes and middle housing, and government subsidized housing should be supported.

Bonney Lake Has Fewer Jobs and Higher Commuting Rates

Understanding Bonney Lake's workforce profile and commuting trends will help plan for housing needs of workers. Factors such as job sector growth and the city's commuting patterns may have implications for how many people are able to both live and work within the city. If such factors indicate many people are commuting into the city for work, it could be possible that the city does not have enough housing to accommodate its workforce or enough housing that matches their needs and affordability levels.

Bonney Lake has much fewer jobs than Sumner, providing an estimated 5,096 in 2018 or 24% of the jobs in the Bonney Lake-Sumner area. Bonney Lake's high wage sector is more diversified (education, healthcare/social

⁹ Zillow data shows an even steeper price increase of \$441,300 by 2019, estimated as increasing by 73%.

assistance are the most dominant) and faster growing than the low wage sector (dominated by retail trade and accommodation/food service sector jobs), where workers earn below Pierce County's average annual salary of \$51,676 in 2018.

Most of Bonney Lake workers commute, and only 3% live and work in town. This rate of commuting in Bonney Lake is higher than many other nearby cities – including Kent, Auburn, Renton, and Federal Way. Among those working elsewhere, Bonney Lake workers tend to work either in King or Pierce Counties. In terms of the main cities where Bonney Lake residents work, 11% work in Seattle, 9% work in Tacoma, and 7% work in nearby Sumner.

Findings: Considering Bonney Lake's high commuting rates, it is worth asking how many are commuting due to preference or the lack of affordable housing.

Bonney Lake's Housing Stock is Newer and Mostly Single-family

Analysis of historical development trends in Bonney Lake provides insights into how the local housing market functions in the context of the broader region. Bonney Lake's housing stock has limited diversity. Bonney Lake Housing Stock is chiefly single-family detached (84% of total) with smaller shares of housing including 7% manufactured homes, 5% multifamily housing units (5+ units), and 4% single-family attached housing units (Pierce County Assessor data, 2020).

Almost half of Bonney Lake's housing is newer construction, with over 75% of the housing built after 1980. Bonney Lake's multifamily and single-family attached development is newer, primarily built

during the last two decades (Pierce County Assessor data, 2020). Bonney Lake's manufactured/mobile homes are the oldest type of housing, mostly built between 1960 and 1990. Based on the newer age of most of the housing including multifamily housing, the displacement risk could be fairly low for most of the housing in Bonney Lake, except for manufactured/mobile homes.

Findings: The low supplies of single-family attached housing such as town homes, triplexes, duplexes, and cottage courtyard apartments and multifamily housing should be addressed to provided broader housing options for the community. In addition, demand is expected to increase for single-family attached housing mostly due to aging baby boomers and young households forming.

Cost-burden Disproportionately Affects Lower-Income & Renter Households

Housing affordability is increasingly becoming a concern in Bonney Lake. Housing prices have escalated over the last few decades with median sales price increasing by 55% (from \$255,224 to \$395,301) and average apartment rents (2-bedroom) have remained over the area median income (above 100% AMI, meaning this average rent is out of reach for half of the households in the region). Affordable housing problems have not affected all households evenly; in fact, low and moderate-income households, renters, and the young and old have been disproportionately impacted. In total, double the share of renters were severely cost-burdened compared to owners and an astounding 84% of renters above 65 and almost half under

24 were cost-burdened in Bonney Lake as of 2014-18.

Bonney Lake supports the production of rent-restricted housing built to support very-low to moderate-income housing units. About 433 low-income housing units have been built to date in Bonney Lake. The living units available for seniors and other eligible disabled persons is lower, with only 111 living units. These living units largely are adult family homes, situated in regular neighborhood homes where staff assumes responsibility for the safety and well-being of an adult. Bonney Lake tends to produce more moderate-income owner housing units rather than low-income housing rentals in comparison to Sumner.

Findings: Bonney Lake will need to continue boosting production of low-income (50% AMI or lower) housing rentals and ownership opportunities to achieve the 2008-2030 target since they are about halfway towards meeting the 2030 goal. The approaches for increasing low-income housing likely is more complicated due to the need for some sort of direct assistance.

What is Affordable Housing?

The term affordable housing refers to a household's ability to find housing within its financial means. The typical standard used to determine housing affordability is that a household should pay no more than 30% of the gross household income for housing, including payments and interest or rent, utilities, and insurance. Another indicator for measuring and tracking housing affordability concerns is housing cost burden. The US Housing and Urban Development (HUD) guidelines indicate that a household is cost-burdened when they pay more than 30% of their gross household income for housing and severely cost-burdened when they pay more than 50% of their gross household income for housing (rent or mortgage, plus utilities).

Median Income Level

When examining household income levels, the Area Median Income (AMI) and Median Family Income (MFI) are helpful benchmarks for understanding what different households can afford to pay for housing expenses. Since housing needs vary by family size and costs vary by region, HUD produces a median income limit for different family sizes and regions on an annual basis. These benchmarks help determine eligibility for HUD housing programs and support the tracking of different housing needs for a range of household incomes.

The median income value (100%) primarily used for this analysis is an annual income of \$87,322 for a family of four which is the Pierce County rate for 2020. Below 30% of AMI is extremely low income (under \$26,197), 30-50% of AMI is very low income (\$26,197-\$43,661), 50-80% of AMI is low income (\$43,661-\$69,858), 80-100% of AMI is moderate income (\$69,858-\$87,322), 100 to 120% of AMI is middle income (\$87,322-\$104,786), and above 120% AMI is high income (above \$104,786). Income levels tend to vary throughout a lifetime and homeownership rates tend to increase as income increases.

Source: HUD, 2020. Pierce County and Tacoma, WA HUD Metro FMR area, FY Income limits Documentation.

Sumner Housing Needs Assessment Results Summary

Sumner Housing Gap and Housing Production Target

Based on the housing analysis, the City of Sumner's housing gap to fill by 2040 is 1,422 housing units. These housing units should be added by 2040 when Sumner's population is forecasted to reach approximately 12,473 persons. This number should be considered the minimum number of additional housing units needed to support the expected demand. This means that around 72 housing units should be produced per year from 2020 to 2040.¹⁰ Thus, Sumner should pick up the pace to support housing growth since only around 41 housing units has been built per year (on average) between 2008 to 2020.

In addition to supporting greater housing development, Sumner should also develop strategies to equitably meet diverse housing needs such as the need to support housing production suited for an array of different household incomes. Two scenarios were developed to inform discussions on what range of household incomes should be pursued when setting new targets to bridge the gap in housing. Scenario 1 reflects the status quo with the existing housing production continuing as it has over the last ten years. In contrast, Scenario 2 emphasizes the city's responsibility to provide a fair share of housing types that is more evenly distributed for different income level needs. Scenario 2

includes housing targets that are based on the averages of household income levels quantified for Pierce County in 2014-18.

A key difference between the two scenarios is Scenario 2 would add slightly more housing affordable to middle to high-income households. This indicates a possible deficit of market rate units for middle-income workforce households that should be augmented to prevent middle- to high-income households from renting or buying down of housing units priced for low-income budgets. The benefits, drawbacks, and trade-offs associated with different scenarios should be considered.

Sumner's Households are Small and Mostly Include Non-Families

Several demographic trends, including household size, race/ethnicity, incomes, and tenure, influence housing demand and should be evaluated to identify emerging trends and variations in what people need for their families and households.

Sumner households are smaller in size than Bonney Lake and predominately consist of non-family household members. Sumner's households are primarily one-person (33%) and two-person (28%) which aligns with Pierce County trends. Another indicator that Sumner households tilt towards a smaller size is that Sumner averages 2.41 persons per household which is slightly lower than the U.S. rate averaging 2.63 persons per household (ACS, 2014-18). Sumner's share of non-family households is 42%, which is nearly twice Bonney

¹⁰ In comparison, the 2008-2030 target provided within the Pierce County Countywide Planning Policies calls for a total of 1,273 new housing units or at least 127 units per year from 2020 to 2030. Since 2008, Sumner has added around

497 new housing units which is almost one-third of the way towards achieving this 2030 target. This 2008-2030 target is expected to be updated by PSRC.

Lake's and higher than the county (ACS, 2014-18).

Finding: This trend indicates a need to support continued production of smaller sized housing options. Space efficient housing units, smaller in size, can be more affordable than other units because they are smaller and more energy efficient and they use less land resources.

Sumner's Population has Become More Diverse Since 2000

Corresponding with national, county, and Bonney Lake trends, the City of Sumner has become more diverse over the last few decades. The share of non-white persons or people of color in Sumner increased from 13% to 20% of the total population between 2000 and 2014-18. Persons identifying with two or more races doubled (from 3% to 7%) and Hispanic or Latino persons increased from 3% to 9% and, collectively, have become the most prevalent non-white groups. Hispanic and Latino households compared to non-Hispanic households overall tend to have a larger household size and younger Hispanic and Latino households on average have higher homeownership rates and lower than average incomes. Households for Hispanic and Latino immigrants are more likely to include multiple generations, requiring more space than smaller household sizes, and they tend to need lower-cost renting and ownership opportunities.

Findings: Strategies should focus on providing lower-priced rentals and moderate to middle-income home ownership opportunities for larger family-friendly housing, that may include multiple generations.

Sumner's Age Group Mix Remains Unchanged Since 2000

Housing needs change over a person's lifetime. As such, it is important to track fluctuations among different age cohorts to better understand emerging community changes. Among the different age cohorts, the 45-64 age group, a group tending to be a part of the workforce, increased the most in Sumner by around 38% from 1,796 persons to 2,481 persons from 2000 to 2014-18 (ACS). All of Sumner's age cohorts increased or remained the same except for children under 5 years. Sumner's senior population (over 65) increased slightly from 1,137 persons to 1,509 persons but the share of those over 65 is the highest (15%) compared to Bonney Lake and Pierce County. Moreover, persons over 60 are expected to increase to a total of around 3,293 persons by 2040 (PSRC) which is over double the number of people age 65 plus in 2014-18. This steady incline in the senior population is consistent with broader trends.

Findings: The HAP should include strategies to address the intensifying housing needs of seniors. Home-ownership rates increase as age increases and older people are more likely to live in single-person households. The aging of the Baby Boomer generation (born 1946 to 1964) could generate greater demand for housing offering living assistance, multigenerational accommodations, and opportunities for residents to age-in-place or age elsewhere in their communities. Overall, these trends indicate high demand for middle housing (e.g., ADUs, townhomes, triplexes, duplexes, quad homes, and cottages) which allows more seniors

and couples to downsize and remain in their community.

Increased Housing Scarcity Has Led to Rising Costs in Sumner

Rising costs of housing has become more out of reach for Sumner residents, even if they are wishing to buy or rent a home. Similar to Bonney Lake, the limited supply of housing affordable to home-buyers and increasing demand in the region has led to rising home costs. Between 2000 and 2019, median sales prices increased by 69% from \$235,820 to \$398,989 in Sumner (Pierce County Assessor data, 2020). This means that a household would need to earn 120% AMI or higher to afford the current median sales price of housing. Along with home sales, the average rent for a 2-bedroom apartment over the last twenty years has fluctuated slightly but largely remained above the area median income (100 % AMI). This means that half of the population in the county would be unable to afford the average rent in the city. Comparing housing cost increases with household income can help detect concerns in housing attainability. Sumner's median household income was \$59,846 in 2018 (less than 80% AMI), much lower than the income that would be required to afford the median home sales price (120% AMI). Poverty is high in Sumner impacting 13% of the population (2014-18). This shows that home ownership opportunities are becoming increasingly out of reach for a significant portion of Sumner's population. Sumner has a large share of renters, which tend to include households at the moderate- to lower-income level. Escalating housing costs already have a large impact on renter households and will continue to do so without intervention.

Findings: Similar to Bonney Lake, additional home ownership opportunities for households earning between 80 and 120% AMI should be supported. Housing serving this income bracket tends to be middle housing and produced by the private market. Middle housing primarily includes single-family attached housing with two or more units or other housing bridging a gap between single family and more intense multifamily. Demand is expected to increase for this type of housing mostly due to aging baby boomers, young households forming, and the growing workforce. Sumner should also prioritize additional production of apartments, multiplexes and middle housing, and government subsidized housing.

Sumner Has the Largest Share of Employment in the Local Vicinity

Workforce trends such as job and wage growth and commute patterns can help inform appropriate responses to the housing needs of workers. Sumner has many more jobs than Bonney Lake, providing an estimated 16,065 jobs in 2018, or 76% of the jobs in the Bonney Lake-Sumner area. Sumner's high wage sector, dominated by manufacturing and transportation and warehouse sector jobs, is experiencing moderate wage growth while the low wage sector is less diversified but also seeing wage growth primarily in the construction, and wholesale trade sectors. Sumner's job-to-housing ratio has increased to 3 over the last decade due to relatively high employment growth; however, a combined Bonney Lake and Sumner jobs-to-housing rate has mostly remained below 1.7 at a more balanced level.

A substantial portion of Sumner workers commute and only 11% live and work in town. This rate of commuting is similar to rates in the Cities of Renton and Federal Way and is likely partially attributed to the diminished supply of affordable housing in the region. Among residents working elsewhere, Sumner workers tend to work either in King or Pierce Counties. Similar to Bonney Lake, high commuting rates could be a signal for inadequate availability of affordable housing within the city boundary.

Findings: Like Bonney Lake, actions should be considered to ask whether people are commuting because of a lack of affordable housing or due to other reasons. In addition, it's worth asking whether employers are finding it difficult to recruit staff due to the lack of needed housing options.

Sumner's Housing Stock Has Limited Diversity and is Aging

Sumner's housing stock has limited diversity and is largely composed of single family detached (67% of total) with smaller shares of other types of housing including 15% single-family attached, 9% manufactured homes, and 9% multifamily housing units (Pierce County Assessor data, 2020). The low supplies of single-family attached housing (such as triplexes and quad homes) and multifamily housing should be addressed to provide broader housing options for the community. This is especially needed since demand is expected to increase for single-family attached housing mostly due to aging baby boomers and young households forming.

Sumner's housing is older than Bonney Lake's housing with one-quarter built before 1960 and the rest built

throughout later decades. The single-family detached homes in Sumner tend to include newer construction built after 1990 while in contrast, single-family attached housing (such as duplexes) and manufactured/mobile homes tend to have been constructed between 1960 and 1990. Multifamily housing (5+ units) in Sumner mostly was primarily built before 1980 and as this type of housing ages, the potential for redevelopment and the increased risk of possible displacement increases.

Findings: Similar to Bonney Lake, the low supplies of single-family attached housing (e.g., town homes) and multifamily housing should be addressed to provide broader housing options and to meet the expected demand associated with aging baby boomers.

The older housing stock in Sumner could increase the risk of displacement particularly if this housing is serving lower income households. Displacement occurs when a household is forced to relocate. This tends to occur as a result of changes in the housing market, either because their housing is being redeveloped or undergoing major renovations, or due to their housing costs increasing faster than they can afford. Displacement can be physical (redeveloped areas or housing with substantial remodels), economic (increase in rents), or cultural. Displacement risk is heightened for cost-burdened renters, low-income households, minorities, and households who are more likely to experience housing discrimination. Displacement tends to occur in areas with older housing, with access to transit, less expensive land, and land opportunities conducive to large developments. An analysis identifying gradations of

displacement risk should be completed to help address displacement concerns. Changing the zoning to allow more intense housing development can increase the chances that current residents in the affected neighborhood will be physically displaced to make way for redevelopment. Consequently, displacement risk should be assessed before any rezones and safeguards should be developed in response to the findings.

Affordable Housing and Cost-burden Concerns in Sumner

Affordable housing problems tend to disproportionately impact low- and moderate-income households, older and younger persons, and renters. The overall share of cost-burdened households in Sumner was 37% in 2014-18, a rate slightly higher than the Pierce County's. Likewise, the rate of renters cost-burdened is 37%, a rate much higher than owners (12%). In addition, an astounding 85% of renters above 65 were cost-burdened in Sumner as of 2014-18. An important source of low-income housing is rent-restricted units. A current accounting of the inventory shows there are 63 low-income, rent-restricted housing units in Sumner, primarily produced through tax credits or HUD Section 8 vouchers. In addition, there are 251 living units for seniors and disable persons provided mostly via assisted living and senior living facilities.

Findings: Sumner should take action to leverage production of low-income housing. The approaches for increasing low-income housing has lagged behind and likely is more complicated due to the need for some sort of direct assistance.

Bonney Lake and Sumner Complement One Another

The cities of Bonney Lake and Sumner are located adjacent to one another in Pierce County and are similar in being smaller sized towns located on the eastern edge of the Puget Sound region. The cities also function as a polycentric urbanized area interconnected by major transportation routes (SR 410), the same school district, interrelated workforce, and various community amenities and services. Consequently, Bonney Lake and Sumner's housing needs were assessed jointly due to these connections along with the tendency for the housing market to operate at a regional scale. The following section provides a summary on the ways that Bonney Lake and Sumner complement one another.

- Bonney Lake houses double the number of people in comparison to Sumner.
- Sumner employs three times more people than Bonney Lake. Sumner's larger employment base complements Bonney Lake's smaller workforce.
- Sumner's households tend to be smaller consisting of non-family household members while Bonney Lake larger households (mostly 3+) mostly include family members.
- Bonney Lake provides mostly owner-occupied, single-family detached housing while Sumner's housing includes more rentals. Bonney Lake's housing is newer and mostly built after 1980 while Sumner's is older, mostly built before 1999.

A noteworthy way that Sumner and Bonney Lake balance each other is in their varied number of jobs and housing

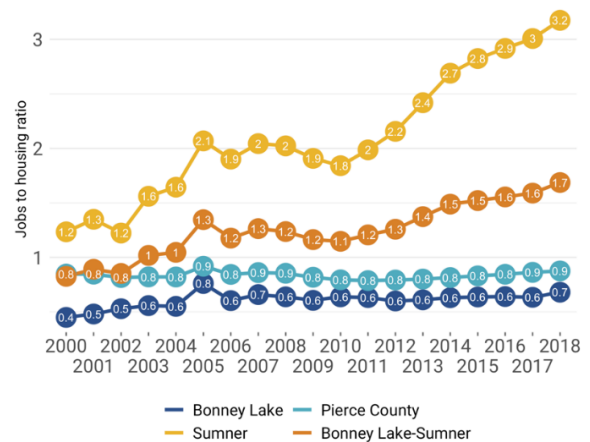
units. Bonney Lake's job-to-housing ratio (Figure 6) remained below one for the last two decades due to the low number of jobs while Sumner's ratio increased to over three primarily because of a low number of housing units. However, when the ratios are combined, the Bonney Lake and Sumner jobs-to-housing rate has mostly remained below 1.7 at a more balanced level.

Another way Bonney Lake and Sumner differ is in their share of homeowners and renters. Figures 7 and 8 show how Bonney Lake predominantly includes residents owning homes (around 80% are homeowners) while in contrast, Sumner has a fairly even split of homeowners and renters. Figure 7 shows that 7 out of 7 renters earning less than \$50,000 a year are cost burdened along with 8 out of 14 homeowners earning less than \$50,000. Similarly, a high share of renters earning less than \$50,000 a year are cost burdened in Sumner (20 out of 24 renters) along with homeowners earning less than \$50,000 (8 out of 14 homeowners were cost burdened). This demonstrates two key trends common to many cities: 1) renters tend to be more cost-burdened, and 2) those earning a lower-income tend to be cost burdened.

Note: This illustration explains cost burden rates by viewing the city as 100 residents. Homeowners are represented by green squares, and renters are represented by blue squares; and as shown above, there are more homeowners than renters. The graphic also breaks homeowners and renters into two groups based on income. The darker shade are those people in households with middle to higher incomes and lighter shades represent people in households with lower incomes. The white dots indicate the number of people that are considered cost-burdened. Source: ECONorthwest illustration. Data Source: ACS US Census, 2014-18

Sources: PSRC for Employees, ACS 5 Year Estimates (2014-18 for Wage), and ECONorthwest Calculations.

Figure 6. Jobs to Housing Ratio, 2000-2018



Cost burden Illustrations – if all households were 100 residents

Figure 7. Bonney Lake

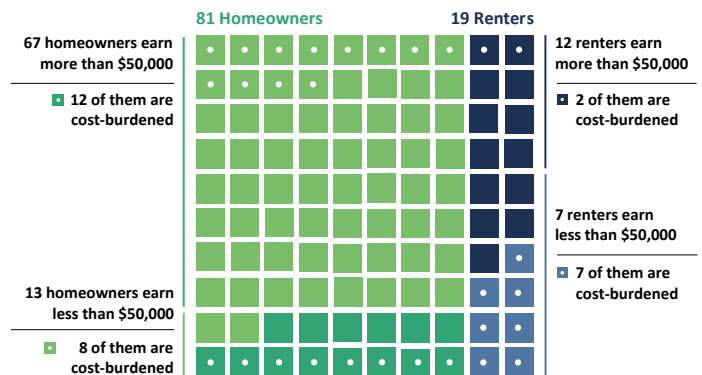
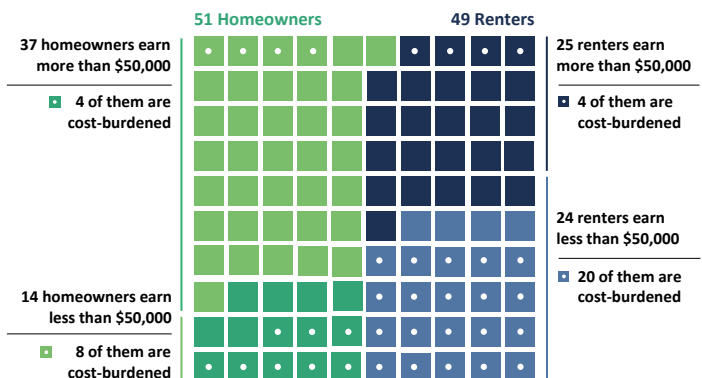


Figure 8. Sumner



F. HOUSING ACTION PLANS



HOUSING ACTION PLAN INTRODUCTION

Overview

Our region has and will continue to face great challenges as we grow. This includes the ability to provide affordable housing. Housing element requirements under the Growth Management Act (GMA) outline requirements to "...ensure the vitality and character of established residential neighborhoods...". This includes provisions for protections of housing "... for existing and projected needs of all economic segments of the community" ([RCW 36.70A.070\(2\)](#)). At the same time, cities are growing, and redevelopment pressures will continue to occur. As redevelopment occurs, the key is focusing on policies and regulations that minimize displacement and preserve affordable housing options. These are difficult planning challenges, and it takes a proactive approach to meet these challenges head on.

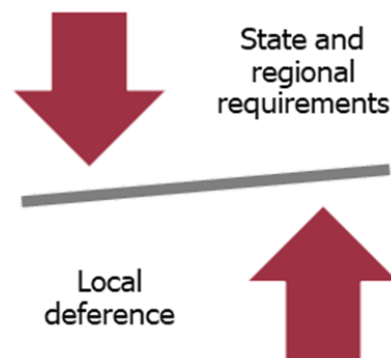
In addition, Bonney Lake and Sumner face similar growth pressures but face some unique challenges and opportunities based on their different housing stock and demographics. This Housing Action Plan presents analysis, strategies, and a range of actions to consider.

Connection to Comprehensive Plan Process

Both Bonney Lake and Sumner will update their Comprehensive Plans no later than June of 2024. As part of that process, they will be planning for growth out to 2044. The amount of growth each City decides to plan for is linked to the types of actions necessary to meet

housing goals. The more growth expected, the more creative each city must be in order to accommodate that growth. The elements and objectives of a HAP will help support the implementation of growth and housing strategies as each city moves forward.

Planning is a balance between state and regional requirements and substantial local deference afforded to each city so they can plan in a way that is best for their community.



While broad housing requirements are outlined within the Growth Management Act ([RCW 36.70A.070\(2\)](#)), policies are also developed at the regional and countywide levels. The Puget Sound Regional Council (PSRC) is a regional body that develops policies around transportation, economic development, and growth (including housing). The Pierce County Regional Council then develops Countywide Planning Policies (CPPs), which help ensure Pierce County and the cities within the county coordinate on growth issues. The policies contained in the CPPs are further refined as each city completes its Comprehensive Plan update. The HAP provides an opportunity to proactively look at housing issues and identify possible solutions that can be implemented as this planning takes place.

Long-Term Impacts of COVID-19 on Housing

The ongoing COVID-19 pandemic and the associated health and economic consequences continue to affect everyone in the Puget Sound region and around the world. While the full story of the effects of COVID-19 on housing is still being written, several important trends are emerging or likely to gain importance in the years to come.

First, for many of those whose employment can occur remotely, physical proximity to the workplace is a less important factor when choosing a place to live. Factors including access to parks, great schools, and being closer to family, may increase in importance.

Second, the demand for new housing is continuing to outstrip supply, leading to continued upward pressure on prices. Labor and material shortages continue to make building housing expensive, and the locational decisions discussed above are leading to many more households with continued employment looking to change their housing situation.

Third, continued high unemployment in the hardest-hit economic sectors may lead to a wave of evictions, with serious consequences for those households unable to afford their housing coupled with a spike in vacancies and continued financial stress for landlords and housing providers. Stagnant or falling rents may help some, but certainly not all, households facing loss of income or medical expenses as a result of the pandemic.

Housing Policy Analysis and Current Policy Conditions

Both Bonney Lake and Sumner have comprehensive plans that offer policy support for their municipal code and implement the policies of the [Puget Sound Regional Council](#) (PSRC) and the Pierce County [Countywide Planning Policies](#) (CPPs). Appendices [3](#) and [4](#) contain an analysis of Bonney Lake and Sumner's Comprehensive Plan policies that relate to housing.

Both cities should consider additions and revisions to their policies that support future actions in line with what is provided in this plan and to successfully implement updated policies in [Vision 2050](#) (approved October 29, 2020). Such policy additions should strengthen and support the actions recommended here, including (but not limited to) strengthening policy support for more diverse housing options, developing code and policies that mitigate the risk of displacement, and placing equity front and center when crafting future housing code and policy.

Additional analysis on housing policies for [Bonney Lake](#) and [Sumner](#) are found under the key findings and recommendations section of each HAP.

Housing Types Considered

SINGLE-FAMILY HOUSING

HB 1923 specifically calls for the development of policies and strategies to increase the availability of single-family homes that are affordable to a wider range of households. This could include both detached and attached single-family dwellings. The HAPs for Bonney Lake and Sumner present strategies and actions that can increase the availability and affordability of single-family homes, including various forms of single-family attached as well as single-family detached units.



MISSING MIDDLE HOUSING

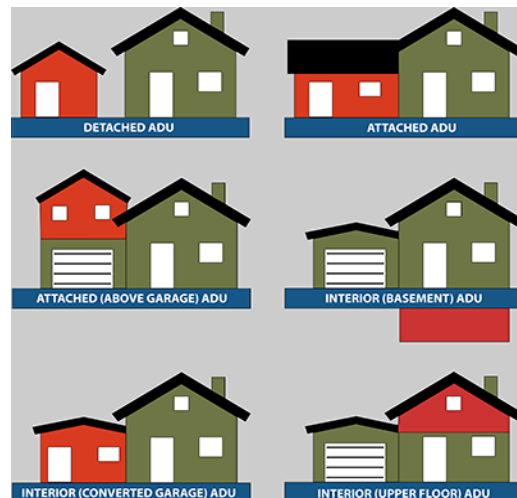
“Missing middle” housing refers to a range of housing types including duplexes, triplexes, fourplexes, townhomes, and apartments built with wood frame construction. These housing types offer more affordable options for buyers and renters and more efficiently utilize land often dedicated to single family detached homes. “Missing” refers to the fact that these more affordable housing types are not being built fast enough to keep up with demand. “Middle” refers to their position on a spectrum between single-family

detached homes and mid- to high-rise apartment buildings. The Housing Action Plans for Bonney Lake and Sumner include actions that address various facets of this form of housing. This includes potential changes to zoning codes to allow such development in more places, as well as updates to parking requirements and road standards to reduce development costs.



ACCESSORY DWELLING UNITS

Accessory Dwelling Units, or ADUs, are small housing units attached to or separate from and accessory to a single-family home. These smaller dwellings, sometimes envisioned as homes for older parents or other relatives, hold promise as a way of providing basic, affordable accommodations for households that do not need much space while



potentially providing a source of rental income for homeowners. Jurisdictions region-wide have recently pursued changes to their land use regulations to allow or further encourage ADUs as a way of addressing the housing affordability issue. Various actions are detailed in the following plan that could help incentivize construction of ADUs.

SENIOR HOUSING

Assisted living facilities, retirement communities, adult family homes, and other forms of senior housing will be increasingly needed as the populations within our region and both cities age. ADUs and missing middle housing can also play an important role in providing housing options for seniors that are affordable. Providing these housing options within each city allow current residents the ability to age in place.



“Placeholder for advisory committee quotes”

Strategies

All actions proposed in this Housing Action Plan can be categorized by their implementation of one or more strategies as outlined below. Each strategy is assigned its own icon, which are incorporated into the following action writeups according to which strategy or strategies each action addresses.

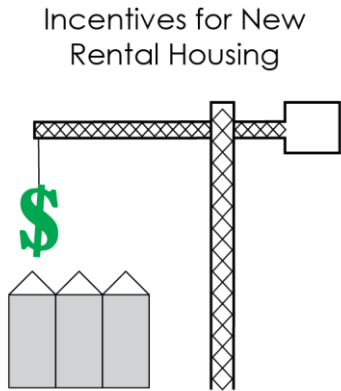
PRESERVE RENTAL HOUSING

Preserving Rental Housing



This addresses both rent-restricted and non-rent-restricted rental housing. Both communities, but especially Sumner, focus on reducing the risks of displacement. This can be done through rehabilitation of existing units or a waiver of certain fees that would allow a new development to offer new units whose rents approximately match housing that was displaced. Actions include public-private partnerships with neighborhood associations and landlords to bring down the cost of upkeep.

INCENTIVES FOR NEW RENTAL HOUSING



Both Bonney Lake and Sumner have expressed interest in policy options to increase incentives available for preserving existing rental housing and creating new rent-restricted and market rate rental housing. The Housing Needs Assessments demonstrate that additional rental housing, particularly for low- to moderate-income households, is needed to reduce the cost burden of their housing expenses.

Incentives for rental housing can include the Multi-Family Tax Exemption (MFTE), waiving mitigation fees, and demonstration programs to reduce displacement and rehabilitate existing housing stock.

BRING DOWN THE COST OF DEVELOPMENT



The cost of developing new housing, regardless of type, includes labor and materials, the costs of permitting (including impact and mitigation fees), and the time and cost of permit processes. Several actions included in this Housing Action Plan address the elements of this calculation most within the city's control, namely permit efficiency, fees, and time and process required to approve development.

PROVIDE WIDER VARIETY OF HOUSING TYPES

Providing Wider Variety of Housing Types



Bonney Lake and Sumner can make progress on this strategy through several actions, including changes to the zoning code to make various types of housing more widely allowed and demonstration programs for fee reductions. This includes senior housing, ADUs, and so-called Missing Middle housing.

PREVENT AND MITIGATE
DISPLACEMENT

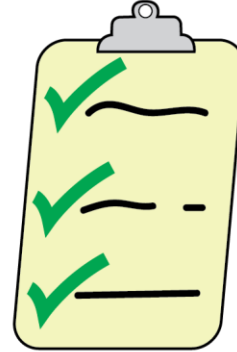
Preventing and
Mitigating Displacement



Both Bonney Lake and Sumner have housing stock of limited diversity. This means that as prices rise, what multi-family and attached single-family housing that does exist is vulnerable to redevelopment. Sumner’s housing stock is also older, putting it at even greater risk of redevelopment that could displace existing residents. Both communities are interested in preventing and mitigating displacement using property maintenance programs, demonstration programs, and changes to residential development performance standards.

IMPROVE THE PERMIT PROCESS

Improving the
Permitting Process



Several actions explored in the HAPs involve exploring potential changes to city code to reduce the time and cost that it takes to bring new housing to market while still ensuring public health, safety, and welfare is taken into account. These potential changes include increasing SEPA exemptions, fast-track programs, and waiving of mitigation fees through use of HB 1406 sales tax dollars.

HIGH-LEVEL FINDINGS FROM BONNEY LAKE HOUSING NEEDS ASSESSMENT

Household Composition - Data shows a need to support continued production of family-friendly housing including at least 2 bedrooms. Family-sized, family-friendly housing contains more than two bedrooms and includes features essential for families, such as areas where family members can gather for meals and other activities, sufficient storage space, and easy access to outdoor play and recreations space. Allowing a broader mix of diverse family-friendly housing units at different price points in single-family neighborhoods can attract a larger number of families with a wider range of incomes.

Growing Diversity - Strategies should focus on providing lower-cost rentals and increased moderate to middle-income priced homes with home ownership opportunities and multigenerational accommodations.

Families and Seniors - The HAP should include strategies to address the increased housing needs for seniors. Homeownership rates tend to increase as age increases and older people are more likely to live in single-person households which tend to be smaller in size. The aging of the Baby Boomer generation (born 1946 to 1964) could also generate greater demand for housing offering living assistance, multigenerational accommodations, and opportunities for residents to age-in-place or age elsewhere in their communities. Overall, these trends indicate high demand for "missing middle" housing (e.g., ADUs, townhomes, triplexes, duplexes, quad homes, and cottages) which allows more seniors and couples to downsize and remain in their community.

Rising Demand and Supply Scarcity - Where feasible, additional home ownership opportunities should be afforded for households earning between 80 and 120% AMI. Housing serving this income bracket tends to be middle housing. Demand is mounting for middle housing mostly due to aging baby boomers, young households forming, and the growing workforce. As a result, strategies should be developed to support middle housing production in Bonney Lake. Although Bonney Lake has a small share of renters, the renter population tends to include households at the moderate to lower income level and the rising costs of housing has disproportionate impacts for homes priced at these levels. Consequently, additional production of apartments, multiplexes and middle housing, and government subsidized housing should be supported.

Fewer Jobs, Higher Commute Rates - Considering Bonney Lake's high commuting rates, it's worth asking how many are commuting due to preference or the lack of affordable housing.

Newer, Single-Family Housing Stock - The low supplies of single-family attached housing such as town homes, triplexes, duplexes, and cottage courtyard apartments and multifamily housing should be addressed to provided broader housing options for the community. In addition, demand is expected to increase for single-family attached housing mostly due to aging baby boomers and young households forming.

Cost Burden on Lower Income and Renter Households - Bonney Lake will need to continue boosting production of low-income (50% AMI or lower) housing rentals and ownership opportunities to achieve the 2008-2030 target since they are about halfway towards meeting the 2030 goal. The approaches for increasing low-income housing likely is more complicated due to the need for some sort of direct assistance.

KEY FINDINGS AND RECOMMENDATIONS

Housing Policy Analysis

The project team completed an analysis of Bonney Lake's current housing policies. The city's comprehensive plan includes its housing policies under the Community Development Element ([Chapter 2, Bonney Lake 2035](#)). [Appendix 3](#) contains an analysis table of Bonney Lake's housing policies. The Community Development Element sets a great policy basis for supporting and providing a variety of housing types at all income levels within the city. Most of the actions identified in this plan are already supported by existing policy. As an example:

- 2.2 encourages "...the development of mixed-use, senior housing, high density residential, and public services uses such as education, health care, libraries, child care, governmental facilities...".
- 10.2 focuses on support for the "...development of special-needs housing, especially for seniors, such as independent living facilities, various degrees of assisted living facilities, and skilled nursing care facilities.
- 10.5 makes it clear that the City of Bonney Lake will provide "...a sufficient supply of housing affordable to all income levels by maintaining a supply of housing that is currently affordable to median-income, low income and very low-income households, and work to increase the supply of housing affordable to households within Bonney Lake that make eighty percent (80%) of the Pierce County Median..."

The Community Development element also provides great support for the development of the Housing Action Plan. Policy 10.3 states that the City will "Actively promote community awareness and education campaigns regarding affordable housing in order to engender acceptance throughout the community." This project is direct implementation of Policy 10.3.

Moving forward, the City could consider additional direct policy support related to actions taken in the future. As an example, there are no direct policies supporting ADUs, tiny homes, mixed housing types in single family zones, permit process efficiencies related to housing types the city is promoting, or the use of MFTE. The city is also considering implementing a form-based code. Policies to solidify the goals for a form-based code could also be useful.

Lastly, the City will be updating its comprehensive plan by June 2024. Part of this process will include a review to ensure city policies are consistent with State Law, and regional (PSRC Vision 2050) and countywide planning policies. Recent changes to regional policies have focused on issues such as equity and displacement. These new and updated policies align well with many of the actions identified within this plan. A future update of policies to provide an equity lens on development and displacement minimization as redevelopment occurs will ensure future actions meet all the City of Bonney Lake's goals.

Housing Strategies

The following six strategies represent collections of actions that address a particular housing issue in a targeted way. The specific actions that fall under each strategy are listed below the strategies. Note that many actions appear under multiple strategies; this reflects the fact that many of the actions the cities can take can address more than one issue simultaneously.

Strategy 1, Preserve rental housing

- Affordable housing preservation strategies

Strategy 2, Incentives for new rental housing

- Inclusionary zoning/density bonuses/current use assessments

Strategy 3, Bring down the cost of development

- Use HB 1406 sales tax dollars to reduce development costs
- Use of MFTE/publicly owned land as incentives for rent-restricted affordable housing
- Create permit process efficiencies
- Reduce fees and other direct costs
- Raise SEPA exemption levels for minor new construction
- SEPA exemptions for infill development
- Update road standards to increase site flexibility
- Update open space standards to increase site flexibility
- Switch to bedroom-based calculation of off-street parking for multiple dwelling unit development.
- Update parking and design requirements for ADUs

Strategy 4, Provide wider variety of housing types

- Update parking and design requirements for ADUs
- Use of MFTE/publicly owned land as incentives for rent-restricted affordable housing
- Modify allowed uses to increase range of missing middle housing
- Permit and clarify Tiny Home regulations
- Update subdivision code to allow unit lot subdivisions

Strategy 5, Prevent and mitigate displacement

- Use HB 1406 sales tax dollars to reduce development costs
- Affordable housing preservation strategies
- Use of MFTE/publicly owned land as incentives for rent-restricted affordable housing
- Inclusionary zoning/density bonuses/current use assessments

Strategy 6, Improve the permit process

- Create permit process efficiencies
- Raise SEPA exemption levels for minor new construction
- SEPA exemptions for infill development
- Update subdivision code to allow unit lot subdivisions

Figure 9. Action Schedule and Summary Table, Bonney Lake

Action	Type	Target Group	Area of Applicability	Scale of Potential Impact	Timeline
Use HB 1406 sales tax dollars to reduce development costs					
Use of MFTE/publicly owned land as incentives for rent-restricted affordable housing		The rest of this table will be filled in as part of completing the final HAP			
Inclusionary zoning/density bonuses/current use assessments					
Create permit process efficiencies					
Reduce fees and other direct costs					
Switch to bedroom-based calculation of off-street parking for multiple dwelling unit development					
Update parking and design requirements for ADUs					
Update R-districts bulk					

Action	Type	Target Group	Area of Applicability	Scale of Potential Impact	Timeline
regulations to allow for townhomes					
Raise SEPA exemption levels for minor new construction					
SEPA exemptions for infill development					
Update road standards to increase site flexibility					
Update open space requirements to provide more flexibility					
Expand where ADUs can be built					
Expand where senior housing can be built					
Modify allowed uses to increase range of missing middle housing					
Permit and clarify Tiny Home regulations					

Action	Type	Target Group	Area of Applicability	Scale of Potential Impact	Timeline
Update subdivision code to allow unit lot subdivisions					

HOUSING ACTIONS

Preventing and Mitigating Displacement



Reducing Development Costs



Providing Wider Variety of Housing Types



USE OF MFTE/PUBLICLY OWNED LAND AS INCENTIVES FOR RENT-RESTRICTED AFFORDABLE HOUSING

The City of Bonney Lake should establish more incentives to promote increased availability of affordable housing that would be rent-restricted for low to moderate-income households. A list of affordable housing funding sources available to Bonney Lake is detailed below in Local Affordable Housing Funding Sources section. Use of these programs with partners should be explored to help develop new affordable housing in the city. For example, use of the Washington State Housing and Finance Commission's 80/20 private activity and non-profit housing bonds should be explored.

Bonney Lake should adopt a Multifamily Tax Exemption (MFTE) program to incent affordable housing options and promote mixed income developments. The MFTE allows a local jurisdiction to incent housing options in urban centers lacking in housing choices or workforce housing units. Washington State Chapter 84.14 RCW outlines the existing requirements. This program exempts eligible new construction or rehabilitated housing from paying property taxes for either an 8-year or 12-year period of time. Only multiple-unit projects with four or more units are eligible for either the 8- or 12-year exemption, and only property owners who commit to renting or selling at least 20% of these units to low- and moderate-income households are eligible for the 12-year exemption.

Other MFTE program variations such as including the rehabilitation of housing units should be researched and weighed against costs (foregone property tax revenue for the duration of the program) and benefits (such as affordable housing production). The city should examine potential urban center areas (such as Downtown Mixed District, Midtown Core, TOD overlay) that could allow the use of a MFTE program. Additional detail on MFTE recommendations are provided in [Appendix 2 under the Program Analysis Memo](#).

Cities with MFTE programs include: Sumner • Burien • Redmond • Tacoma • Kirkland • Marysville • Everett • Issaquah • Yakima

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none"> • Tax abatements positively impact the feasibility of projects where market-rate projects are feasible and can help cross-subsidize affordable units • Helps balance out the financial impacts associated with building affordable housing • Increases the production of affordable housing and broadens the availability of housing choices 	<ul style="list-style-type: none"> • City must weigh the temporary loss of tax revenue against potential benefits • May provide insufficient incentive to lead to production or affordability unless paired with other tools

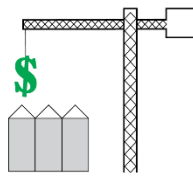
Preventing and Mitigating Displacement



Reducing Development Costs



Incentives for New Rental Housing



USE HB 1406 SALES TAX DOLLARS TO REDUCE DEVELOPMENT COSTS

SHB 1406 (codified as RCW 82.14.540) provides a new affordable housing revenue stream for cities/counties that choose to participate. This sales tax option is a credit against the state sales tax rate of 6.5%, so it will not increase the tax rate for consumers. If a city elects to participate, as Bonney Lake has, but does not have a “qualifying local tax”, the city will receive the 0.0073% half share and the county will also receive a 0.0073% half share within the city boundaries of the total potential 0.0146% sales tax credit. The City of Bonney Lake (2019) recently adopted this sales tax levy set at the 0.0073% sales tax credit level. They estimate that they will generate around \$50,000 per year from this credit.

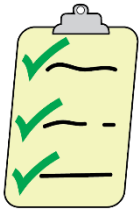
The city has a couple of options on how to proceed:

- The city could utilize this revenue stream to provide rental assistance to help get people into house. The city could consider working with a partner organization on this effort.
- The city could follow a similar path as the city of Sumner who will be pooling their funding toward a regional/countywide organization (yet-to-be-formed) organization that will seek to acquire (or build) and manage affordable housing assets and programs similar to the A Regional Coalitions for Housing (ARCH) in King County (a partnership of many eastside suburban cities).
- The city could make funding available to provide rental assistance to tenants that are at or below 60% of the AMI of the county or city that is imposing the tax. The city would need to work out the logistics for a community partner to help them administer the rental assistance.

Examples of cities using SHB 1406 to reduce the development costs of affordable housing include: Ellensburg • Issaquah • Olympia • Port Angeles • Redmond

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none"> • For pooling, the level of funding received via the tax credit is limited and can be leveraged with other sources of funds • For rental assistance, the funds make a material difference for household struggling with making ends meet and stay housed 	<ul style="list-style-type: none"> • For pooling, the city loses some local control of the dollars in terms of where they are spent

Improving the Permitting Process



Reducing Development Costs



CREATE PERMIT PROCESS EFFICIENCIES

The city should pursue permit process improvements that will help make the housing development process more predictable, efficient, and less expensive to help promote targeted housing projects such as for ADUs, multifamily housing, single-family attached housing, and affordable housing. The Local Project Review law (RCW 36.70B) supports the establishment of a predictable and timely review process by setting time limits on application review and permit decisions. Following are several ways to support this goal:

The city could launch a pilot program to test housing permitting improvements, with the goal to increase predictability in the timing of the development process. Focus on adjustments such as expediting permit review, simplifying or combining application steps, making permit checklists more user-friendly, and reducing submittal requirements at the permit intake stage. This pilot program should test out process improvements such as a consolidated permit review process with concurrent review of preliminary plat and civil plans (with the applicant assuming risk) for priority housing applications. This process should integrate negotiated timelines emphasizing mutual responsibility of applicants to meet deadlines along with city reviewers. As a first step, the city could test out fast-tracking routine ADU applications. Applicants wanting to build an ADU could make an appointment with the city and sit down with all departments at once to get their permit submitted and approved in a short amount of time.

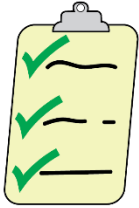
The city could designate a staff person (or housing ombudsman) to serve as a liaison for affordable housing projects. This person would provide guidance and coordination through the permitting process and could help applicants navigate the complexities associated with the process of development and building construction permitting. In addition, this person could help educate and advise landlords and tenants.

A reform of the time it takes a project to make it through the permit process could be coupled with raising the SEPA exemption threshold, creating a SEPA exemption for infill housing within the downtown core, and adding a unit lot subdivision code section could reduce pressure on staff and make it easier to prioritize the desired project types for a fast track program.

The following cities enacted permitting efficiencies: Redmond • Kirkland • Tacoma • Redmond • Auburn • Lake Stevens. The City of Bellevue has a planner dedicated to housing projects.

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none"> • This could expedite the delivery of housing meeting diverse needs and reduce the time to approval • Could translate into cost reductions for housing • Broadened housing choices and increased housing development 	<ul style="list-style-type: none"> • The process of establishing a new staff member and undergoing review of fees and permitting process steps will require staff time and resources • Delayed payment of fees could result in delays for receiving needed revenue for the city

Improving the Permitting Process



Reducing Development Costs



REDUCE FEES AND OTHER DIRECT COSTS

The city should pursue permit process improvements that will help make the housing development process more predictable, efficient, and less expensive to help promote targeted housing projects such as for ADUs, multifamily housing, single-family attached housing, and affordable housing. The state of Washington Local Project Review law (RCW 36.70B) supports the establishment of a predictable and timely review process by setting time limits on application review and permit decisions. This can include exploring reduction of fees and other direct costs of permitting where appropriate. Following are two ways to support this goal:

- Bonney Lake should explore payment flexibility opportunities to reduce upfront fees and allow for gradual payment during the permitting process to help reduce upfront requirements acting as a barrier of entry. As a part of this process, the city could identify possible fee barriers for new residential development that is affordable and helpful for meeting current housing needs (such as multifamily housing and single-family attached housing).
- The city could consider waiving pre-application meeting fees for targeted housing development projects (such as ADU, affordable housing, multifamily housing projects). Currently, the city charges \$300 for the first meeting and \$500 for each additional meeting for the same parcel. The waived fee could be limited to the first meeting and a reduced fee could be considered for subsequent meetings.

The following cities have enacted similar permitting reforms: Redmond • Kirkland • Tacoma

The City of Portland, OR Water Bureau has a development fee [financing option](#).

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none"> • The creation of a transparent and more navigable permitting process could expedite the delivery of housing meeting diverse needs and reduce the time involved with the permitting process • Permitting improvements reducing the time, labor, and costs could translate into cost reductions for housing • Broadened housing choices and increased housing development 	<ul style="list-style-type: none"> • The process of establishing a new staff member and undergoing review of fees and permitting process steps will require staff time and resources • Delayed payment of fees could result in delays for receiving needed revenue for the city



Preserving Rental Housing



Preventing and Mitigating Displacement



AFFORDABLE HOUSING PRESERVATION STRATEGIES

Affordable housing should be preserved in Bonney Lake to retain housing options meeting the needs of residents with different household income levels. Strategies should be developed to preserve both rent-restricted low-to moderate-income affordable housing and naturally occurring affordable housing. Naturally occurring affordable housing are housing units that are unregulated/ unsubsidized and subject to market forces but are affordable to low-income households. Considering that regulated affordable housing is difficult and costly to build (see Appendix 8, describing the Affordable Housing Development process), strategies supporting the preservation of naturally affordable rentals are crucial for Bonney Lake. The city would have fairly low probability of gaining enough public subsidies to build rent-restricted affordable housing. Actions should be prioritized to encourage owners to retain housing for long-term renting.

- Bonney Lake should collect key data on its rental housing properties to build a rental housing preservation inventory useful for describing the rental landscape. Information on the age of the housing, number of bedrooms, rental rates, rate of vacancy, rent-restricted units, and condition (such as the CoStar housing condition star ranking) could be collected. Another benefit, is this could prevent the loss of “at-risk” properties by setting Bonney Lake up to purchase targeted properties when the owner is ready to sell or for the city to offer low cost rehab loans and financing of repairs in exchange for an affordability covenant. This strategy would help maintain housing affordability and could prevent the loss of property to new redevelopment which could displace existing residents.¹¹ Lastly, this rental housing inventory could inform the establishment of a rental housing licensing program, should this become a priority for the city.¹²
- Bonney Lake should increase investments needed to purchase and preserve affordable properties particularly those at risk of displacement. Bonney Lake should identify partnership opportunities with non-profit organizations and housing agencies to purchase existing, unregulated affordable housing to preserve it for the long term. This could also be used to preserve rent-restricted housing units that might be nearing the end of their affordable term.
- The city should reach out to local housing providers to support the rehabilitation of regulated affordable properties with large capital needs or failed inspections. In addition, the city could partner with a nonprofit and/or the City of Sumner to create a rehabilitation, repair, and weatherization program that would offer repair/weatherization support for existing, unsubsidized affordable housing in exchange for affordability restrictions. This program can help improve the livability of existing owner-occupied homes and manufactured homes and

¹¹ Local housing solutions, 2020. Housing in areas with access to public transit and schools could be targeted.

¹² A rental housing licensing program could be considered which requires owners of rentals to obtain a landlord license and gain periodic inspections, when legitimate complaints are received. With these types of programs, owners are typically required to respond to code violations identified during inspections within a certain timeframe. Sumner should avoid imposing strict requirements and high fees for license since this could discourage participation.

also can help homes become more energy-efficient which can reduce the costs of utilities and promote sustainable development.

- Bonney Lake should consider establishing good landlord incentives, such as landlord training workshops or clinics, crime reduction programs, and financial incentives (e.g. exemptions from fees) associated with improving housing conditions. This type of program will support landlords by providing them best practices in preventative maintenance and tenant and property management. Similar to earlier recommendations, Bonney Lake could partner with a nonprofit or the City of Sumner to jointly implement this program.¹³

Examples of cities that have taken this approach: Tukwila • Seattle • Tacoma • Burien

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none"> • Preserves affordable housing possibly for the long-term • Improves the quality of life and can improve the health and stability for people living in rehabilitated homes and if completed for many homes in the same community, can result in positive effects on neighborhood quality and stability • Reduces displacement and provides information useful for identifying housing at risk of displacement • Can help improve the stability of neighborhoods • Renovating existing housing stock tends to be more cost-effective than building new affordable housing • A low-income weatherization and rehabilitation program can help improve the livability of existing owner-occupied homes and manufactured homes and also can help homes become more energy-efficient which can reduce the costs of utilities and promote sustainable development 	<ul style="list-style-type: none"> • All of the recommendations will require staff time and resources • Several of the ideas would require funding and grants, and possible partner support • These measures are not guaranteed to increase the housing supply and the number of new affordable housing units

¹³ Local Housing Solutions, 2020.



SWITCH TO BEDROOM-BASED CALCULATION OF OFF-STREET PARKING FOR MULTIPLE DWELLING UNIT DEVELOPMENT

[BLMC 18.22](#), Residential Development Standards, governs residential parking requirements. Provisions for off-street parking is one of the largest users of land in most forms of residential development. Communities face a delicate balancing act of providing enough parking on site that is convenient for residents and does not have major negative side effects on surrounding streets. Traditionally, communities and developers have erred on the side of requiring or providing plentiful off-street parking in garages and driveways. While Bonney Lake's code accounts for differences in how much parking is called for in some residential uses and zones, there are areas where change could be considered.

For example, [BLMC 18.22.100\(B\)](#) requires two off-street parking spaces per dwelling unit for all multi-family units. As it currently stands, a 3-bedroom multi-family dwelling and a studio apartment would both be required to provide two off-street parking spaces. The city could consider tying off-street parking spaces to the number of bedrooms rather than the number of units. As an alternative, allow a parking study to be provided to justification for reduced parking.

The following are examples of jurisdictions that have adopted parking requirements that vary by number of bedrooms: Lynnwood • Marysville • Bellingham

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none"> • More accurately ties required parking to actual demand • Lots of evidence on the benefits of right-sizing parking makes it easy to head off potential criticism • Can be combined with other parking-related code updates (see ADUs) to reduce cost of development and prioritize housing over parking 	<ul style="list-style-type: none"> • Might not lead to that many new units depending on strength of local market for smaller units with fewer bedrooms • Does not address provision of on-street parking, which is an important but potentially more politically divisive issue

Providing Wider Variety
of Housing Types



UPDATE PARKING AND DESIGN REQUIREMENTS FOR ADUS

The City of Bonney Lake currently regulates the minimum off-street parking requirements in [BLMC 18.22.090](#) and [18.22.100](#). All single- and multi-family units require provision of two off-street parking spaces. An ADU must provide one additional off-street parking space for a one-bedroom unit and two additional off-street spaces for a unit with two or more bedrooms. BLMC 18.22.090 also requires that the ADUs meet several design guidelines that could raise barriers to creation of more ADUs. This includes the requirement that the maximum building height for a separate structure containing an ADU be 18 feet or less (one story) and that the ADU not have an entrance oriented toward the street.

The first step should be to reconcile parking requirements. Currently, 18.22.090 (accessory dwelling units) states one off-street space is required for one-bedroom ADU units and two spaces for two-or-more-bedroom units, whereas the next section (18.22.100(I)) states that one space for each ADU is required. The city can also consider reducing or waiving this requirement. The household types likely to live in a small ADU likely have lower car ownership rates than other households, particularly if they are seniors. Furthermore, the design guidelines as written may create barriers to building an ADU above a garage, as a garage with a full dwelling unit above it is unlikely to be greater than 18 feet tall and might have a pedestrian entry door on the front that would not be allowed as an ADU entry under current code. The parking provision also provides a barrier given the city's 60 percent impervious requirement in its single-family zones. The City could revise its code to waive the requirement for extra parking if the ADU is below a certain square footage or if the lot is home to a garage for the primary residence. Another alternative would be to allow one space in the driveway or garage to count toward the parking requirement for the ADU. The city could also consider removing or changing the height and entrance orientation requirements to provide more flexibility for ADUs located in separate structures.

The following jurisdictions have reduced parking requirements for ADUs: Seattle • Kirkland • Olympia

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none"> • Provide greater flexibility for location and design of ADUs • Make more lots legally able to support an ADU 	<ul style="list-style-type: none"> • Neighborhood sensitivity to perceived burden on on-street parking or building heights • Potential to trigger broader changes to residential design requirements could make the changes take longer

Providing Wider Variety
of Housing Types



UPDATE R-DISTRICTS BULK REGULATIONS TO ALLOW FOR TOWNHOMES

While townhomes are a permitted use in the R-2 and R-3 zones, it is not clear from the bulk regulations in these zones whether townhouses would be feasible at the necessary densities to make this housing type pencil out for applicants to build them.

For example, in the R-2 district, the general intent of the district is “to establish and preserve medium-density residential neighborhoods at a density of five to nine units per acre”. Particularly in infill situations, net densities that top out at nine units per acre may be suitable for small-lot single-family detached homes but are likely inadequate in many situations for townhome development. The city could consider increasing the maximum density allowed in the R-2 zone or creating a density bonus for attached housing. One way of accomplishing this would be to adapt the cluster subdivision regulations in the R-1 zone ([BLMC 18.14.060\(H\)](#)) for R-2, although the city could consider adopting this not as a permitted use with performance standards/conditions instead of a conditional use, as is the case in the R-1 provision.

Furthermore, if unit-lot subdivisions were allowed (as outlined in this plan), [BLMC 18.16.050](#) would need to be updated to allow minimum lot widths to be as narrow as a unit if a unit-lot subdivision is undertaken, and an exception to the side setback requirement would be needed as well.

The city currently has a zero-side yard setback provision in the R-3 zone ([BLMC 18.18.050](#)). That should be repeated in R-2 if townhouses are to be allowed in both zones.

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none"> • Accommodates an already permitted use, so likely to be more palatable politically than expanding the geographic scope of duplexes or other types of housing • City already has language in other code sections to act as template language • Could be combined with definition of unit-lot subdivisions to make the biggest difference 	<ul style="list-style-type: none"> • Without provisions in place to prevent displacement, could incentivize elimination of affordable (older) single-family homes and diminish stock of naturally occurring affordable housing

Providing Wider Variety
of Housing Types



MODIFY USE TABLES TO INCREASE RANGE OF MISSING MIDDLE HOUSING

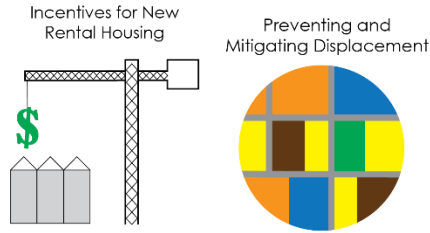
[BLMC 18.08](#) outlines which uses are permitted, conditional, and accessory in the zoning districts. This code section is important because it lays out where different uses are allowed within the city.

Currently, duplexes are permitted in only two districts (R-2 and R-3) and prohibited in all others. Additionally, all apartments and condominiums are grouped together in one use category; they are permitted outright in the R-3 zone and permitted with conditions in some commercial and mixed-use districts. Single-family residences are permitted outright in the RC-5, R-1, R-2, and C-1 districts, while ADUs are permitted in only the RC-5, R-1, and R-2 zones.

Given the city's interest in providing more diverse housing options, several changes to the land use matrix could increase the range of "missing middle" housing across the city. Duplexes could be allowed by right in the R-1 and R-2 and the code could be modified to ensure the duplex unit only counts as one unit when calculating density. New use categories could be broken out of the "Apartments/Condominiums" use to reflect missing middle options like triplexes and quadplexes, with those uses permitted, conditional, or permitted with conditions in more zones than large apartments.

Where addition housing types are allowed, considering increasing the allowed density as well to encourage that housing type to be built. Also consider locational standards that ensure more dense housing types are built in desired locations (such as along arterials or duplexes on corner lots).

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none"> • Could open up large areas where more diverse housing options are allowed • Footnotes and Conditional Use Permit requirements could allow staff/council to tailor appropriate performance standards and conditions to each use 	<ul style="list-style-type: none"> • Adding or modifying uses in the use matrix could trigger broader examination of the land use matrix and bog down the process • Just permitting uses in a zone does not alter any other market fundamentals or code limitations within that zone's standards and thus may not result in many units being built unless those other limitations are addressed as well



INCLUSIONARY ZONING/DENSITY BONUSSES/CURRENT USE ASSESSMENTS

Inclusionary zoning is a program in which code establishes minimum percentages of housing units at a particular level of affordability that are to be provided within new development. It can be regulated as either a mandatory or a voluntary program. Bonney Lake has indicated interest in a voluntary program to incentivize creation of more affordable housing units.

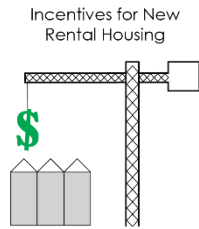
Several tools for incentivizing affordable housing as a percentage of new development sit at the city's disposal. For example, the city could consider establishing density bonuses for affordable housing such as a density bonus up to 10 to 15 percent of the base density for certain zones. In addition, bonuses could be allowed for affordable senior housing including retirement residences or multifamily housing. Inclusionary zoning programs could be paired with density bonuses to help improve the feasibility to develop housing. The city could limit this to certain zones or could create an overlay zone that contains the density bonus and could be applied to a range of zones. Density bonus programs can allow developers to contribute to a housing fund in place of building the units themselves.

Jurisdictions that currently use a density bonus program include: Marysville • Seattle • Redmond • Kirkland • Federal Way • Poulsbo

Another potential program the city could use to incentivize affordable housing is a Current Use Assessment. This approach provides a tax reduction in which a participating property is assessed at a specified use value, which is lower than the "highest and best use" assessment value that would be applied in the absence of the program.

This program is in place at the state level through RCW 84.34 and WAC 458-30 as it applies to natural resource, open space, and historic properties. A Current Use Assessment program for voluntary affordable housing could provide an extension of property taxes paid as vacant property for a certain number of years if a development provides a certain level of public benefit (in this case, affordable housing). It is unknown if any communities in Western Washington use this approach for affordable housing. This current use assessment could be used as a filter for projects wishing to participate in the fast-track permit program or applying for reduction or elimination of certain impact fees.

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none"> • Voluntary program likely to be less controversial than mandatory one • For density bonus, contribution to a fund in lieu of participation could bridge gap between mandatory and voluntary program 	<ul style="list-style-type: none"> • Voluntary program unlikely to receive same level of interest or have the same effects as mandatory program • For current use assessment, lack of current examples makes program design more challenging



REDUCE OR WAIVE IMPACT FEES

Incentives should be explored to reduce the cost of developing affordable housing and single-family attached housing (also referred to as “missing middle” housing) in a way that would help boost production. Fees that make it expensive to build more housing choices create financial barriers to new home construction, which can result in fewer projects moving forward. Impact fee reductions or waivers should be explored along with incentive zoning (i.e., density bonuses).

Impact fee exemptions, reductions, and deferrals should be considered to help reduce upfront fees incurred during the permitting of targeted development such as affordable housing and “missing middle” housing development. The City of Bonney Lake already exempts ADUs from paying impact fees. The city should assess variations for how to reduce impact fees (such as transportation) to determine potential revenue impacts and weigh the loss of this revenue against potential benefits such as new investment in targeted areas. An impact fee rate study could be conducted to help inform recommendations. In theory, impact fees should be designed to include costs proportionate to the benefit that new growth and development will receive from improved and expanded public services.

Examples of cities that have used this approach include: Olympia • Mercer Island • Shoreline • Woodinville

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none"> • These strategies help to broaden housing options available for communities. This housing could provide seniors housing options that would allow for “downsizing” and lower-maintenance living. In addition, this housing could better serve low-to-middle income housing needs • The smaller housing types do not require large empty properties 	<ul style="list-style-type: none"> • Single-family attached housing incentives do not guarantee the development of housing at a certain price • City must weigh the loss of impact fee revenue against the potential attraction of new investment in targeted areas





UPDATE ROAD STANDARDS TO PROVIDE SITE FLEXIBILITY

Substantial portions of new development are taken up by the provision of roads and streets. If fire life safety issues are addressed by the road design and on-street parking is available proportionate to the surrounding uses, narrower public streets or private roads can reduce impervious surface, allow more units to be built, and improve the built environment for residents, especially pedestrians.

For example, Bonney Lake does not currently have a road standard for private access drives. While private streets are allowed for short subdivisions of four or fewer lots according to [BLMC 17.50.060\(B\)](#), some of the housing options discussed in the Housing Action Plan could also benefit from the ability to provide access via a private access drive less than 150 feet in length that complies with fire code. For example, townhouse developments on small footprints can provide units and off-street parking, but especially in infill situations, providing public street access to those units may impact the viability of the project. The city could consider allowing private access drives 20 feet in width, potentially with a pedestrian facility, less than 150 feet in length to serve townhouses, cottage housing, or other “missing middle” housing options. The city could also consider increasing the number of lots (or units) that can be served by a private drive.

The city could also consider a reduced-width public residential street design that has on-street parking on one side. This could be used in conjunction with other code-based housing incentives (i.e., a development with at least 20 percent of its units priced affordable to 80 percent of the median income can use the narrower street).

The following are a few of the jurisdictions who have adopted similar private access drive and/or reduced width roadway designs: Snohomish County (private access drives) • Marysville (reduced width roadway)

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none"> • Revising engineering standards could be less politically complex than some other code revisions • Provides design flexibility without adding layers of complexity to code • Environmental benefits from less impervious surfaces 	<ul style="list-style-type: none"> • Does not guarantee increased affordability of housing • Need to have buy-in from fire department • Requires road standards changes and coordination with public works

Providing Wider Variety
of Housing Types



PERMIT AND CLARIFY TINY HOME REGULATIONS

Tiny houses, which can be either built on foundations or on wheels, are one way to provide a housing option for individuals and households who desire privacy but do not want or cannot afford a large single-family home. They can also be used as a way of providing housing for people experiencing homelessness. Until recently, state law, building codes, and local regulations have presented numerous legal and logistical barriers to siting and building these very small, detached dwellings.

In 2019, the state legislature passed [ESSB 5383](#), which updated state law to enable the development of tiny house villages or communities throughout the state. This law defined tiny houses, directs the adoption of the updated residential building code. The City of Bonney Lake can do the following to study and improve its code and policies on tiny houses.

- Create permit pathway for Binding Site Plans that allow siting of tiny homes (similar to manufactured home park)
- Consider modifying the use matrices to specify where tiny houses or tiny house villages would be permitted or conditionally allowed
- Add definitions for tiny houses to [BLMC 18.04](#) to differentiate from trailers, manufactured homes, and recreational vehicles. This includes clarifying that only tiny houses on foundations (not on wheels) are allowed
- Allow tiny homes, set on a foundation, to be utilized as an ADU
- Include support for tiny houses in housing element of Comprehensive Plan
- Adopt updated International Residential Code with Appendix Q modified to include tiny houses
- Update site plan approval criteria to account for unique site needs of tiny houses

The following are a few of the jurisdictions who have adopted specific provisions for tiny homes: Seattle • Olympia • Tacoma

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none"> • Addresses housing for lower income households without using apartments • Could be cost effective way of mitigating displacement • Provides safer living environment for people experiencing homelessness or housing instability during COVID-19 • Could provide another ADU option 	<ul style="list-style-type: none"> • Perception of tiny homes as social welfare program may make it politically difficult • Addressing tiny homes may require addressing multiple sections of city code and thus may add to difficulty



UPDATE OPEN SPACE REQUIREMENTS TO PROVIDE MORE FLEXIBILITY

BLMC Title 18 outlines outdoor recreation requirements by zone in Bonney Lake.

In the R-3 zone (multifamily residential above 10 dwelling units per acre), [BLMC 18.18.080](#) requires a minimum of 20 percent of the total land area of the site to be maintained as “pervious open space, landscaping or recreation areas, with a minimum of 10 percent developed for recreational use.” The section goes on to require that areas with wetlands, seasonal flooding, or slopes greater than 25 percent cannot be recreational areas. The city could consider revising this section to specify that critical area buffers can serve as recreational area if pervious surface walking trails area included. It can also consider allowing multiple smaller open space areas if one of them meets a minimum required size (currently the code simply requires that “an outdoor recreation area shall be provided on all projects”). It can also consider waiving part or all of this requirement if a development is within a distance of a public park and has suitable pedestrian access.

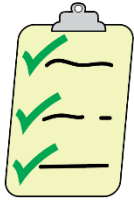
The city's subdivision code (Title 17) also contains a provision in [17.50.090](#) that requires all new subdivisions provide 193 square feet of playground space per residential unit. The city could consider moving this requirement to Title 18 and making the per-unit square footage requirement standard for townhomes and multifamily units as well. As stated above, reducing the open space requirements, when the project is located near an existing park should be considered.

The city could also consider defining open space and recreation area more fully, either in 18.18.080 or in Title 18's definitions section.

The following are a few of the jurisdictions who have adopted similar open space provisions: Snohomish County • Bothell • Lynnwood • Snoqualmie

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none"> • Provides design flexibility in meeting open space requirements on sites with unusual layout • Allows critical area buffers to serve at least a portion of open space requirements, which highlights value of critical areas to neighboring areas • Recognizes existing parks when connected to new development 	<ul style="list-style-type: none"> • Could lead to more numerous but smaller and less useful open spaces if specific parameters are not thoughtfully designed • If definition of open space is too specific, it may curtail more creative designs

Improving the Permitting Process



Providing Wider Variety of Housing Types



UPDATE SUBDIVISION CODE TO ALLOW UNIT LOT SUBDIVISIONS

Unit lot subdivisions are a form of land division that allows townhomes and other single-family-attached housing units to be sold fee-simple, sometimes including a front and back yard.

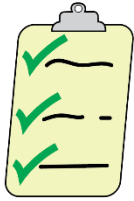
Unit-lot subdivisions allow for more diverse single-family housing options and lower the bar financially for entry into home ownership. They are processed identically to standard lot subdivisions, the differences being primarily in how access to units is provided and dimensional regulations (particularly side setbacks). The city should take care in implementing unit lot subdivisions to provide for lower impact and utility connection fees where appropriate. The city could consider adding a section to Title 17, which governs division of land, as well as adding footnotes or sections to the separate zones in which dimensional regulations are established carving out exceptions for unit lot subdivisions.

Since townhouses or other attached single-family housing could therefore be subdivided, the city should make sure to allow unit lot short subdivisions as well, especially since the city has adopted higher SEPA exemption thresholds for short plats.

The following are a few of the jurisdictions that have allowed unit-lot subdivisions in their code: Snohomish County • Everett • Redmond • Renton

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none"> • Simpler to administer and regulate than condominiums while providing similar affordable entry to home ownership • Encourages appropriate development of sites with complex constraints or layout • Provides downsize option for seniors as well as an affordable entry into ownership for first-time buyers 	<ul style="list-style-type: none"> • Simply allowing a type of development does not guarantee any element of affordability • City must coordinate with utility districts to ensure required utility easements do not exceed the size of desired front setbacks for unit lot townhomes

Improving the Permitting Process



Reducing Development Costs



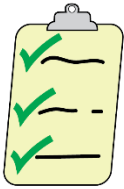
SEPA EXEMPTIONS FOR INFILL DEVELOPMENT

During the 2019-2020 legislative session, [HB 2673](#) was passed. The Bill allows cities a local option to allow higher SEPA exemptions for projects that implement the density and intensity of uses planned for in your Comprehensive Plan. The legislation allows for SEPA exemptions for residential, mixed-use, and commercial development up to 65,000 square feet. Adopting increased SEPA exemptions particularly within the downtown center, could reduce duplicative permit processes while maintaining environmental protections outlines within current City, state, and federal regulations. It is also a way to encourage urban infill that the City has already planned for.

The following are a few of the jurisdictions who have utilized this tool. Bothell • Shoreline • Lynnwood

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none"> • Reduce permit timelines and costs • Eliminate duplicative processes • Encourage urban development planned for within the Comprehensive Plan 	<ul style="list-style-type: none"> • Requires previous/future EIS on comprehensive plan • Perception that environmental protections may be reduced • Perception that notification/options to appeal projects could be reduced

Improving the
Permitting Process



RAISE SEPA EXEMPTION LEVELS FOR MINOR NEW CONSTRUCTION

The Department of Ecology updated State Environmental Policy Act (SEPA) rules in 2012/13. The updated rules, contained within [WAC 197-11-800\(1\)](#), grant local governments the ability to increase SEPA categorical exemptions for certain minor new construction activities. This includes SEPA exemptions for single and multi-family development, commercial buildings, and filling and grading activities. These are often referred to as “flexible thresholds” because each jurisdiction can adopt standards within a range that meets their needs. Currently, Bonney Lake Municipal Code [16.04.080](#) has adopted exemption levels higher than the minimum allowed but the higher thresholds provided for in 2012/13 could be considered.

In most cases, environmental issues that SEPA was intended to address in 1971 are now mitigated by local codes and both state and federal regulations. Setting appropriate SEPA exemption levels within the City could reduce duplicative processes and reduce permit process timeframes while still providing protection of the environment and strong public participation during the permitting process.

The following are a few of the jurisdictions who have adopted SEPA exemption thresholds above the minimum required by WAC 197-11-800: Des Moines • Everett • Kent • Lynnwood • Marysville • Mountlake Terrace • Mukilteo

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none"> • Reduce permit timelines and costs • Eliminate duplicative processes • Encourage urban development 	<ul style="list-style-type: none"> • Perception that environmental protections may be reduced • Perception that notification of specific projects would be reduced if underlying permit does not require public notice

HIGH-LEVEL FINDINGS FROM SUMNER HOUSING NEEDS ASSESSMENT

Small, Non-Family Households – There is a need to support continued production of smaller sized housing options such as accessory dwelling units, duplexes, tri-plexes, and townhomes. Space efficient housing units, smaller in size, can be more affordable than other units because they are smaller and more energy efficient and they use less land resources.

Growing Diversity - Strategies should focus on providing lower-priced rentals and moderate to middle-income home ownership opportunities for larger family-friendly housing, that may include multiple generations.

Steady Growth in Senior Population Expected - The HAP should include strategies to address the intensifying housing needs of seniors. Home-ownership rates increase as age increases and older people are more likely to live in single-person households. The aging of the Baby Boomer generation (born 1946 to 1964) could generate greater demand for housing offering living assistance, multigenerational accommodations, and opportunities for residents to age-in-place or age elsewhere in their communities. Overall, these trends indicate high demand for middle housing (e.g., ADUs, townhomes, triplexes, duplexes, quad homes, and cottages) which allows more seniors and couples to downsize and remain in their community.

Rising Supply Scarcity Leads to High Costs - Similar to Bonney Lake, additional home ownership opportunities for households earning between 80 and 120% AMI should be supported. Housing serving this income bracket tends to be middle housing and produced by the private market. Middle housing primarily includes single-family attached housing with two or more units or other housing bridging a gap between single family and more intense multifamily. Demand is expected to increase for this type of housing mostly due to aging baby boomers, young households forming, and the growing workforce. Sumner should also prioritize additional production of apartments, multiplexes and middle housing, and government subsidized housing.

Largest Share of Regional Employment - Like Bonney Lake, actions should be considered to ask whether people are commuting because of a lack of affordable housing or due to other reasons. In addition, it's worth asking whether employers are finding it difficult to recruit staff due to the lack of needed housing options.

Housing Stock is Aging and Lacks Diversity of Options - Similar to Bonney Lake, the low supplies of single-family attached housing (e.g., townhomes) and multifamily housing should be addressed to provide broader housing options and to meet the expected demand associated with aging baby boomers. The older housing stock in Sumner could increase the risk of displacement particularly if this housing is serving lower income households. Displacement occurs when a household is forced to relocate. This tends to occur as a result of changes in the housing market, either because their housing is being redeveloped or undergoing major renovations, or due to their housing costs increasing faster than they can afford. Displacement can be physical (redeveloped areas or housing with substantial remodels), economic (increase in rents), or cultural. Displacement risk is heightened for cost-burdened renters, low-income households, minorities, and households who are more likely to experience housing discrimination. Displacement tends to occur in areas with older housing, with access to transit, less expensive land, and land opportunities conducive to large developments. An analysis identifying gradations of displacement risk should be completed to help address displacement concerns. Changing the zoning to allow more

intense housing development can increase the chances that current residents in the affected neighborhood will be physically displaced to make way for redevelopment. Consequently, displacement risk should be assessed before any rezones and safeguards should be developed in response to the findings. Ideas to provide those safeguards are discussed within the Housing Action Plan.

Cost Burden on Lower Income and Renter Households - Sumner should take action to leverage production of low-income housing. The approaches for increasing low-income housing has lagged behind and likely is more complicated due to the need for some sort of direct assistance.

KEY FINDINGS AND RECOMMENDATIONS

Housing Policy Analysis

The project team completed an analysis of Sumner's housing policies. The city's comprehensive plan includes its housing policies under the [Housing Element](#). In addition, the City also provides housing policy support in the Land Use, Community Character, and Economic Development Elements of the Comprehensive Plan. [Appendix 4](#) contains an analysis table of Sumner's housing policies. Overall, the current Comprehensive Plan provides a great policy basis for providing a variety of housing types at all income levels. Most of the actions identified in this plan are already supported by existing policy. Here are a few examples:

- 1.4 encourages "...protection of viable neighborhoods and the need to provide for a range of housing to all life stages and economic segments, allow for accessory units in single-family neighborhoods".
- 1.4.3 focuses on efficient permitting process by stating "Review development regulations for obstacles to permitting accessory dwelling units."
- provides direct ADU policy support by stating "Allow for accessory units in low density residential districts."
- 2.3.4 and 2.8 support senior housing by stating "Promote the development of senior housing units in proximity to needed services" and "Provide incentives for developing senior housing in the downtown such as permit fee waivers and reductions and parking requirement reductions."

The Housing Element also provides great support for the development of the Housing Action Plan. Policy 2.1.1 promotes development of a housing strategy to meet the fair share housing allocations. The HAP can provide high-quality information and ideas to help implement fair share requirements.

Moving forward, the City could consider additional direct policy support related to actions the city may take in the future. This could range from support for a property maintenance program, direction for MFTE implementation, or direction specific on the types of programs the city could implement to remove obstacles for ADU development.

Lastly, the City will be updating its comprehensive plan by June 2024. Part of this process will include a review to ensure city policies are consistent with State Law, and regional (PSRC Vision 2050) and countywide planning policies. Recent changes to regional policies have focused on issues such as equity and displacement. These new and updated policies align well with many of the goals within this plan. A future update of policies to provide an equity lens on development and displacement minimization as redevelopment occurs will ensure future actions meet all the City of Sumner's goals.

Housing Strategies

The following six strategies represent collections of actions that address a particular housing issue in a targeted way. The specific actions that fall under each strategy are listed below the strategies. Note that many actions appear under multiple strategies; this reflects the fact that many of the actions the cities can take can address more than one issue simultaneously.

Strategy 1, Preserve rental housing

- Affordable housing preservation strategies
- Create property maintenance incentive program

Strategy 2, Incentives for new rental housing

- Inclusionary zoning/density bonuses/current use assessments
- Use of MFTE

Strategy 3, Bring down the cost of development

- Use HB 1406 sales tax dollars to reduce development costs
- Use of MFTE/publicly owned land as incentives for rent-restricted affordable housing
- Create permit process fast track program
- Raise threshold for what separates a plat and a short plat from 4 to 9 units
- Raise SEPA exemption levels for minor new construction
- Update road standards to increase site flexibility

Strategy 4, Provide wider variety of housing types

- Expand where ADUs can be built
- Use of MFTE/publicly owned land as incentives for rent-restricted affordable housing
- Modify allowed uses to increase range of missing middle housing
- Expand where senior housing can be built
- Permit and clarify Tiny Home regulations
- Update subdivision code to allow unit lot subdivisions

Strategy 5, Prevent and mitigate displacement

- Use HB 1406 sales tax dollars to reduce development costs
- Affordable housing preservation strategies
- Use of MFTE/publicly owned land as incentives for rent-restricted affordable housing
- Inclusionary zoning/density bonuses/current use assessments

Strategy 6, Improve the permit process

- Create permit process fast track program
- Raise threshold for what separates a plat and a short plat from 4 to 9 units
- Raise SEPA exemption levels for minor new construction
- Update subdivision code to allow unit lot subdivisions

Figure 10. Action Schedule and Summary Table, Sumner

Action	Type	Target Group	Area of Applicability	Scale of Potential Impact	Timeline
Create property maintenance incentive program					
Increase investments in existing affordable housing					
Inclusionary zoning/density bonuses/ current use assessments					
Use HB 1406 sales tax dollars to reduce development costs					
Use of MFTE/publicly owned land as incentives for rent-restricted affordable housing					
Create permit process fast track program					
Raise threshold for what separates a plat and a short plat from 4 to 9 units					

The rest of this table will be filled in as part of completing the final HAP

Action	Type	Target Group	Area of Applicability	Scale of Potential Impact	Timeline
Raise SEPA exemption levels for minor new construction					
Update road standards to increase site flexibility					
Expand where ADUs can be built					
Modify allowed uses to increase range of missing middle housing					
Permit and clarify Tiny Home regulations					
Update subdivision code to allow unit lot subdivisions					

HOUSING ACTIONS

Preventing and
Mitigating Displacement



Preserving Rental
Housing



AFFORDABLE HOUSING PRESERVATION STRATEGIES

Affordable housing should be preserved in Sumner since providing housing inclusively for all income spectrums is a priority for the city. Rent-restricted low-to moderate-income affordable housing (or supported housing) and naturally occurring affordable housing should be preserved. Naturally occurring affordable housing are housing units that are unregulated/ unsubsidized and subject to market forces but are affordable to low-income households. Considering that regulated affordable housing is difficult and costly to build (see the section below describing the Affordable Housing Development process), strategies supporting the preservation of naturally affordable rentals are crucial for Sumner, given the low probability of gaining enough public subsidies to build rent-restricted affordable housing. Actions should be prioritized to encourage owners to retain housing for long-term renting.

- As mentioned in the property maintenance strategy, Sumner should collect key data on its rental housing properties to build a rental housing preservation inventory. Another benefit, is this could prevent the loss of “at-risk” properties by setting Sumner or a partner organization up to purchase targeted properties when the owner is ready to sell or for the city to offer low cost rehab loans and financing of repairs in exchange for an affordability covenant. This effort could help maintain housing affordability and could prevent the loss of property to new redevelopment which could displace existing residents.
- Sumner should increase investments needed to purchase and preserve affordable properties particularly those at risk of displacement. Sumner should identify partnership opportunities with non-profit organizations and housing agencies to purchase existing, unregulated affordable housing to preserve it for the long term. This could also be used to preserve rent-restricted housing units that might be nearing the end of their affordable term.
- The city should reach out to local housing providers to support the rehabilitation of regulated affordable properties with large capital needs or failed inspections. In addition, the City of Sumner could partner with the City of Bonney and/or a nonprofit to create a rehabilitation, repair, and weatherization program providing repair/weatherization support for existing, unsubsidized affordable housing in exchange for affordability restrictions. A low-income weatherization and rehabilitation program can help improve the livability of existing owner-occupied homes and manufactured homes and can help homes become more energy-efficient which can reduce the costs of utilities and promote sustainable development. As a part of this program, education should be developed and distributed such as education on Pierce County’s Down payment Assistance Loan available for homeowners.

Examples of cities using these approaches include: Tukwila • Seattle • Tacoma • Buriem

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none"> • Preserves affordable housing possibly for the long-term • Improves the quality of life and can improve the health and stability for people living in rehabilitated homes and if completed for many homes in the same community, can result in positive effects on neighborhood quality and stability • Reduces displacement and provides information useful for identifying housing at risk of displacement • Can help improve the stability of neighborhoods • Renovating existing housing stock tends to be more cost-effective than building new affordable housing • A low-income weatherization and rehabilitation program can help improve the livability of existing owner-occupied homes and manufactured homes and can help homes become more energy-efficient which can reduce the costs of utilities and promote sustainable development 	<ul style="list-style-type: none"> • All the recommendations will require staff time and resources • Several of the ideas would require funding and grants, and possible partner support • These measures are not guaranteed to increase the housing supply and the number of new affordable housing units

Providing Wider Variety
of Housing Types



EXPAND WHERE AN ADU CAN BE BUILT

SMC 18.12 outlines regulations for low-density residential districts. Accessory dwelling units are currently regulated by [SMC 18.12.030\(A\)](#), which contains the decision criteria for locating an ADU on a property in the LDR zones. Several revisions to this section could expand where ADUs can be built. For example, the city could consider the following:

- Eliminate the requirement that the total number of occupants across both the primary and accessory dwelling not exceed the maximum number established by the definition of family ([SMC 18.04.0375](#) defines family as a group of not more than five persons who are not related, but who are living and sharing kitchen facilities together as a single housekeeping unit). Under this reading, a primary dwelling home to a five-person family and a detached ADU home to two people unrelated to the primary dwelling residents might not be allowed. Further, this is a very difficult standard to administer.
- Alter the requirement in 18.12.030(A)(4) so that total area is capped at either 800 square feet or a percentage of the total dwelling unit area, whichever is larger. (Minimum size can be a percentage to keep this from being a barrier for smaller primary dwellings.)
- Alter setback requirements. SMC currently requires some large rear setbacks in its residential zones. Currently, rear yard setbacks in the LDR-12 through LDR-6 zones are 30 feet, and 25 feet for LDR-4. ADU minimum rear setbacks are 15 feet, but rear setbacks could be reduced to 20 feet for primary structures (especially in the 4- and 6,000 square foot lot zones) and could be reduced to 5-10 feet for ADUs associated with garages.
- Increase minimum lot coverage. Currently, the LDR-4 zone has a 40 percent maximum lot coverage. This could be a barrier to ADU construction on these smaller lots.
- Change the parking requirement so that only one dedicated off-street parking space is required for an ADU (also, see other policies related to parking reform). You could also eliminate the need for an off-street parking space in some circumstances. Requiring a new off-street parking space to be provided (beyond the existing driveway), could be a barrier to development.
- Remove restriction that ADUs cannot be detached from primary residence in any zone except LDR 12,000.
- Change the height requirement to allow a full second story with pitched roof above a detached garage to serve as an ADU (current code allows a maximum of 16 feet). Also consider allowing taller structures to offset impervious surface maximums

For more detailed information about ADUs, please see the [Real Estate Prototypes in Appendix 2](#).

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none"> • Provide greater flexibility for location and design of ADUs • Make more lots able to support ADU 	<ul style="list-style-type: none"> • Neighborhood sensitivity to perceived burden on on-street parking • Potential to trigger broader changes to residential design requirements could make the changes take longer



USE OF MFTE/PUBLICLY OWNED LAND AS INCENTIVES FOR RENT-RESTRICTED AFFORDABLE HOUSING

The City of Sumner should establish more incentives to promote increased availability of affordable housing that would be rent restricted for low to moderate-income households. A list of affordable housing funding sources available to Sumner is detailed below in the Local Affordable Housing Funding Sources section. Use of these programs should be explored to help develop new affordable housing in the city. For example, possible opportunities to apply for use of Pierce County's CDBG funds should be explored.

Sumner should consider updates to its Multifamily Tax Exemption (MFTE) program to incent affordable housing options and promote mixed income developments. Sumner's MFTE program is limited to buildings with over 10 dwelling units located in the Town Center Plan Area and is available for new construction, rehabilitated apartments, or a converted building. For the property to qualify for the 12-year exemption, the applicant must commit to renting or selling at least 20 percent of the multifamily housing units as affordable housing units to low- and moderate-income households. A "Low-income household" must be 80% of the AMI or lower while a "Moderate-income household" is between 80 to 115% of the AMI.

Other MFTE program variations should be researched and weighed against costs (foregone property tax revenue for the duration of the program) and benefits (such as affordable housing production) including allowing MFTE city-wide. Sumner could evaluate whether other forms of qualified housing with over four units such as quadplexes would be permissible under state law and whether they want to limit program usage to only projects producing a certain number of total units. Sumner's program currently limits use to buildings with more than 10 dwelling units. Program variations could be analyzed to inform recommendations through detailed cost-of-construction analysis, or by garnering input from housing developers and current planners, or cost-benefit analysis, or through best practice research comparisons of other jurisdictions. Additional detail on MFTE recommendations are provided in [Appendix 2 under the Program Analysis Memo](#).

Examples of cities with MFTE programs: Burien • Redmond • Tacoma • Kirkland • Marysville • Everett • Issaquah • Yakima

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none"> • Tax abatements positively impact the feasibility of projects where market-rate projects are feasible and can help cross-subsidize affordable units • Helps balance out financial impacts of building affordable housing 	<ul style="list-style-type: none"> • City must weigh the temporary loss of tax revenue against benefits • May provide insufficient incentive to lead to production or affordability unless paired with other tools

Preventing and Mitigating Displacement



Reducing Development Costs



USE HB 1406 SALES TAX DOLLARS TO REDUCE DEVELOPMENT COSTS

SHB 1406 (codified as RCW 82.14.540) provides a new affordable housing revenue stream for counties, cities, and towns that choose to participate. This sales tax option is a credit against the state sales tax rate of 6.5%, so it will not increase the tax rate for consumers. If a city elects to participate, as Sumner has, but does not have a “qualifying local tax”, the city will receive the 0.0073% half share and the county will also receive a 0.0073% half share within the city boundaries of the total potential 0.0146% sales tax credit. The City of Sumner (2019) recently adopted this sales tax levy set at the 0.0073% sales tax credit level. They estimate that they will generate around \$45,000 per year from this credit.

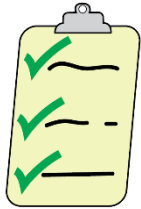
The city will be contributing this funding toward a regional/countywide organization (yet-to-be-formed) organization that will seek to acquire (or build) and manage affordable housing assets and programs similar to the A Regional Coalitions for Housing (ARCH) in King County (a partnership of many eastside suburban cities). The city is currently participating in the South Sound Affordability Partnership which will make recommendations on the formation of such an entity.

Examples of cities using SHB 1406 dollars in this way include: Ellensburg • Issaquah • Olympia • Port Angeles • Redmond

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none"> • The level of funding received via the tax credit is limited and can be leveraged with other sources of funds 	<ul style="list-style-type: none"> • The city loses some local control of the dollars in terms of where they are spent



Improving the Permitting Process



Reducing Development Costs



CREATE PERMIT PROCESS FAST TRACK PROGRAM

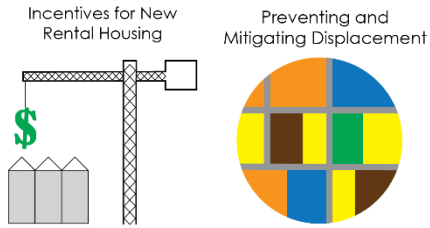
The length of time it takes to obtain permits for construction can add to the cost of housing. While city review of development permits is crucial to ensuring development is safe, high-quality, and integrated with infrastructure appropriately, improvements to the ways the city processes permits of different types can reduce the time it takes to get badly needed housing to market. While the city already prides itself on providing an efficient permit process, a program to fast track certain permit types that city is focused on could be advantageous.

For example, providing a formalized pathway for applicants to submit preliminary land use applications and civil construction plans simultaneously could potentially reduce total review time by several months and puts the responsibility on the applicant in case the land use review changes the project in ways that impact the civil construction design.

The city could consider creating a demonstration program for housing types it is trying to encourage. Certain housing types – ADUs, senior housing, attached single family, for example – could move to the front of the queue for review. A limited term demonstration program would allow the city time to track program metrics such as time saved for applicants and permits issued under the program.

Focusing on certain permit types could result in a review bottleneck. However, undertaking additional permit process at the same time could help. For example, a reform of the time it takes a project to make it through the permit process could be coupled with raising the SEPA exemption threshold for minor new construction, creating a SEPA exemption for infill housing (as the city has already done with a Planned Action Ordinance within the Town Center and East Sumner areas), and adding a unit lot subdivision code section could reduce pressure on staff and make it easier to prioritize the desired project types for a fast track program.

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none"> • Could be used in a targeted fashion to fast-track the most in-demand forms of more affordable and diverse housing stock • Would not involve changing large sections of city code or standards (simpler to implement) 	<ul style="list-style-type: none"> • Could be opposed by groups affiliated with housing types not represented in fast-track program emphasis • Requires additional reforms and actions targeted at improving processes to not create bottlenecks in the review process and put other permit process timelines at risk



INCLUSIONARY ZONING/DENSITY BONUSES/CURRENT USE ASSESSMENTS

Inclusionary zoning is a program in which the zoning code establishes minimum percentages of housing units at a particular level of affordability that are to be provided within new development projects, often limited to particular zones or subareas. It can be regulated as either a mandatory or a voluntary program. Sumner has indicated interest in a voluntary inclusionary zoning program to incentivize creation of more affordable housing units.

Several tools for incentivizing affordable housing as a percentage of new development sit at the city's disposal. For example, the city could establish a density bonus system whereby developments that agree to provide a certain percentage of affordable units for a certain number of years are eligible for higher densities than would ordinarily be allowed in zones. The city could limit this to certain zones or could create an overlay zone that contains the density bonus and could be applied to a range of zones. Density bonus programs can allow developers to contribute to a housing fund in place of building the units themselves.

Jurisdictions that currently use a density bonus program include: Marysville • Seattle

Another potential program the city could use to incentivize affordable housing is a Current Use Assessment. This approach provides a tax reduction in which a participating property is assessed at a specified use value, which is lower than the "highest and best use" assessment value that would be applied in the absence of the program.

This program is in place at the state level through RCW 84.34 and WAC 458-30 as it applies to natural resource, open space, and historic properties. A Current Use Assessment program for voluntary affordable housing could provide an extension of property taxes paid as vacant property for a certain number of years if a development provides a certain level of public benefit (in this case, affordable housing). It is unknown if any communities in Western Washington use a Current Use Assessment for affordable housing.

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none"> • Voluntary program likely to be much less controversial than mandatory one • For density bonus, contribution to a fund in lieu of participation could bridge the gap between mandatory and voluntary program 	<ul style="list-style-type: none"> • Voluntary program unlikely to receive the same level of interest (or have the same effects) as a mandatory affordable housing program) • For current use assessment, lack of current examples makes program design more challenging



RAISE THRESHOLD FOR WHAT SEPARATES A PLAT AND A SHORT PLAT FROM 4 TO 9 UNITS

Short subdivisions, or short plats, differ from full subdivisions in the number of units within the proposed development and the procedural path to approval and recording required for each. In 2002, [SB 5832](#) allowed jurisdictions to process applications for land divisions of nine or fewer lots as short subdivisions (previously the limit was four lots).

Currently, Sumner’s subdivision code (Title 17) currently defines short plats as four or fewer lots. The city could consider revising [SMC 17.12.030](#) to define short plats as nine or fewer lots. This would allow proposed developments of up to 9 lots to be reviewed under the city’s Type III.a review procedure, which does not require public notice.

This is especially important given the city’s interest in infill and attached single-family development (in conjunction as well with the unit-lot subdivision action). Given the site constraints of most infill sites, sites that could fit up to nine unit-lot subdivided townhomes could face a shorter and more streamlined review process, which could help bring more such developments to market faster. If this change is considered, review other codes sections (such as the developer installation of roads) tied to short plats to determine if those code sections should change as well.

Examples of communities that have taken this step include: Auburn • Des Moines • Federal Way • Renton • Tukwila

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none"> • Brings Sumner’s code in line with Bonney Lake’s • Per SMC 18.56.030(L), may not require Type VII procedure (not part of the zoning code) • Could cut down on development costs and timelines. • Could particularly help improve the feasibility of townhomes, duplexes, triplexes, and other missing middle housing that is of particular importance to the city in this plan (if couples with the allowance of unit lot subdivisions) 	<ul style="list-style-type: none"> • Could provoke public backlash from neighborhood or environmental groups (short subdivisions are one of the SEPA categorical exemptions under WAC 197-11-800)

Providing Wider Variety
of Housing Types



MODIFY ALLOWED USES TO INCREASE RANGE OF MISSING MIDDLE HOUSING

Currently, duplexes are permitted in only the medium- and high-density residential districts (MDR and HDR) and prohibited in the lower-density residential districts. Additionally, townhomes are permitted in the MDR and HDR zones only as condominiums ([SMC 18.14.020\(A\)](#)). No other forms of moderate-density multi-family residential uses are allowed in any of the low-density residential districts.

Given the city’s interest in providing more diverse housing options, several changes to the zoning code could increase the range of “missing middle” housing across the city. Duplexes could be allowed in some of the LDR zones (conditions can specify larger minimum lot sizes or corner lot requirements for duplexes to be built in lower density zones). Townhouses could be added to the permitted uses in the most dense of the LDR zones (LDR-4 and LDR-6). This could permit a wide range of townhome construction in the LDR-4 zone especially. If additional housing types are allowed, densities should also be increased to encourage development of those housing types. Development standards could be developed to ensure mixed housing types meet the character of development sought by the city.

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none"> • Could open up large areas to additional housing types • Footnotes could allow staff/council to tailor appropriate performance standards and conditions to each use 	<ul style="list-style-type: none"> • Adding or modifying uses in the use matrix could trigger broader examination of the land use matrix and bog down the process • Just permitting uses in a zone does not alter any other market fundamentals or code limitations within that zone’s standards and thus may not result in many units being built unless those other limitations are addressed as well

Providing Wider Variety
of Housing Types



EXPAND WHERE SENIOR HOUSING CAN BE BUILT

Currently, adult family home facilities serving more than six adults, retirement homes, assisted living care facilities, continuing care communities, board and care homes, hospices, and nursing homes are only allowed in Sumner with a Conditional Use Permit in the low-density residential zones.

Adult family homes and senior centers could be added as permitted uses with conditions (as opposed to requiring a conditional use permit) in at least some low-density residential zones.

In the medium- and high-density residential zones, adult family homes and retirement homes/apartments without a common dining room and only limited medical services are permitted uses. All other types of senior housing are still listed as conditional uses. Greater differentiation between the effects of various types and scales of senior housing to move more types into the permitted uses category could help allow more senior housing to be built. In addition, the city should consider allowing senior housing as a permitted use in the general commercial zones without the requirement for commercial space. Finally, if the city is focused on providing additional incentives to build senior housing in the city, financing tools could be considered.

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none"> • Greatly expands the area in which senior housing can be built • Does not require adding extra layers of regulation • Creating more permitted vs. conditional uses saves permitting time and costs 	<ul style="list-style-type: none"> • Additional permitted uses in residential zones could upset some people living in existing single-family homes – traffic/parking

Providing Wider Variety
of Housing Types



PERMIT AND CLARIFY TINY HOME REGULATIONS

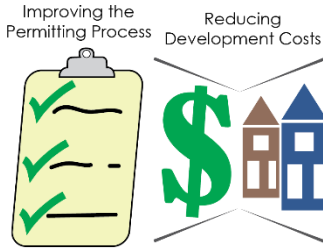
Tiny houses, which can be either built on foundations or on wheels, are one way to provide a housing option for individuals and households who desire privacy but do not want or cannot afford a large single-family home. They can also be used as a way of providing housing for people experiencing homelessness. Until recently, state law, building codes, and local regulations have presented numerous legal and logistical barriers to siting and building these very small detached dwellings.

In 2019, the state legislature passed [ESSB 5383](#), which updated state law to enable the development of tiny house villages or communities throughout the state. This law defined tiny houses, directs the adoption of the updated residential building code. The City of Sumner can do the following to improve its code and policies on tiny houses.

- Create permit pathway for Binding Site Plans that allow siting of tiny homes (similar to manufactured home park)
- Consider modifying the use matrices to specify where tiny houses or tiny house villages would be permitted or conditionally allowed
- Add definitions for tiny houses and tiny houses on wheels to [SMC 18.04](#) to differentiate from trailers, manufactured homes, and recreational vehicles.
- Allow tiny homes, set on a foundation, to be utilized as an ADU
- Include support for tiny houses in housing element of Comprehensive Plan
- Adopt updated International Residential Code with Appendix Q modified to include tiny houses
- Update site plan approval criteria to account for unique site needs of tiny houses

The following are a few of the jurisdictions who have adopted specific provisions for tiny homes: Seattle • Olympia • Tacoma

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none"> • Addresses housing for lower income households without using apartments • Could be cost effective way of mitigating displacement • Provides safer living environment for people experiencing homelessness or housing instability during COVID-19 	<ul style="list-style-type: none"> • Perception of tiny homes as social welfare program may make it politically difficult • Addressing tiny homes may require addressing multiple sections of city code and thus may add to difficulty



RAISE SEPA EXEMPTION LEVELS FOR MINOR NEW CONSTRUCTION

The Department of Ecology updated State Environmental Policy Act (SEPA) rules in 2012/13. The updated rules, contained within [WAC 197-11-800\(1\)](#), grant local governments the ability to increase SEPA categorical exemptions for certain minor new construction activities. This includes SEPA exemptions for single and multi-family development, commercial buildings, and filling and grading activities. These are often referred to as “flexible thresholds” because each jurisdiction can adopt standards within a range that meets their needs. Currently, Sumner Municipal Code [16.04.210](#) only allows the minimum number of SEPA exemptions for minor new construction activities.

In most cases, environmental issues that SEPA was intended to address in 1971 are now mitigated by local codes and both state and federal regulations. Setting appropriate SEPA exemption levels within the City could reduce duplicative processes and reduce permit process timeframes while still providing protection of the environment and strong public participation during the permitting process.

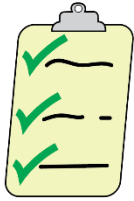
The following are a few of the jurisdictions who have adopted SEPA exemption thresholds above the minimum required by WAC 197-11-800: Des Moines • Everett • Kent • Lynnwood • Marysville • Mountlake Terrace • Mukilteo

<i>Advantages</i>	<i>Disadvantages</i>
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- Reduce permit timelines and costs
- Eliminate duplicative processes
- Encourage urban development

- Perception that environmental protections may be reduced
- Perception that notification of specific projects would be reduced

Improving the Permitting Process



Providing Wider Variety of Housing Types



UPDATE SUBDIVISION CODE TO ALLOW UNIT LOT SUBDIVISIONS

Unit lot subdivisions are a form of land division that allows townhomes and other single-family-attached housing units to be sold fee-simple, sometimes including a front and back yard. Currently, SMC 18.14.070 allows zero lot line structures but the current code only allows one zero lot line structure per block.

Unit-lot subdivisions allow for more diverse single-family housing options and lower the bar financially for entry into home ownership. They are processed identically to standard lot subdivisions, the differences being primarily in how access to units is provided and dimensional regulations (particularly side setbacks) needing exceptions. The city should take care in implementing unit lot subdivisions to provide for lower impact and utility connection fees where appropriate. The city could consider adding a section to Title 17, which governs division of land, as well as adding footnotes or sections to the separate zones in which dimensional regulations are established carving out exceptions for unit lot subdivisions.

The following are a few of the jurisdictions that have allowed unit-lot subdivisions in their code: Snohomish County • Everett • Redmond • Renton

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none"> Simpler to administer and regulate than condominiums while providing similar affordable entry to home ownership Encourages appropriate development of sites with complex constraints or layout Provides downsize option for seniors as well as an affordable entry into ownership for first-time buyers 	<ul style="list-style-type: none"> Simply allowing a type of development does not guarantee any particular element of affordability City must coordinate with utility districts to ensure required utility easements do not exceed the size of desired front setbacks for unit lot townhomes



UPDATE ROAD STANDARDS TO INCREASE SITE FLEXIBILITY

Substantial portions of new development are taken up by the provision of roads and streets. If fire life safety issues are addressed by the road design and on-street parking is available proportionate to the surrounding uses, narrower public streets or private streets can reduce impervious surface, allow more units to be built, and improve the built environment for residents, especially pedestrians.

For example, Sumner does not currently have a road standard for private access drives. While private streets are allowed for up to 2 lots according to the city's Development Specifications, some of the housing options discussed in the Housing Action Plan could also benefit from the ability to provide access via a private access drive less than 150 feet in length that complies with fire code. For example, townhouse developments on small footprints can provide units and off-street parking, but especially in infill situations, providing public street access to those units may impact the viability of the project. The city could consider allowing private access drives 20 feet in width, potentially with a pedestrian facility, less than 150 feet in length to serve townhouses, cottage housing, or other "missing middle" housing options. Additionally, the city could change its road standards to allow shared private drives for up to 4, 6, or more lots.

The city could also consider a reduced-width residential street design that has on-street parking on one side. This narrower street could be used in conjunction with other code-based housing incentives (i.e., a development with at least 20 percent of its units priced affordable to 80 percent of the median income can use a narrower street design).

The city could also consider allowing hammerhead designs ore frequently for dead end streets. Currently the design specifications allow only cul de sac street ends with a minimum right of way diameter of 110 feet. A hammerhead option for turnarounds could save significant space, in some cases enough for additional units.

The following are a few of the jurisdictions who have adopted similar private access drive and/or reduced width roadway designs: Snohomish County (private access drives) • Marysville (reduced width roadway) • Woodinville (hammerhead turnarounds)

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none"> • Revising engineering standards could be less politically complex • Provides design flexibility without adding layers of complexity to code • Narrower streets/roads that create less impervious surfaces and are better for the environment 	<ul style="list-style-type: none"> • Does not guarantee increased affordability of housing • Need to have buy-in from fire department on fire life safety issues • Need to sell public works on benefits of narrower street



CREATE PROPERTY MAINTENANCE INCENTIVE PROGRAM

Incentives promoting rental housing maintenance helps to keep housing in good repair, can have a stabilizing effect on the broader community, and can prevent displacement. There is a wide range of potential actions, on a spectrum from regulatory measures to community outreach and incentive funding, that the city can consider:

Sumner could collect key data to create a housing preservation inventory. This could help prevent the loss of “at-risk” properties and set up the city to purchase targeted properties when the owners are ready to sell or to offer low-cost rehabilitation loans and financing of repairs in exchange for affordability covenants.

Sumner could increase investments to purchase and preserve affordable properties particularly at risk of displacement. This could also involve partnership opportunities with nonprofit organizations and housing agencies. Of particular interest to the city could be rent-restricted units that are nearing the end of their affordable term.

Sumner could reach out to local housing providers to support the rehabilitation of regulated affordable properties with large capital needs or failed inspections. This could also involve partnering with Bonney Lake and/or a nonprofit to create a rehabilitation, repair, and weatherization program.

The city could also consider setting up a volunteer committee of business owners, landlords, and residents to do community outreach and promote contests; waiving or reducing applicable city permit fees for building improvements that address identified capital needs or inspection failures for affordable housing; and establishing a dedicated pot of money (perhaps sourced from a percentage of code violation fines) to help landlords abate potential maintenance-related code violations before they are reported.

Examples of cities that have pursued this approach include: [Tukwila](#) • Tacoma • Burien • [Kent](#)

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none"> • Improves quality of life for people living in rehabilitated units • Providing volunteer opportunities and financial incentives would build goodwill • Reduces displacement • Can improve the stability of neighborhoods • Renovating existing stock would be more cost-effective than building new affordable housing 	<ul style="list-style-type: none"> • Some of these require lots of staff time and resources • Some items would require funding, grants, and partner support, increasing complexity • Not guaranteed to increase the housing supply or add to total affordable units • Abatement program dollars would require yearly general fund funding

I. APPENDICES



APPENDIX 1: FULL HOUSING NEEDS ASSESSMENTS



Bonney Lake and Sumner Housing Needs Assessment Results

9/23/20

ECONorthwest
ECONOMICS • FINANCE • PLANNING

LDC | Surveying
Engineering
Planning

Acknowledgements and Contact

ECONorthwest, with contributions from LDC, prepared the Housing Needs Assessment results for the cities of Bonney Lake and Sumner. We thank those who helped develop the Bonney Lake, Sumner Housing Needs Assessment.

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Outline

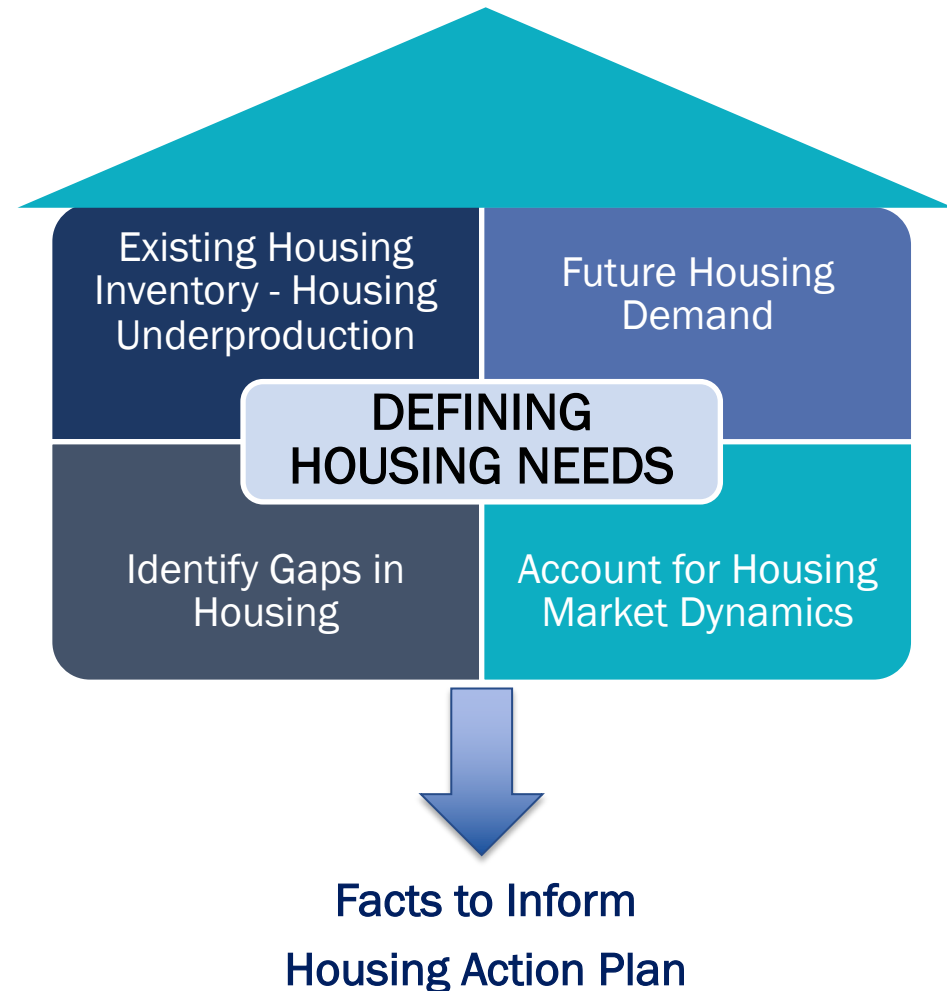
- Background
- Housing Needs Assessment Results
 - Community Profile
 - Workforce
 - Housing Market
 - Housing Affordability
 - Housing Demand and Gaps
- Findings Summary and Next Steps



What is a Housing Needs Assessment?

A Housing Needs Assessment (HNA) Studies:

- 1. INVENTORY OF EXISTING CONDITIONS:**
Assess community, workforce, housing affordability, and housing production trends to determine unmet needs.
- 2. HOUSING DEMAND:**
Forecast housing demand into the future, typically for the next 20 years.
- 3. IDENTIFY HOUSING NEEDS AND GAPS:**
Combine underproduction + demand - > Housing Needs and gaps.



1. Community Profile

2. Workforce

3. Housing Market

4. Housing Affordability

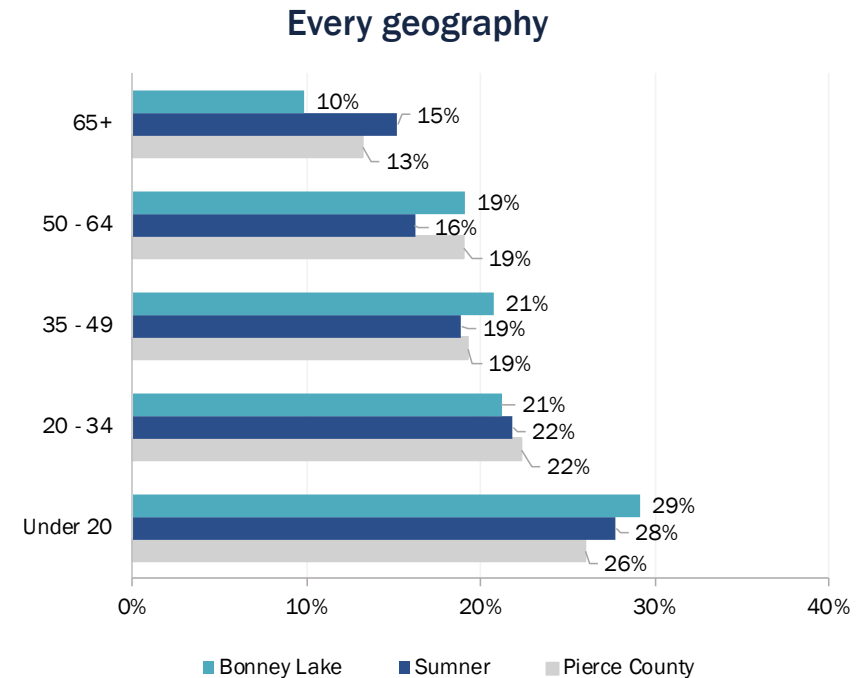
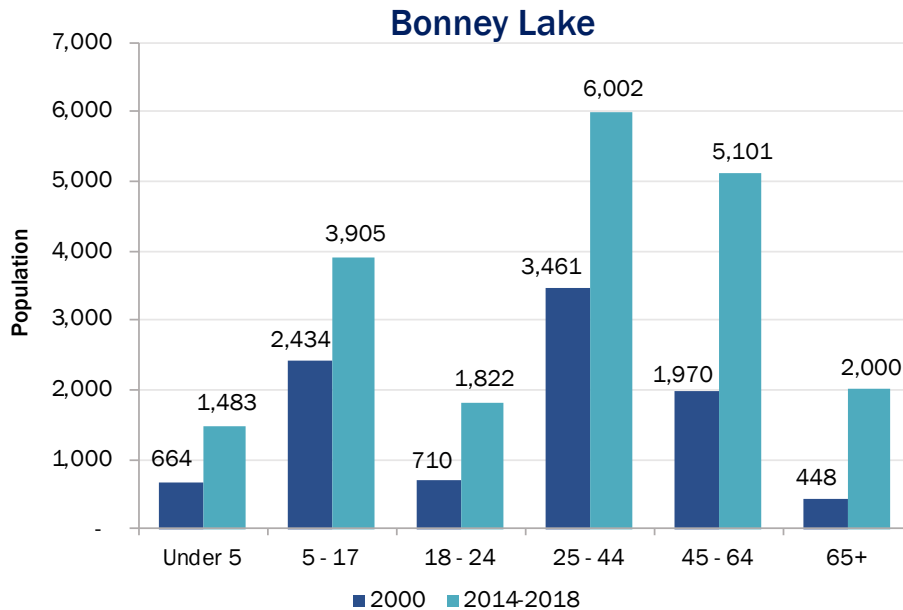
5. Housing Demand & Gaps



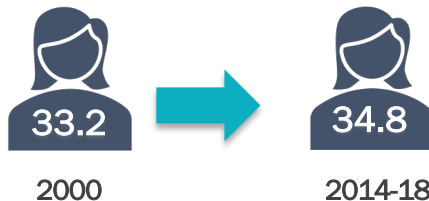
Bonney Lake population doubled since 2000



Bonney Lake's total population more than doubled since 2000 - increased from 9,687 in 2000 to an estimated 20,313 persons in 2014-18. Most age groups doubled in size. The 65+ age group quadrupled and the 45-64 age group more than doubled. Bonney Lake currently has double the population in comparison to Sumner.



MEDIAN AGE

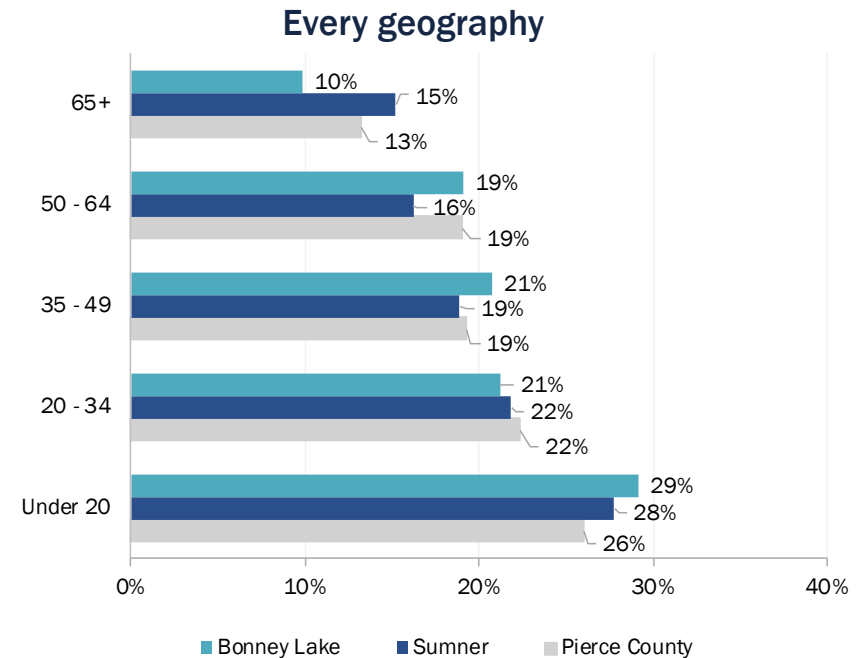
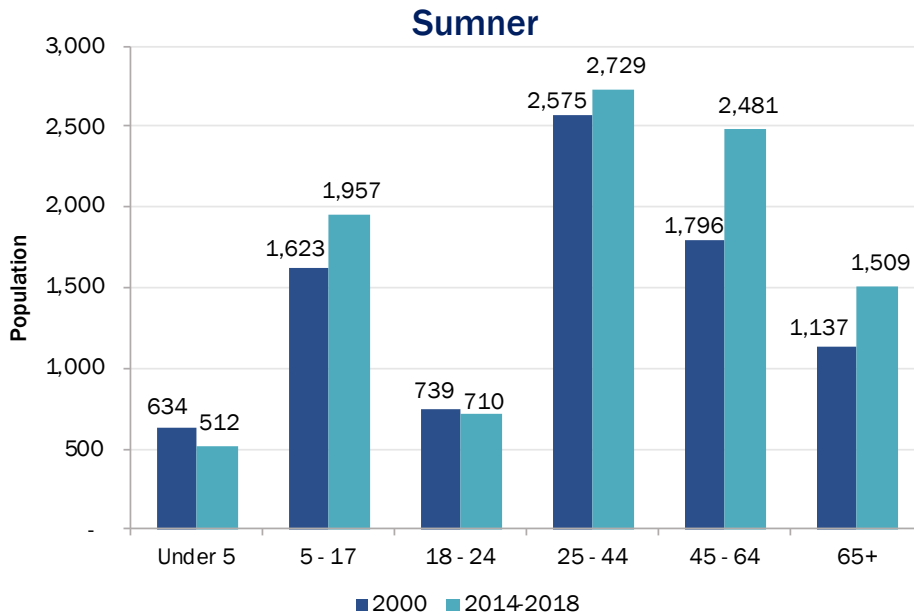


Bonney Lake's median age grew by 1.6 years between 2000 and 2014-18.

Sumner population grew modestly since 2000



Sumner's total population increased modestly since 2000. Increased from 8,504 in 2000 to an estimated 9,898 persons in 2014-18 (16% rate of change). The 45-64 age group increased the most by around 38%.



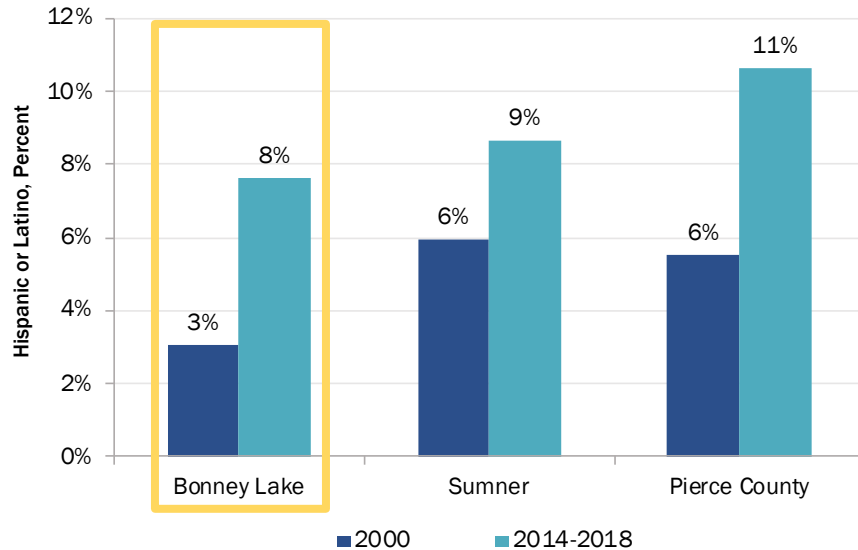
Sumner's median age has remained at 35.4 years from 2000 to 2014-18.

Bonney Lake population diversity trends

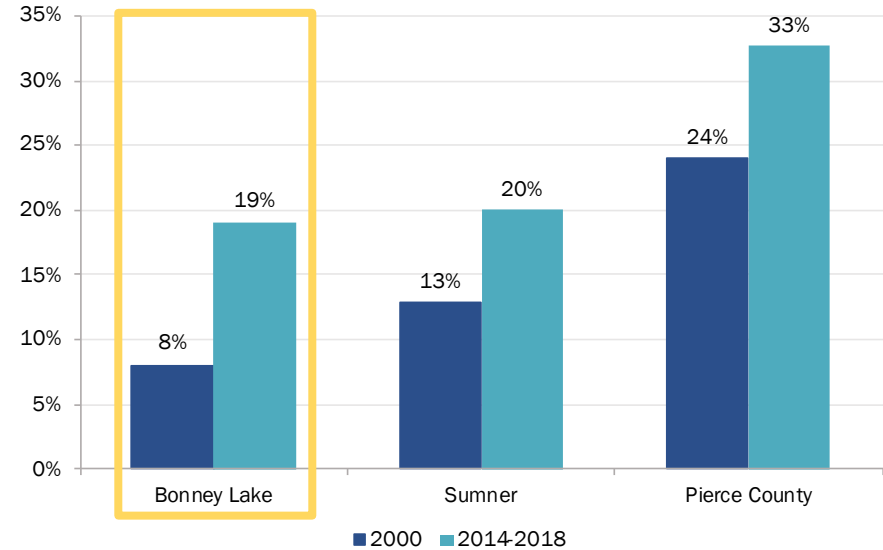


Bonney Lake has become more diverse since 2000.

Share of Hispanic/Latino Population



Share of Non-White Population



Bonney Lake's Growing Diversity

Race/Ethnicity	Bonney Lake
2000	
White	92%
Asian	1%
Black or African American	1%
Some Other Race Alone	1%
Two or More Races	2%
Hispanic or Latino, Any Race	3%
Total	100%



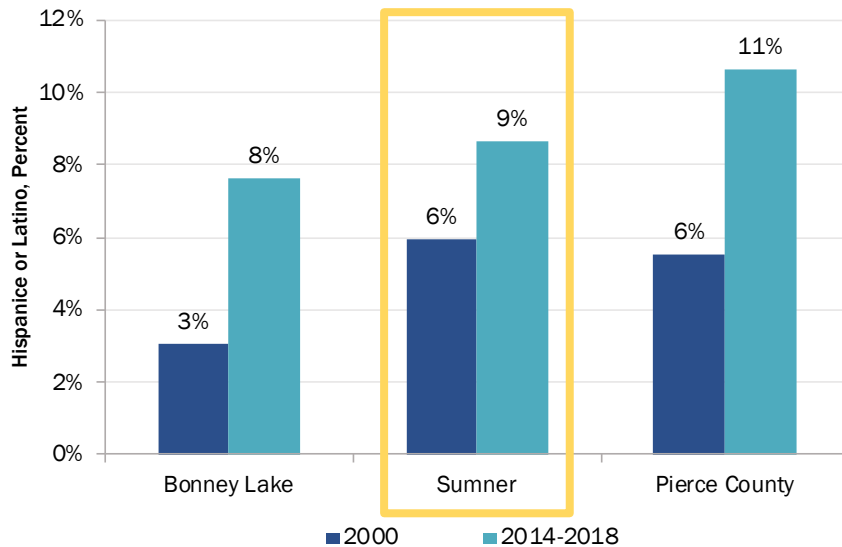
Race/Ethnicity	Bonney Lake
2014-2018	
White	81%
Asian	2%
Black or African American	1%
Some Other Race Alone	2%
Two or More Races	6%
Hispanic or Latino, Any Race	8%
Total	100%

Sumner population diversity trends

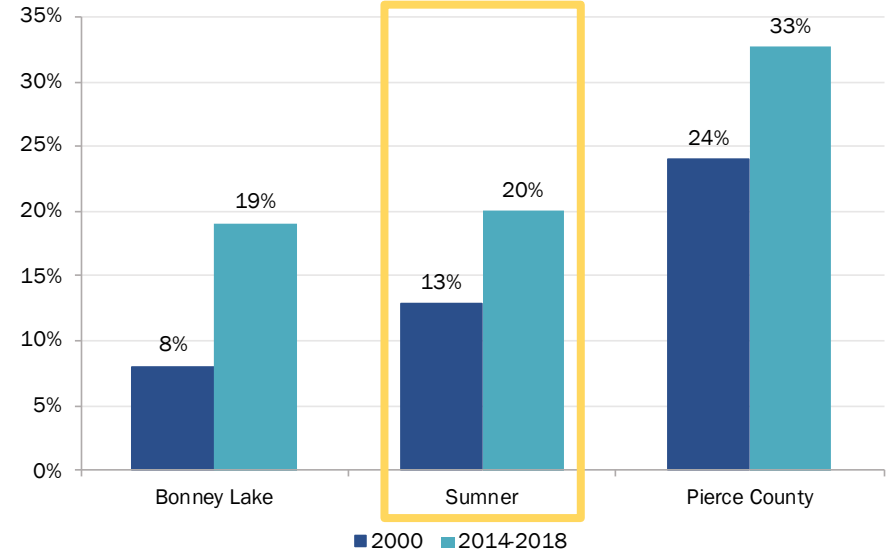


Sumner has become more diverse since 2000.

Share of Hispanic/Latino Population



Share of Non-White Population



Sumner's Growing Diversity

Race/Ethnicity	Sumner
2000	
White	87%
Asian	2%
Black or African American	1%
Some Other Race Alone	2%
Two or More Races	3%
Hispanic or Latino, Any Race	6%
Total	100%

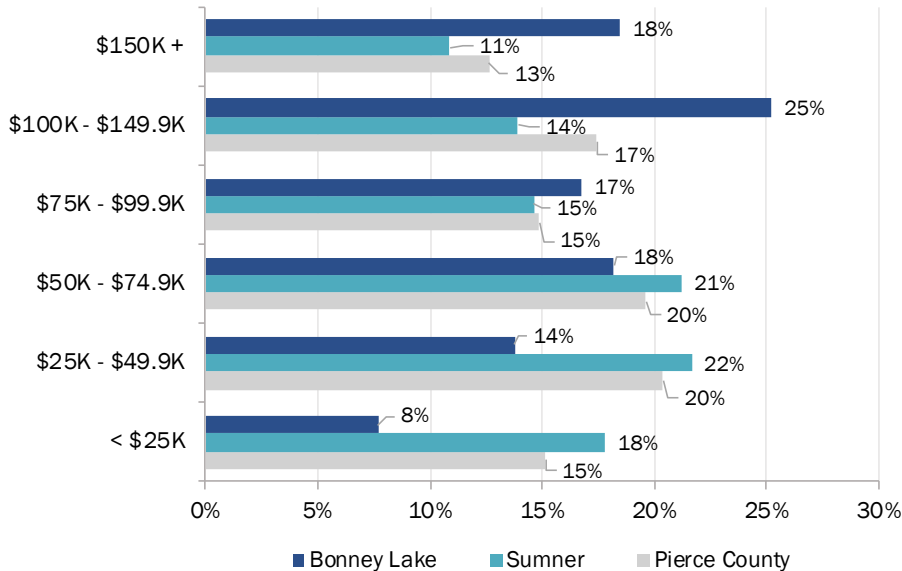


Race/Ethnicity	Sumner
2014-2018	
White	80%
Asian	1%
Black or African American	1%
Some Other Race Alone	2%
Two or More Races	7%
Hispanic or Latino, Any Race	9%
Total	100%

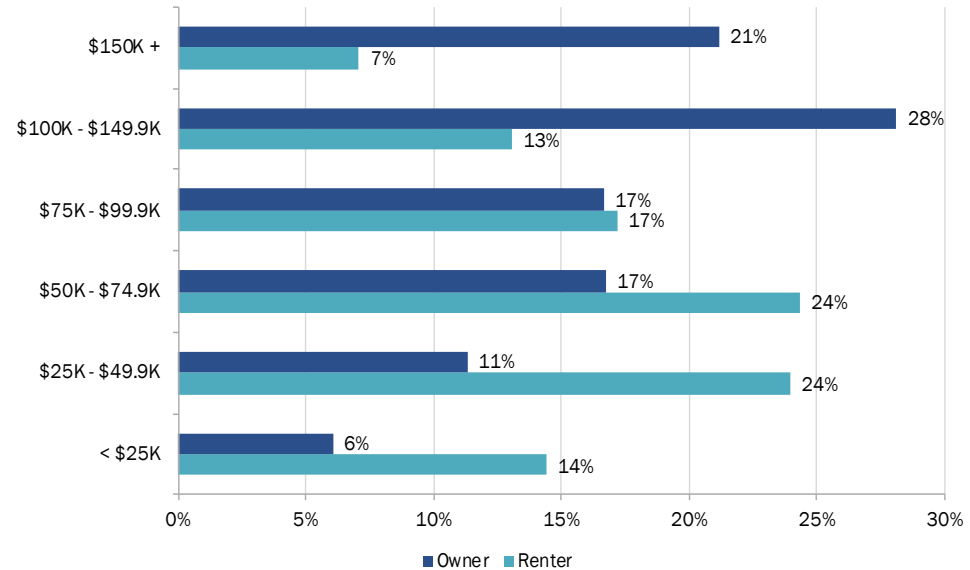
Bonney Lake: Larger share of high-income households

Bonney Lake has the highest share of \$100K-\$149.9K households relative to Sumner and Pierce County. Incomes above \$100k tend to own versus rent.

Percentage of Homeowners by Income Category, Every Geography, 2014-18



Income Compared to Tenure, Bonney Lake, 2014-18



Median Household Income (2018):

\$91,368

Persons in Poverty:

6.9%

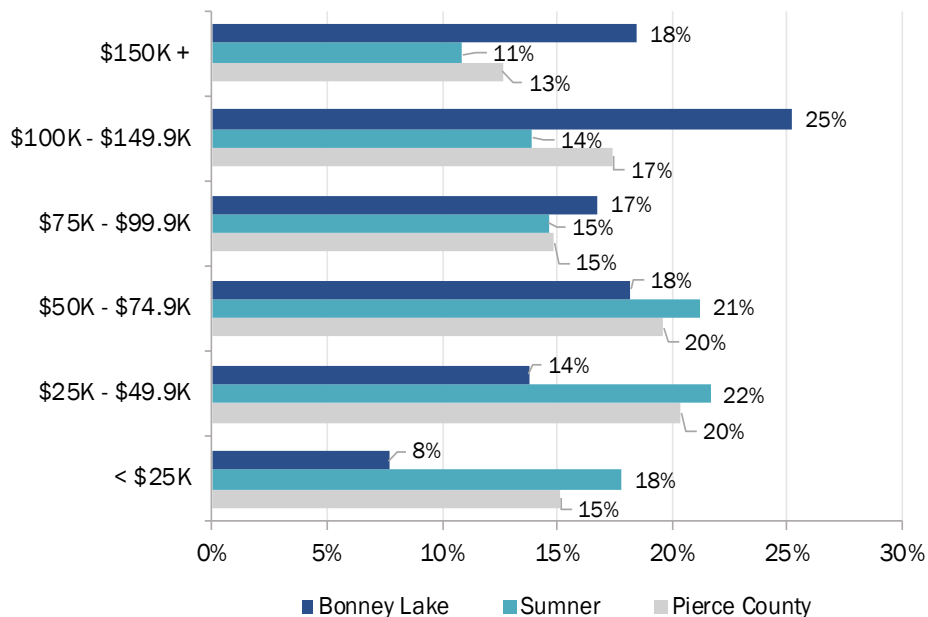
*Lower than Pierce County: 8.7%

2000 Median income was \$60,282 which is a 52% change from 2000 to 2014-18

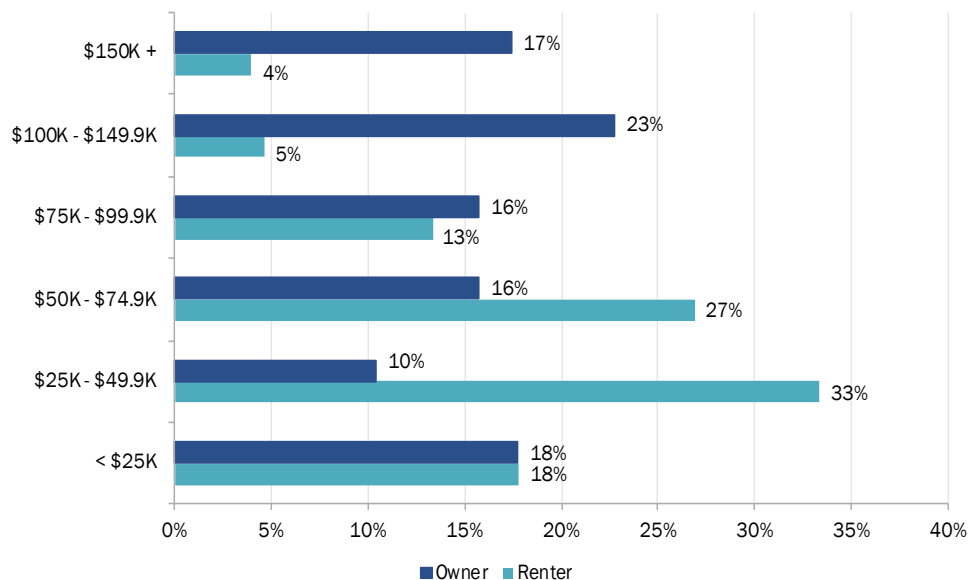
Sumner: Larger Share of Moderate to Lower Incomes

Sumner has the highest share of incomes below \$75k relative to Bonney Lake and Pierce County. Incomes above \$75k tend to own versus rent.

Percentage of Homeowners by Income Category, 2014-18



Income Compared to Tenure, Sumner, 2014-18



Median Household Income (2018):

\$59,846

Persons in Poverty:

13.0%

*Higher than Pierce County: 8.7%

2000 Median income was \$38,598 which is a 55% change from 2000 to 2014-18

Bonney Lake larger 3+ household size

Bonney Lake has the highest share of 3+ persons households relative to Sumner and Pierce County.



Geography	1-Person Households	2-Person Households	3-Person Households	4-Person Households	5-or-More Person Households
Bonney Lake	16%	35%	21%	16%	12%
Sumner	33%	28%	17%	16%	5%
Pierce County	26%	34%	17%	13%	10%

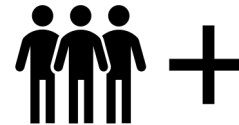
AVERAGE NUMBER OF PEOPLE PER HOUSEHOLD 2014-18



BONNEY LAKE



UNITED STATES



49% OF BONNEY LAKE HOUSEHOLDS HAVE 3+ PERSONS

Note: A household includes all the people who occupy a housing unit – or housing with separate living space with direct access from the outside or through a common hall. A household includes the related family members and all the unrelated people who share the housing unit. A person living alone in a housing unit, or a group of unrelated people sharing a housing unit are counted as a household (US Census, 2020).

Sumner smaller 1-2 person household size

Sumner has the highest share of 1 and 2-person households relative to Bonney Lake and Pierce County.



Geography	1-Person Households	2-Person Households	3-Person Households	4-Person Households	5-or-More Person Households
Bonney Lake	16%	35%	21%	16%	12%
Sumner	33%	28%	17%	16%	5%
Pierce County	26%	34%	17%	13%	10%

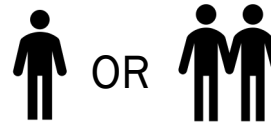
AVERAGE NUMBER OF PEOPLE PER HOUSEHOLD 2014-18



SUMNER



UNITED STATES



62% OF SUMNER HOUSEHOLDS HAVE 1 OR 2 PERSONS

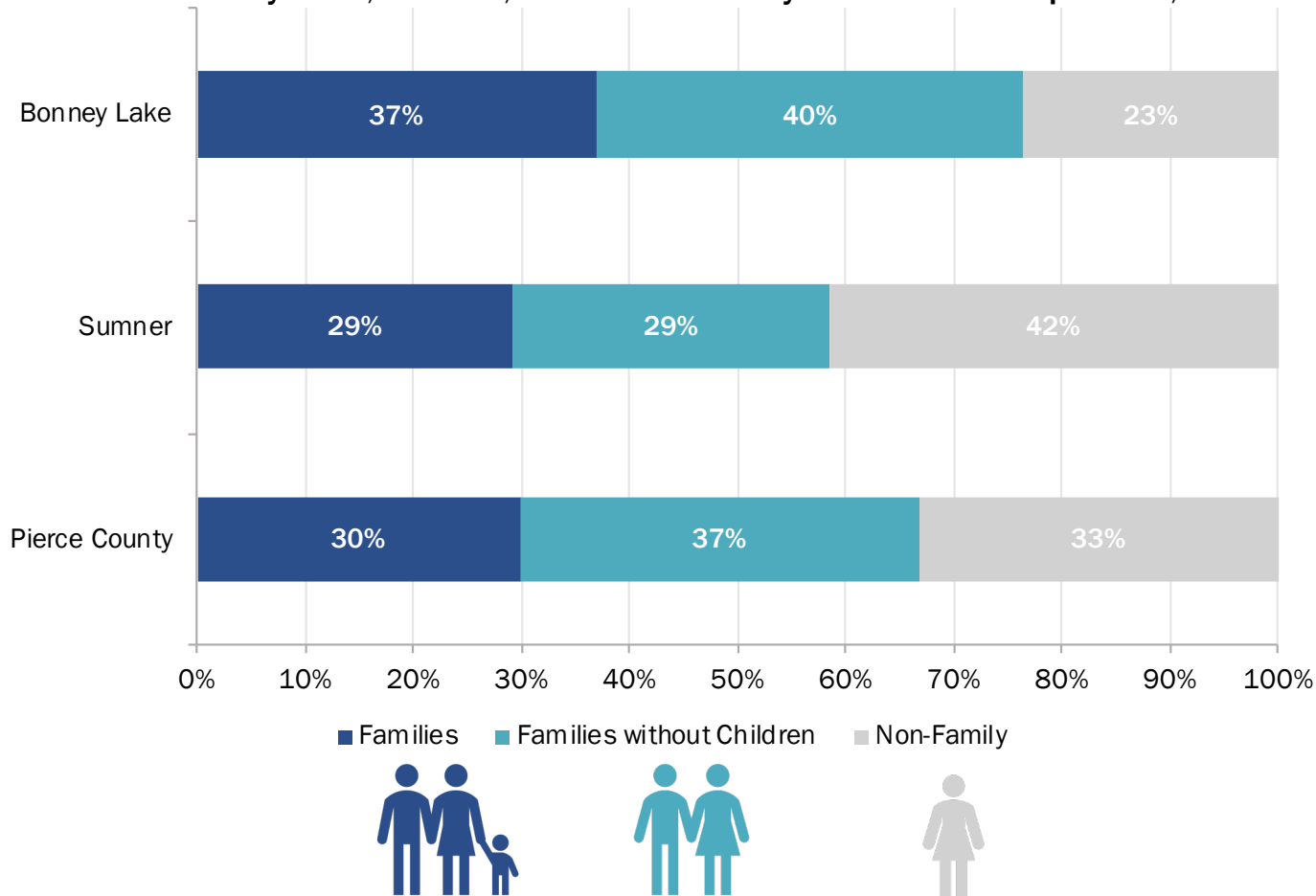
Note: A household includes all the people who occupy a housing unit – or housing with separate living space with direct access from the outside or through a common hall. A household includes the related family members and all the unrelated people who share the housing unit. A person living alone in a housing unit, or a group of unrelated people sharing a housing unit are counted as a household (US Census, 2020).

Household composition



Bonney Lake has a larger share of families with or without children in comparison to Sumner and Pierce County. Sumner has greater percent of non-family households.

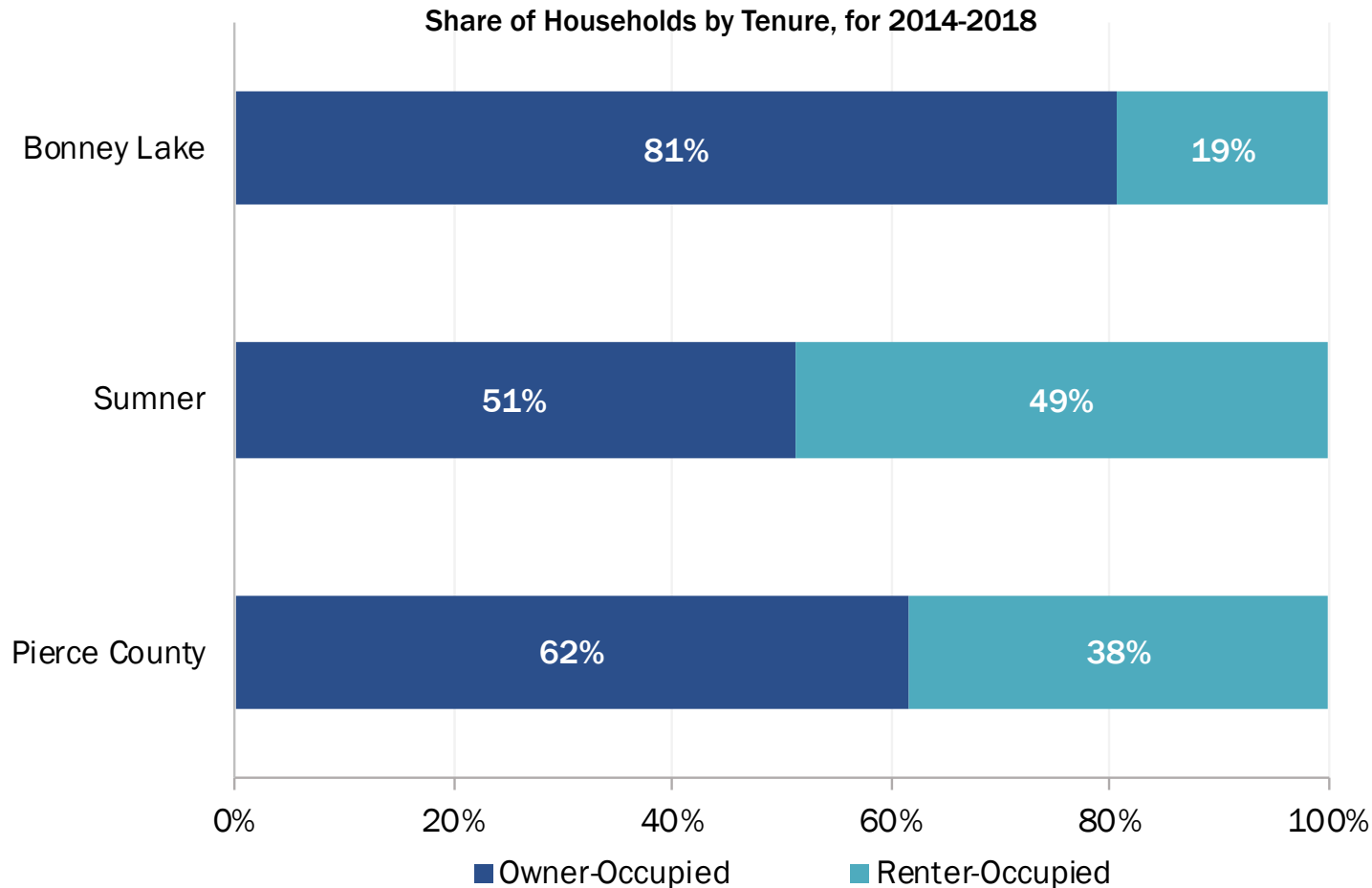
Bonney Lake, Sumner, and Pierce County Household Composition, 2014-18



Note: A family household is one in which the residents are related to at least one other person in the household by birth, marriage, or adoption. Non-family households include young people living alone, unmarried couples, and unrelated house mates.



Bonney Lake and Pierce County have highest share of owner-occupied households.



1. Community Profile

2. Workforce

3. Housing Market

4. Housing Affordability

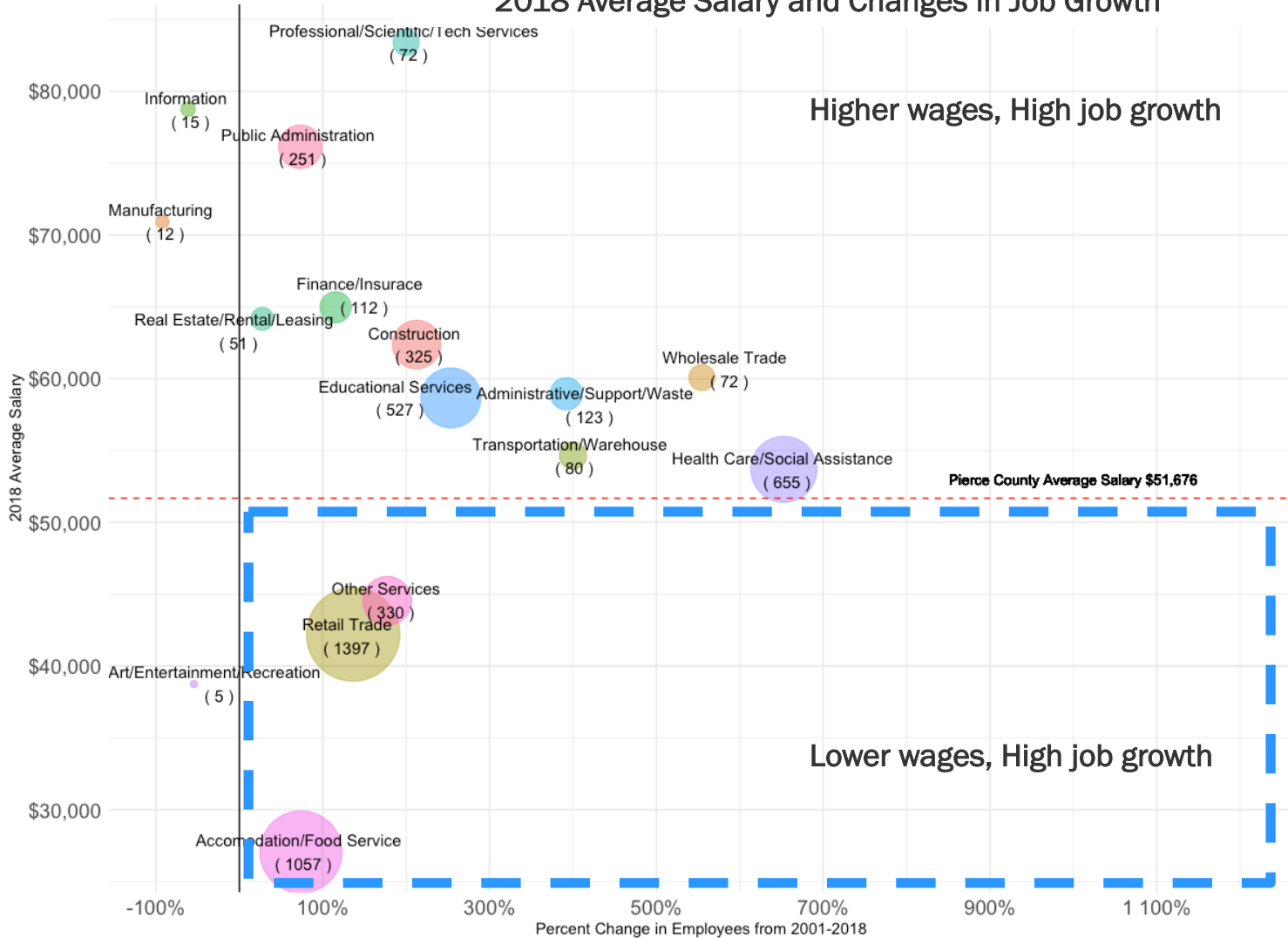
5. Housing Demand & Gaps



Bonney Lake job sector growth compared to salary

High wage sector more diversified and growing than low wage sector

2018 Average Salary and Changes in Job Growth



Bonney Lake has 24% of the jobs or 5,096 jobs (2018) in the Bonney Lake-Sumner area

Bonney Lake job sector detail



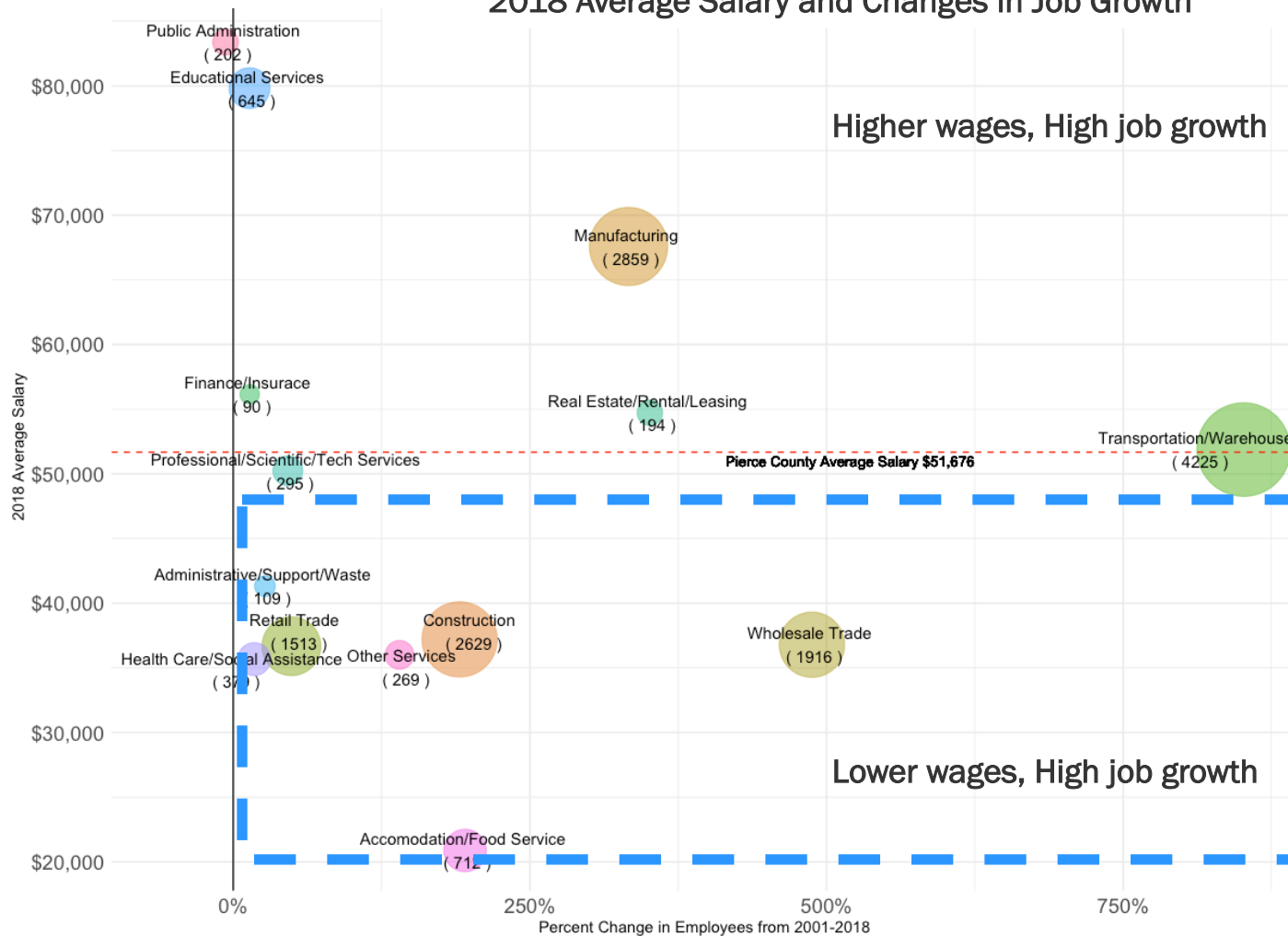
BONNEY LAKE INDUSTRY	TOTAL EMPLOYEES (2018)	EMPLOYEES % OF TOTAL	CHANGE 2001-2018	JOBS % CHANGE 2001-2018	AVERAGE EARNINGS (SALARY) 2018	SALARY % CHANGE 2010-2018	JOBS IN 45-MIN DRIVESHED	JOBS IN 45-MIN TRANSIT SHED
Agriculture, Forestry, Fishing and Hunting (11)	0	0.0%	0	0%	\$32,692	-	1,069	-
Mining, Quarrying, and Oil and Gas Extraction (21)	0	0.0%	0	0%	-	-	332	-
Utilities (22)	0	0.0%	0	0%	\$105,110	4.2%	1,299	-
Construction (23)	325	6.4%	221	213%	\$62,378	10.1%	40,542	78
Manufacturing (31-33)	12	0.2%	-143	-92%	\$70,917	-0.9%	62,599	261
Wholesale Trade (42)	72	1.4%	61	555%	\$60,078	36.6%	37,401	51
Retail Trade (44-45)	1,397	27.4%	806	136%	\$42,202	0.8%	73,123	286
Transportation and Warehousing (48-49)	80	1.6%	64	400%	\$54,643	4.4%	42,529	7
Information (51)	15	0.3%	-24	-62%	\$78,750	-10.9%	6,046	51
Finance and Insurance (52)	112	2.2%	60	115%	\$64,969	25.8%	13,286	67
Real Estate and Rental and Leasing (53)	51	1.0%	11	28%	\$64,167	-3.0%	10,106	10
Professional, Scientific, and Technical Services (54)	72	1.4%	48	200%	\$83,393	89.6%	17,462	32
Management of Companies and Enterprises (55)	12	0.2%	12	1200%	-	-	5,773	-
Administrative and Support and Waste (56)	123	2.4%	98	392%	\$58,949	36.7%	33,152	239
Educational Services (61)	527	10.3%	378	254%	\$58,664	21.3%	45,074	495
Health Care and Social Assistance (62)	655	12.9%	568	653%	\$53,692	36.6%	73,411	342
Arts, Entertainment, and Recreation (71)	5	0.1%	-6	-55%	\$38,750	-23.7%	11,115	22
Accommodation and Food Services (72)	1,057	20.7%	449	74%	\$27,059	-0.9%	45,022	206
Other Services [except Public Administration] (81)	330	6.5%	211	177%	\$44,535	6.0%	17,246	66
Public Administration (92)	251	4.9%	106	73%	\$76,141	14.4%	19,540	416
Total	5,096	100%					556,127	2,629

Sources: PSRC for Employees, ACS 5 Year Estimates (2014-18 for Wage), and ECONorthwest Calculations.

Summer job sector growth compared to salary

Manufacturing & Trans/Warehouse industry concentrated, trans has high wage growth; however most salaries are below \$70k. Low wage sectors \$50k or less more diversified and growing

2018 Average Salary and Changes in Job Growth



Summer is the employment hub in the Bonney Lake-Summer area with 76% of the jobs or 16,065 jobs (2018)

Sources: PSRC for Employees, ACS 5 Year Estimates (2014-18 for Wage), and ECONorthwest Calculations.

Sumner job sector detail



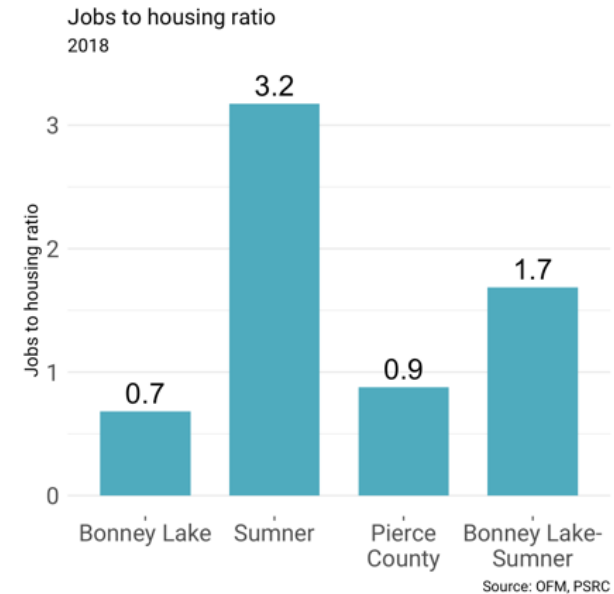
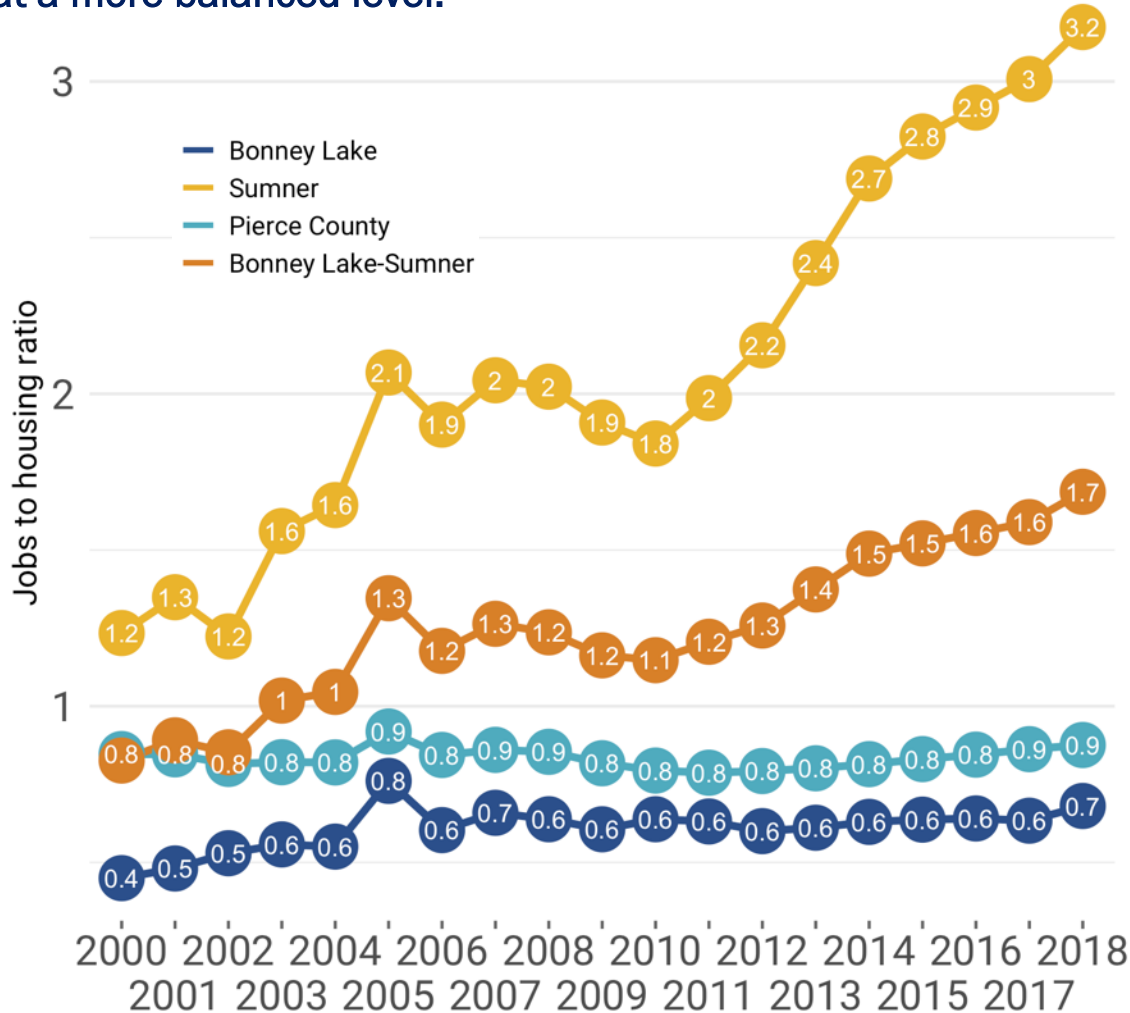
SUMNER INDUSTRY	TOTAL EMPLOYEES (2018)	EMPLOYEES % OF TOTAL	CHANGE IN JOBS FROM 2001-2018	JOBS % CHANGE 2001-2018	AVERAGE EARNINGS (SALARY) 2018	SALARY % CHANGE 2010-2018	JOBS IN 45- MIN DRIVE SHED	JOBS IN 45- MIN TRANSIT SHED
Agriculture, Forestry, Fishing and Hunting (11)	6	0.04%	-8	-57.1%	NA	NA	1,282	32
Mining, Quarrying, and Oil and Gas Extraction (21)	0	0.00%	-5	-100.0%	NA	NA	448	0
Utilities (22)	0	0.00%	-39	-100.0%	\$107,153	NA	2,213	42
Construction (23)	2,629	16.36%	1725	190.8%	\$37,199	-5.8%	52,792	1,290
Manufacturing (31-33)	2,859	17.80%	2199	333.2%	\$67,578	33.8%	81,300	2,964
Wholesale Trade (42)	1,916	11.93%		487.7%	\$36,786	-22.5%	47,665	1,798
Retail Trade (44-45)	1,513	9.42%	498	49.1%	\$36,671	-20.6%	89,427	3,289
Transportation and Warehousing (48-49)	4,225	26.30%	3781	851.6%	\$51,875	75.4%	51,767	816
Information (51)	0	0.00%	-163	-100.0%	\$73,188	42.0%	17,190	245
Finance and Insurance (52)	90	0.56%	11	13.9%	\$56,146	130.9%	19,888	662
Real Estate and Rental and Leasing (53)	194	1.21%	151	351.2%	\$54,722	-1.7%	13,498	293
Professional, Scientific, and Technical Services (54)	295	1.84%	93	46.0%	\$50,238	-18.7%	33,306	678
Management of Companies and Enterprises (55)	14	0.09%	-18	-56.3%	NA	NA	11,159	676
Administrative and Support and Waste (56)	109	0.68%	23	26.7%	\$41,316	34.4%	46,403	1,798
Educational Services (61)	645	4.01%	78	13.8%	\$79,821	86.4%	52,327	4,251
Health Care and Social Assistance (62)	379	2.36%	57	17.7%	\$35,673	-20.1%	88,951	2,462
Arts, Entertainment, and Recreation (71)	8	0.05%	8	800.0%	NA	NA	13,235	392
Accommodation and Food Services (72)	712	4.43%	471	195.4%	\$20,875	-12.1%	54,409	2,390
Other Services [except Public Administration] (81)	269	1.67%	157	140.2%	\$36,000	-13.6%	22,231	621
Public Administration (92)	202	1.26%	-14	-6.5%	\$83,382	46.7%	23,463	1,509
Total	16,065	100.00%					722,954	26,209

Sources: PSRC for Employees, ACS 5 Year Estimates (2014-18 for Wage), and ECONorthwest Calculations.

Jobs-to-housing ratio



Sumner's ratio climbed to 3 jobs for every housing unit while Bonney Lake's ratio has remained below 2 since 2000. Sumner's larger employment base compliments Bonney Lake's smaller employment base. The combined Bonney Lake-Sumner ratio has mostly remained lower than 1.7 at a more balanced level.

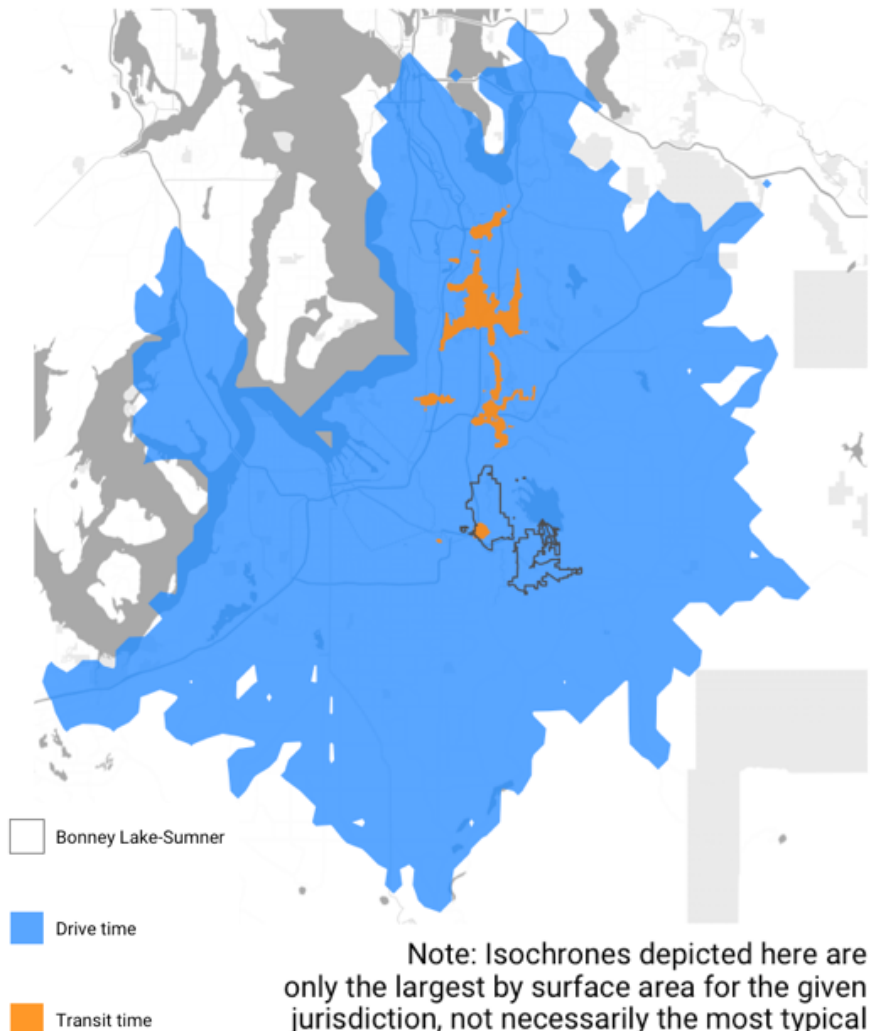


Access to employment



The map shows isochrones or travel sheds for those traveling via public transit (**orange**) and automobiles (**blue**). ESRI Services created drive-time isochrones by simulating traffic conditions typical during a weekday morning (specifically Wednesday at 8:00 AM). The transit travel sheds originated from every transit stop within the City of Bonney Lake and Sumner while the driving travel sheds originated from the center of all block groups in the cities (similar in size to neighborhoods).

Transit and drive time of 45 mins, departing at 8:00AM, midweek



Access to employment detail



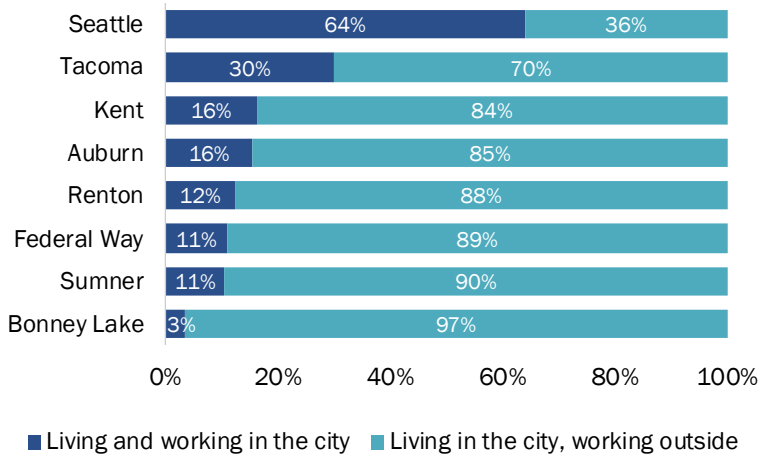
- The largest share of jobs within 45 min. driving distance are healthcare/social assistance (13%), retail trade (13%), and manufacturing (11%). **Total of 615,570 jobs in driveshed, a number much higher than available via transit.**
- Most jobs within 45 minutes via transit: educational services (31.5%) & retail trade (13%). **Total of 22,342 jobs in transit shed.**

INDUSTRY	TOTAL EMPLOYEES (2018)	EMPLOYEES % OF TOTAL	CHANGE 2001-2018	JOBS % CHANGE 2001-2018	AVERAGE EARNINGS (SALARY) 2018	SALARY % CHANGE 2010-2018	JOBS IN 45-MIN DRIVESHED	% OF TOTAL JOBS IN 45-MIN DRIVESHED	JOBS IN 45-MIN TRANSIT SHED	% OF TOTAL JOBS IN 45-MIN TRANSIT SHED
Agriculture, Forestry, Fishing and Hunting (11)	6	0.0%	-8	-57%	\$32,692	(0)	1,145	0%	27	0%
Mining, Quarrying, and Oil and Gas Extraction (21)	0	0.0%	-5	-100%	NA	NA	373	0%	-	0%
Utilities (22)	0	0.0%	-39	-100%	\$106,132	5.2%	1,624	0%	35	0%
Construction (23)	2,954	14.0%	1946	193%	\$49,789	3.6%	44,907	7%	1,091	5%
Manufacturing (31-33)	2,871	13.6%	2056	252%	\$69,248	13.5%	69,262	11%	2,520	11%
Wholesale Trade (42)	1,988	9.4%	1651	490%	\$48,432	5.9%	41,059	7%	1,512	7%
Retail Trade (44-45)	2,910	13.8%	1304	81%	\$39,437	-10.4%	78,933	13%	2,796	13%
Transportation and Warehousing (48-49)	4,305	20.3%	3845	836%	\$53,259	30.0%	45,821	7%	684	3%
Information (51)	15	0.1%	-187	-93%	\$75,969	8.6%	10,017	2%	213	1%
Finance and Insurance (52)	202	1.0%	71	54%	\$60,558	59.4%	15,638	3%	565	3%
Real Estate and Rental and Leasing (53)	245	1.2%	162	195%	\$59,445	-2.4%	11,314	2%	247	1%
Professional, Scientific, and Technical Services (54)	367	1.7%	141	62%	\$66,816	26.3%	23,107	4%	572	3%
Management of Companies and Enterprises (55)	26	0.1%	-6	-19%	NA	NA	7,692	1%	565	3%
Administrative and Support and Waste (56)	232	1.1%	121	109%	\$50,133	35.8%	37,873	6%	1,542	7%
Educational Services (61)	1,172	5.5%	456	64%	\$69,243	51.9%	47,658	8%	3,635	16%
Health Care and Social Assistance (62)	1,034	4.9%	625	153%	\$44,683	6.5%	78,948	13%	2,114	9%
Arts, Entertainment, and Recreation (71)	13	0.1%	2	18%	\$38,750	-23.7%	11,870	2%	332	1%
Accommodation and Food Services (72)	1,769	8.4%	920	108%	\$23,967	-6.1%	48,367	8%	2,032	9%
Other Services [except Public Administration] (81)	599	2.8%	368	159%	\$40,268	-3.8%	19,022	3%	530	2%
Public Administration (92)	453	2.1%	92	25%	\$79,762	29.3%	20,938	3%	1,330	6%
Total	21,161	100%					615,570	100%	22,342	100%

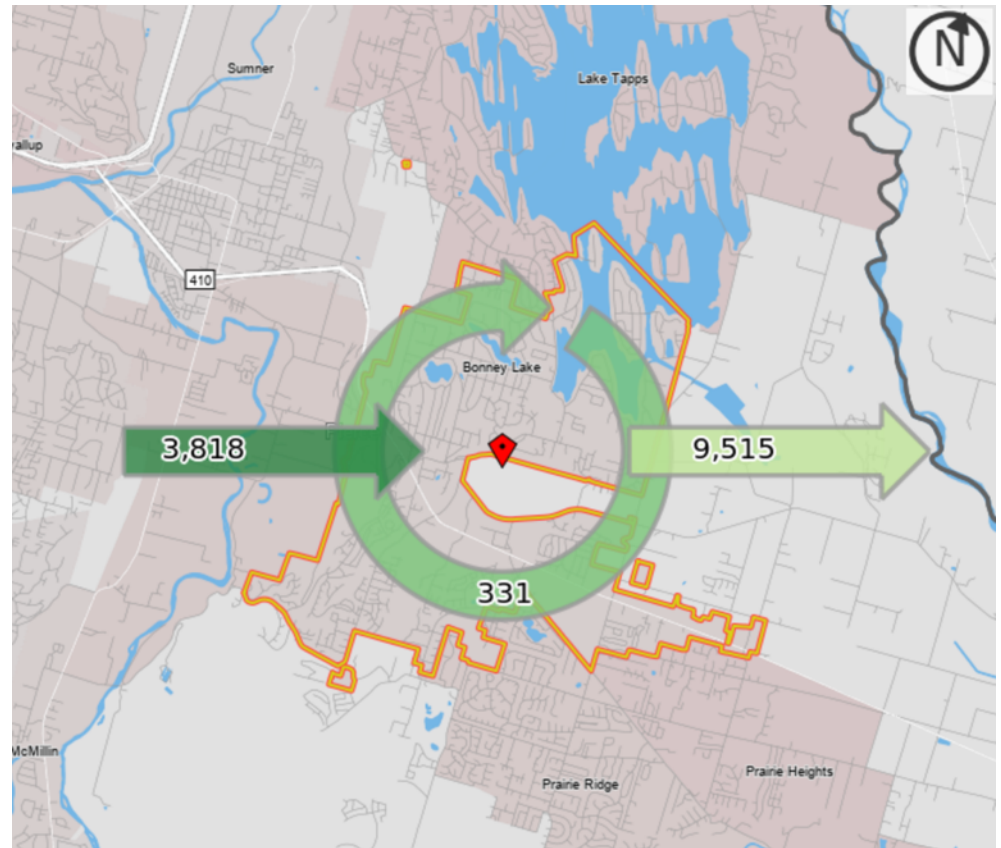
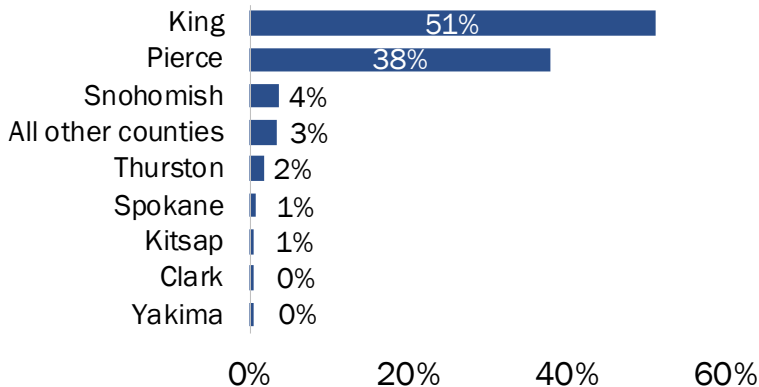
Very few people live and work in Bonney Lake

- Only 3% of Bonney Lake residents live and work in Bonney Lake
- Majority (51%) of Bonney Lake residents commute to King County cities
- About 7% of Bonney Lake residents work in Sumner

Commute Flows of Residents, Bonney Lake and Comparison Cities



Where Bonney Lake Residents Work

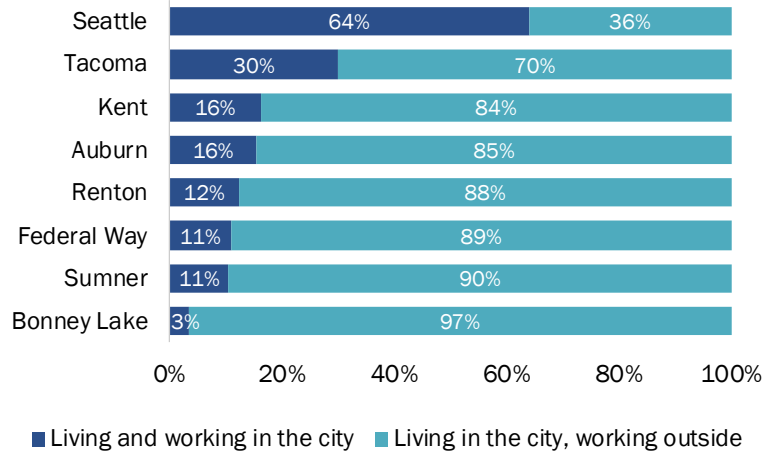


Source: Longitudinal Employer-Household Dynamics, US Census, 2017

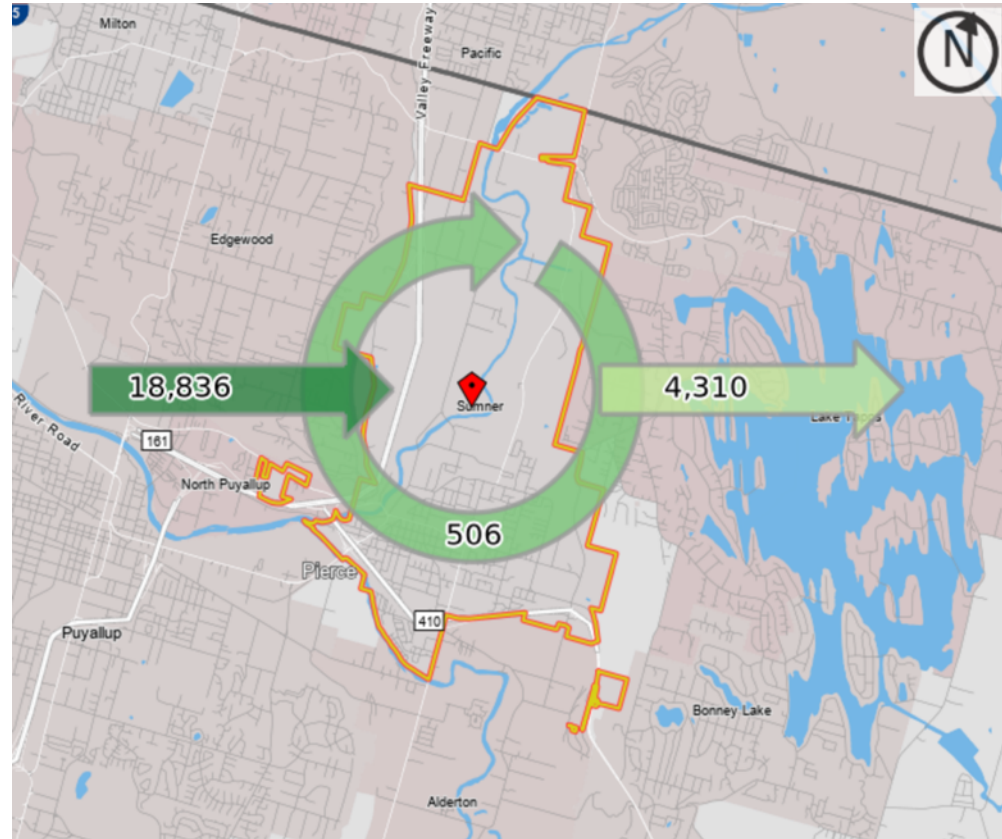
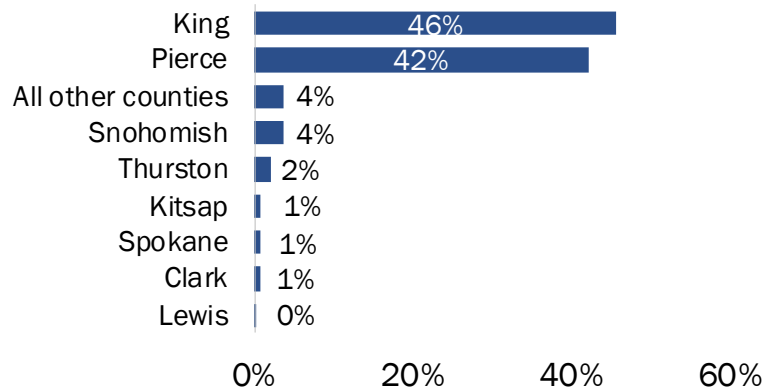
Sumner has slightly fewer people commuting

- Only **11%** of Sumner residents live and work in Sumner
- Majority (**46%**) of Sumner residents commute to King County cities

Commute Flows of Residents, Sumner and Comparison Cities



Where Sumner Residents Work



Possible Reasons: Transient community, many jobs within a 45- minute drive

1. Community Profile

2. Workforce

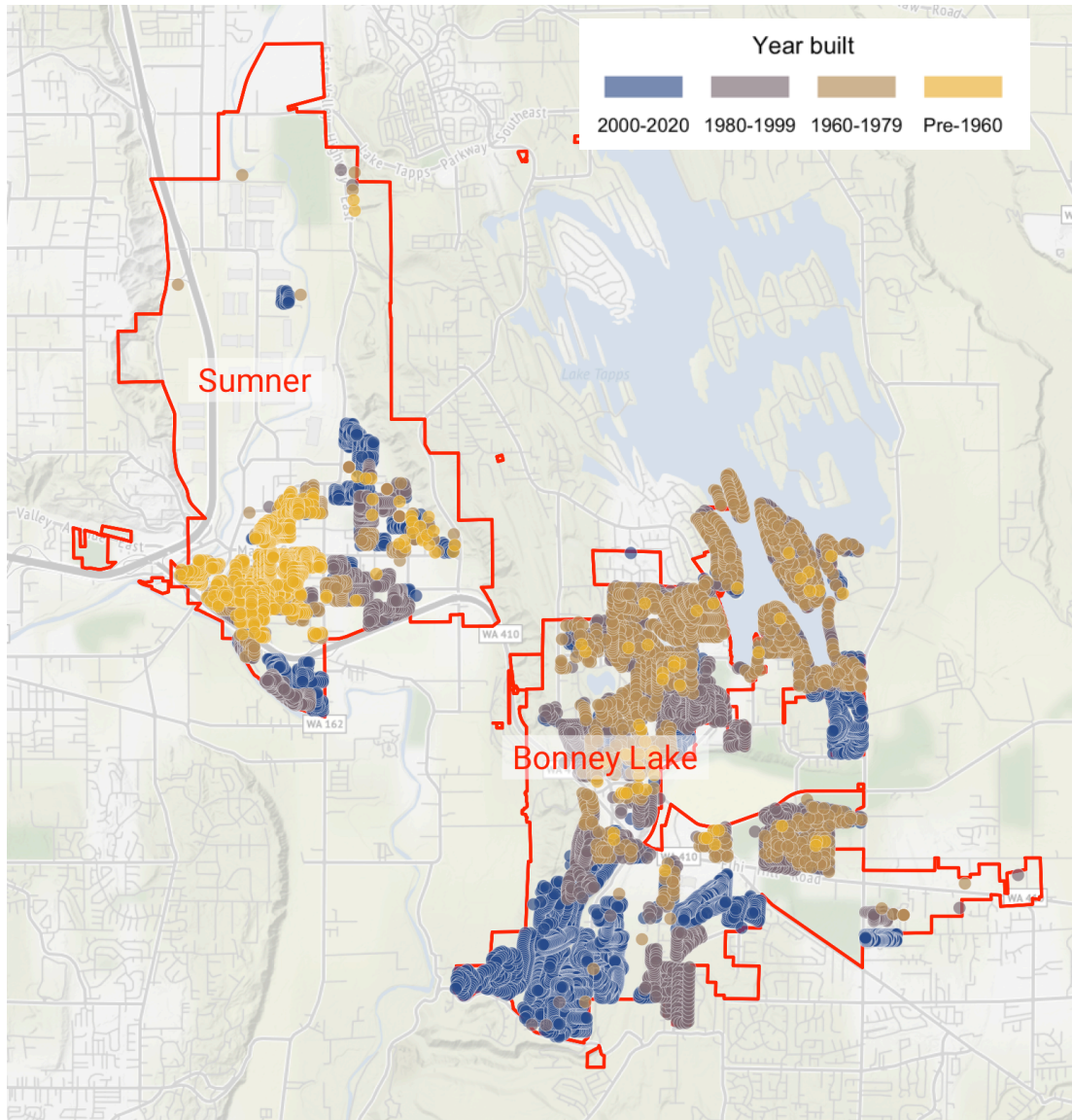
3. Housing Market

4. Housing Affordability

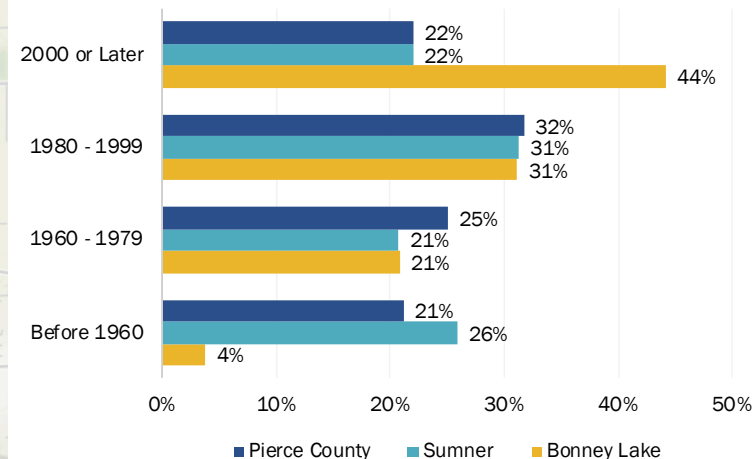
5. Housing Demand & Gaps



Age of housing

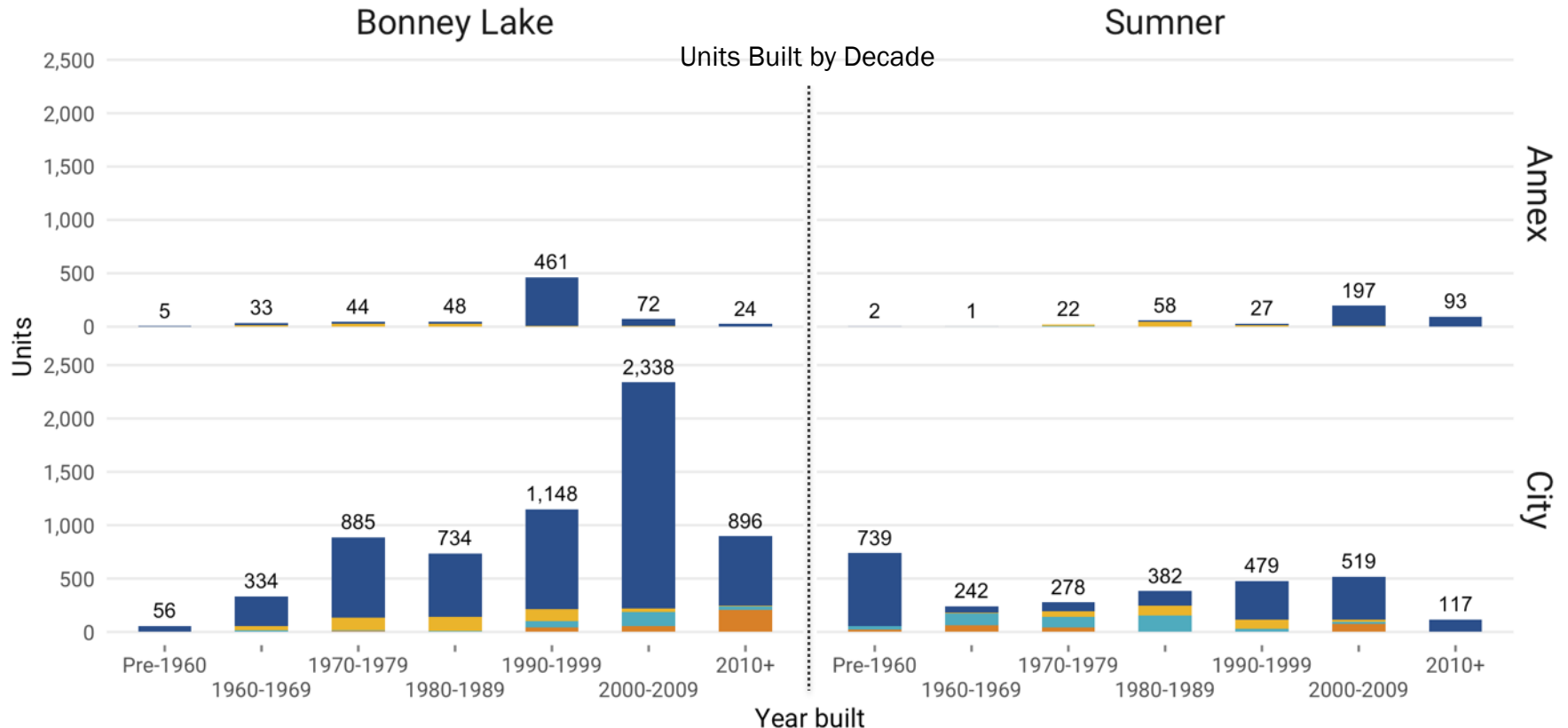


- Almost half of Bonney Lake's housing is newer construction, built after 2000. One-third was built between 1980-99.
- Sumner has older housing compared to Bonney Lake, with over one-quarter built before 1960 and 21-31% of the construction spread out in later periods.



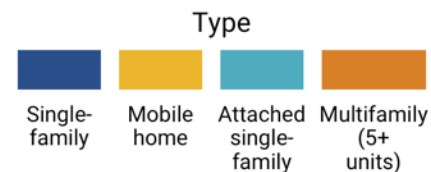
Housing types built by decade

- **Bonney Lake Housing Stock: Mostly single family, greater overall amount**
- **Sumner: Greater mix of housing types but less overall housing units**



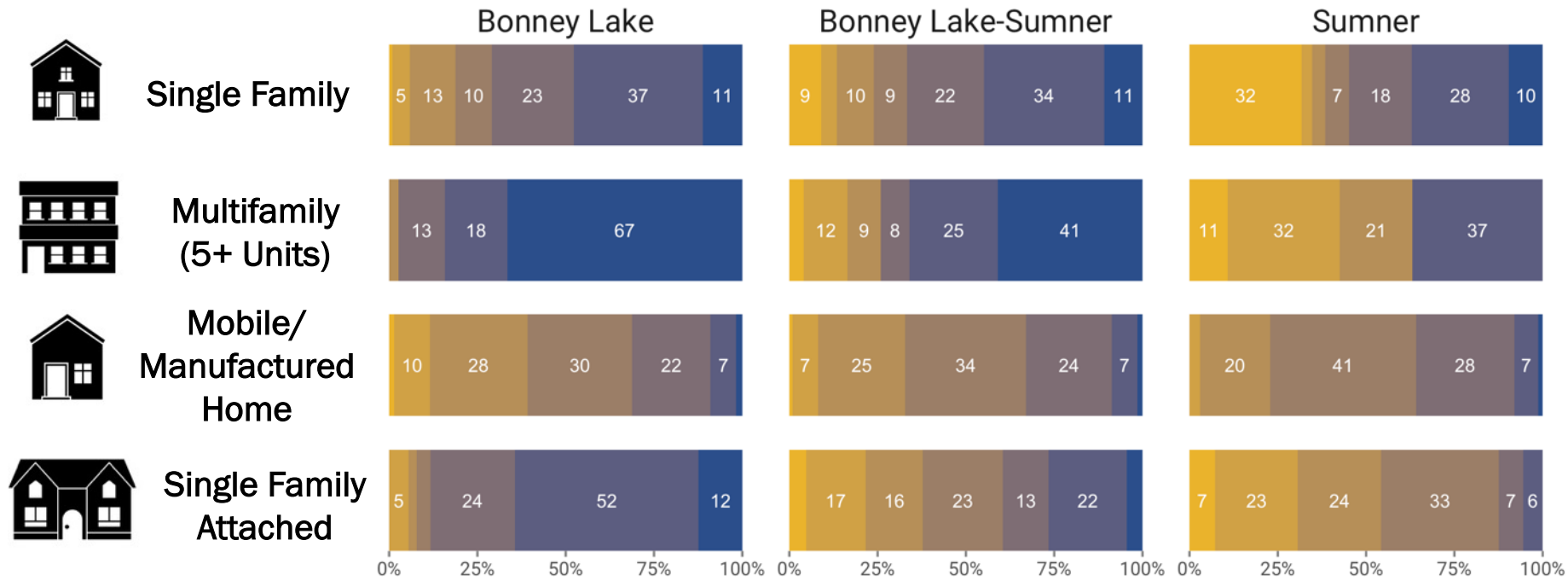
Counts

Year Built	Bonney Lake	Sumner	Pierce County
Before 1960	275	1,119	72,581
1960 - 1979	1,507	897	85,989
1980 - 1999	2,257	1,352	108,944
2000 or Later	3,198	950	75,546
Total	7,237	4,318	343,060



Housing type and age

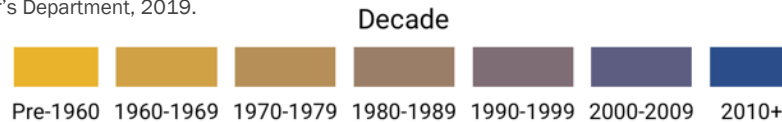
- Overall 75% of Bonney Lake’s housing built after 1980 and 78% of Sumner’s built before 1999.
- Bonney Lake’s multifamily and single family attached development is newer, primarily built during the last two decades while Sumner’s single family attached is older, primarily built before 1990.



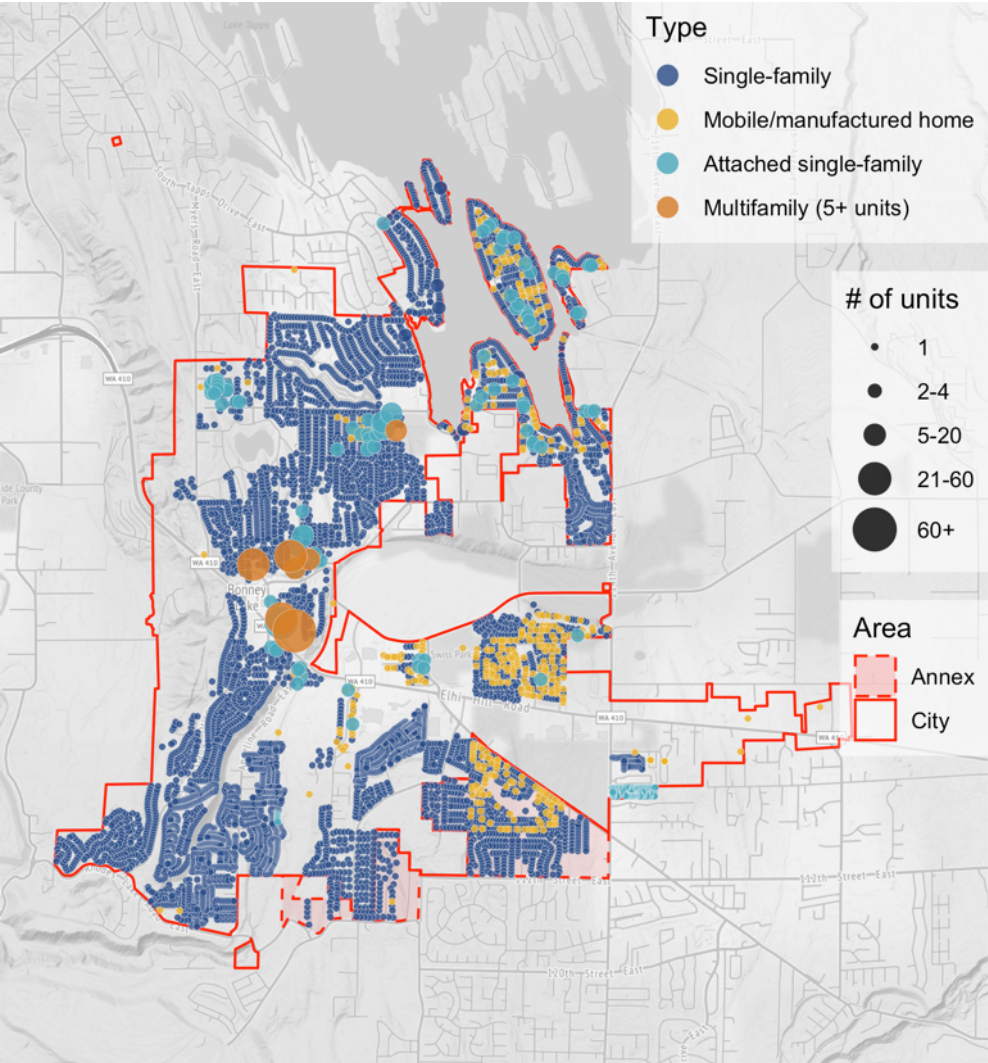
Source: Pierce County Assessor’s Department, 2019.

Percentages

Year Built	Bonney Lake	Sumner	Pierce County
Before 1960	4%	26%	21%
1960 - 1979	21%	21%	25%
1980 - 1999	31%	31%	32%
2000 or Later	44%	22%	22%
Total	100%	100%	100%



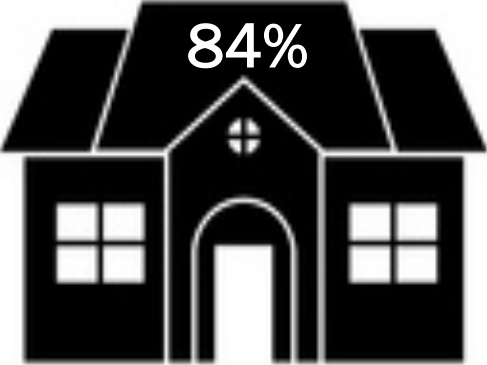
Bonney Lake mix of housing: Mostly single family detached



Source: Pierce County Assessor's Department, 2019.

Prevalent Housing Types

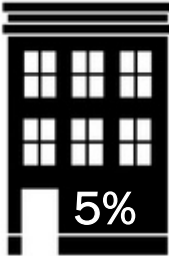
Single Family Detached



Manufactured/ Mobile Home



Multifamily

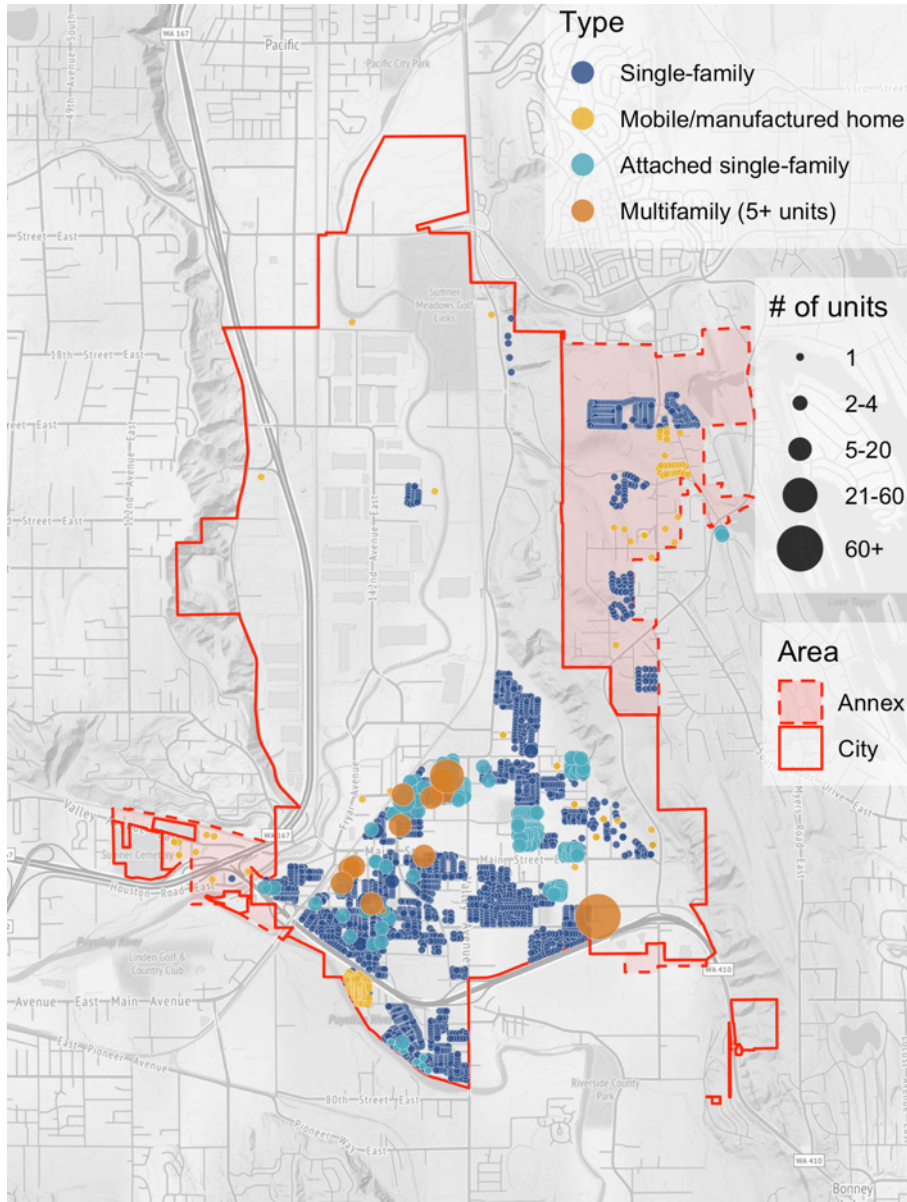


Single Family Attached



- Larger multifamily near SR 410
- Single family attached located on Inlet Island and near Church Lake Rd E and Bonney Lake Boulevard

Sumner: More diverse mix of housing



Prevalent Housing Types

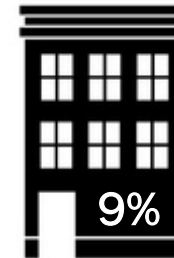
Single Family



Single Family Attached



Multifamily



Mobile Home/
Manufactured



Multifamily and single family attached primarily extends linearly east from SR 167 and near Main Street and SR 410

Mix of housing detail

City of Bonney Lake	Percent of Total	Count
Attached Single Family	4%	258
Mobile Home	7%	437
Single-Family	84%	5,385
Multifamily (5+ Units)	5%	311
Total	100%	6,391

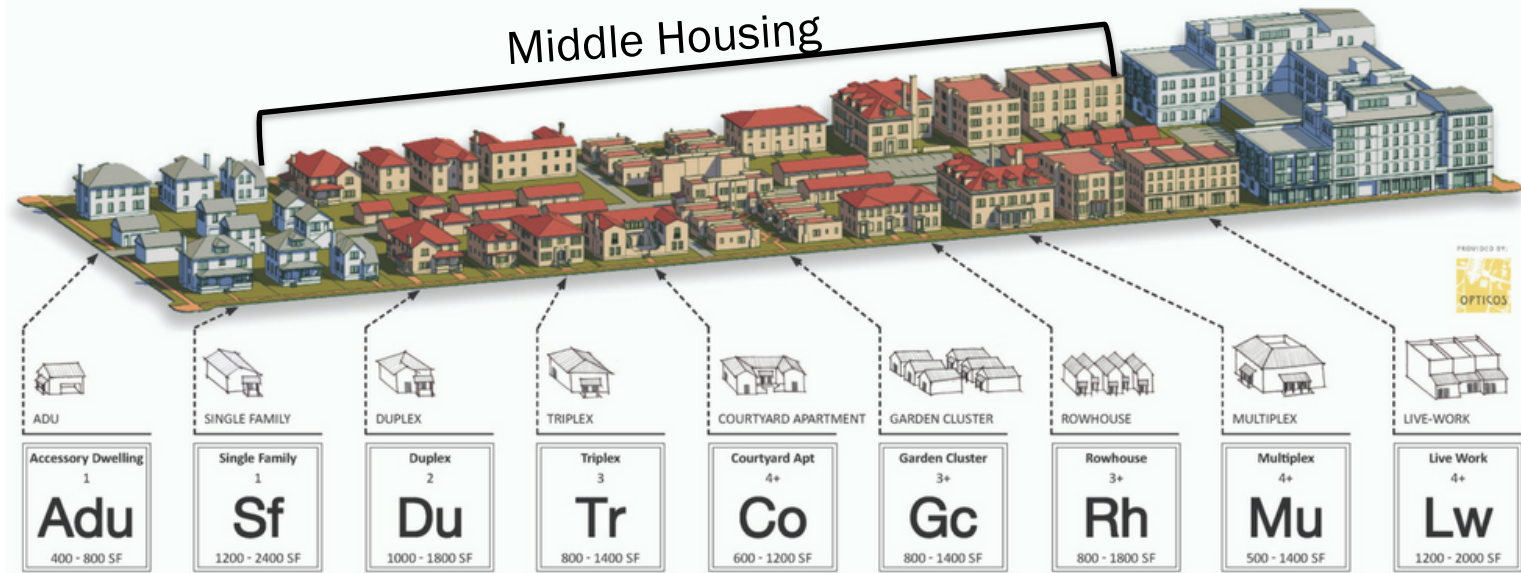
City of Sumner	Percent of Total	Count
Attached Single Family	15%	401
Mobile Home	9%	257
Single-Family	67%	1,845
Multifamily (5+ Units)	9%	254
Total	100%	2,757

Bonney Lake Annexation Areas	Percent of Total	Count
Mobile Home	14%	96
Single-Family	86%	591
Total		687

Sumner Annexation Areas	Percent of Total	Count
Attached Single Family	2%	7
Mobile Home	20%	80
Single-Family	78%	313
Total	100%	400

Missing middle housing

Middle Housing: Primarily single-family attached housing with two or more units or other housing bridging a gap between single family and more intense multifamily. Demand is expected to increase for this type of housing mostly due to aging baby boomers, young households forming, and the growing workforce.



Townhomes



Duplexes



Multiplex

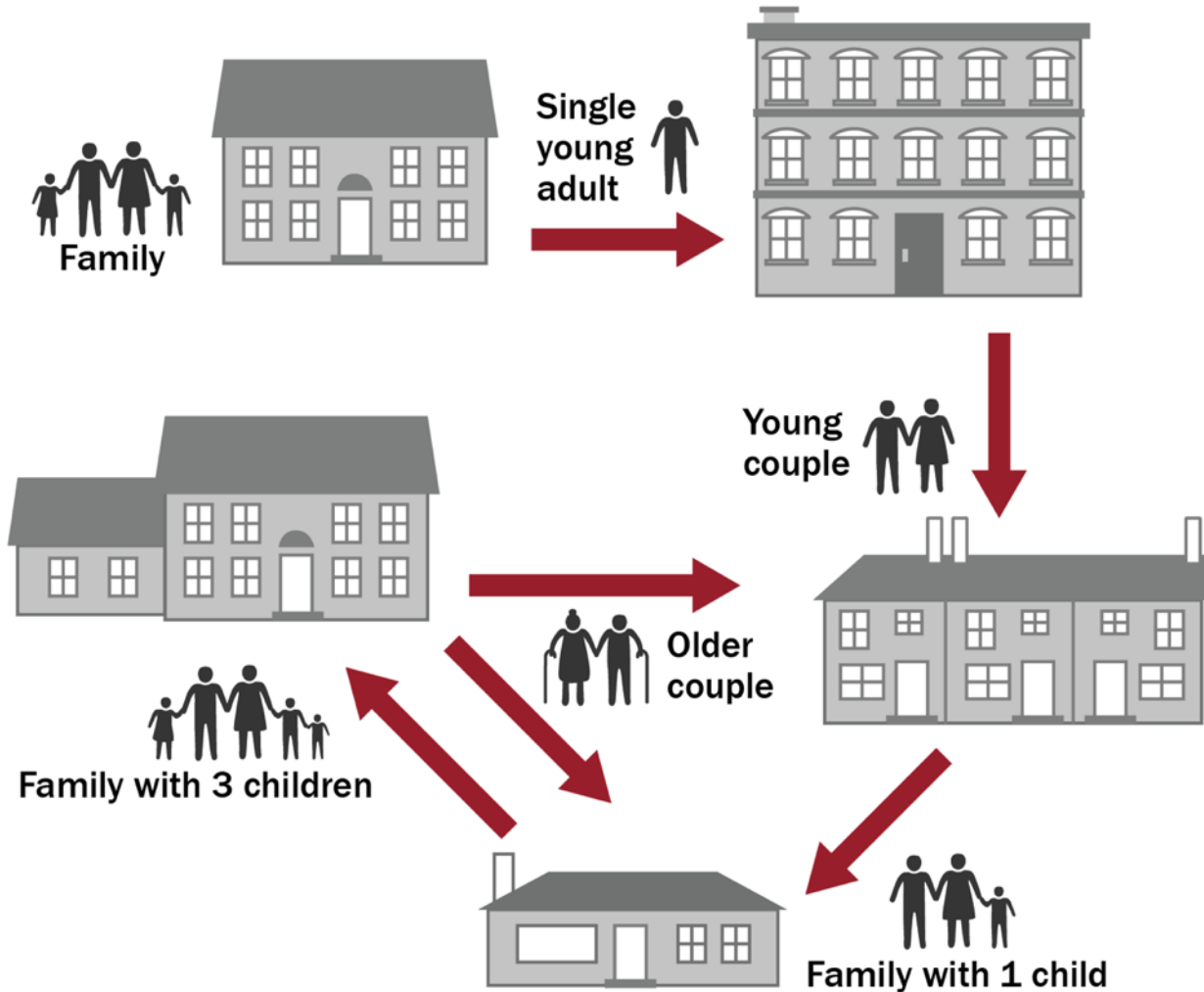


Rowhouses

Housing needs change by life stage



Effect of Demographic Changes on Housing Need



As people go through different life stages their needs for household size tends to change.

- Homeownership rates increase as income and age increases.
- Renters are much more likely to choose multifamily housing than single-family housing.
- Income is a strong determinant of homeownership and housing-type choice for all age categories.

Housing production over last decade: Bonney Lake producing more

- **Bonney Lake estimated average is 126 new housing units per year. Since 2010, 20% multifamily, rest (80%) single family.**
- **Sumner is slower growing adding around 41 new housing units per year. Since 2010, half of the new housing is multifamily and single family.**

Estimated New Housing Units Added from 2008 - 2019

Area	Average Units Built Per Year	Total Built Since 2008
Bonney Lake	126	1,392
Sumner	41	497





Bonney Lake:

- 2008-2030 Target: 8,604 total housing units, add 2,776 new units

As of 2019: Added 1,392 new housing units, 50% of the way

Need 1,384 more units so need to keep building around 138 housing units per year for the next ten years

Sumner:

- 2008-2030 Target: 5,743 total housing units, add 1,770 new units

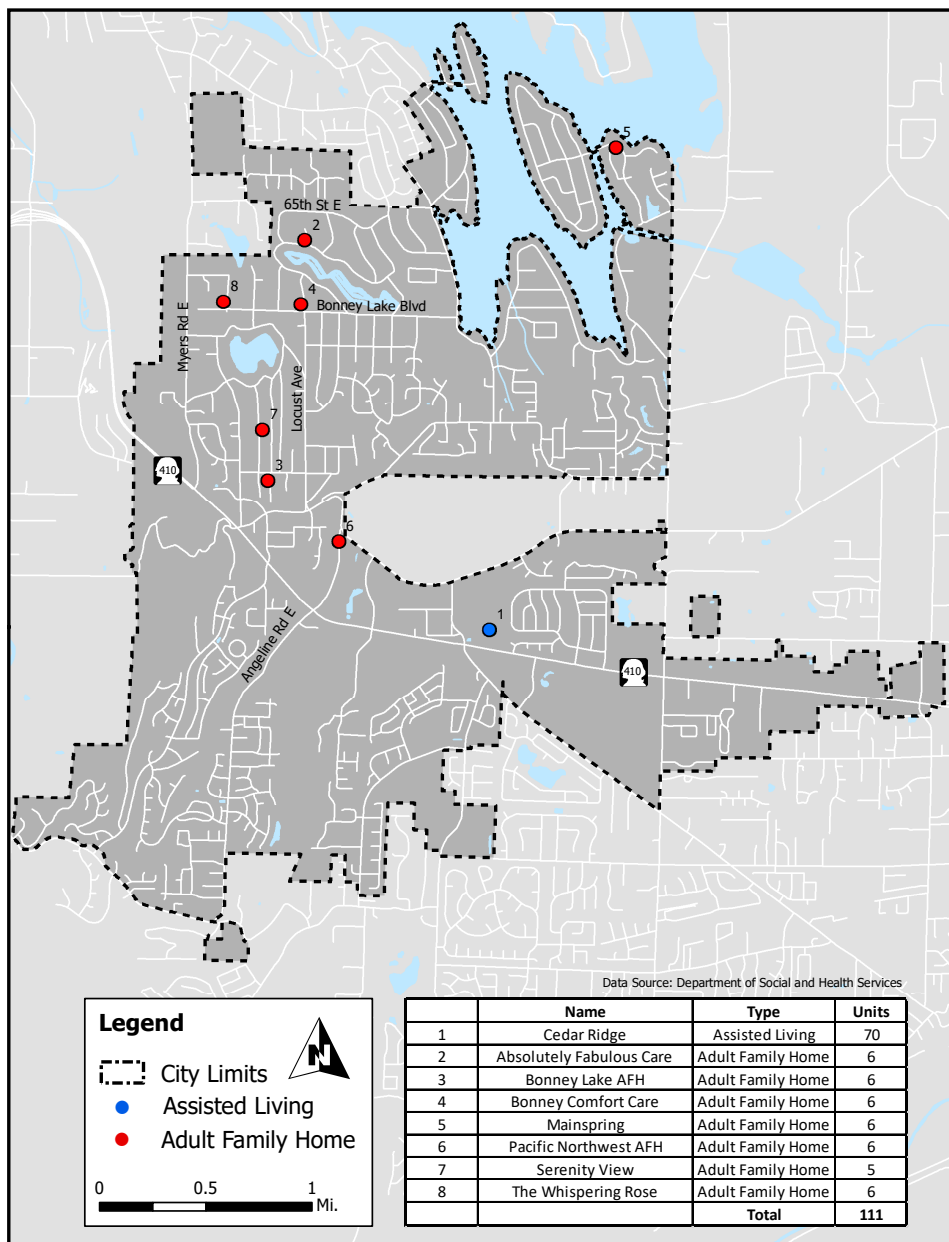
As of 2019: Added 497 new housing units, 28% to target

Need 1,273 more units so need to increase to 127 new units per year for the next ten years

Bonney Lake Comprehensive Plan Housing Target for 2035: Accommodate 3,470 housing units by 2035

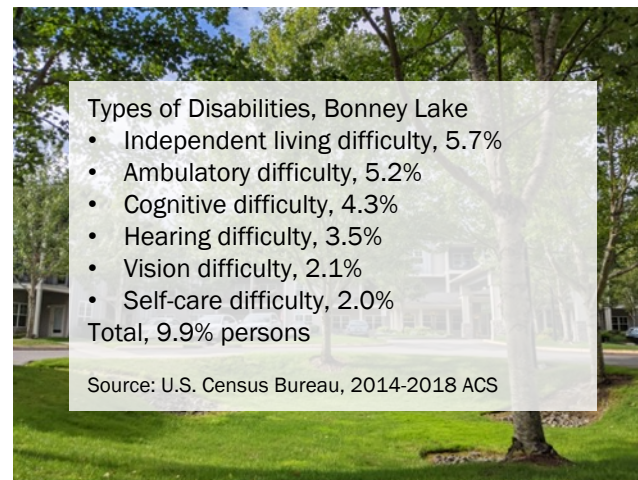
**Targets expected to be updated in 2021.*

Bonney Lake senior/assisted living housing: Mostly adult family homes



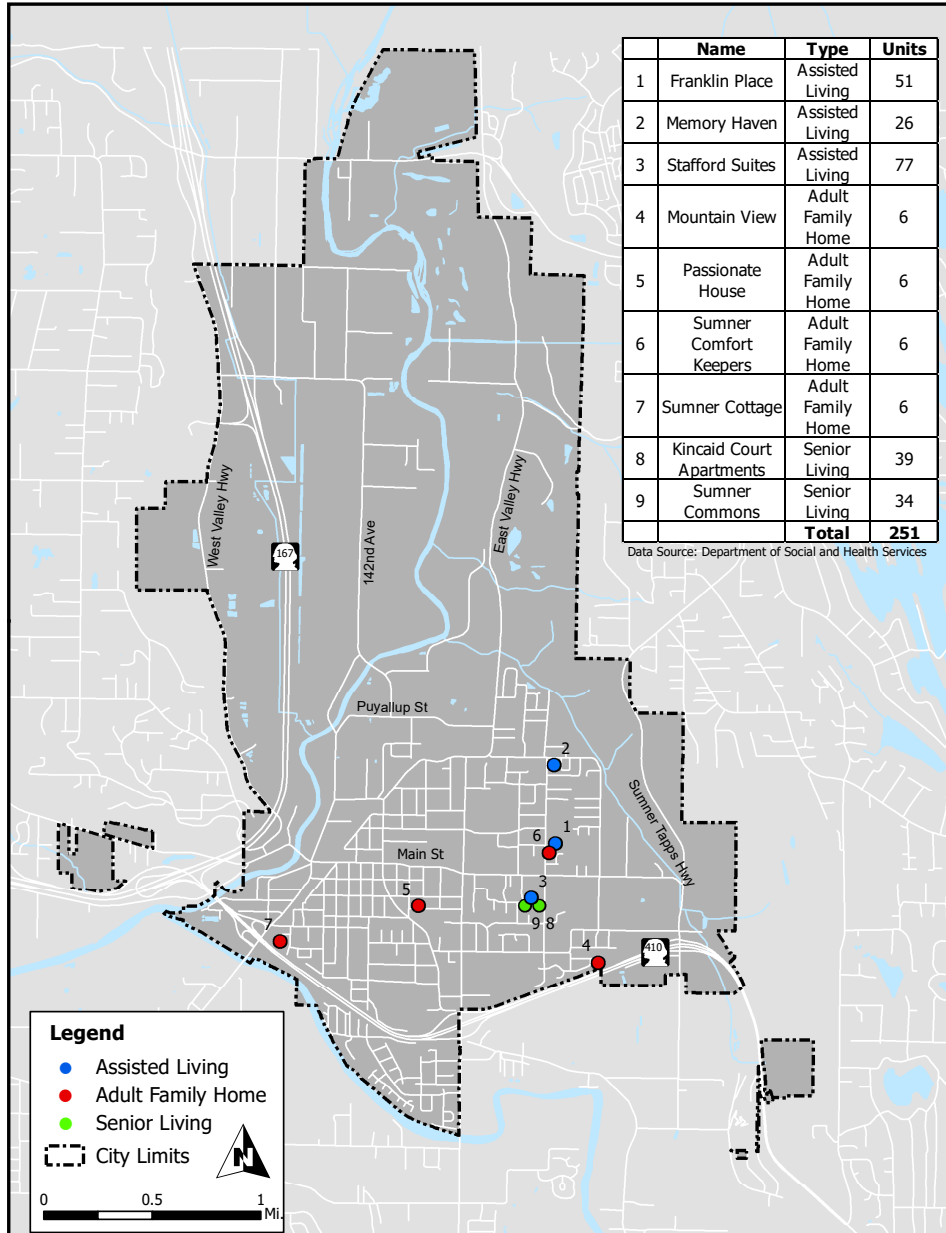
Despite Bonney Lake's larger population, there are fewer Senior housing units (111) compared to Sumner.

Bonney Lake's facilities are mostly adult family homes – they provide fewer units in comparison to Sumner's facilities.



*The map includes all facilities, some of which might only accept seniors and others which accept a broader range of differently aged persons.

Sumner has more senior/assisted living housing



Sumner has more than double the number of Senior or assisted living units (251) compared to Bonney Lake.

Sumner has larger facilities. There are more assisted living and senior living facilities in comparison to Bonney Lake.



*The map includes all facilities, some of which might only accept seniors and others which accept a broader range of differently aged persons.

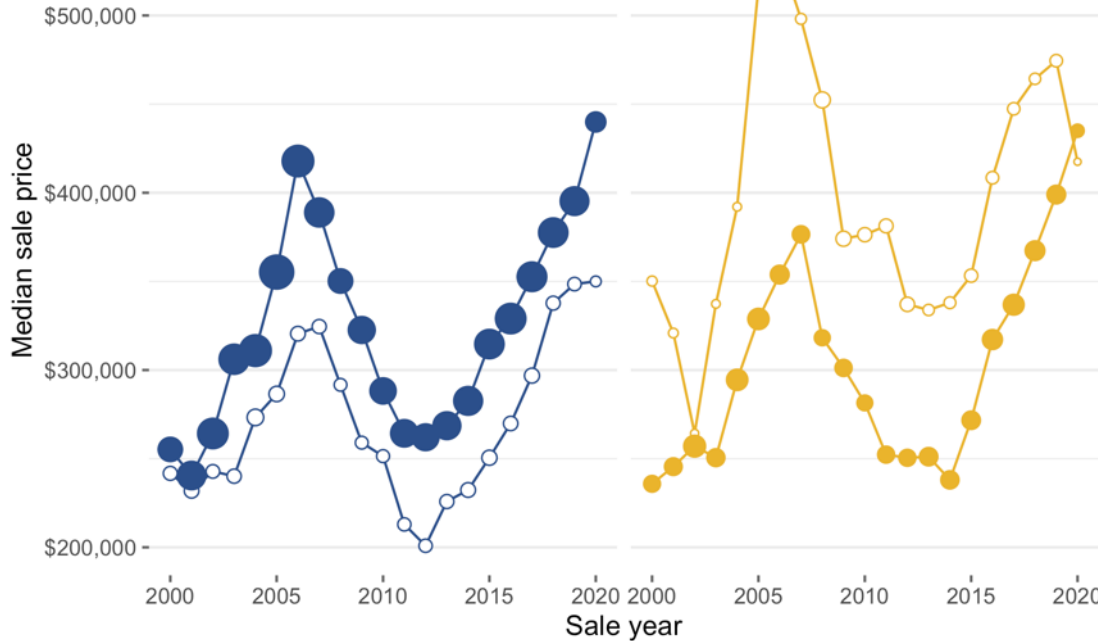
Definitions

- **Nursing homes** provide 24-hour supervised nursing care, personal care, therapy, nutrition management, organized activities, social services, room, board and laundry.
- The **assisted living facility (ALF)** provides room and board and help with activities of daily living. Some ALFs provide limited nursing services; others may specialize in serving people with mental health problems, developmental disabilities, or dementia (Alzheimer's disease). RCW 18-20-020(2). Some Assisted Living Facilities provide Assisted Living through a contract with the Department of Social and Health Services. Specific services are provided in a contracted assisted living facility.
- **Adult family homes** are regular neighborhood homes where staff assumes responsibility for the safety and well-being of an adult. A room, meals, laundry, supervision and varying levels of assistance with care are provided. Some provide occasional nursing care and/or specialized care for people with mental health issues, developmental disabilities or dementia. The home can have two to six residents and is licensed by the state.

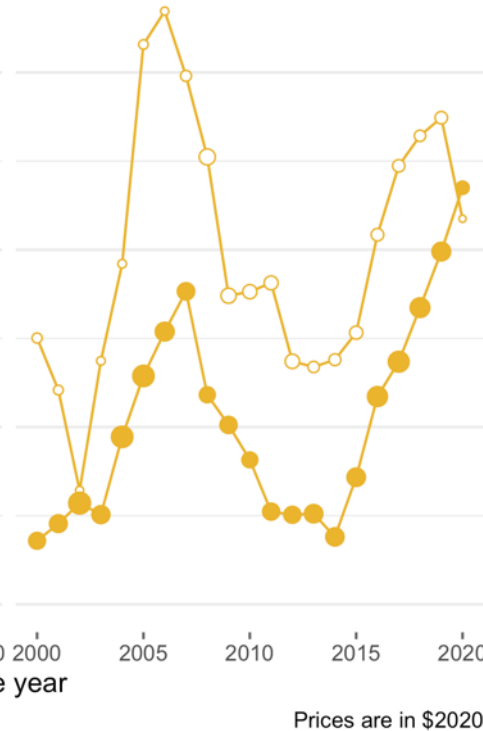
Median housing sales prices increased



Bonney Lake



Sumner



Prices are in \$2020

Juris.

● Bonney Lake

● Sumner

Area

○ Annex

● City

of Sales

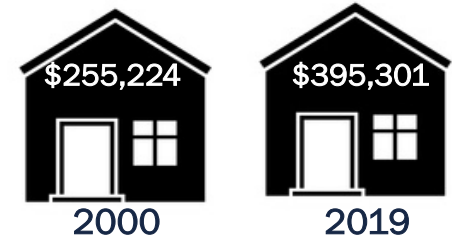
● 10

● 200

● 600

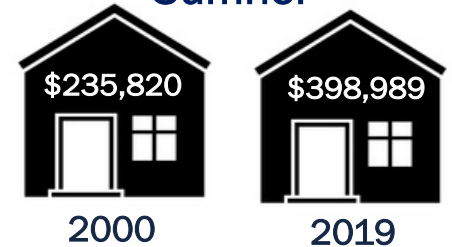
Median Sales Price

Bonney Lake



55% Change

Sumner



69% Change

Annexation/Urban Growth Areas

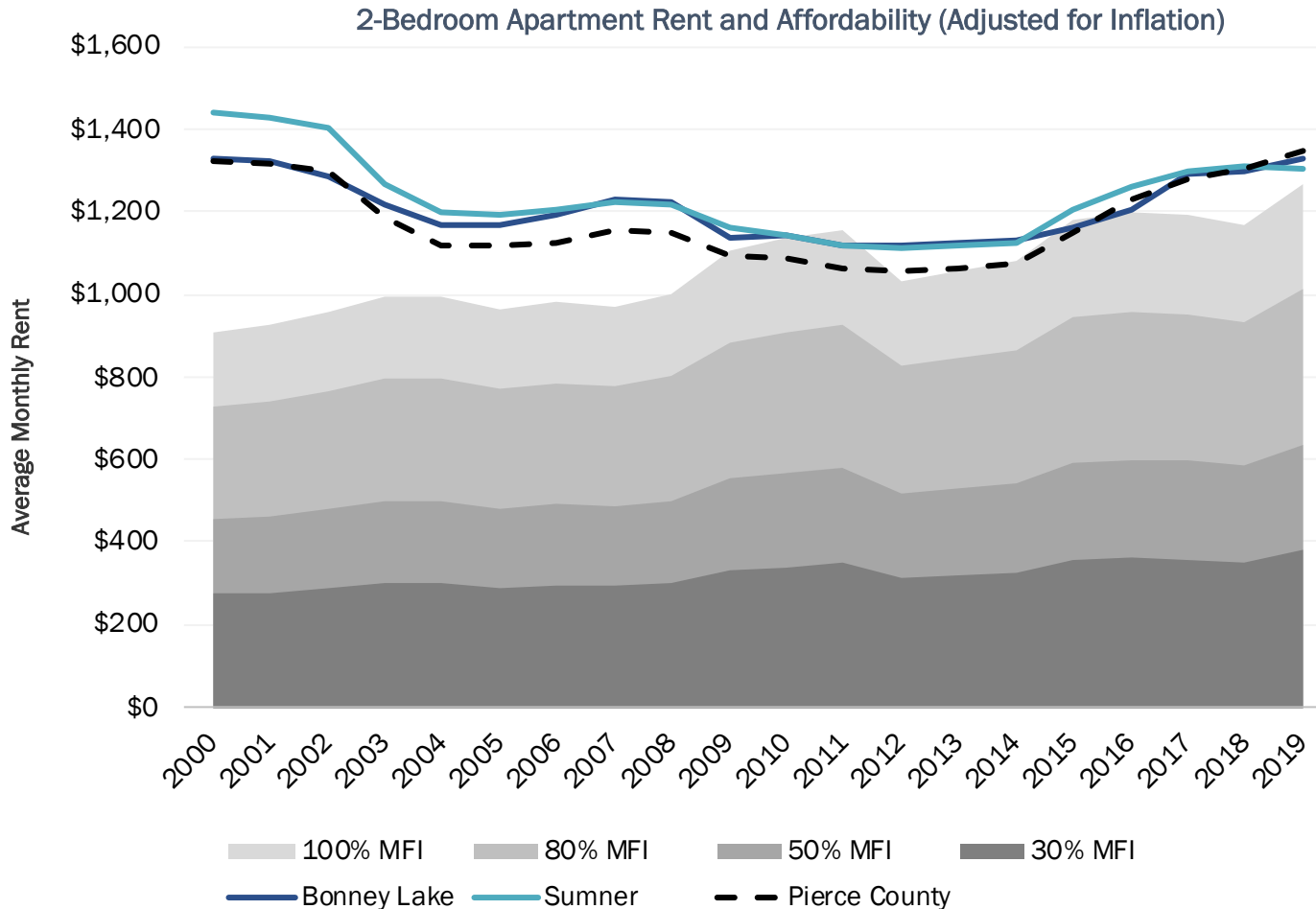
Annexation Areas	Median Sale Price 2000	Median Sale Price 2019	Percent Change
Bonney Lake	\$241,716	\$348,485	44%
Sumner	\$350,195	\$474,495	35%

*The source for the above figures is the Pierce County assessor. Zillow shows an increase to \$441,300 for Bonney Lake (73% change) and \$419,900 for Sumner (78% change) in 2020

Sources: Pierce County Assessments Department, 2020. Note: All values are in 2019 inflation-adjusted dollars.

Rental cost trends

Bonney Lake, Sumner, and Pierce County's average apartment prices have mostly remained above 100% of the Median Family Income (MFI or AMI).



**Bonney Lake
Average Rent in
2019:**

\$1,327

**Sumner Average
Rent in 2019:**

\$1,305

*Pierce County Average
Rent in 2019: \$1,350

Standard Vacancy rate for 2-bedroom apartment

2-bedroom apartment rental vacancy rate for both Bonney Lake and Sumner has gradually decreased since 2000 and has remained below 6% since 2015.



2019 Vacancy Rate

Bonney Lake

5.6%

Sumner

5.7%

- Housing market assessments often use 5% as a standard vacancy rate since it implies a balance between housing supply and demand.* Average rental housing vacancy rates are 7-8% in the US
- Low vacancy rates may indicate a limited housing supply with inadequate housing production to satisfy demand while in contrast, higher rates imply an over-supply of housing, reduced desirability of an area, or low demand.

1. Community Profile

2. Workforce

3. Housing Market

4. Housing Affordability

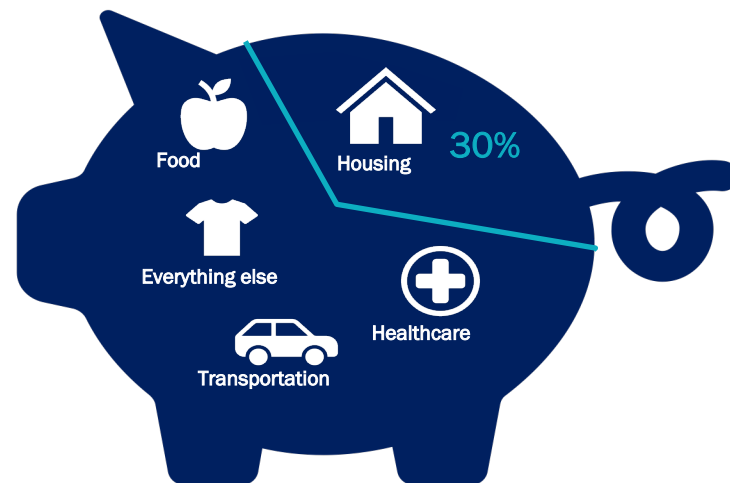
5. Housing Demand & Gap



Defining affordable housing

- The term affordable housing refers to a household's ability to find housing within its financial means. The typical standard used to determine housing affordability is that a household should pay no more than 30% of the gross household income for housing, including payments and interest or rent, utilities, and insurance.
- When examining household income levels, the Area Median Income (AMI) is a measure helpful for understanding what different households can afford to pay for housing expenses. This analysis uses the Pierce County (or Tacoma, WA HUD Metro Fair Market Rent area) for the 100% AMI which is \$87,322 for a family of four (2020).

What is Affordable Housing?

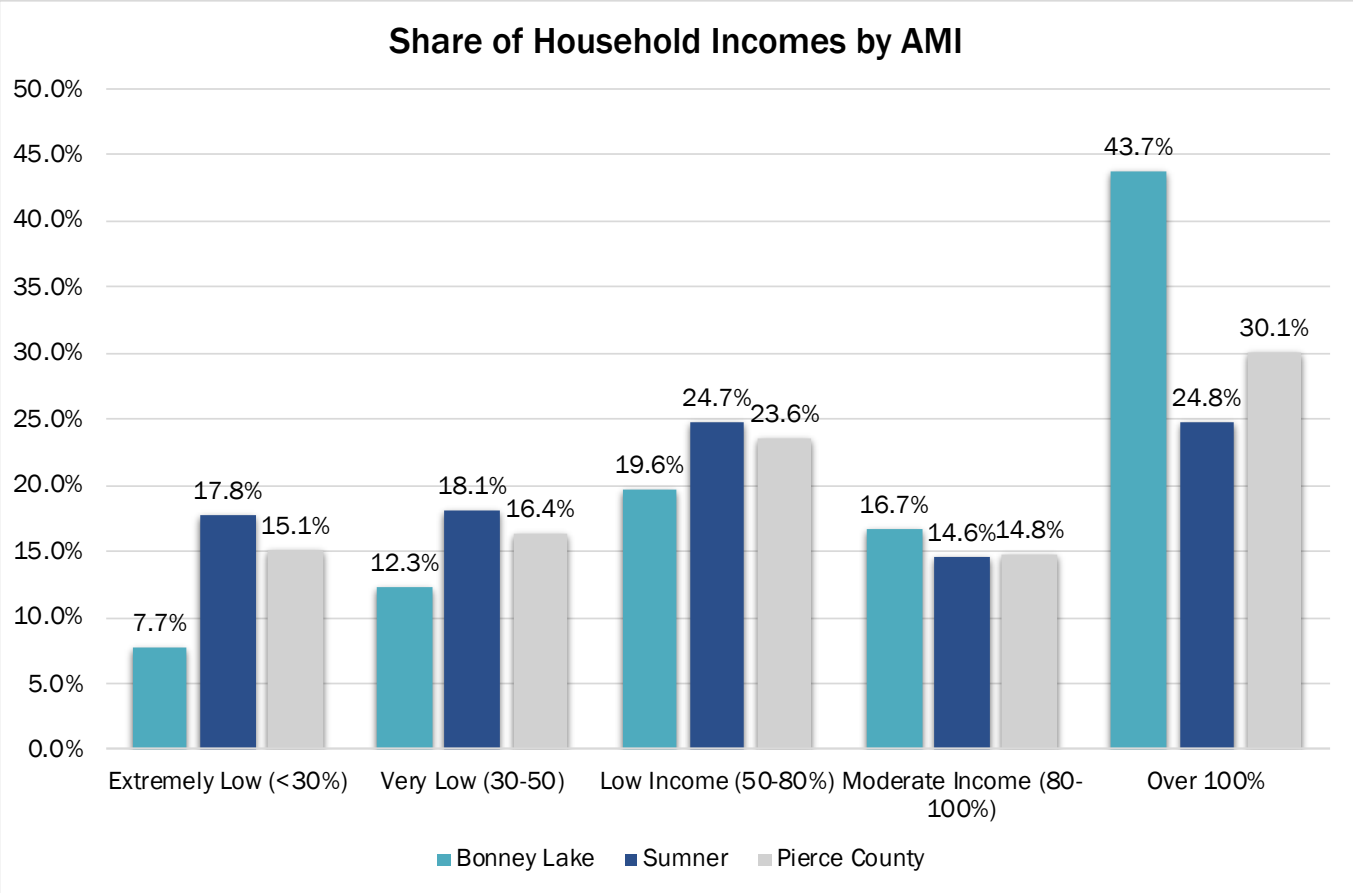


A home is **affordable** when the total housing costs (rent or home payment/dues + utilities) do not exceed **30% of the gross household income**.

Cost Burden: HUD guidelines indicate that a household is cost burdened when they pay more than 30% of their gross household income for housing and **severely cost burdened** when they pay more than 50% of their gross household income for housing (rent or mortgage, plus utilities).

Household incomes compared to AMI

Bonney Lake has a greater share of incomes over 80% AMI while Sumner has a greater share of incomes less than 80% of the Area Median Income.



Income Categories Key:

- Extremely Low (<30%, less than \$26,197)
- Very Low (30-50%, between \$26,197 & \$43,661)
- Low Income (50-80%, between \$43,661 & \$69,858)
- Moderate Income (80-100%, between \$69,858 & \$87,322)
- Over 100% is over \$87,322

*AMI breakdown are estimates based on income bins from 2014-2018: ACS 5-Year. The household income categories are based on the Bonney Lake categories. The AMI or Median Family Income (MFI) rates are for Pierce County, 2020 (Tacoma Metro) for a family of four, HUD.

How financially attainable is the housing in BL & Sumner?

If your household earns:

\$26,197
(30% AMI)

\$43,661
(50% AMI)

\$69,858
(80% AMI)

\$87,322
(100% AMI)

\$104,786
(120% AMI)

Then you can afford:

\$650
Monthly rent

\$1,090
Monthly rent

\$1,750
Monthly rent

\$2,180
Monthly rent

\$2,620
Monthly rent

or

\$79,000
\$92,000

Home sales price

or

\$131,000-
\$153,000

Home sales price

or

\$245,000-
\$279,000

Home sales price

or

\$306,000-
\$349,000

Home sales price

or

\$367,000-
\$419,000

Home sales price



Senior Center Aid
\$39,654*



Permit Tech.
\$56,735*



Assistant Engineer
\$81,242*



Marketing Analyst
\$94,410



Bonney Lake Average Rent: \$1,327 and Sumner Average Rent: \$1,305 which means that the rent would be affordable to moderate-income households



Both cities have a median home sale price estimated at around \$400,000

Bonney Lake cost burden by tenure

BONNEY LAKE - RENTER

Cost Burdened
28%

Severely Cost Burdened
18%

BONNEY LAKE - HOMEOWNER

Cost Burdened
17%

Severely Cost Burdened
8%



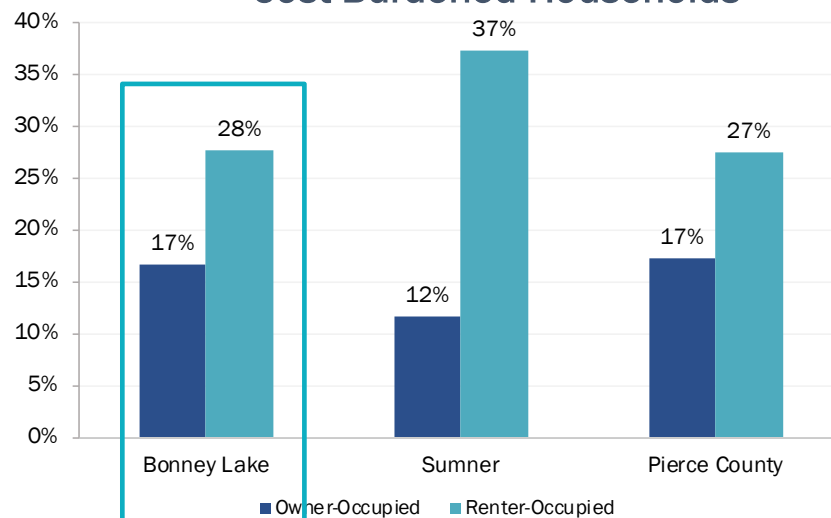
Overall Cost-Burdened in Bonney Lake:

29%

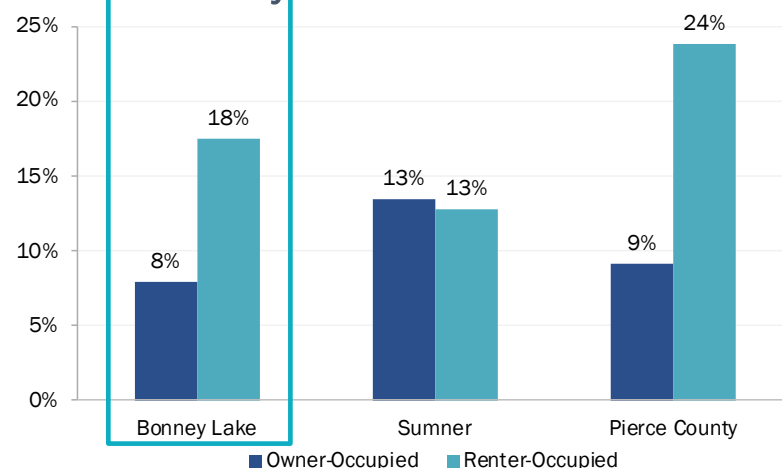
Renters are more likely to be cost burdened than owners.

**In comparison, 36% were cost burdened in Pierce County (2014-18)*

Cost-Burdened Households



Severely Cost-Burdened Households



Source: U.S. Census 2014-2018 ACS 5-Year Estimates. Notes: Cost burdening for owner-occupied households is not terribly common because mortgage lenders typically ensure that a household can pay its debt obligations before signing off on a loan. However, cost burdening can occur when a household secures a mortgage and then sees its income decline. Also, it is important to note that households with incomes over 100% of AMI are less burdened overall since their larger income will go farther to cover non-housing expenses such as transportation, childcare, and food. Cost burden does not consider accumulated wealth and assets.

Summer cost burden by tenure

SUMNER - RENTER

Cost Burdened
37%

Severely Cost Burdened
13%

SUMNER - HOMEOWNER

Cost Burdened
12%

Severely Cost Burdened
13%



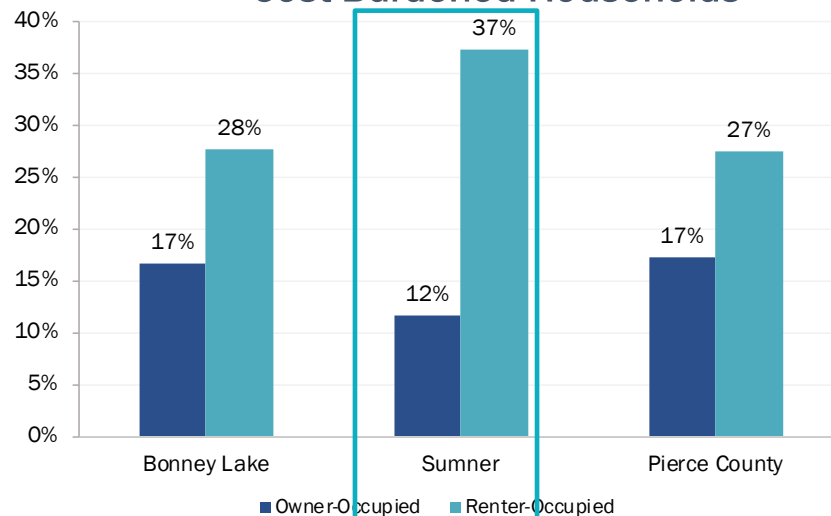
Overall Cost-Burdened in Sumner:

37%

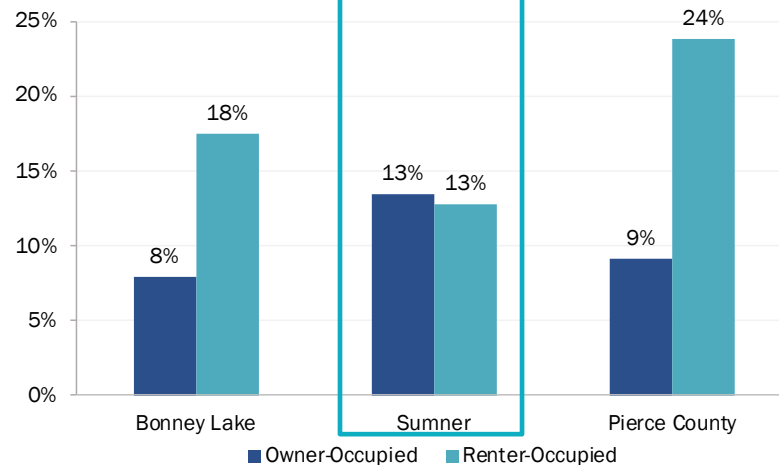
Overall, 37% of Sumner residents are cost burdened. However, only 13% of owners and renters are severely cost burdened.

**In comparison, 36% were cost burdened in Pierce County (2014-18)*

Cost-Burdened Households



Severely Cost-Burdened Households

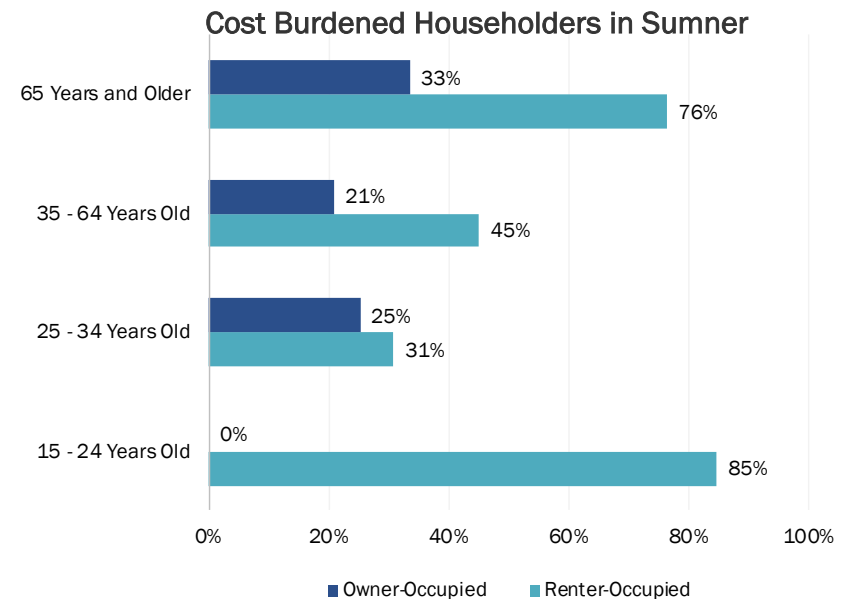
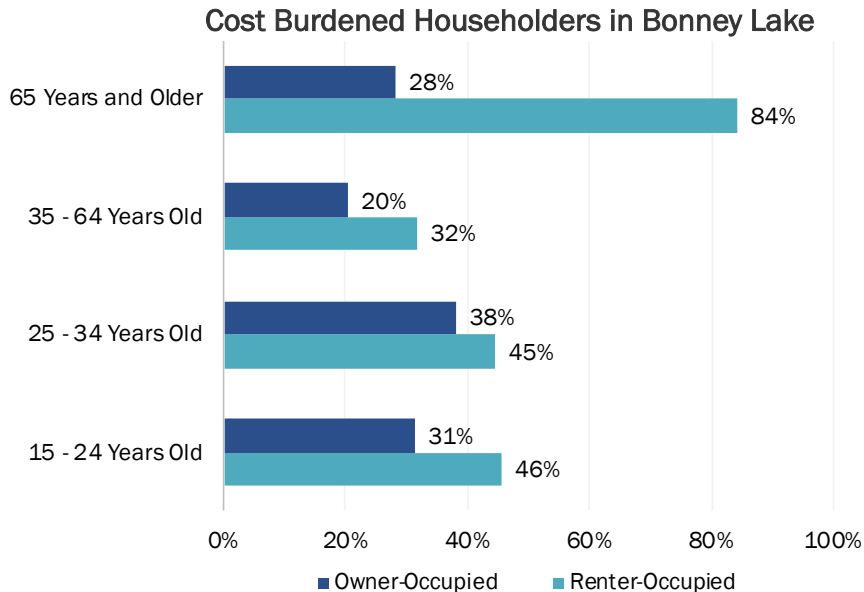


Source: U.S. Census 2014-2018 ACS 5-Year Estimates. Notes: Cost burdening for owner-occupied households is not terribly common because mortgage lenders typically ensure that a household can pay its debt obligations before signing off on a loan. However, cost burdening can occur when a household secures a mortgage and then sees its income decline. Also, it is important to note that households with incomes over 100% of AMI are less burdened overall since their larger income will go farther to cover non-housing expenses such as transportation, childcare, and food. Cost burden does not consider accumulated wealth and assets.

Cost burden trends associated with age

Renters under 24 and over 65 are more cost burdened.

- Bonney Lake: 84% of 65+ renters are cost burdened.
- Sumner: 85% under 24 renting cost burdened.



Bonney Lake: Cost burden by income

- Bonney Lake has a deficit of rental units affordable to incomes at 0-80% HAMFI
- Lower income households tend to be more cost burdened

Rental Units Compared to Household Incomes

Unit Rents "Affordably" at...	Unit Occupied by Household Earning...			
	0-30% HAMFI (Very Low Income)	Between 31 to 50% HAMFI (Low Income)	Between 51 to 80% HAMFI (Moderate Income)	Over 80% HAMFI
0-30%	25.0%	0.0%	5.6%	9.0%
30-50%	0.0%	5.6%	5.6%	1.6%
50-80%	50.0%	55.6%	61.1%	29.3%
80%	25.0%	38.9%	27.8%	60.1%
	100.0%	100.0%	100.0%	100.0%

Households Renting Down

75% of very-low income renters are cost burdened

Ownership Costs Compared to Household Incomes

Ownership Units Affordable to...	Unit Occupied by Household Earning...			
	0-50% HAMFI	50-80% HAMFI	80-100% HAMFI	Over 100% of the HAMFI
0-50%	23.1%	15.2%	14.8%	4.2%
50-80%	9.2%	43.5%	39.9%	15.4%
80-100%	29.2%	26.1%	8.4%	29.3%
100%	38.5%	15.2%	36.9%	51.0%
	100.0%	100.0%	100.0%	100.0%

Blue = in Income
Category

Green = Renting/
Buying Down

Orange = Cost
Burdened

Sumner: Cost burden by income

- Sumner has a deficit of rental units affordable to incomes at the lower end (0-50%) but the deficit is not as high as Bonney Lake
- Sumner has a lower share of housing available at the upper end (80%+ HAMFI) of affordability in comparison to Bonney Lake.

Rent Costs Compared to Household Incomes

Unit Rents "Affordably" at...	Unit Occupied by Household Earning...			
	0-30% HAMFI (Very Low Income)	Between 31 to 50% HAMFI (Low Income)	Between 51 to 80% HAMFI (Moderate Income)	Over 80% HAMFI
0-30%	33.3%	8.7%	3.2%	3.3%
30-50%	16.7%	22.2%	12.9%	13.1%
50-80%	40.7%	46.5%	63.4%	50.3%
80%	9.3%	22.6%	20.5%	33.3%
	100.0%	100.0%	100.0%	100.0%

Blue = in Income
Category

Green = Renting/
Buying Down

Orange = Cost
Burdened

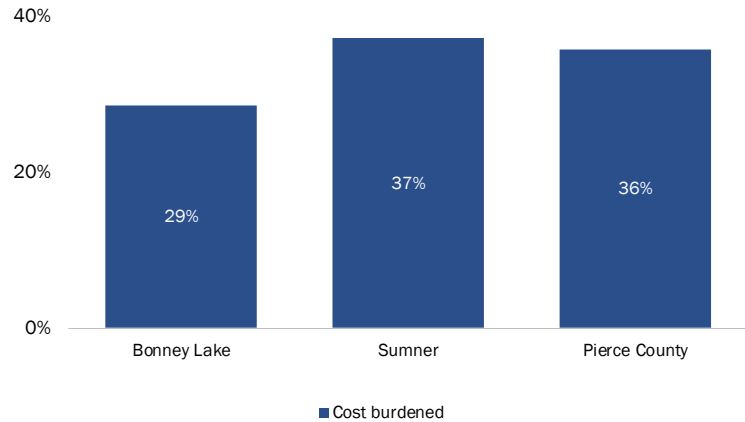
Ownership Cost Bins Compared to Household Incomes

Ownership Units Affordable to...	Unit Occupied by Household Earning...			
	0-50% HAMFI	50-80% HAMFI	80-100% HAMFI	Over 100% of the HAMFI
0-50%	31.3%	5.8%	15.8%	3.3%
50-80%	38.2%	43.5%	63.2%	19.9%
80-100%	9.7%	29.0%	10.5%	30.4%
100%	20.8%	21.7%	10.5%	46.4%
	100.0%	100.0%	100.0%	100.0%

*Note: Sumner has
more rentals than
BL.*

Combined: Cost Burden

- **Cost Burden: 32%** (29% rate in BL, 37% in S)
- **Severely Cost Burden: 11%** (10% rate in BL, 13% in S)



Rent Costs Compared to Household Incomes

Area	Unit Rents "Affordably" at...	Unit Occupied by Household Earning...			
		0-30% HAMFI (Very Low Income)	Between 31 to 50% HAMFI (Low Income)	Between 51 to 80% HAMFI (Moderate Income)	Over 80% HAMFI
Bonney Lake and Sumner Combined	0-30%	32.3%	32.3%	32.3%	32.3%
	30-50%	14.5%	14.5%	14.5%	14.5%
	50-80%	41.9%	41.9%	41.9%	41.9%
	80%	11.3%	11.3%	11.3%	11.3%
		100.0%	100.0%	100.0%	100.0%

Orange = Cost Burdened

Blue = in Income Category

Green = Renting/
Buying Down

Bonney Lake: Cost burden by income

If all of Bonney Lake's Households Were 100 Residents:

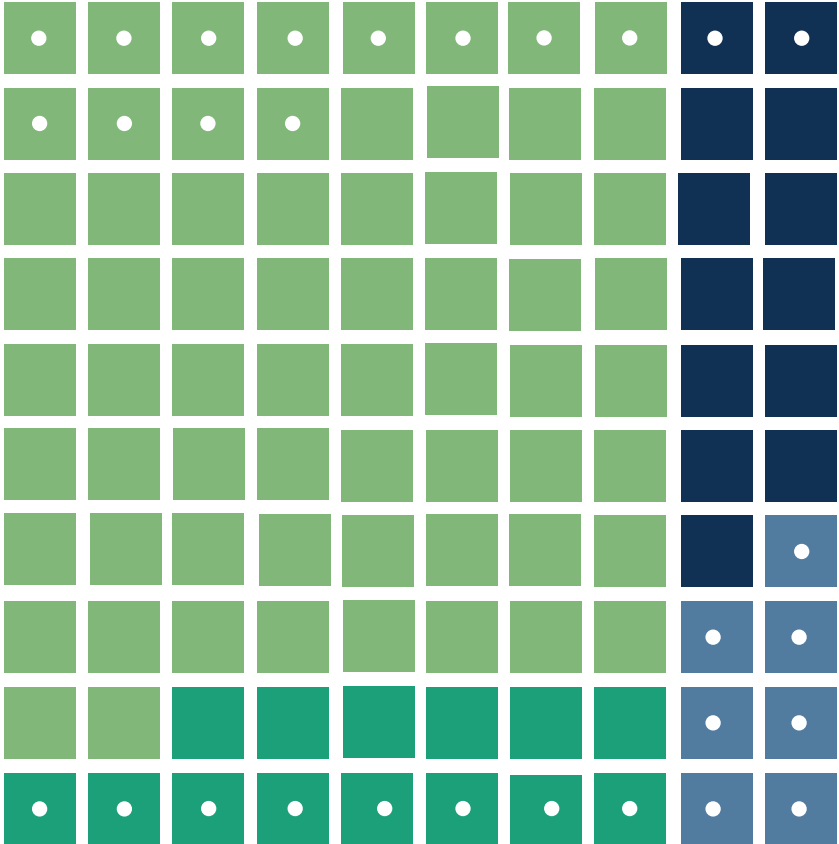
81 Homeowners **19 Renters**

67 homeowners earn more than \$50,000

■ **12 of them are cost-burdened**

13 homeowners earn less than \$50,000

■ **8 of them are cost-burdened**



12 renters earn more than \$50,000

■ **2 of them are cost-burdened**

7 renters earn less than \$50,000

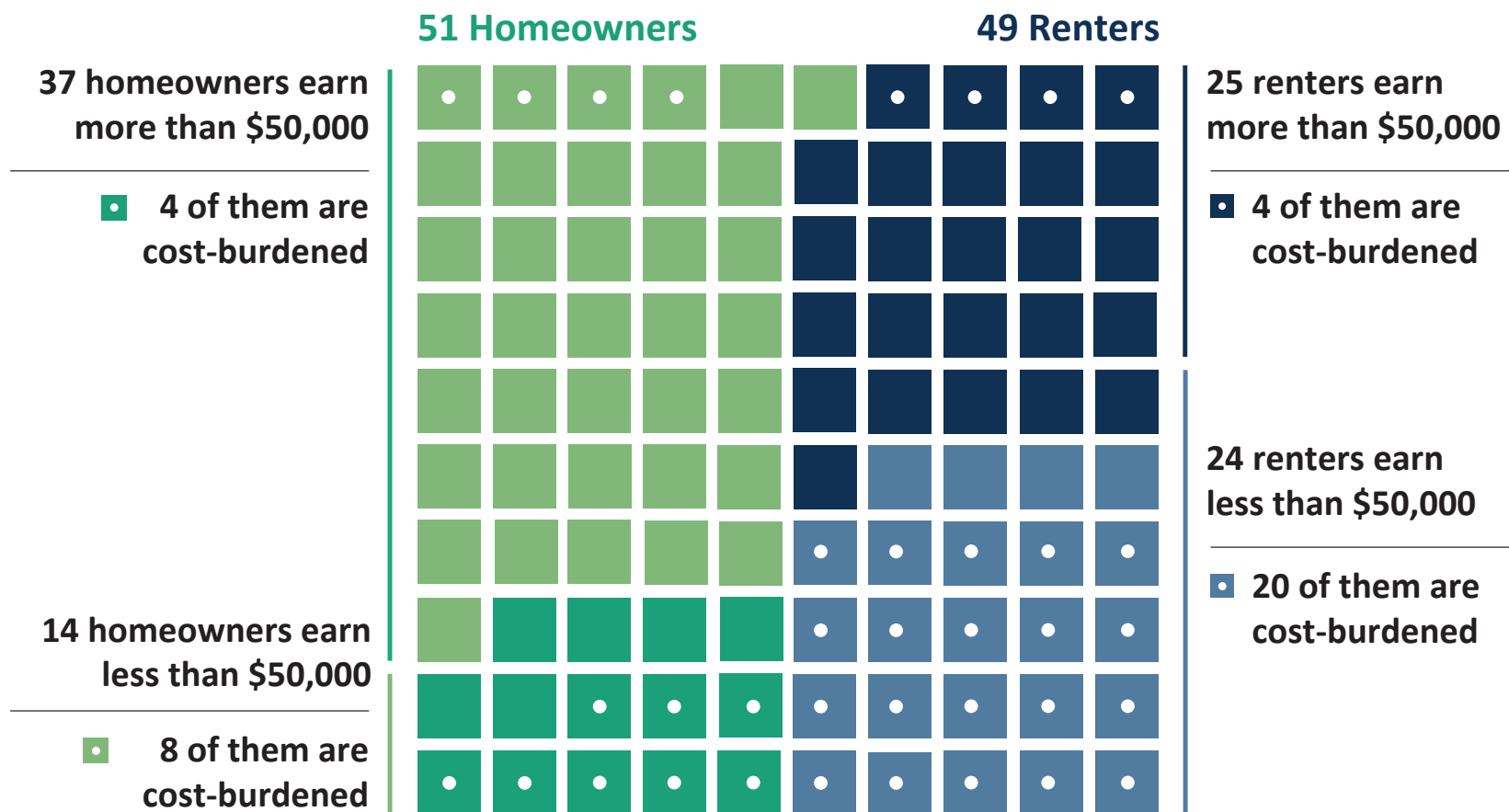
■ **7 of them are cost-burdened**

This illustration explains cost burden rates by viewing Bonney Lake as 100 residents. Homeowners are represented by green squares, and renters are represented by blue squares; and as shown above, there are more homeowners than renters. The graphic also breaks homeowners and renters into two groups based on income. The darker shade are those people in households with middle to higher incomes and lighter shades represent people in households with lower incomes. The white dots indicate the number of people that are considered cost burdened. As shown, 7 out of 7 renters earning less than \$50,000 a year are cost burdened. This is somewhat similar to homeowners earning less than \$50,000 – 8 out of 14 are cost burdened. Those earning more than \$50,000 a year tend to be much less cost burdened.

Source: ECONorthwest illustration. Data Source: ACS 5-Year Survey, 2014-18

Sumner: Cost burden by income

If all of Sumner's Households Were 100 Residents:



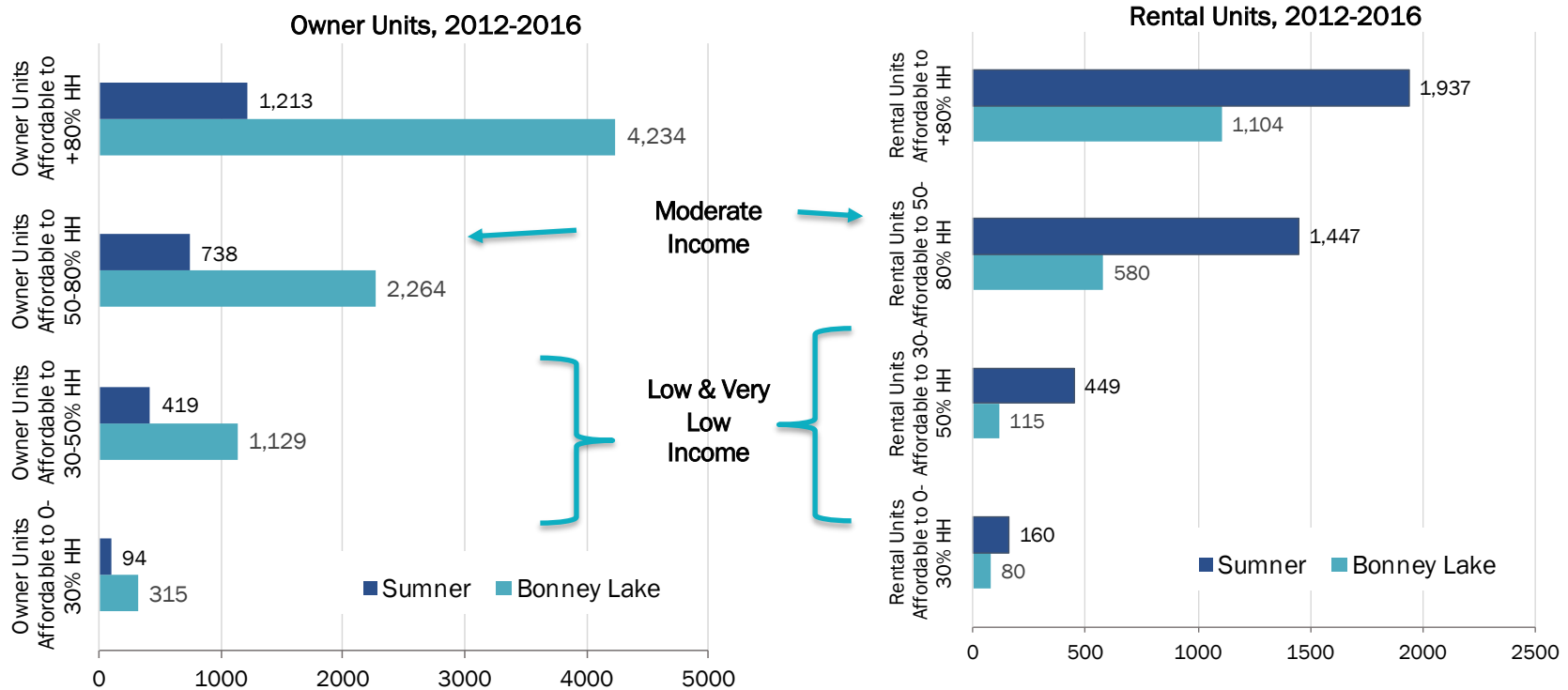
This illustration explains cost burden rates by viewing Sumner as 100 residents. Homeowners are represented by green squares, and renters are represented by blue squares; and as shown above, there are a similar share of homeowners in comparison to renters. The graphic also breaks homeowners and renters into two groups based on income. The darker shade are those people in households with middle to higher incomes and lighter shades represent people in households with lower incomes. The white dots indicate the number of people that are considered cost burdened. As shown, 20 out of 24 renters earning less than \$50,000 a year are cost burdened. Homeowners earning less than \$50,000 tend to be more cost burdened too; in fact, 8 out of 14 are cost burdened. Those earning more than \$50,000 a year tend to be much less cost burdened.

Source: ECONorthwest illustration. Data Source: ACS 5-Year Survey, 2014-18

Affordable housing production



- Bonney Lake has triple the number of owned moderate-income housing in comparison to Sumner
- Sumner Rentals: More than double the number of moderate-income and very low-income; and triple the number of low-income rentals in comparison to Bonney Lake. However, Bonney Lake is expecting to add 408 new low-income rentals in the next year (less than 50% AMI).
- Sumner has more rentals while Bonney Lake has more owner units (particularly +80% AMI)



Affordable housing production detail



Bonney Lake Housing	Owner Units	Rental Units	Total Units	Percent of Total
Affordable to 0-30% Households	315	80	395	4%
Affordable to 30-50% Households	1,129	115	1,244	13%
Affordable to 50-80% Households	2,264	580	2,844	29%
Affordable to +80% Households	4,234	1,104	5,338	54%
Total	7,942	1,879	9,821	100%

Sumner Housing	Owner Units	Rental Units	Total Units	Percent of Total
Affordable to 0-30% Households	94	160	254	4%
Affordable to 30-50% Households	419	449	868	13%
Affordable to 50-80% Households	738	1,447	2,185	34%
Affordable to +80% Households	1,213	1,937	3,150	49%
Total	2,464	3,993	6,457	100%

Rent restricted affordable units



- Bonney Lake total low-income units = 433 (bond subsidy)
- Sumner total low-income units = 63 (tax credit, HUD Section 8)



Project: Project Name	City	Project Type	# Market Rate Units	# Low Income Units	Total Project Units
View by Vintage	Bonney Lake	Bond	0	408	408
Cedar Ridge Retirement	Bonney Lake	Bond	98	25	123
<i>Total</i>			98	433	531

Project: Project Name	City	Project Type	# Market Rate Units	# Low Income Units	Total Project Units
Sumner Commons Senior Housing	Sumner	Tax Credit	0	34	34
Kincaid Court Apartments	Sumner	HUD Section 8	10	29	39
<i>Total</i>			10	63	73



It shall be the goal of each jurisdiction in Pierce County that a minimum of 25% of the growth population allocation is satisfied through affordable housing (Countywide Planning Policies, 2018).

Bonney Lake 2008-30 Target:

- 8,604 total housing units
- Add 2,776 new units, 25% is 694

As of 2012-16:

- 4,483 total units affordable (under 80% AMI) out of 9,821 units (46% of total) – however with new development this will increase to 48% out of 10,229 units

Sumner 2008-30 Target:

- 5,743 total housing units
- Add 1,770 new units, 25% is 443

As of 2012-16:

- 3,307 units affordable (under 80% AMI) out of 6,457 units (51% of total)

**Targets expected to be updated in 2021.*

1. Community Profile

2. Workforce

3. Housing Market

4. Housing Affordability

5. Housing Demand & Gaps

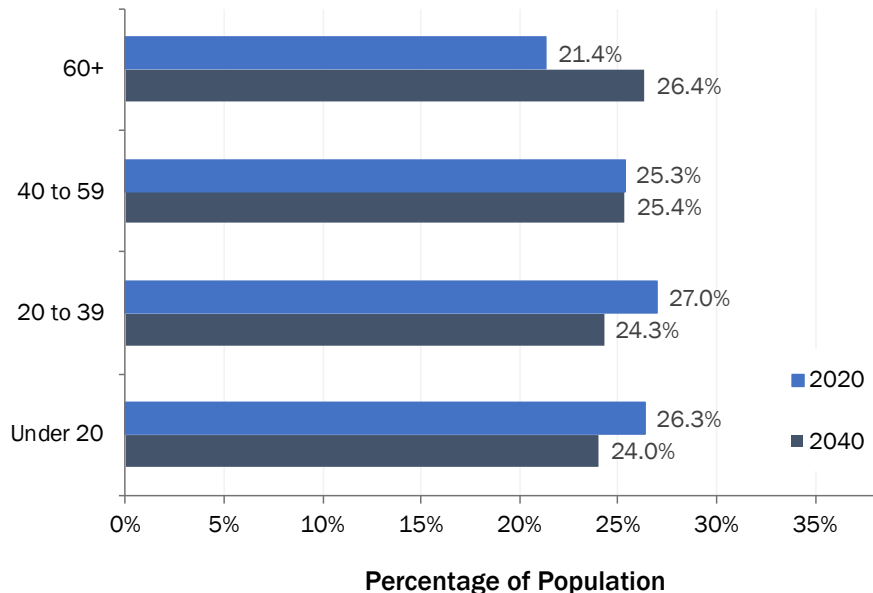


Modest population growth projected



- Pierce County: 26% will be 60+ by 2040 and will become largest age group.
 - Bonney Lake: 6,114 persons 60+ persons by 2040
 - Sumner: 3,293 persons 60+ persons by 2040
- Both: Modest population growth forecasted, adding ~2,000 more people

Population Projections by Age Group, Pierce County, 2020 – 2040



PSRC 2020-40 Population Projections for Bonney Lake and Sumner

Jurisdiction	Total Population 2020	Total Population 2025	Total Population 2030	Total Population 2035	Total Population 2040
Bonney Lake	21,211	21,810	22,058	22,421	23,158
Sumner	10,443	11,163	11,746	12,209	12,473

**Projections expected to be updated in late 2020 or early 2021 in coordination with the Pierce County population target setting process.*

Key demographic trends influencing need

Aging Baby Boomer Generation: By 2040, the number of seniors in Pierce County will increase to 26% of total population. *Bonney Lake's 65+ age group quadrupled since 2000 (10% of total in 2014-18). Sumner's 65+ grew modestly but was 15% of total in 2014-18.*

- **Household sizes will decrease (greater 1-person households)**
- **Homeownership rates will decrease (especially for households 75+ years)**
- **Need for subsidized units, middle housing, and ADUs will increase**

Increased Diversity: Hispanic/Latino population predicted to be the fastest growing racial/ethnic group over next few decades.

- **Housing demand will increase**
- **Increase in multi-generational housing needs**



Employment targets, 2008-2030



- Bonney Lake: 1,141 new jobs (growth) between 2008-2030 with a total of 5,488 total jobs by 2030 -> approximately 5,096 jobs in 2018, need to add around 39 jobs per year for 10 years
- Sumner: 10,656 new jobs (growth) between 2008-2030 with a total of 21,484 total jobs by 2030 -> approximately 16,065 jobs in 2018, need to add around 542 jobs per year for 10 years

*Targets to be updated in February 2021

PSRC 2020-40 Employment Projections

Jurisdiction	Total Jobs 2020	Total Jobs 2025	Total Jobs 2030	Total Jobs 2035	Total Jobs 2040
Bonney Lake	5,436	5,450	5,342	5,355	5,429
Sumner	16,434	16,921	16,797	16,971	17,355

Sources: Countywide Planning Policies for Pierce County, Washington, 2018; and PSRC Employment Forecasts. PSRC developed a policy directed growth projection that is intended for use in regional travel modeling and other planning analyses. This product is called the Land Use Vision (LUV) and was developed through a two-step process. First, PSRC's 2015 macroeconomic forecast is broken down to jurisdiction-level household, population, and job control totals (for cities and towns, unincorporated UGAs, and rural areas), by numerical policy guidance including the VISION2040 Regional Growth Strategy and adopted local growth targets. Secondly, the control totals are then allocated across each jurisdiction using PSRC's UrbanSim land use model. Link to data: <https://www.psrc.org/projections-cities-and-other-places>

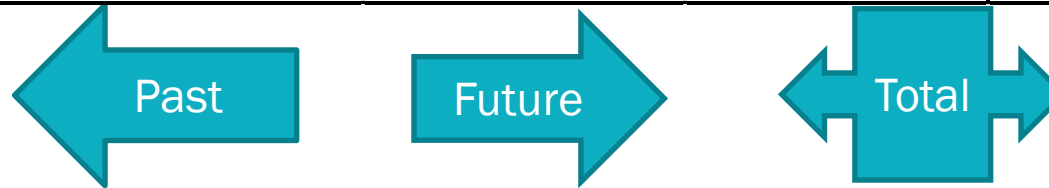
Draft Housing gap analysis results

- Bonney Lake needs an additional 3,065 housing units
- Sumner needs 1,422 housing units

**Projections expected to be updated in late 2020 or early 2021 in coordination with the Pierce County population target setting process. This will affect the number of future housing units needed.*

Gap Analysis for Bonney Lake and Sumner in Comparison to Pierce County

Area	Current Estimated Underproduction, Units	Future Housing Need, Units	Total Units	Existing Housing Units (2019, OFM)
Bonney Lake	1,774	1,290	3,065	7,476
Sumner	0	1,422	1,422	4,450
Pierce County	37,078	127,116	164,193	353,089



- *Current Estimated Underproduction: Existing shortage of housing units from the past 10 years.*
- *Future Housing Need: Shows the estimated housing demand up to 2040.*

Sources: ECONorthwest calculations/modeling. Primary Data Sources: Washington Office of Financial Management, 2019; PSRC, 2019. Method: Using population forecast from OMF and PSRC, and selected Census information we can estimate both the current underproduction and future housing need. For this analysis we calculated the total future housing need as the current underproduction of housing plus the future need based on projections from PSRC's 2040 household projections. Current underproduction of housing was calculated based on the ratio of housing units produced and new households formed over time. The average household size in each city is calculated and converted to a ratio of total housing units to households. This ratio is compared to that of the region as the target ratio. If the ratio is lower, then we calculated the underproduction as the number of units it would have needed to produce over time, to reach the target ratio. Washington State does not have a regional approach for housing production. This approach to underproduction is simple and intuitive while using the best available data that is both local and most updated. This analysis does not differentiate between renter and owner households and relies on average household size to convert population counts to household counts. One drawback of this approach is that it does not identify the underproduction at different levels of affordability. Future housing need is calculated based on the forecasted household growth through 2040 from PSRC. PSRC does not forecast housing units, but instead forecasts the estimated number of households for each city. To calculate future housing need, we use a target ratio of 1.14 housing units per new household. This ratio is the national average of housing units to households in 2019. It is important to use a ratio greater than 1:1 since healthy housing markets allow for vacancy, demolition, second/vacation homes, and broad absorption trends.

Housing gap compared to targets



Gap Analysis for Bonney Lake and Sumner in Comparison to Pierce County

Area	Current Estimated Underproduction, Units	Future Housing Need, Units	Total Units
Bonney Lake	1,774	1,290	3,065
Sumner	0	1,422	1,422
Pierce County	37,078	127,116	164,193

Bonney Lake Target (2030) vs Gap (2040):

- Targets: Add 2,776 from 2008 to 2030 (CPP) or 3,470 housing units by 2035 (Comp Plan)
- As of 2018, added 1,302 (over 2k needed) – gap shows ~3k needed by 2040 though this is needed in 10 more years

Sumner Target (2030) vs Gap (2040):

- Target: Add 1,770 from 2008 to 2030
- As of 2018, added 355 (need 1,415) – gap is a similar number of total units (1,422) needed by 2040 though this is needed in 10 more years



Different Scenarios for Filling the Gap

- **Scenario 1, Status Quo:** Existing housing production continues with no new action.
- **Scenario 2, Fair Share:** Housing targets are based on the income averages in Pierce County.

Scenario 1: Status Quo



Scenario 2: Fair Share



Gap analysis Methods

Allocate total housing units needed into two different scenarios, as follows:

Share of Less than 50% (low income):

- Scenario 1: 20%
- Scenario 2: 31%

Share of 80-100% (middle income):

- Scenario 1: 17%
- Scenario 2: 15%

Share of 50-80% (moderate income):

- Scenario 1: 20%
- Scenario 2: 24%

Share of 100%+ housing (high income):

- Scenario 1: 44%
- Scenario 2: 30%

Draft Gap analysis: Bonney Lake scenarios

Scenario 1 would have more higher income housing while Scenario 2 would add a greater amount of low-income categories.

Income Category	1) Bonney Lake Status Quo	2) Bonney Lake Fair Share
Extremely Low (<30%)	235	463
Very Low (30-50)	378	502
Low Income (50-80%)	601	723
Moderate Income (80-100%)	513	455
Over 100%	1,338	922
<i>Total</i>	3,065	3,065

Share of Less than 50%:

- Scenario 1: 20% - **LOWER**
- Scenario 2: 31% - **HIGHER**

Share of 50-80%:

- Scenario 1: 20%
- Scenario 2: 24%

Share of 80-100%:

- Scenario 1: 17%
- Scenario 2: 15%

Share of 100%+ housing:

- Scenario 1: 44% - **HIGHER**
- Scenario 2: 30% - **LOWER**

Draft Gap analysis: Sumner scenarios



Sumner results differed. Scenario 1 (status quo) calls for more lower income housing in comparison to Scenario 2 (fair share). In addition, Scenario 2 calls for slightly more 100%+ housing than currently produced. This indicates a possible deficit of market rate units for middle income, workforce households that should be augmented to prevent renting or buying down of lower-income housing units.

Income Category	1) Sumner Status Quo	2) Sumner Fair Share
Extremely Low (<30%)	253	215
Very Low (30-50)	258	233
Low Income (50-80%)	351	336
Moderate Income (80-100%)	208	211
Over 100%	352	428
Total	1,422	1,422

Share of Less than 50%:

- Scenario 1: 36% - **HIGHER**
- Scenario 2: 31% - **LOWER**

Share of 50-80%:

- Scenario 1: 25%
- Scenario 2: 24%

Share of 80-100%:

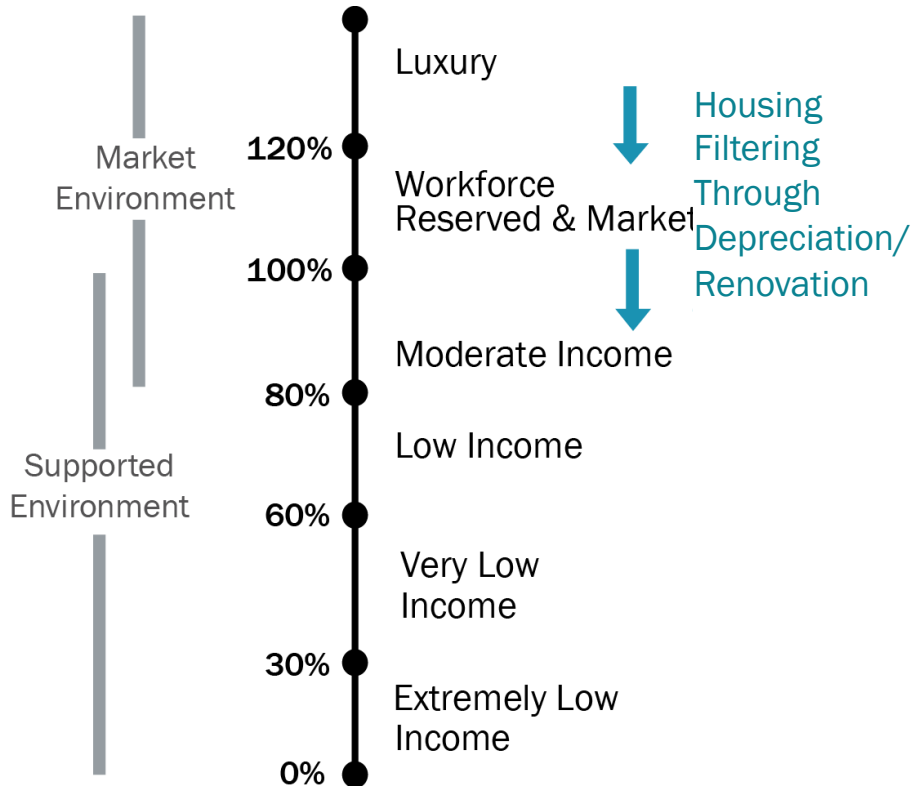
- Scenario 1: 15%
- Scenario 2: 15%

Share of 100%+ housing:

- Scenario 1: 25% - **LOWER**
- Scenario 2: 30% - **HIGHER**

Housing strategies vary by affordability

The market environment mainly supports production of moderate-income or above



HUD Affordability & Price by Housing Type, 2018

AMI	Studio Affordability at AMI Bin	One Bedroom Affordability at AMI Bin	Two Bedroom Affordability at AMI Bin
30%	\$392	\$420	\$504
50%	\$652	\$700	\$840
80%	\$1,044	\$1,120	\$1,342
100%	\$1,306	\$1,398	\$1,678

Source: HUD, 2018

Spectrum of housing strategies

Publicly-funded and produced

Primarily 0 – 30% MFI



Privately-funded and produced

Primarily 80 – 120% MFI

Federal programs
(HOME, CDBG, etc.)

General fund

Housing bond

Surplus Land

Community
Land Trusts

Low Income
Housing Tax
Credit (LIHTC)

Public Private
Projects

Non-profit-
funded projects

Regulatory Examples

Inclusionary zoning

Supply-side strategies
(i.e., increase allowable
density in SF zones)

Linkage or impact fees

Multifamily Property Tax
Exemption (low-income
too)

Incentive-based Examples

Incentive zoning

Transfer of
Development Rights

Key findings & policy implications



Gaps in Housing Need

- **High Demand for diverse Middle-income Options (smaller homes, SF attached)**
 - Rising incomes
 - Aging baby boomers particularly in Bonney Lake
 - Growing Workforce particularly in Sumner
- **Pent up Demand for Low to Moderate-income**
 - 28% in Bonney Lake & 37% in Sumner cost burdened – worse for lower incomes
 - Average rent higher than 100% MFI (not enough rentals)
 - Low # of senior housing
- **Demand for More Housing**
 - Very high commuting rates
 - Need to build more housing to achieve targets & fill gap

Possible Solutions

- Incentives to subsidize low-income units, senior housing, TOD, and MF housing
- **Identify and lower barriers** for building and preserving low-to-middle-income housing, ADUs, and diverse housing types
- Explore **funding sources & partnerships**
- **Expand areas** for building more housing & allowing housing diversity
- Identify tweaks in **policies and the permitting process**



How do the cities complement each other?



Bonney Lake

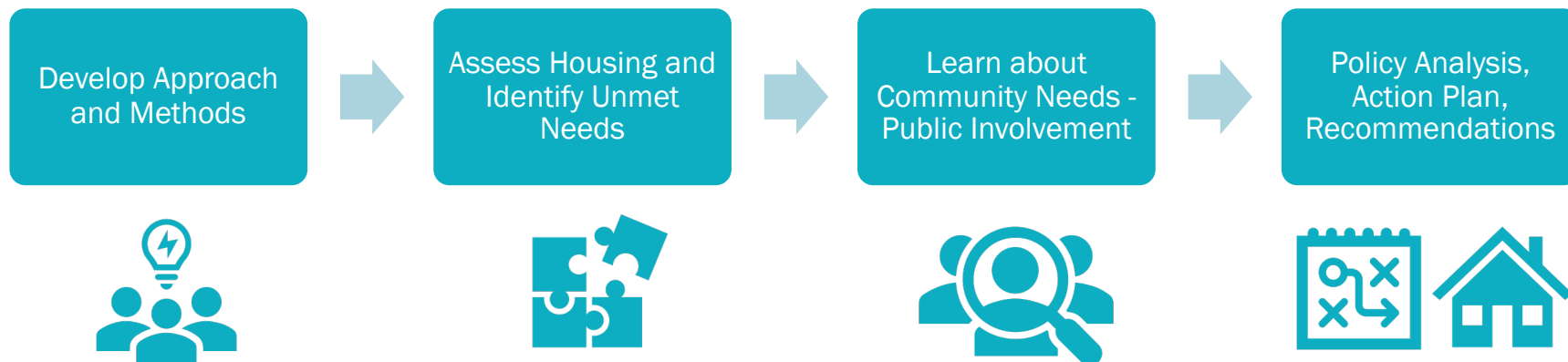
- **More People + Growth:** Population doubled to over 20k with high growth in 65+ age group & increase in median age to almost 35 from 2000 to 2014-18
- **Household sizes larger,** mostly 3+ (49%), 2.91 average size, 77% are family households
- **Increasing diversity** (Hispanic/Latino, 2+ races), growth from 8 to 19% nonwhite since 2000
- **High Income:** Median income **\$91k**, 52% change since 2000, 55% of incomes above \$75k
- **Less Jobs:** 26% of total jobs in BL/S area. Low Jobs-housing: 0.7, combined better at 1.7
- **Highest commuting:** 3% live + work in town
- **More Housing:** Over 7k units, mostly owner-occupied (81%) & SF detached (84%). Newer: 75% built after 1980. 80% of new housing built since 2010 SF (20% MF).
- **Increased Housing Costs:** Rent above median income & home sale prices increased by over 50% since 2000.
- **Housing Affordability/Special Needs:** 29% cost burdened, fewer low-income. More owned moderate-income & subsidized (433) but less senior housing (111 units).
- **Halfway to 2030 Housing Target:** 50% towards goal, keep up pace
- **Higher 2040 gap:** 3,065, fair share would require more low-income housing and less high-income

Sunmer

- **Less People + Growth:** Population **grew modestly** to almost 10k, no change in 35 median age
- **Household sizes smaller,** mostly 1-2 (62%), 2.41 median size, 42% non-family households
- **Increasing diversity** (Hispanic/Latino, 2+ races), growth from 13 to 20% nonwhite since 2000
- **Low-Moderate Income:** Median income **\$60k**, 55% change since 2000, 62% below \$75k, greater poverty 13%
- **More Jobs:** 74% of total jobs in BL/S area. 16k jobs. Most jobs earn below \$60k. High Jobs-housing: 3.2, combined better at 1.7.
- **High commuting:** 11% live + work in town
- **Less Housing:** Over 4k units, half rentals & owner-occupied. Mostly SF detached (67%) though more diverse types. Older: 78% built before 1999. Half of new housing built since 2010 is SF and MF.
- **Increased Housing Costs:** Rent above median income & home sale prices increased by over 50% since 2000.
- **Housing Affordability/Special Needs:** 37% cost burdened, greater low to moderate income renters. Less subsidized (63) but more senior housing (251 units)
- **Behind on 2030 housing Target:** 28% towards goal, pick up pace
- **Lower 2040 gap:** 1,422 units, fair share would require less low-income housing and more high-income

Next steps

- Policy Analysis
- Draft and Final Housing Action Plan
- Implementation Plan



Thank you!



APPENDIX 2: REAL ESTATE PROTOTYPES

DATE: October 20, 2020

TO: City of Bonney Lake, City of Sumner

FROM: ECONorthwest

SUBJECT: ANALYSIS OF KEY programs for BONNEY LAKE/SUMNER HOUSING ACTION PLANS

INTRODUCTION OF POLICY ANALYSIS FOR HAPS

The cities of Bonney Lake and Sumner are developing Housing Action Plans (HAPs) to identify ways to effectively meet housing needs now and in the future. The HAPs are largely made possible due to a Washington State Department of Commerce Housing Bill 1923 Grant. The HAPs will help inform policy revisions associated with each city's Comprehensive Plans and will outline the housing needs and housing production strategies to reach PSRC 2040 (soon to be adopted 2050) population and household growth projections.

The approach for developing Housing Action Plans began with a deep assessment of housing needs for the cities of Bonney Lake and Sumner. This assessment included extensive analysis of community demographics, housing market dynamics, employment and commuting trends, housing affordability metrics, and growth trends and projections. Public involvement, primarily delivered through a stakeholder committee approach, has been integrated into the process to gain input informative to plan development. Building off this work, focused policy analysis was identified as the next step for building an improved understanding of implications associated with different housing strategies.

This memo describes the findings from evaluating a set of key planning tools, specifically the multifamily property tax exemption incentive and regulations associated with building Accessory Dwelling Units (ADUs). These planning tools were selected due to their potential to boost housing production especially housing priced for moderate to low-income households.

- The **multifamily tax exemption** allows a local jurisdiction to incent diverse housing options in urban centers lacking in housing choices or workforce housing units. Essentially this program supports increased housing availability, possibly including affordable units, largely in mixed income developments conveniently located in urban centers. Washington State Chapter 84.14 RCW outlines the existing requirements for implementing a multifamily tax exemption (MFTE). This program exempts eligible new construction or rehabilitated housing from paying property taxes for either an 8-year or 12-year period of time. When a project is approved under a multifamily tax exemption program, the value of eligible housing improvements is exempted from property taxes. Only multiple-unit projects with

four or more units are eligible for either the 8- or 12-year exemption, and only property owners who commit to renting or selling at least 20% of these units to low- and moderate-income households are eligible for the 12-year exemption. Additional detail on the MFTE incentive is provided in Attachment B.

- As described in Attachment B, **Accessory dwelling units (ADUs)** are also referred to as mother-in-law apartments, carriage houses, granny flats, or second units. They are a self-contained residential unit with a kitchen and bathroom that is an accessory use to a single-family home, located on the same parcel. Many communities are supporting the development of ADUs since they broaden housing diversity and choices in a broader range of neighborhoods; they offer additional options for seniors and younger populations, single person households; can be a source of added income to help pay housing expenses; and can blend into single-family neighborhoods.

Many local jurisdictions across Washington state are using these tools to help bridge the gap in meeting their community's housing needs.

PURPOSE OF THIS ASSESSMENT

ECONorthwest as a part of a consultant team including LDC, was contracted to evaluate the effectiveness of these two planning tools for the cities of Bonney Lake and Sumner. The City of Sumner adopted a MFTE program in December 2018 while Bonney Lake has not adopted this program. To date, the City of Sumner has not had any proponents take advantage of the MFTE program incentives. Both the cities of Sumner and Bonney Lake allow ADUs and have similar regulatory stipulations for their development. However, there are some variations; for example, Bonney Lake exempts developers/home-owners from paying most impact fees for the development of an ADU while Sumner does not exempt ADU development from payment of impact fees (more detail in Attachment B).

The purpose of this analysis is to examine a set of key policy levers that can help "tip" project feasibility for using the MFTE program and for building ADUs in both the cities of Bonney Lake and Sumner. The financial feasibility of MFTE program variations associated with the 8 and 12-year property tax exemptions and affordable housing unit set asides were examined along with the addition of an inclusionary zoning program option (additional detail on inclusionary zoning is provided in Attachment B). The financial feasibility of building one to two ADUs on a parcel, under a set of varied assumptions, was evaluated. This analysis will help inform recommendations and strategies for the Bonney Lake and Sumner Housing Action Plans.

METHODOLOGY FOR THIS ASSESSMENT

The Bonney Lake, Sumner Housing Action Planning Team collectively chose to analyze MFTE and ADU policy variations with the use of real estate development prototype analysis. The results will help provide the cities an improved understanding of the

financial magnitude and feasibility associated with different policies and development regulations. The cities provided policy and impact fee information and zoning GIS data, which was examined for the analysis. Below is a summary of the features of MFTE and ADU that were analyzed.

MFTE Analysis Methods

- How many market rate units would be needed to pay for or cross-subsidize affordable units? The analysis includes variations with the percent set aside as low- and moderate-income.
- How do changes to the program requirements associated with the 8-year and 12-year set aside requirements impact the financial feasibility of a few different development types (townhomes, stacked flats, and podium)?

Current regulations for Sumner's MFTE program are summarized here and provided in detail in Attachment B. Sumner's MFTE program is limited to buildings with 10+ dwelling units located in the Town Center Plan Area, including new construction or rehabilitated apartments or a converted building. For the property to qualify for the 12-year exemption, the applicant must commit to renting or selling at least 20% of the multifamily housing units as affordable housing units to low- and moderate-income households "Low-income household" must be 80% of the median family income or lower while a "Moderate-income household" is between 80 to 115% of the median family income. (*Pierce Countywide Planning policies define low income housing as below 80% and moderate-income is defined as between 80 to 120% of the countywide median income.*)

ADU Analysis Methods

- The feasibility of a variety of ADU typologies were included for the ADU analysis. We evaluated if a property owner built only one new ADU as detached new construction or as internal conversion of an existing space (such as converting a garage) along with evaluating two new ADUs including new construction and a conversion.
- In addition, the analysis examined a set of code changes that might increase the financial feasibility for developing ADUs. The following regulatory changes were analyzed:
 - **Density:** Tested the financial effects of allowing one ADU per lot in comparison to allowing two ADUs per lot.
 - **Fee Barriers:** Tested the financial effects associated with impact fee waivers.
- The analysis qualitatively examined the combination of the following development regulations for architectural feasibility: parking, building height, ADU size restrictions,

zoning, and lot coverage limitations. Current regulations are summarized below and provided in detail in Attachment B.

- **Parking:** Bonney Lake requires one off-street parking space for 1-bedroom ADU and two for 2-bedroom ADUs located in a carport, garage or designated space. Sumner has similar requirements except for it is uncertain whether the parking spaces can be located in a garage or carport.
- **ADU Maximum Size:** The maximum ADU size is 1,200 square feet in Bonney Lake and 800 square feet in Sumner.
- **Building Height:** The maximum building height ranges from 16 to 18 feet for detached ADUs.
- **Density:** One ADU allowed per lot as a subordinate use to a single-family structure.
- **Lot Coverage Limits:** Sumner lot coverage ranges from 35 to 45% (covered by buildings) while Bonney Lake limits maximum coverage to 60% for most of the applicable zones.

Pro Forma Methods

To understand the impact the various policies, we created an analysis model that employs the same financial considerations a real estate developer would use to determine if a proposed development is financially feasible. These financial calculations are referred to as a *pro forma* model. A pro forma considers the size of the building allowed by zoning and the revenue that building can deliver (from rents and sales prices) relative to the costs of constructing and operating the building. We ran the pro forma model on example developments (or *prototypes*) that are reflective of the types and scales of development in the Bonney Lake and Sumner area.

We used two different pro forma methodologies for the quantitative analysis that informed the recommendations. For the regulatory and incentive changes that impact multifamily and townhome developments (i.e. MFTE and inclusionary zoning), we used a pro forma to solve for *residual land value* (RLV). This is more reflective of the conditions that a developer is considering when finding property to build a new residential development. For regulatory and incentive changes that impact ADU development (e.g. allowing multiple ADUs, impact fee waivers), we used a pro forma that solved for *debt coverage ratios*. This approach is more reflective of the conditions that existing, single family homeowners are considering when building one (or more) ADUs on the property they already own. We describe these approaches in more detail both in the following sections and in Attachment A and the analysis assumptions are summarized in Attachment A.

Multifamily – MFTE Analysis Results

We analyzed the RLV (a.k.a. the land budget remaining after all the other development constraints have been analyzed) of multiple multi-family development typologies – wood frame over a concrete podium for parking, wood frame with surface parking, townhomes with garage parking – to understand the varying feasibility impacts of the different MFTE incentives as well as an inclusionary housing requirement. An advantage of the RLV approach is that it does not rely on land prices as an input. Rather, observed land prices can be compared with the model outputs to help calibrate the model and ensure it reflects reality. It is therefore a useful metric for assessing the impacts of changes to development incentives or requirements because these policies principally affect land value, especially in the short run.

More specifically, we looked at the existing MFTE program requirements that are currently allowed in the City of Sumner (the 8-year program without an affordability requirement and the 12-year program that requires 20% of units to be set aside at 80% of median family income) to understand their impact on feasibility relative to developments that do not pursue a tax abatement. We also evaluated a hypothetical 8-year program that had a lower affordability requirement than the 12-year program (10% of units set aside at 80% of median family income). In addition to evaluating the incentive programs relative to a baseline market rate development, we also analyzed the impact of an inclusionary housing program on development feasibility. It is important to note that we modeled the same affordability requirements as the 12-year MFTE program (20% of units set aside at 80% of median family income) but without the incentive of the tax abatement or any other common offsetting incentives (e.g. fee waivers, increased development entitlements, shortened permit review time).

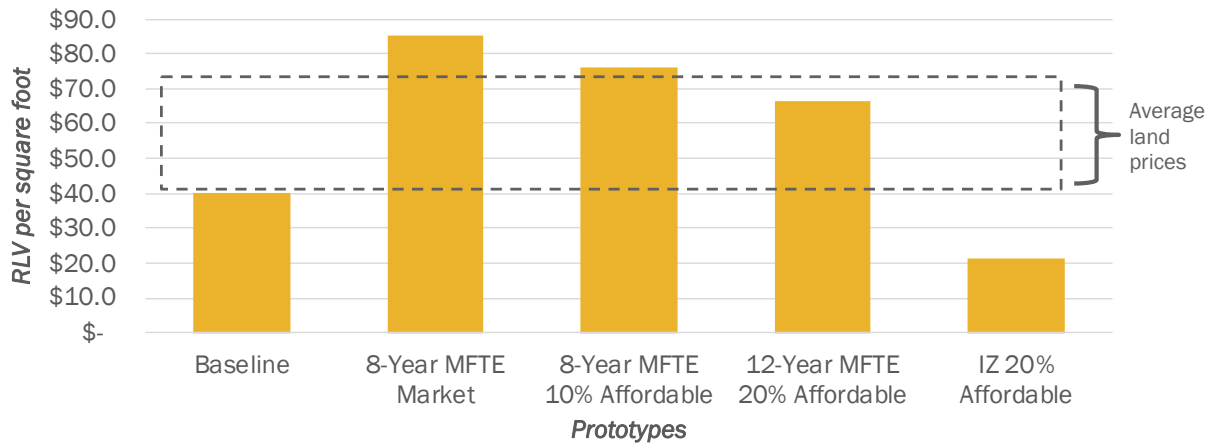
Multifamily rents are generally similar between Bonney Lake and Sumner, so we evaluated development prototypes that complied with zoning entitlements for both cities. We compared the RLV results to existing land prices to understand how the various incentives impact development feasibility and the ability to pay for land.

Figure 1 shows the RLV results for the wood frame with surface parking prototype.

Our evaluation of recent transactions, using assessor data, indicated a range of existing land prices in both cities. In Bonney Lake, for zones that would allow the level of residential density of the prototypes we evaluated (e.g. Downtown Mixed-Use District) land prices ranged from \$14 to \$90 per square foot with a mean and median sales price of \$65 per square foot and \$72 per square foot respectively. In Sumner, the land prices in the zones that would allow the residential density of the prototypes (e.g. Mixed-Use Development District, High Density Residential) the land prices ranged from \$15 to \$130 per square foot with a mean and median sales price of \$47 per square foot and \$39 per square foot respectively. We show the range of the mean and median, for both cities, in

Figure 1.

Figure 1. Residual Land Value (RLV) Results for a Multifamily Prototype (wood frame, surface parked) in Bonney Lake and Sumner



Source: ECONorthwest

In

Figure 1, the furthest left bar shows the feasibility of development under baseline conditions (without incentives or affordability requirements). For this prototype, development is almost feasible in that it comes close to having enough residual land value to pay for the average price of land. The subsequent bars show the residual land value of this type of development under the different incentive and affordability requirements.

Results:

- Overall Financial Feasibility:** Our analysis indicates the tax abatement programs, both existing and hypothetical, increase the feasibility of multifamily development such that it can more likely pay for land at the current average prices.
- Inclusionary Zoning:** An inclusionary housing requirement, without any offsetting incentives, makes development less able to pay for land such that development could only occur if land was available at prices lower than the current average.
- Feasible Prototype:** Only the wood frame, surface parked Multifamily Prototype was financially feasible. The other multifamily prototypes are not financially feasible, and the incentives aren't substantial enough to close the feasibility gap in the current market. This means that even with incentives, the other development types can't pay for land at current average prices.

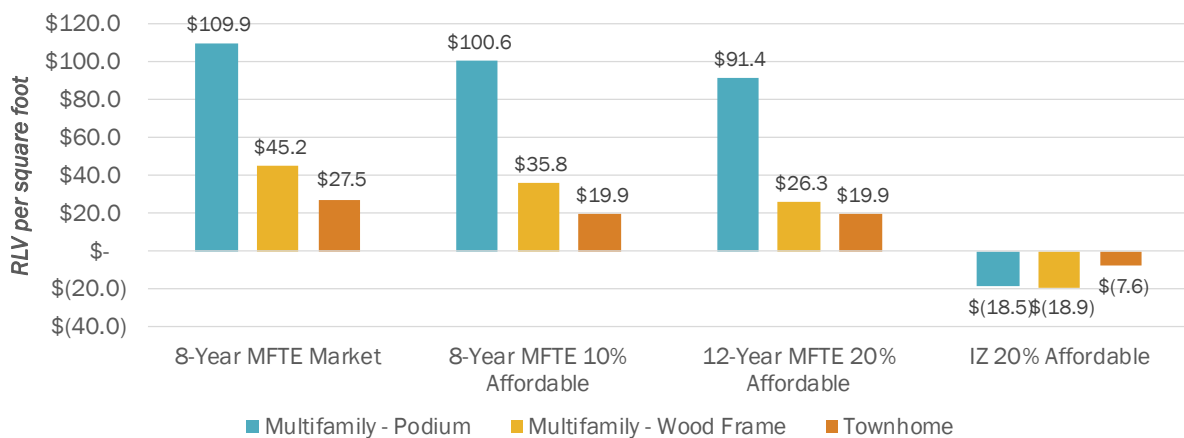
- Program Variation Results for wood frame with surface parking:** In terms of the set aside affordability level and tax exemption variation, the 8-year program without an affordability requirement was the most financially feasible (Sumner’s program includes this option). The second most financially feasible project was the hypothetical 8-year program that had a lower affordability requirement than the 12-year program (10% of units set aside at 80% of median family income). The least financially feasible option was the 12-year program that requires 20% of units to be set aside at 80% of median family income. The top end of the average land price range was slightly above the 12-year program. If land prices and development costs increase, a new 8-year program could be a viable option for incentivizing the private market to provide affordable housing.

For the prototype that is wood frame over concrete podium parking, the challenge is that structured parking is costly and only financially feasible when the rents are high enough to cover those costs. In the future, if rents increase faster than construction costs, this denser development type might be feasible, especially with incentives.

The impact to the townhome prototypes we modeled were more nuanced. If the townhomes were built as rentals, the rental revenue isn’t quite high enough to cover the cost to build, but these are close to being feasible with an incentive such as MFTE. For the townhome prototype built as ownership, the revenues are high enough to cover the cost to build and they are financially feasible to develop but the value of a tax abatement incentive (especially for any affordable units) cannot be realized to the same extent as with rental housing units.

We therefore chose to only show the results of the MFTE and inclusionary analysis for the rental prototypes we modeled (see Figure 2). The results in this chart are displayed as a comparison to baseline where instead of showing the RLV per square foot of the prototype, we show the increases in RLV per square foot from the baseline RLV for all rental prototypes under each incentive or regulatory scenario (a.k.a. the incremental RLV). In all cases, the MFTE programs increase the ability to pay for land and the inclusionary housing program decreases the land budget.

Figure 2. Incremental RLV of Each Prototype Scenario in Bonney Lake and Sumner



Source: ECONorthwest Note: this chart displays the incremental RLV of each prototype scenario as compared to the baseline scenario

Accessory Dwelling Unit Analysis Results

For the ADU analysis we analyzed the feasibility of a variety of ADU typologies. More specifically, we evaluated if a property owner built only one new ADU as detached new construction, only one new ADU as an internal conversion of an existing space, and two new ADUs with one as new construction and one as a conversion of an existing space. We evaluated the feasibility if these ADUs were studios, 1-bedrooms, or 2-bedrooms. Though we still employed a pro forma, we used a different metric than residual land value – most of the people building an ADU already own the property and don't need to buy new land to build this housing type. However, it's rare that a homeowner would have enough cash to build the unit(s) outright and would need to access a loan of some kind. Therefore, the metric we used was *debt coverage ratio* which indicates how much cash flow exists to make the loan payments and potentially have profit remaining.

Debt coverage ratio (DCR) is expressed as a ratio of how much net income (after vacancy and operating expenses like property taxes) is available relative to the debt payment. A DCR above one indicates that the ADU development likely would bring in profit, if rented. As an example, if someone had a monthly debt payment of \$1,000 and was bringing in a net income of \$1,300 the debt coverage ratio would be 1.3. This means that after paying the \$1,000 monthly debt payment, the homeowner would have \$300 of profit. If the homeowner was only making \$900 a month, but had the same monthly debt payment of \$1,000, the debt coverage ratio would be 0.9 – this means they would have to pull money from other sources to pay the loan.

In the case of the ADU analysis, debt coverage ratio is NOT an absolute metric of feasibility since the reason homeowners build an ADU vary substantially. Some homeowners might build an ADU to house a relative or guests and not require any monthly income, whereas other's might be looking for substantial passive income from their ADU.

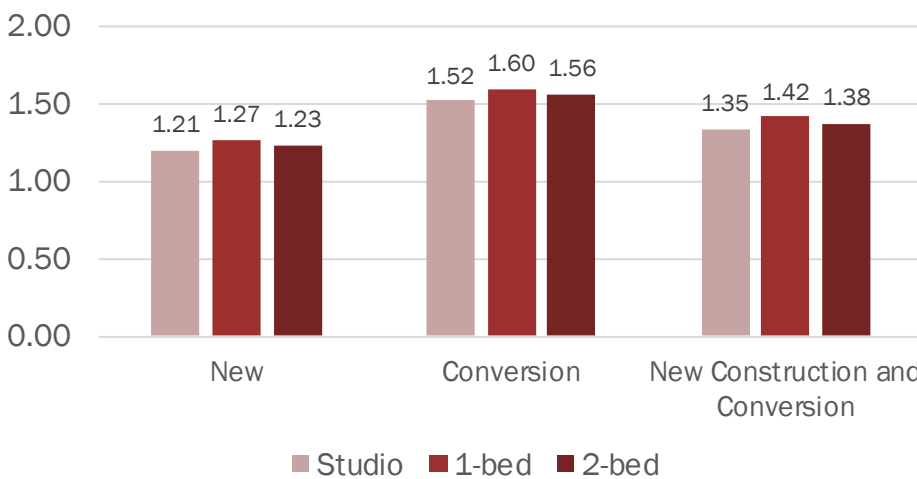
Bonney Lake ADU Results

In Bonney Lake, if a homeowner builds a new construction 1-bedroom ADU, our analysis indicates they could earn profit after paying their debt given the DCR of 1.27. For example, if they had a \$1,000 monthly loan payment, they would earn \$270. For the internal conversion, a typically less expensive ADU typology, they could earn \$600 per month if their loan payment was \$1,000 per month. If they built two units, the internal conversion would cross subsidize the new construction and they could earn, on average, \$420 per unit per month if required to make a \$1,000 loan payment per unit.

- **Density/Conversion:** The results indicate that the ADU conversion and two ADUs (new construction and conversion) would yield greater financial gain than the construction of one ADU.

- **Impact Fees:** The DCRs are higher overall in Bonney Lake than Sumner likely due to impact fee exemptions for ADUs in Bonney Lake (overall range of 1.21 to 1.6 DCR).
- **Parking:** Parking, per stall, conservatively would be around \$5,000 to \$7,000. Reduced parking requirements could contribute to financial feasibility by increasing the DCRs by 0.03 to 0.05. Depending on the sources of funding for a project, any additional cost saving is important particularly for people not paying in cash.

Figure 3. Debt Coverage Ratio Results for 1-bed ADUs in City of Bonney Lake



Source: ECONorthwest. Note: A Debt Coverage Ratio (DCR) above one indicates that the ADU development likely would be bringing in profit, if rented. The higher the DCR, the higher the profit.

Sumner ADU Results

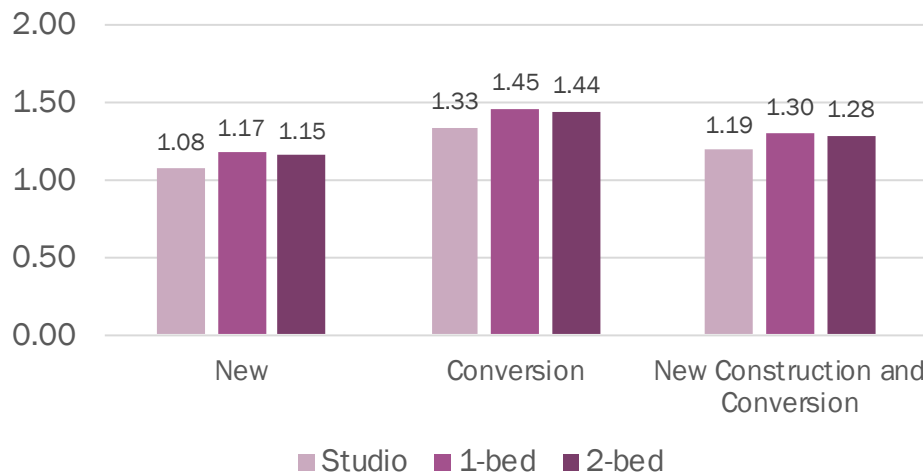
The City of Sumner has slightly higher impact fees for ADUs. This results in lower debt coverage ratios than in Bonney Lake. For the same 1-bedroom prototypes, and assuming the same \$1,000 monthly debt payment, a new construction detached unit would earn a profit of \$170 per month, an internal conversion would earn \$450 per month, and the two ADUs would earn, on average \$300 per unit per month.

- **Density/Conversion:** Similar to the Bonney Lake, the results indicate that the ADU conversion and two ADUs (new construction and conversion) would result in greater financial gain than the construction of one ADU.
- **Impact Fees:** The DCRs have a lower range in Sumner in comparison to Bonney Lake likely due to impact fee exemptions for ADUs in Bonney Lake (overall range of 1.08 to 1.45 DCR). The total impact fees in Sumner were a little over \$14,000 and when waived, translate to DCR increases ranging from 0.08 to 0.19

depending on the size of the ADU and whether or not it was new construction or a conversion.

- Parking:** Parking, per stall, conservatively would be around \$5,000 to \$7,000. Reduced parking requirements could contribute to financial feasibility by increasing the DCRs by 0.03 to 0.05. Depending on the sources of funding for a project, any additional cost saving is important particularly for people not paying in cash.

Figure 4. Debt Coverage Ratio Results for 1-bed ADUs in the City of Sumner



Source: ECONorthwest. Note: A Debt Coverage Ratio (DCR) above one indicates that the ADU development likely would be bringing in profit, if rented. The higher the DCR, the higher the profit.

RESULTS DISCUSSION AND RECOMMENDATIONS

Multifamily Property Tax Exemption Program and Inclusionary Housing

Continue to focus on the 8-year program

Only multiple-unit projects with four or more units are eligible for either the 8- or 12-year MFTE exemption, and only property owners who commit to renting or selling at least 20% of these units to low- and moderate-income households are eligible for the 12-year exemption (at a minimum). Our analysis showed that the 8-year tax exemption variation would be more financially feasible in comparison to the 12-year variation and the lower affordability requirement (10% of units set aside at 80% of median family income) could be financially viable for a wood frame, surface parked, apartment complex in the cities of Bonney Lake and Sumner. However, the analysis did not consider the cost reduction

impacts from bonuses and incentives. State law does not prohibit MFTE from being paired with other incentives. Bonus units, incentives such as impact fee waivers, and the integration of a more flexible development agreement approach including performance requirements and a menu of corresponding incentives could help offset the costs incurred from affordable housing unit requirements and could be considered as a way to promote program usage. Continuing to use the 8-year program to support housing development, however, pairing the program with other incentives could also support a modest affordability requirement of 10% set-aside.

Offer a 12-year MTFE option

In addition to offering an 8-year exemption option, jurisdictions should adopt a 12-year program. Even if it's not used for years, there's no disincentive to having one already adopted when market conditions change, and a developer wants to take advantage of it. The target option for the 12-year program would require 20% of units to be set aside at 80% of median family income.

Offer a 12-year MTFE option for rehabilitation of units

Other MFTE program variations should be considered and researched and weighed against costs (foregone property tax revenue for the duration of the program) and benefits (such as affordable housing production). MFTE programs can vary in the range of eligible urban center areas, whether to include rehabilitated units or only new construction, and whether to expand what type of developments would be qualified. If a city has aging multifamily developments or underutilized buildings suited to residential uses, they could consider whether rehabilitated units should be added to as a way to expand program eligibility. The target option for the 12-year program would require 20% of units to be set aside at 80% of median family income.

Consider broadening MFTE to other lower density housing types

If a city wants to broaden housing choices, they could evaluate whether other forms of qualified housing with over four units such as quadplexes would be permissible under state law and whether they want to limit program usage to only projects producing a certain number of total units (such as Sumner's program limiting it to buildings with more than 10 dwelling units).¹⁴ Program variations could be analyzed to inform recommendations through detailed cost-of-construction analysis, or by garnering input from housing developers and current planners, or cost-benefit analysis, or through best practice research comparisons of other jurisdictions.

Continue to monitor and revise the MFTE as necessary

Except in very active urban markets like Seattle which can command higher profits and rents from non-affordable units, development incentives are generally required alongside inclusionary zoning affordability requirements since they complement one

¹⁴ The Washington State RCW offers the following relevant definition: "Multiple-unit housing" means a building having four or more dwelling units not designed or used as transient accommodations and not including hotels and motels.

another to help make projects financially attractive for private developers. If the affordability requirements are not sufficiently ameliorated by incentives, the profit required by the developer and financial partners will not be actualized and projects are less likely to be built. The level of incentive necessary will vary greatly between jurisdictions and within a region.

Consequently, it is prudent to thoroughly evaluate, monitor, and continually adapt incentives to ensure housing prices account for market dynamics. A key method for detecting how well a MFTE program is performing is to evaluate program usage, including detail on the amount of housing units produced along with their affordability level. In addition, program variations could be analyzed to inform recommendations through detailed cost-of-construction analysis, or by garnering input from housing developers and current planners, or cost-benefit analysis, or through best practice research comparisons of other jurisdictions.

Accessory Dwelling Units

In addition to the financial pro forma analysis, ECONorthwest also evaluated zoning and development regulations associated with ADU development. Many communities are supporting ADU development since they broaden housing choices in a broader range of neighborhoods, can be another way to provide affordable housing, and if rented, can be a source of added income to help pay housing expenses or property taxes.¹⁵ Policies supporting ADU development can serve as a way to modestly increase housing density in a low-profile way that does not change the look and feel of existing neighborhoods. ADUs can serve as a form of housing for seniors to age in place and can expand options for multigenerational living.

Our analysis showed that ADU conversion and increasing density to allow two ADUs would yield greater financial gain than the construction of one new ADU. In addition, reduced impact fees proportionate to ADU development or impact fee exemptions helped to improve financial feasibility for ADU development. New construction of an ADU can easily cost between \$100,000 and \$200,000 depending on the size and complexity. In consideration of these cost estimates, measures to reduce expenses such as reducing permit and impact fees should be considered to help boost financial feasibility for developing ADUs.

Allow ADUs in more zones

Lastly, expanding the zones where ADUs can be built can be a prudent way to expand the supply of lots potentially suited for an ADU addition. For instance, Sumner could expand where detached ADUs are allowed to be built to include other zones in addition to the LDR-12 zone and Bonney Lake could loosen up restrictions to allow detached ADUs on any lot size outside of the R-2 zone. Revisiting the intent and purpose of different zones and how ADU uses comply with this intent, could serve as a good starting point for the code update process.

¹⁵ Master Builders Association, 2020. Accessory Dwelling Unit Ordinances. Accessed at: <https://www.mbaks.com/docs/default-source/documents/advocacy/issue-briefs/adu-ordinances.pdf>

Many jurisdictions impose a broad range of restrictions on ADU development and the additive effect of these regulations can have a compounding impact, preventing ADU development. These restrictions can limit the ADU building height, density, lot coverage, and the configuration and size of the ADU in relationship to the primary residence. In addition, regulations such as requiring parking spots for each bedroom, owner-occupancy, special fees, and gaining a special permit can be challenging to meet.

Right-size parking standards to support ADUs

Lowering parking space requirements can be a helpful way to encourage ADU development. If on-street parking is available or garage or driveway space is available, cities should consider waiving onerous parking requirements such as requiring one parking space per bedroom and prohibiting the use of the driveway, garage, or carport areas to count for parking. Especially if owner-occupancy is required, ADUs tend to be located on a lot with shared parking arrangements and the availability of parking can be coordinated with the primary residence (likely the landlord) living on-site. Parking spaces could easily cost \$5,000 to \$7,000 which, given the cost of development of an ADU, can add substantial cost such that it becomes a barrier for homeowner financing.¹⁶

Changes to design standards can support ADU development

Highly restrictive lot coverage requirements limiting the amount of area for buildings in combination with special ADU square footage limitations (such as not exceeding 40% of the total square footage of the primary residence) can limit development feasibility and pose physical barriers associated with adding parking provided through carports or a garage structure. On smaller lots, even if a parking space can hypothetically fit outside of a garage or carport, it might be in an undesirable location in terms of accessing the ADU (e.g. within the front setbacks because side setbacks are too narrow to allow vehicular access to the backyard). In general, increasing the flexibility with the physical design of the ADU on a lot would help to increase the development of ADU options.

The maximum building height for detached ADUs is limited to about 16 feet for both jurisdictions. At a minimum, building height limitations could be aligned with the single-family home building height requirements which generally are up to 2.5 or 3 stories of building height (or 30 to 35 feet in Bonney Lake and Sumner). Allowing additional height means larger, 2-bedroom, ADUs can be two stories. Overall, the layering of different requirements could be evaluated for different development scenarios to examine their cumulative effect and associated tradeoffs. These key regulatory conflicts should be revisited to identify opportunities for loosening up restrictions in a way that advances housing and other comprehensive plan goals. In addition, enhancements such as

¹⁶ Due to the total costs, homeowners building an ADU on a lot with an existing home could be required to take a loan, such as a second mortgage, cash-out refinance, home improvement loan, or other financial vehicle to fund an ADU addition. Qualifying for financing can be difficult, however, when applying for conventional funding sources without a documented income stream (source: <https://www.buildinganadu.com/cost-of-building-an-adu>). Applicants may have the most success with an FHA 203k improvement/rehabilitation loan (<https://accessorydwellings.org/2013/11/15/financing-your-adu-has-become-easier/>).

examples for how to apply different code restrictions and visual aids could be added to each city's Code to make it more user-friendly.

Pre-planned ADU packages can lower costs

Lastly, pre-approved ADU plans are another avenue for promoting ADU construction. A pre-approved plan is designed by an architect on a hypothetical lot and this plan has already gained some level of approval by the planning and building departments for construction. ADUs using these plans are expected to have a more expedited permit approval along with lower costs associated with design and plan check review fees. The City of Seattle has launched a new online resource referred to as the *ADUniverse* which features a gallery of pre-approved detached ADU designs.¹⁷ The process of developing a pre-approved ADU plan could be an efficient way to examine the additive effect of the combination of different regulations and identify opportunities for regulatory improvement. In addition, these plans could be provided in an ADU guidebook developed for people who may not have experience with design, construction, or permitting.

¹⁷ City of Seattle, 2020. Accessed at: <https://www.seattle.gov/sdci/permits/common-projects/accessory-dwelling-units>

ATTACHMENT A: PRO FORMA METHODOLOGY

We used two different pro forma methodologies for the quantitative analysis that informed the recommendations. For regulatory and incentive changes that impact multifamily and townhome developments, we used a pro forma to solve for residual land value. This is more reflective of the conditions that a developer is considering when finding property to build a new multifamily development. For regulatory and incentive changes that impact ADU development, we used a pro forma that solved for debt service coverage ratio. This approach is more reflective of the conditions that existing, single family homeowners are considering when building one (or more) ADUs on the property they already own.

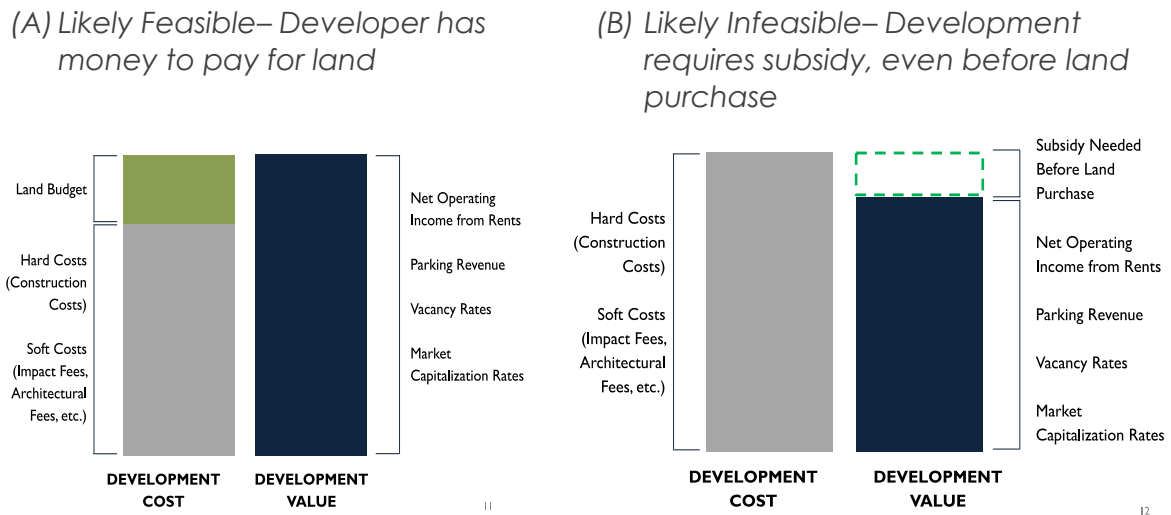
Residual Land Value Analysis

ECONorthwest used a common financial pro forma method called a *residual land value analysis* to analyze the impact of regulatory and incentive changes on development feasibility. Residual land value (RLV) is an estimate of what a developer would be able to pay for land given the property's income from rental or sales revenue, the cost to build as well as to operate the building, and the investment returns needed to attract capital for the project. In other words, it is the budget that developers have remaining for land after all the other development constraints have been analyzed. An advantage of the RLV approach is that it does not rely on land prices as an input. Rather, observed land prices can be compared with the model outputs to help calibrate the model and ensure it reflects reality. It is therefore a useful metric for assessing the impacts of changes to the development code and accompanying development incentives because these policies principally affect land value, especially in the short run.

Figure 5 summarizes the residual land value method by illustrating two example developments (or *prototypes*), one which is feasible and the other likely infeasible. In both scenarios, the right-hand column (shown in dark blue) illustrates the total value that comes from the project (derived from rental revenue less any operating expenses and vacancy costs). The left-hand column (shown primarily in grey) illustrates the total costs to build the project, both the hard construction costs and the soft costs such as the design and city fees.

If the blue column is greater than the grey column, there is budget leftover to buy the land (shown in green). A positive land budget means that a proposed development project is likely to be feasible (contingent on the price for which the land is being offered). If the blue column is smaller than the grey column, then a subsidy is needed to get the project to be feasible (shown in a dashed outline). A land budget below \$0 means that a proposed development project is not feasible, absent offsetting subsidies or incentives that can cover the difference.

Figure 5. Land Budget Method for Pro Forma Modeling



Source: ECONorthwest.

We analyzed each of the development concepts using this RLV approach. The results from this method describe a general analysis of prototypes and do not consider the many potential unique conditions that could be a factor in development feasibility (e.g., increased predevelopment costs, low land basis from longtime land ownership). For these reasons, a residual land value analyses should be thought of as a strong indicator of the relative likelihood of feasibility, rather than an absolute measure of return to the investor or developer.

To complete this analysis, we used financial inputs such as rent, operating costs, and development costs for each prototype modeled. After defining the available building areas, we used the pro forma to calculate the revenue from the leasable square feet and then removed the vacancy and operating costs (such as taxes, insurance, maintenance, management, select utilities) to arrive at an annual net operating income (a.k.a. NOI).

We then derived the value from each NOI by dividing by the respective return on cost threshold (a.k.a. ROC). We then summed those values to arrive at a total value for each development concept. We also calculated the total development costs by applying the cost per square foot values to the gross square feet for each product type (e.g., residential) and the cost per stall for parking. We then summed those values to a total hard cost and calculated the soft cost, contingency, and developer fee to arrive at the total development cost.

We then calculated the land budget (a.k.a. the RLV) by subtracting the total development cost from the total value (shown in Exhibit 1). We also divided the total land budget by the site square feet to arrive at a residual land value per square foot.

Exhibit 1. Residual Land Value Calculation (with additional explanatory calculations)

$$RLV = Total Value - Total Development Costs$$

$$Total Value = Net Operating Income \div (ROC)$$

$$NOI = Rental revenue - operating costs - vacancy costs$$

Debt Coverage Ratio

ECONorthwest used a pro forma to evaluate the accessory dwelling unit (ADU) feasibility, but via the metric of debt coverage ratio instead of residual land value. We employed this different approach given that most of the people building an ADU already own the property and don't need to buy new land to build this housing type. However, it's rare that a homeowner would have enough cash to build the unit(s) outright and would need to access a loan of some kind (see Figure 7 below **Error! Reference source not found.**). Therefore, the metric we used was *debt coverage ratio* which indicates how much cash flow exists to make the loan payments and potentially have profit remaining.

Figure 7. Examples of Common Financing Sources for ADU Development by Homeowners

Table 2. Households by Income and Equity in Comparing Existing Mortgage Products

	High-Income	Low-Income
High Home Equity	Cash-Out Refinance or Home Equity Loan/HELOC	Special FHA, Reverse Mortgage, or Fannie Mae Loan Products
Low Home Equity	Renovation Loan	Cash Savings and Personal Resources

Level of Difficulty Finding and Qualifying for Loan Products:



Source: Adapted from UC Berkeley Center for Community Innovation, 2017.

Debt coverage ratio (DCR) is expressed as a ratio of how much net income (after vacancy and operating expenses like property taxes) is available relative to the debt (or loan) payment. In the case of the ADU analysis, debt coverage ratio is NOT an absolute metric of feasibility – the reasons homeowners build an ADU vary substantially. Some homeowners might build an ADU to house a relative and not require any monthly income, whereas others might be looking for substantial passive income from their ADU.

To complete this analysis, we used the same types of financial inputs as the residual land value analysis to arrive at both NOI and total development costs. We then applied additional assumptions to estimate a typical debt service payment (e.g. amount of the loan, term of the loan, and interest rates). We then calculated debt service coverage ratio by dividing the NOI by the debt service payment (see Figure 8).

Figure 8. Debt Coverage Ratio Calculation (with additional explanatory calculations)

$$DCR = NOI \div Debt\ Service$$

Debt Service = Loan payment for most of the total development costs

$$NOI = Rental\ revenue - operating\ costs - vacancy\ costs$$

Figure 9. Pro Forma Assumptions (next page)

Operating Revenue and Cost Assumptions		
Variable	Assumption	Unit of Measure
<u>Rent</u>		
Studio Apartment	\$2.65	Per square foot, monthly
1-br Apartment	\$2.35	Per square foot, monthly
2-br Apartment	\$2.04	Per square foot, monthly
Towhome rent	\$1.45	Per square foot, monthly
Studio ADU	\$2.60 to \$2.70	Per square foot, monthly
1-br ADU	\$2.30 to \$2.40	Per square foot, monthly
2-br ADU	\$2.00 to \$2.10	Per square foot, monthly
<u>Vacancy Rate</u>		
Market rate residential	5%	Percent
Affordable residential	4%	Percent
<u>Operating Expenses</u>		
Podium	30%	Percent of net revenue
Wood frame	20%	Percent of net revenue
Townhome	10%	Percent of net revenue
ADU	\$600	Per unit, yearly
Development Cost Assumptions		
Variable	Assumption	Unit of Measure
<u>Construction Cost</u>		
Podium	\$210	Per square foot
Wood frame	\$150	Per square foot
Townhome	\$140	Per square foot
Lobby / Common space	\$220	Per square foot
Studio ADU	\$230 to \$295	Per square foot
1-br ADU	\$200 to \$255	Per square foot
2-br ADU	\$180 to \$230	Per square foot
<u>Parking Cost</u>		
Podium	\$40,000	Per stall
Surface	\$5,000	Per stall
<u>Other Development Costs</u>		
Soft costs (including permitting)	20% to 30%	Percent of hard costs
Contingency fee	5%	Percent of hard and soft costs
Developer fee	5%	Percent of development costs
Financing Assumptions		
Variable	Assumption	Unit of Measure
<u>Loan Assumptions (ADU)</u>		
Equity	20%	Percent of total cost
Debt	80%	Percent of total cost
Interest Rate	5.5%	
Number of Periods	30	
<u>Target Returns</u>		
Residential ROC	5.80%	

ATTACHMENT B: OVERVIEW OF PLANNING TOOLS

This overview describes how each tool works to support the creation of new affordable units or to preserve existing units. The tool overviews offer a description for how the tool works, variations in use, benefits, drawbacks, funding sources, examples, and links to more information.

Accessory Dwelling Units

How It Works

Accessory dwelling units (ADUs), also referred to as mother-in-law apartments, carriage house, granny flat, second unit, are self-contained residential unit that is an accessory use to a single-family home and is located on the parcel with a single-family home. An ADU typically contains all the basic facilities needed for living independent from the primary residence such as a kitchen and bathroom. ADUs tend to be smaller in size and scale to the primary single-family home. An ADU can be configured in different ways such as being attached to a single-family home, above a garage, or detached from the primary residence. See the examples shown below.



▲ Accessory dwelling units (or ADUs) come in many shapes and styles.

Source: AARP, 2018 ABCs of ADUs Guide and images.

Bonney Lake’s ADU Regulations

- “Accessory dwelling unit” is a second dwelling unit either in or added to an existing single-family detached dwelling, or in a separate structure on the same lot as the primary dwelling for use as a complete, independent living facility with provision within the accessory unit for cooking, eating, sanitation, sleeping and entry separate from that of the main dwelling. Such a dwelling is an accessory use to the main dwelling. Accessory units are also commonly known as “mother-in-law” units or “carriage houses.” (Bonney Lake Code section: 18.04.010, Definitions). The difference between an ADU, attached to a single-family home, and duplex is

that the owner has to live on site. Code section 18.22.090 outlines the main ADU regulations. The owner must occupy the primary residence for at least six months every year.

- **Zoning:** ADUs are allowed in RC-5, R-1, and R-2 zones (Section 18.08.020 Land Use matrix). However, a detached ADU is only allowed in the R-2 zone or on lots w/ more than 10,000 square feet in R-1 and RC-5 zones.
- **Lot Coverage:** Max lot coverage by impervious surfaces is 60% for R-1 and R-2. "Lot coverage" is that portion of a lot which is permitted to be covered by a building or any part of a building.
- **Permit:** An ADU permit required in addition to any required building permit.
- **Density:** One ADU is allowed per legal building lot as an accessory use to the single-family residence.
- **Size:** The maximum size is 1,200 sf and the minimum size is 300 sf if part of primary residence and 450 sf if separated. The ADU shall not exceed 40% of the total sf of the primary residence.
- **Building Height:** The max building height for a detached ADU is 18 feet.
- **Parking:** The city requires one off-street parking space provided for an ADU with one bedroom and two off-street parking spaces provided for an ADU with 2+ bedrooms (this is in addition to spots required for the primary residence) located in a carport, garage, or designated space. DC, DM, and TOD Overlay: Each ADU, needs 1 off-street parking space in addition to the basic parking requirements for the primary dwelling unit(s) (Code section 18.22.100).
- **Estimated Impact Fees:** The City does not charge any impact fees and connection charges for ADUs. The only exception is when a developer wants a separate water meter for the ADU, then they would be responsible for 77% of the connection charge established for a new single-family home or \$7,003.15. No other fees would be triggered by adding a water meter.

Sumner's ADU Regulations

- "Accessory unit" means a second dwelling unit either in or added to an existing single-family detached dwelling, or in a separate accessory structure on the same lot as the main dwelling, for use as a complete, independent living facility with provision within the accessory apartment for cooking, eating, sanitation, and sleeping.

Such a dwelling is an accessory use to the main dwelling. Accessory units are also commonly known as “mother-in-law” units or “carriage houses.” (Sumner Code Section 18.04.0035 Accessory Unit). The owner must occupy primary residence or ADU and must live in primary residence for at least 6 months per year.

- **Zoning:** ADUs are allowed in the low-density residential zones (LDR-4, LDR-6, LDR-7.2, LDR-8.5, LDR-12). However, LDR-12, is the only zone that allows detached ADUs.
- **Lot Coverage:** Sumner lot coverage ranges from 35 to 45% in LDR zones. “Lot coverage” means the area of a site covered by buildings or roofed areas including covered porches and accessory buildings, measured at the building foundation.
- **Density:** One ADU allowed per legal building lot as a subordinate use to a single-family structure.
- **Size:** The maximum size is 800 sf (excluding garage) and minimum is 300 sf if part of primary residence and 450 sf if separated. The ADU shall not exceed 40% of total sf of the primary residence. ADUs in the RP zone should be attached to the primary residence except if it is larger than 8,500 sf or if it is replacing a preexisting detached structure of at least 400 sf.
- **Parking:** The city requires one off-street parking space provided for an ADU in addition to what exists for the primary residence (1 space per bedroom).
- **Building Height:** In low density zones, the max building height is 16 feet (18 feet when necessary to match roof pitch of principal structure) for detached ADUs.
- **Estimated Impact Fees:** School (no need to average, there is no residential zoning in the other school district left) – \$1,907.50; Parks & Trail - \$1,448.04; Sewer - \$2,426.34; Storm (may be changing but this would be the current rate) - \$2,360.67; Traffic (varies, so I averaged the 3 districts) - \$1,405.00; and Water - \$4,556.06.

Considerations

- Some communities only allow ADUs that are within or attached to the main residence and exclude ADUs housed in a separate structure.
- Some communities require that the main residence and the ADU must be owned by the same person and may not be sold separately.
- Does it matter whether they are attached or detached ADUs?

	<ul style="list-style-type: none"> • How does the 18' building height compare to allowed SF building heights? • Are there additional opportunities to relax the size limitations? • Parking space requirements tend to increase the cost of development and can make the development physically impossible when taking into account the primary and accessory parking unit requirements and impervious surface limitations. • Does the ADU need to be smaller in size to the primary residence? • Does an ADU need to be below 40% of the total sf of the primary residence? • Relax max size of ADUs (1,500 sf) to allow more flexibility?
Benefits	<ul style="list-style-type: none"> • Broadens housing diversity and choices in a broader range of neighborhoods since it can be offered at a more affordable cost due to their small size. Although ADUs can be cheaper housing options, this lower cost is not always the case. • Offers additional options for Seniors and younger populations, single person households, etc. • Can be a source of added income to help pay housing expenses. • AARP surveyed people 50+ and found, they would consider creating an ADU to: provide a home for a loved one in need of care (84%), provide housing for relatives or friends (83%), feel safer by having someone living nearby (64%), have a space for guests (69%), increase the value of their home (67%), create a place for a caregiver to stay (60%), and earn extra income from renting to a tenant (53%) Source: AARP Home and Community Preferences Survey, 2018. (AARP Home and Community Preferences Survey, 2018) • Can blend into single-family neighborhoods and be a form of intergenerational housing
Drawbacks	<ul style="list-style-type: none"> • Be careful with not monitoring or addressing short-term vacation rental. • Can have spillover effects in terms of parking and service and neighborhood impacts.
Examples	<ul style="list-style-type: none"> • Seattle: 1 attached ADU and 1 detached ADU in single-family zones (2 ADUs in total); removes owner-occupancy requirement (min of 1 year of continuous ownership needed to establish 2nd ADU); removes off-street parking requirement for ADUs; adds an incentive for affordable housing for creation of a second ADU; and reduced

<p>For More Information</p>	<p>min lot size (lots between 3,200 sf and 3,999 sf) to add a detached ADU; max FAR limit for development in SF zones.</p> <ul style="list-style-type: none"> • Everett: 75% of gross floor area of primary unit, 1 parking space but can be waived if there is sufficient on-street parking or public transit access. Variations: some jurisdictions limit whether attached or detached, some limit number of occupants, parking spaces vary from 0 to 1 space per bedroom, and some limit unit size. • Burien: 2 ADUs on property (1 attached, 1 detached), no more owner-occupancy requirement, parking requirement waived if within 1/3 mile of a transit stop <hr/> <ul style="list-style-type: none"> • Sumner Code: Chapter 18.10 and 18.12 www.codepublishing.com/WA/Sumner/#!/Sumner18/Sumner18.html • Bonney Lake Code: www.codepublishing.com/WA/BonneyLake
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Multifamily Tax Exemption (MFTE)

How It Works

Through the multifamily tax exemption, a jurisdiction can incent diverse housing options in urban centers lacking in housing choices or workforce housing units. Washington State Chapter 84.14 RCW outlines the existing requirements for implementing a multifamily tax exemption. Washington cities with a population of 15,000 can adopt a MFTE program to stimulate new multifamily affordable housing development in certain designated urban center areas. This program exempts eligible new construction or rehabilitated housing from paying property taxes for either an 8-year or 12-year period of time. (There was previously an option for a 10-year contract as well.) When a project is approved under a multifamily tax exemption program, the value of eligible housing improvements is exempted from property taxes. Only multiple-unit projects with 4 or more units are eligible for either the 8- or 12-year exemption, and only property owners who commit to renting or selling at least 20% of these units to low- and moderate-income households are eligible for the 12-year exemption.

Sumner’s MFTE Program (Bonney Lake has not established a MFTE Program)

Code Chapter 3.52 provides the main regulations associated with Sumner’s Multifamily Property Tax Exemption program. “Multifamily housing” means a building having 10 or more dwelling units not designed or used as transient accommodations and not including hotels and motels. Multifamily units may result from new construction or rehabilitated or conversion of vacant, underutilized, or substandard buildings to multifamily housing. “Multifamily property tax

exemption” means an exemption from ad valorem property taxation for multifamily housing.

- For the property to qualify for the 12-year exemption, the applicant must commit to renting or selling at least 20% of the multifamily housing units as affordable housing units to low- and moderate-income households, and the property must satisfy that commitment and any additional affordability and income eligibility conditions adopted by the local government under this chapter. “Low-income household” must be 80% of the median family income [or lower] adjusted for family size, for the county where the project is located while a “Moderate-income household” is between 80 to 115% of the median family income. (Pierce Countywide Planning policies define low income housing as below 80% of the countywide median income and moderate-income is defined as between 80 to 120% of the countywide median income).
- The project must be located in the Town Center Plan Area.
- The project must not displace existing residential tenants of structures that are proposed for redevelopment. If the property proposed to be rehabilitated is not vacant, an applicant shall provide each existing tenant housing of comparable size, quality, and price and a reasonable opportunity to relocate. 50% of project space should be residential. New construction of multifamily housing and rehabilitation improvements must be completed within 3 years from the date of approval of the application.

Program Considerations

- Geographic areas for where MFTE could be used vary in different jurisdictions. If working in conjunction with Inclusionary Zoning, planners should make sure the areas are aligned.
- MFTE incentives can help offset the costs associated with Inclusionary Zoning.
- Evaluate whether rehabilitated units should be eligible and evaluate whether it would be possible to add other forms of qualified housing with over four units (as required) such as quadplexes. The Washington State RCW offers the following relevant definition: *“Multiple-unit housing” means a building having four or more dwelling units not designed or used as transient accommodations and not including hotels and motels. Multifamily units may result from new construction or rehabilitated*

	<p><i>or conversion of vacant, underutilized, or substandard buildings to multifamily housing.</i></p> <ul style="list-style-type: none"> • Should this be limited to projects producing 10 or more dwelling units? • Consider adding bonus units to help offset costs. • Cities should evaluate scenarios for what to require in terms of the 8-year and 10-year program option requirements. The state gives cities the option to not require affordable units to be set aside under the 8-year exemption. However, 12-year exemptions must set aside a minimum of 20% of the units affordable to low and moderate-income households. The depth of affordability required for these units can vary slightly under the 12-year program (for example, a city could require half be set aside as low-income and moderate income).
Benefits	<ul style="list-style-type: none"> • Tax abatements positively impact the feasibility of projects where market-rate projects are feasible and can help cross-subsidize the affordable units. • Helps balance out the financial impacts associated with inclusionary zoning.
Drawbacks	<ul style="list-style-type: none"> • Requires regular reporting to the state which helps track program usage. • City must weigh the temporary loss of tax revenue against the potential attraction of new investment in targeted areas. • Reduces general fund revenues for all overlapping taxing districts, which could make it harder to promote the tool to partner jurisdictions that do not perceive the same project benefits. • May provide insufficient incentive to lead to affordability unless paired with other tools.
For More Info	<ul style="list-style-type: none"> • Sumner Code: Chapter 3.52, https://www.codepublishing.com/WA/Sumner/#!/Sumner03/Sumner0352.html#3.52 • MFTE overview: http://mrsc.org/Home/Explore-Topics/Planning/Specific-Planning-Subjects-Plan-Elements/Affordable-Housing-Ordinances-Flexible-Provisions.aspx. • Chapter 84.14 RCW: https://app.leg.wa.gov/rcw/default.aspx?cite=84.14

Examples

- The 8-year MFTE program option with no affordability requirements have been implemented in Renton along with Kent and Tukwila - though their programs expired.
- Adopted in 2004, Burien has engaged 8-year, 10-year, and 12-year contracts and required affordable units.
- Redmond's MFTE program was adopted recently in 2017 as a way to help offset costs where affordable housing units are required. It is an optional program in all circumstances; there are no requirements to use the program. The affordable units created are for "the life of the project" by recorded contract similar to that used for inclusionary units. This program exempts property taxes for qualified housing projects in three urban centers including Downtown, Overlake Village, and Marymoor Village. Property owners can apply for an exemption on property taxes on the residential improvement value of new developments for either 8 or 12 years, in exchange for providing affordable housing.
- [Kirkland Affordable Housing Master Leases and MFTE Amendments](#) (2019): Kirkland recently has worked on MFTE ordinance amendments to promote availability of affordable housing, including reserving around 30 rental units for city and public sector staff.
- Tacoma Municipal Code Ch. 6A.110 (2015) offers 8- and 12-year exemptions for targeted residential areas and for qualified multifamily housing rehabilitation projects (More information at: <https://cms.cityoftacoma.org/cityclerk/Files/MunicipalCode/Title06-TaxandLicenseCode.PDF>).

Inclusionary zoning (IZ)

How It Works

Inclusionary zoning provides affordable housing for moderate income residents in exchange for additional residential development capacity (i.e. an increase in what the zoning currently allows; and generally, density, height, floor area ratio or some other benefit). Over 500 cities in the US use inclusionary zoning. Such a program can be either voluntary or mandatory. This program often works best in areas with high density zoning capacity. Several IZ policies are setup to work in conjunction with MFTE programs.

Program Considerations	<p>In theory, private market-rate development supports some portion of the cost of the affordable units in an inclusionary project. However, in almost all cases, public incentives are also required. These incentives can be regulatory (reduced parking requirements or density bonuses, for example) or financial (property tax abatements or other forms of public investment). Funds can come from general fund, urban renewal, or other municipal sources described in this report. If density bonuses are offered, analysis should target how much increased development capacity will offset the added costs to the housing developer of providing the affordable units.</p> <ul style="list-style-type: none"> • Before proposing specific regulatory changes, consider analyzing the financial feasibility of different development typologies (a.k.a. prototypes) that could occur in the study area zones (currently allowed) in comparison to what could occur if proposed zoning entitlements were changed (changes to the zoning code). Can analyze the feasibility based on a range of build out scenarios beginning with the maximum entitlements level and then at ranges smaller than the maximum. The results from this analysis can help inform how to best set base entitlements that would be more financially viable and possibly favorable. • Another route for comparing development feasibility and the impact of incentive zoning specifications across different sites and prototypes, is <i>residual land value analysis</i>. Residual land value (RLV) is an estimate of what a developer would be able to pay for land given 1) the property's income from rental or sales revenue, 2) the cost to build as well as to operate the building, and 3) the investment returns needed to attract capital for the project. In other words, it is the budget that developers have remaining for land after all the other development constraints have been analyzed. An advantage of the RLV approach is that it does not rely on land prices as an input. Rather, observed land prices can be compared with the model outputs to help calibrate the model and ensure it reflects reality. It is therefore a useful metric for assessing the impacts of changes to the development code and accompanying development incentives because these policies principally affect land value, especially in the short run.
Benefits	<ul style="list-style-type: none"> • Has opportunity to create some new affordable units, especially in “high-opportunity areas” (high rent) areas with good schools, jobs, and amenities. • Designed to lead to mixed-income projects; helps avoid economic and racial segregation

	<ul style="list-style-type: none"> • Can create a revenue source for affordable housing if the inclusionary program allows fee-in-lieu payments • Mandatory: produces affordable units in proportion to development of market housing and allows for greater dispersion of affordable units within new apartment development and residential growth areas. Voluntary: Bonuses may encourage more development, can be targeted for specific areas and goals, and potential can be higher if paired with density bonuses.
<p>Drawbacks</p>	<ul style="list-style-type: none"> • IZ does not work unless market-rate development is feasible. • Programs can be administratively difficult to design and implement. Staff must ensure that tenants comply with income-qualification requirements. • If incentives are insufficient to offset program requirements, IZ may encourage developers to develop less housing or charge more for the non-zoned housing, pushing up overall rental costs. • Overall, evidence of success is mixed and seems largely dependent on which specific policies are adapted as part of the IZ policy and how they match the city's need. • Given the structure of Oregon's program requirements, IZ would result in relatively few new affordable units being constructed. • Mandatory: Requires changes to development which limit where it is applied; some view the need for affordable housing as a broader social issue not the responsibility of private developers; and if too onerous can discourage development. Voluntary: May not be used and if not carefully calibrated, then affordable units would not be produced
<p>Options for Implementing</p>	<ul style="list-style-type: none"> • Voluntary requirements, mandatory requirements, or a mix. • Some programs give participants the option to contribute funds to a lieu fee instead of creating affordable housing units. • Minimum quantity of affordable units to be provided, usually a share of a development's total number of dwelling units. For example, Sammamish has a sliding scale, based on the affordability level of the provided housing units. Developers in Sammamish are also using the City's affordable housing "bonus pool" to produce more units. • Household income of Affordable Units: Typically consists of housing units below 80% AMI with more incentives for low-income versus moderate-income households.

For more information

- Time period for units to remain affordable. Redmond requires affordability for the life of the project while [Issaquah](#) requires those units to remain affordable for a minimum of 50 years.
- Geographic Area: Typically limited to designated urban center areas although they may be applied throughout your community.

Examples

- Bellevue and Mercer Island's IZ programs are voluntary. Kenmore and Redmond's IZ programs are mandated. Kirkland and Newcastle's IZ programs are both voluntary and mandated.
- Adopted in 1994, Redmond's IZ regulation applies to all new residential and mixed-use developments with over 10 units. The provision requires 10% of dwellings units be affordable (80% AMI or less) or 5% be affordable at 50% AMI or less. In addition, one bonus market-rate unit is permitted for each affordable housing unit (at a minimum) up to 15% above the maximum allowed density. Multifamily properties could be eligible for MFTE. The affordable housing units and, if applicable, any bonus market-rate units should not be included in the total number of the housing units when determining the number of required affordable housing units. Units are required to be affordable for the life of the project. (RZC Affordable Housing 21.20). *The program has produced an estimated 709 affordable units, as of July 2020.*

For More Information:

- MSRC Background Information: <http://mrsc.org/Home/Stay-Informed/MRSC-Insight/November-2016/Inclusionary-Zoning-for-Affordable-Housing>
- WA State law: RCW 36.70A.540 gives authority for GMA cities and counties to establish requirements and outlines circumstances for the inclusion of affordable housing to be mandated Another policy to review is: WAC 365-196-870(2) which allows local government to require a minimum number of affordable housing units that must be provided by all residential developments in areas where the city or county decides to increase residential capacity. <https://apps.leg.wa.gov/RCW/default.aspx?cite=36.70A.540>
- In 2016, the Oregon Legislature passed Senate Bill 1533 which allows for a jurisdiction to implement an inclusionary zoning policy if it meets certain requirements. These requirements relate to the income at which the units are affordable (80% MFI or 60% MFI), the percent of the project set aside as affordable (no greater than

20% of the project), the size of the projects (only if greater than 20 units) and the requirement for both an in-lieu fee option and incentive package.

<http://www.oregon.gov/LCD/docs/legislative/landusebills2016.pdf>
and <https://www.portlandoregon.gov/phb/72291>

APPENDIX 3: BONNEY LAKE POLICY TABLE

Comprehensive Plan Policy Summary											
City of Bonney Lake											
Policy Info											
Element	Policy #	Policy Text	Single Family Housing	Duplex	Town-homes	Multi-Family	Accessory Dwelling Units	Affordable Housing	Senior Housing	Tiny Housing	Other
Community Development Element	2.2	Encourage the development of mixed-use, senior housing, high density residential, and public services uses such as education, health care, libraries, child care, governmental facilities in the centers to create vibrant activity nodes, provide housing choices, advance sustainable development principles, support transit, and preserve the City's existing residential neighborhoods.			X	X		X	X	X	
	9.11	Redevelop Bonney Lake's under-developed or vacant sites in a manner that balances providing an array of housing, jobs, retail, recreational, and entertainment opportunities, with the need to respect the scale and form of surrounding properties and neighborhoods	X	X	X	X	X	X	X	X	

10.1	Encourage the development of a diverse and high quality housing stock that provides a range of housing types (including family and larger-sized units) to accommodate the diverse needs of Bonney Lake's residents through changes in age, family size, and various life changes.	X	X	X	X	X	X	X	X	
10.2	Encourage the development of special-needs housing, especially for seniors, such as independent living facilities, various degrees of assisted living facilities, and skilled nursing care facilities.							X		
10.3	Actively promote community awareness and education campaigns regarding affordable housing in order to engender acceptance throughout the community.						X			
10.4	Explore methods and partnerships to reduce the costs associated with developing housing						X			
10.5	Ensure that there is a sufficient supply of housing affordable to all income levels by maintaining a supply of housing that is currently affordable to median-income, low income and very low-income households, and work to increase the supply of housing affordable to households within Bonney Lake that make eighty percent (80%) of the Pierce County Median Income by 702 housing units.						X			

	10.7	Allow the use of recreational vehicles (RVs) as a primary residence within mobile home parks when all applicable regulations can be satisfied										X
	10.8	Allow manufactured homes in all residential zones that allow single-family residences	X	X				X				
	10.9	Regulate residential structures occupied by persons with handicaps no differently than similar residential structures occupied by a family or unrelated individuals.										X
Bonney Lake Centers Plan	CP-1.1	Adopt land use and zoning that supports housing and employment growth within the centers.										X

APPENDIX 4: SUMNER POLICY TABLE

Comprehensive Plan Policy Summary												
City of Sumner												
Policy Info												
Element	Sub-Element	Policy #	Policy Text	Single Family Housing	Duplex	Town-homes	Multi-Family	Accessory Dwelling Units	Affordable Housing	Senior Housing	Tiny Housing	Other
Land Use	Commuter Rail / Regional Transit	1.6	Promote the use of the Sounder commuter train by the entire Sumner community. Provide housing near the train station for households desiring the close transit availability, and provide services and businesses that cater to residents and train commuters									X
Community Character Element		3.5	Subject to design review, encourage infill residential development in the Downtown, such as "mixed use buildings" (multifamily units above ground-floor commercial), and "mixed use developments" (combination mixed use buildings and separate residential buildings on the same parcel), in order to allow for an active community core.				X					

		commercial/residential buildings or “housing for the aged” such as assisted living facilities, continued care communities, board and care homes, hospices or nursing homes.									
	2.1	Strive to meet the City's fair share of housing needs by planning that 25% of the growth population allocation is satisfied through affordable housing.						X			
	2.1.1	Develop a housing strategy to implement fair share objectives. It shall include an inventory of affordable housing, an analysis of Sumner's fair share as compared to surrounding cities, and a phased approach to meet the community's fair share housing allocation. Milestone dates and interim objectives shall be established to allow for progress in meeting the overall fair share targets. The housing strategy should be completed by December 2017.						X			
	2.2	Plan for an adequate supply of land in appropriate land use designations and zoning categories to accommodate projected household growth.	X	X	X	X	X	X	X	X	

	2.2.1	Through the Comprehensive Plan, Zoning Code, and Subdivision code, and Design Guidelines allow for a variety of housing types and lot configurations including multi-family housing, mixed use development, cluster development, zero-lot line and similar subdivisions, planned unit development, and non-traditional housing forms such as adult family homes.	X	X	X	X	X	X	X	X
	2.2.3	Allow for accessory units in low density residential districts.					X			
	2.3	Encourage a variety of housing available to all economic segments of the community	X	X	X	X	X	X	X	X
	2.3.2	Review the City's administrative procedures and streamline the permit process for affordable housing developments.						X		
	2.3.3	Consider implementing strategies such as an inclusionary housing program, minimum densities, density bonuses, adaptive re-use, and others to promote affordable housing	X	X	X	X	X	X	X	X
	2.3.4	Promote the development of senior housing units in proximity to needed services.							X	
	2.3.6	Consider participation in the preparation of applications							X	

		for federal or state housing funds.									
	2.3.7	Identify and catalogue real property owned by the City that is no longer required for its purposes and is suitable for the development of affordable housing for very low to moderate income households. The inventory shall be provided to the state Department of Commerce annually in accordance with state law.							X		
	2.4	Provide for a jobs and housing relationship that satisfies the local need for housing and affordability.							X		
	2.5	Promote fair and equal access to housing for all persons in accordance with state law.									X
	2.6	Make a biennial report to the City Council and the Pierce County Regional Council regarding the progress made in meeting community housing needs.									X
	2.7	Plan for a standard density of 30 dwelling units per acre in Central Business District and General Commercial zones and 40 dwelling units per acre in the Mixed Use Development zone within the Town Center.				X					
	2.8	Provide incentives for developing senior housing in the downtown such as permit fee waivers and							X		

		reductions and parking requirement reductions.									
	4.1	Promote the construction of housing stock in the town center by at least 350-500 dwelling units by 2035.				X					
	4.2	Examine higher density in West Sumner through the review of existing development patterns and desires of neighborhoods to consider allowing higher densities.	X	X		X					
	4.3	Work with property owners and developers to promote increased housing on strategic properties in the town center.		X	X	X					
	4.4	Encourage land assembly allowing for feasible and attractive housing or mixed housing/commercial developments. Waive permit fees associated with lot consolidation such as lot line adjustments. Facilitate matching compatible owners that can work jointly to consolidate and sell/develop.									X
Economic Development Element	1.13	Create a document that compiles initiatives and activities that can be undertaken to promote economic development in the Downtown including infrastructure improvements, events, and housing initiatives.									X

	5.5	Encourage more housing in and near Downtown to strengthen Downtown businesses that will in turn offer goods and services for residents.									X
	5.13	Create 300-500 new housing units in the town center in close proximity to the train station and existing businesses.									X
	5.15	Encourage more mixed commercial/service/housing uses in the Town Center, along Traffic and Fryer Avenues. Reduce light industrial zoning in the Town Center in favor of mixed-use zoning.									X

APPENDIX 5: CITY RESOLUTIONS ADOPTING PLAN

**Placeholder for when
city councils adopt the
plans**

APPENDIX 6: COPY OF HB 1923

HOUSE BILL 1923

State of Washington **66th Legislature** **2019 Regular Session**

By Representatives Fitzgibbon, Macri, Appleton, Doglio, Dolan, Santos, and Frame

Read first time 02/06/19. Referred to Committee on Environment & Energy.

1 AN ACT Relating to increasing urban residential building
2 capacity; amending RCW 36.70A.030, 43.21C.450, 70.146.070,
3 43.155.070, 47.26.086, 43.21C.420, 36.70A.490, and 82.02.060;
4 reenacting and amending RCW 36.70A.070; adding new sections to
5 chapter 36.70A RCW; adding a new section to chapter 43.21C RCW; and
6 adding a new section to chapter 35.21 RCW.

7 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

8 NEW SECTION. **Sec. 1.** A new section is added to chapter 36.70A
9 RCW to read as follows:

10 (1) A city planning pursuant to RCW 36.70A.040 with a population
11 greater than ten thousand shall take two or more of the following
12 actions by December 31, 2022, in order to increase its residential
13 building capacity:

14 (a) Authorize development of at least fifty residential units per
15 acre in locations that are located within one-half mile of a fixed
16 guideway transit station;

17 (b) Authorize at least one duplex, triplex, or courtyard
18 apartment on each parcel in one or more single-family residential
19 zones unless a city documents a specific infrastructure of physical
20 constraint that would make this requirement unfeasible for a
21 particular parcel;

1 (c) Require no more than one on-site parking space per two
2 dwelling units in multifamily zones that are located within one-half
3 mile of a fixed guideway transit station;

4 (d) Authorize accessory dwelling units on all lots located in
5 single-family residential zoning districts;

6 (e) Adopt a planned action pursuant to RCW 43.21C.420, except
7 that an environmental impact statement pursuant to RCW 43.21C.030 is
8 not required for such an action;

9 (f) Adopt a planned action pursuant to RCW 43.21C.440, except
10 that an environmental impact statement pursuant to RCW 43.21C.030 is
11 not required for such an action;

12 (g) Adapt the maximum feasible number of categorical exemptions
13 pursuant to RCW 43.21C.229 for single-family and multifamily
14 development.

15 (2) A city planning pursuant to RCW 36.70A.040 with a population
16 greater than ten thousand shall take two or more of the following
17 actions by December 31, 2022, in order to increase housing
18 affordability:

19 (a) Adopt an inclusionary zoning program, in which twenty-five
20 percent of the new housing capacity directed by this act consists of
21 affordable housing; or

22 (b) Take some other action to address affordability for very low-
23 income households.

24 (3) A city that is subject to subsections (1) and (2) of this
25 section that fails to comply with subsections (1) and (2) of this
26 section by December 31, 2021, shall update the housing element of its
27 comprehensive plan as required by RCW 36.70A.070.

28 (4) The actions taken by a city to comply with subsections (1)
29 and (2) of this section are not subject to appeal under chapter
30 43.21C RCW.

31 (5)(a) A city that is subject to the requirements of subsections
32 (1) and (2) of this section shall certify to the department once it
33 has complied with the requirements of subsections (1) and (2) of this
34 section.

35 (b) When the department receives a certification from a city
36 pursuant to (a) of this subsection (5), the department shall take
37 such investigative steps as are necessary to confirm the accuracy of
38 the certification. Once the department has confirmed the accuracy of
39 the certification, the department shall issue a letter verifying the
40 city's compliance.

1 (c) A city who has received a letter of verification from the
2 department is eligible to receive a one-time grant from the
3 department of one hundred thousand dollars in order to support
4 planning and outreach efforts.

5 (6) A city that is subject to the requirements of subsections (1)
6 and (2) of this section that fails to comply with subsections (1) and
7 (2) of this section by December 31, 2021, may not receive grants,
8 loans, or any other form of funding from the following accounts until
9 the city certifies to the department that the city has complied with
10 subsections (1) and (2) of this section: The public works assistance
11 account established in RCW 43.155.050; the water quality capital
12 account created in RCW 70.146.100; or the transportation improvement
13 account created in RCW 47.26.084.

14 (7) In meeting the requirements of subsections (1) and (2) of
15 this section, cities are encouraged to utilize strategies that
16 increase residential building capacity in areas with frequent transit
17 service and with the transportation and utility infrastructure that
18 supports the additional residential building capacity.

19 **Sec. 2.** RCW 36.70A.070 and 2017 3rd sp.s. c 18 s 4 and 2017 3rd
20 sp.s. c 16 s 4 are each reenacted and amended to read as follows:

21 The comprehensive plan of a county or city that is required or
22 chooses to plan under RCW 36.70A.040 shall consist of a map or maps,
23 and descriptive text covering objectives, principles, and standards
24 used to develop the comprehensive plan. The plan shall be an
25 internally consistent document and all elements shall be consistent
26 with the future land use map. A comprehensive plan shall be adopted
27 and amended with public participation as provided in RCW 36.70A.140.
28 Each comprehensive plan shall include a plan, scheme, or design for
29 each of the following:

30 (1) A land use element designating the proposed general
31 distribution and general location and extent of the uses of land,
32 where appropriate, for agriculture, timber production, housing,
33 commerce, industry, recreation, open spaces, general aviation
34 airports, public utilities, public facilities, and other land uses.
35 The land use element shall include population densities, building
36 intensities, and estimates of future population growth. The land use
37 element shall provide for protection of the quality and quantity of
38 groundwater used for public water supplies. Wherever possible, the
39 land use element should consider utilizing urban planning approaches

1 that promote physical activity. Where applicable, the land use
2 element shall review drainage, flooding, and storm water run-off in
3 the area and nearby jurisdictions and provide guidance for corrective
4 actions to mitigate or cleanse those discharges that pollute waters
5 of the state, including Puget Sound or waters entering Puget Sound.

6 (2)(a) A housing element ensuring the vitality and character of
7 established residential neighborhoods that: ~~((a))~~ (i) Includes an
8 inventory and analysis of existing and projected housing needs that
9 identifies the number of housing units necessary to manage projected
10 growth and quantifies existing and projected housing needs for all
11 income levels, including extremely low-income households, with
12 documentation of housing and household characteristics, including
13 housing stock condition, overcrowding, and comparison of level of
14 payment with ability to pay; ~~((b))~~ (ii) includes a statement of
15 goals, policies, objectives, and mandatory provisions for the
16 preservation, improvement, and development of housing, including
17 single-family residences; ~~((c))~~ (iii) includes policies,
18 regulations, and programs to conserve and preserve existing private
19 market and subsidized affordable housing and existing manufactured
20 home parks. In cities with populations of more than eighty thousand,
21 the housing element must include policies, regulations, and programs
22 to minimize displacement; (iv) identifies sufficient land for
23 housing, including, but not limited to, government-assisted housing,
24 housing for low-income families, manufactured housing, multifamily
25 housing, and group homes and foster care facilities. If the inventory
26 in (a) of this subsection demonstrates a lack of sufficient sites to
27 accommodate housing needs for extremely low-income, very low-income,
28 and low-income households, the housing element must include a program
29 to make sufficient sites available at multifamily densities available
30 for development; ~~((and—(d))~~ (v) makes adequate provisions for
31 existing and projected needs of all economic segments of the
32 community; (vi) analyzes population and employment trends, with
33 documentation of projections; (vii) provides a zone where emergency
34 shelters are permitted without a discretionary review process; (viii)
35 includes an eight-year schedule of programs and actions to implement
36 the policies of the housing element and to accommodate the planned
37 housing units, including incentives and funding for affordable
38 housing; and (ix) reviews and evaluates the previous housing element,
39 including an evaluation of success in attaining planned housing
40 units, achievement of goals and policies, and implementation of the

1 schedule of programs and actions. In counties and cities subject to
2 the review and evaluation requirements of RCW 36.70A.215, any
3 revision to the housing element shall include consideration of prior
4 review and evaluation reports and any reasonable measures identified.

5 (b) The department must review and, if compliant with the
6 requirements of this subsection, approve the housing element of each
7 planning jurisdiction after each periodic review required under RCW
8 36.70A.130.

9 (3) A capital facilities plan element consisting of: (a) An
10 inventory of existing capital facilities owned by public entities,
11 showing the locations and capacities of the capital facilities; (b) a
12 forecast of the future needs for such capital facilities; (c) the
13 proposed locations and capacities of expanded or new capital
14 facilities; (d) at least a six-year plan that will finance such
15 capital facilities within projected funding capacities and clearly
16 identifies sources of public money for such purposes; and (e) a
17 requirement to reassess the land use element if probable funding
18 falls short of meeting existing needs and to ensure that the land use
19 element, capital facilities plan element, and financing plan within
20 the capital facilities plan element are coordinated and consistent.
21 Park and recreation facilities shall be included in the capital
22 facilities plan element.

23 (4) A utilities element consisting of the general location,
24 proposed location, and capacity of all existing and proposed
25 utilities, including, but not limited to, electrical lines,
26 telecommunication lines, and natural gas lines.

27 (5) Rural element. Counties shall include a rural element
28 including lands that are not designated for urban growth,
29 agriculture, forest, or mineral resources. The following provisions
30 shall apply to the rural element:

31 (a) Growth management act goals and local circumstances. Because
32 circumstances vary from county to county, in establishing patterns of
33 rural densities and uses, a county may consider local circumstances,
34 but shall develop a written record explaining how the rural element
35 harmonizes the planning goals in RCW 36.70A.020 and meets the
36 requirements of this chapter.

37 (b) Rural development. The rural element shall permit rural
38 development, forestry, and agriculture in rural areas. The rural
39 element shall provide for a variety of rural densities, uses,
40 essential public facilities, and rural governmental services needed

1 to serve the permitted densities and uses. To achieve a variety of
2 rural densities and uses, counties may provide for clustering,
3 density transfer, design guidelines, conservation easements, and
4 other innovative techniques that will accommodate appropriate rural
5 economic advancement, densities, and uses that are not characterized
6 by urban growth and that are consistent with rural character.

7 (c) Measures governing rural development. The rural element shall
8 include measures that apply to rural development and protect the
9 rural character of the area, as established by the county, by:

10 (i) Containing or otherwise controlling rural development;

11 (ii) Assuring visual compatibility of rural development with the
12 surrounding rural area;

13 (iii) Reducing the inappropriate conversion of undeveloped land
14 into sprawling, low-density development in the rural area;

15 (iv) Protecting critical areas, as provided in RCW 36.70A.060,
16 and surface water and groundwater resources; and

17 (v) Protecting against conflicts with the use of agricultural,
18 forest, and mineral resource lands designated under RCW 36.70A.170.

19 (d) Limited areas of more intensive rural development. Subject to
20 the requirements of this subsection and except as otherwise
21 specifically provided in this subsection (5)(d), the rural element
22 may allow for limited areas of more intensive rural development,
23 including necessary public facilities and public services to serve
24 the limited area as follows:

25 (i) Rural development consisting of the infill, development, or
26 redevelopment of existing commercial, industrial, residential, or
27 mixed-use areas, whether characterized as shoreline development,
28 villages, hamlets, rural activity centers, or crossroads
29 developments.

30 (A) A commercial, industrial, residential, shoreline, or mixed-
31 use area are subject to the requirements of (d)(iv) of this
32 subsection, but are not subject to the requirements of (c)(ii) and
33 (iii) of this subsection.

34 (B) Any development or redevelopment other than an industrial
35 area or an industrial use within a mixed-use area or an industrial
36 area under this subsection (5)(d)(i) must be principally designed to
37 serve the existing and projected rural population.

38 (C) Any development or redevelopment in terms of building size,
39 scale, use, or intensity shall be consistent with the character of
40 the existing areas. Development and redevelopment may include changes

1 in use from vacant land or a previously existing use so long as the
2 new use conforms to the requirements of this subsection (5);

3 (ii) The intensification of development on lots containing, or
4 new development of, small-scale recreational or tourist uses,
5 including commercial facilities to serve those recreational or
6 tourist uses, that rely on a rural location and setting, but that do
7 not include new residential development. A small-scale recreation or
8 tourist use is not required to be principally designed to serve the
9 existing and projected rural population. Public services and public
10 facilities shall be limited to those necessary to serve the
11 recreation or tourist use and shall be provided in a manner that does
12 not permit low-density sprawl;

13 (iii) The intensification of development on lots containing
14 isolated nonresidential uses or new development of isolated cottage
15 industries and isolated small-scale businesses that are not
16 principally designed to serve the existing and projected rural
17 population and nonresidential uses, but do provide job opportunities
18 for rural residents. Rural counties may allow the expansion of small-
19 scale businesses as long as those small-scale businesses conform with
20 the rural character of the area as defined by the local government
21 according to RCW 36.70A.030(16). Rural counties may also allow new
22 small-scale businesses to utilize a site previously occupied by an
23 existing business as long as the new small-scale business conforms to
24 the rural character of the area as defined by the local government
25 according to RCW 36.70A.030(16). Public services and public
26 facilities shall be limited to those necessary to serve the isolated
27 nonresidential use and shall be provided in a manner that does not
28 permit low-density sprawl;

29 (iv) A county shall adopt measures to minimize and contain the
30 existing areas or uses of more intensive rural development, as
31 appropriate, authorized under this subsection. Lands included in such
32 existing areas or uses shall not extend beyond the logical outer
33 boundary of the existing area or use, thereby allowing a new pattern
34 of low-density sprawl. Existing areas are those that are clearly
35 identifiable and contained and where there is a logical boundary
36 delineated predominately by the built environment, but that may also
37 include undeveloped lands if limited as provided in this subsection.
38 The county shall establish the logical outer boundary of an area of
39 more intensive rural development. In establishing the logical outer
40 boundary, the county shall address (A) the need to preserve the

1 character of existing natural neighborhoods and communities, (B)
2 physical boundaries, such as bodies of water, streets and highways,
3 and land forms and contours, (C) the prevention of abnormally
4 irregular boundaries, and (D) the ability to provide public
5 facilities and public services in a manner that does not permit low-
6 density sprawl;

7 (v) For purposes of (d) of this subsection, an existing area or
8 existing use is one that was in existence:

9 (A) On July 1, 1990, in a county that was initially required to
10 plan under all of the provisions of this chapter;

11 (B) On the date the county adopted a resolution under RCW
12 36.70A.040(2), in a county that is planning under all of the
13 provisions of this chapter under RCW 36.70A.040(2); or

14 (C) On the date the office of financial management certifies the
15 county's population as provided in RCW 36.70A.040(5), in a county
16 that is planning under all of the provisions of this chapter pursuant
17 to RCW 36.70A.040(5).

18 (e) Exception. This subsection shall not be interpreted to permit
19 in the rural area a major industrial development or a master planned
20 resort unless otherwise specifically permitted under RCW 36.70A.360
21 and 36.70A.365.

22 (6) A transportation element that implements, and is consistent
23 with, the land use element.

24 (a) The transportation element shall include the following
25 subelements:

26 (i) Land use assumptions used in estimating travel;

27 (ii) Estimated traffic impacts to state-owned transportation
28 facilities resulting from land use assumptions to assist the
29 department of transportation in monitoring the performance of state
30 facilities, to plan improvements for the facilities, and to assess
31 the impact of land-use decisions on state-owned transportation
32 facilities;

33 (iii) Facilities and services needs, including:

34 (A) An inventory of air, water, and ground transportation
35 facilities and services, including transit alignments and general
36 aviation airport facilities, to define existing capital facilities
37 and travel levels as a basis for future planning. This inventory must
38 include state-owned transportation facilities within the city or
39 county's jurisdictional boundaries;

1 (B) Level of service standards for all locally owned arterials
2 and transit routes to serve as a gauge to judge performance of the
3 system. These standards should be regionally coordinated;

4 (C) For state-owned transportation facilities, level of service
5 standards for highways, as prescribed in chapters 47.06 and 47.80
6 RCW, to gauge the performance of the system. The purposes of
7 reflecting level of service standards for state highways in the local
8 comprehensive plan are to monitor the performance of the system, to
9 evaluate improvement strategies, and to facilitate coordination
10 between the county's or city's six-year street, road, or transit
11 program and the office of financial management's ten-year investment
12 program. The concurrency requirements of (b) of this subsection do
13 not apply to transportation facilities and services of statewide
14 significance except for counties consisting of islands whose only
15 connection to the mainland are state highways or ferry routes. In
16 these island counties, state highways and ferry route capacity must
17 be a factor in meeting the concurrency requirements in (b) of this
18 subsection;

19 (D) Specific actions and requirements for bringing into
20 compliance locally owned transportation facilities or services that
21 are below an established level of service standard;

22 (E) Forecasts of traffic for at least ten years based on the
23 adopted land use plan to provide information on the location, timing,
24 and capacity needs of future growth;

25 (F) Identification of state and local system needs to meet
26 current and future demands. Identified needs on state-owned
27 transportation facilities must be consistent with the statewide
28 multimodal transportation plan required under chapter 47.06 RCW;

29 (iv) Finance, including:

30 (A) An analysis of funding capability to judge needs against
31 probable funding resources;

32 (B) A multiyear financing plan based on the needs identified in
33 the comprehensive plan, the appropriate parts of which shall serve as
34 the basis for the six-year street, road, or transit program required
35 by RCW 35.77.010 for cities, RCW 36.81.121 for counties, and RCW
36 35.58.2795 for public transportation systems. The multiyear financing
37 plan should be coordinated with the ten-year investment program
38 developed by the office of financial management as required by RCW
39 47.05.030;

1 (C) If probable funding falls short of meeting identified needs,
2 a discussion of how additional funding will be raised, or how land
3 use assumptions will be reassessed to ensure that level of service
4 standards will be met;

5 (v) Intergovernmental coordination efforts, including an
6 assessment of the impacts of the transportation plan and land use
7 assumptions on the transportation systems of adjacent jurisdictions;

8 (vi) Demand-management strategies;

9 (vii) Pedestrian and bicycle component to include collaborative
10 efforts to identify and designate planned improvements for pedestrian
11 and bicycle facilities and corridors that address and encourage
12 enhanced community access and promote healthy lifestyles.

13 (b) After adoption of the comprehensive plan by jurisdictions
14 required to plan or who choose to plan under RCW 36.70A.040, local
15 jurisdictions must adopt and enforce ordinances which prohibit
16 development approval if the development causes the level of service
17 on a locally owned transportation facility to decline below the
18 standards adopted in the transportation element of the comprehensive
19 plan, unless transportation improvements or strategies to accommodate
20 the impacts of development are made concurrent with the development.
21 These strategies may include increased public transportation service,
22 ride-sharing programs, demand management, and other transportation
23 systems management strategies. For the purposes of this subsection
24 (6), "concurrent with the development" means that improvements or
25 strategies are in place at the time of development, or that a
26 financial commitment is in place to complete the improvements or
27 strategies within six years. If the collection of impact fees is
28 delayed under RCW 82.02.050(3), the six-year period required by this
29 subsection (6)(b) must begin after full payment of all impact fees is
30 due to the county or city.

31 (c) The transportation element described in this subsection (6),
32 the six-year plans required by RCW 35.77.010 for cities, RCW
33 36.81.121 for counties, and RCW 35.58.2795 for public transportation
34 systems, and the ten-year investment program required by RCW
35 47.05.030 for the state, must be consistent.

36 (7) An economic development element establishing local goals,
37 policies, objectives, and provisions for economic growth and vitality
38 and a high quality of life. A city that has chosen to be a
39 residential community is exempt from the economic development element
40 requirement of this subsection.

1 (8) A park and recreation element that implements, and is
2 consistent with, the capital facilities plan element as it relates to
3 park and recreation facilities. The element shall include: (a)
4 Estimates of park and recreation demand for at least a ten-year
5 period; (b) an evaluation of facilities and service needs; and (c) an
6 evaluation of intergovernmental coordination opportunities to provide
7 regional approaches for meeting park and recreational demand.

8 (9) It is the intent that new or amended elements required after
9 January 1, 2002, be adopted concurrent with the scheduled update
10 provided in RCW 36.70A.130. Requirements to incorporate any such new
11 or amended elements shall be null and void until funds sufficient to
12 cover applicable local government costs are appropriated and
13 distributed by the state at least two years before local government
14 must update comprehensive plans as required in RCW 36.70A.130.

15 **Sec. 3.** RCW 36.70A.030 and 2017 3rd sp.s. c 18 s 2 are each
16 amended to read as follows:

17 Unless the context clearly requires otherwise, the definitions in
18 this section apply throughout this chapter.

19 (1) "Adopt a comprehensive land use plan" means to enact a new
20 comprehensive land use plan or to update an existing comprehensive
21 land use plan.

22 (2) "Agricultural land" means land primarily devoted to the
23 commercial production of horticultural, viticultural, floricultural,
24 dairy, apiary, vegetable, or animal products or of berries, grain,
25 hay, straw, turf, seed, Christmas trees not subject to the excise tax
26 imposed by RCW 84.33.100 through 84.33.140, finfish in upland
27 hatcheries, or livestock, and that has long-term commercial
28 significance for agricultural production.

29 (3) "City" means any city or town, including a code city.

30 (4) "Comprehensive land use plan," "comprehensive plan," or
31 "plan" means a generalized coordinated land use policy statement of
32 the governing body of a county or city that is adopted pursuant to
33 this chapter.

34 (5) "Critical areas" include the following areas and ecosystems:
35 (a) Wetlands; (b) areas with a critical recharging effect on aquifers
36 used for potable water; (c) fish and wildlife habitat conservation
37 areas; (d) frequently flooded areas; and (e) geologically hazardous
38 areas. "Fish and wildlife habitat conservation areas" does not
39 include such artificial features or constructs as irrigation delivery

1 systems, irrigation infrastructure, irrigation canals, or drainage
2 ditches that lie within the boundaries of and are maintained by a
3 port district or an irrigation district or company.

4 (6) "Department" means the department of commerce.

5 (7) "Development regulations" or "regulation" means the controls
6 placed on development or land use activities by a county or city,
7 including, but not limited to, zoning ordinances, critical areas
8 ordinances, shoreline master programs, official controls, planned
9 unit development ordinances, subdivision ordinances, and binding site
10 plan ordinances together with any amendments thereto. A development
11 regulation does not include a decision to approve a project permit
12 application, as defined in RCW 36.70B.020, even though the decision
13 may be expressed in a resolution or ordinance of the legislative body
14 of the county or city.

15 (8) "Forestland" means land primarily devoted to growing trees
16 for long-term commercial timber production on land that can be
17 economically and practically managed for such production, including
18 Christmas trees subject to the excise tax imposed under RCW 84.33.100
19 through 84.33.140, and that has long-term commercial significance. In
20 determining whether forestland is primarily devoted to growing trees
21 for long-term commercial timber production on land that can be
22 economically and practically managed for such production, the
23 following factors shall be considered: (a) The proximity of the land
24 to urban, suburban, and rural settlements; (b) surrounding parcel
25 size and the compatibility and intensity of adjacent and nearby land
26 uses; (c) long-term local economic conditions that affect the ability
27 to manage for timber production; and (d) the availability of public
28 facilities and services conducive to conversion of forestland to
29 other uses.

30 (9) "Freight rail dependent uses" means buildings and other
31 infrastructure that are used in the fabrication, processing, storage,
32 and transport of goods where the use is dependent on and makes use of
33 an adjacent short line railroad. Such facilities are both urban and
34 rural development for purposes of this chapter. "Freight rail
35 dependent uses" does not include buildings and other infrastructure
36 that are used in the fabrication, processing, storage, and transport
37 of coal, liquefied natural gas, or "crude oil" as defined in RCW
38 90.56.010.

39 (10) "Geologically hazardous areas" means areas that because of
40 their susceptibility to erosion, sliding, earthquake, or other

1 geological events, are not suited to the siting of commercial,
2 residential, or industrial development consistent with public health
3 or safety concerns.

4 (11) "Long-term commercial significance" includes the growing
5 capacity, productivity, and soil composition of the land for long-
6 term commercial production, in consideration with the land's
7 proximity to population areas, and the possibility of more intense
8 uses of the land.

9 (12) "Minerals" include gravel, sand, and valuable metallic
10 substances.

11 (13) "Public facilities" include streets, roads, highways,
12 sidewalks, street and road lighting systems, traffic signals,
13 domestic water systems, storm and sanitary sewer systems, parks and
14 recreational facilities, and schools.

15 (14) "Public services" include fire protection and suppression,
16 law enforcement, public health, education, recreation, environmental
17 protection, and other governmental services.

18 (15) "Recreational land" means land so designated under RCW
19 36.70A.1701 and that, immediately prior to this designation, was
20 designated as agricultural land of long-term commercial significance
21 under RCW 36.70A.170. Recreational land must have playing fields and
22 supporting facilities existing before July 1, 2004, for sports played
23 on grass playing fields.

24 (16) "Rural character" refers to the patterns of land use and
25 development established by a county in the rural element of its
26 comprehensive plan:

27 (a) In which open space, the natural landscape, and vegetation
28 predominate over the built environment;

29 (b) That foster traditional rural lifestyles, rural-based
30 economies, and opportunities to both live and work in rural areas;

31 (c) That provide visual landscapes that are traditionally found
32 in rural areas and communities;

33 (d) That are compatible with the use of the land by wildlife and
34 for fish and wildlife habitat;

35 (e) That reduce the inappropriate conversion of undeveloped land
36 into sprawling, low-density development;

37 (f) That generally do not require the extension of urban
38 governmental services; and

1 (g) That are consistent with the protection of natural surface
2 water flows and groundwater and surface water recharge and discharge
3 areas.

4 (17) "Rural development" refers to development outside the urban
5 growth area and outside agricultural, forest, and mineral resource
6 lands designated pursuant to RCW 36.70A.170. Rural development can
7 consist of a variety of uses and residential densities, including
8 clustered residential development, at levels that are consistent with
9 the preservation of rural character and the requirements of the rural
10 element. Rural development does not refer to agriculture or forestry
11 activities that may be conducted in rural areas.

12 (18) "Rural governmental services" or "rural services" include
13 those public services and public facilities historically and
14 typically delivered at an intensity usually found in rural areas, and
15 may include domestic water systems, fire and police protection
16 services, transportation and public transit services, and other
17 public utilities associated with rural development and normally not
18 associated with urban areas. Rural services do not include storm or
19 sanitary sewers, except as otherwise authorized by RCW 36.70A.110(4).

20 (19) "Short line railroad" means those railroad lines designated
21 class II or class III by the United States surface transportation
22 board.

23 (20) "Urban governmental services" or "urban services" include
24 those public services and public facilities at an intensity
25 historically and typically provided in cities, specifically including
26 storm and sanitary sewer systems, domestic water systems, street
27 cleaning services, fire and police protection services, public
28 transit services, and other public utilities associated with urban
29 areas and normally not associated with rural areas.

30 (21) "Urban growth" refers to growth that makes intensive use of
31 land for the location of buildings, structures, and impermeable
32 surfaces to such a degree as to be incompatible with the primary use
33 of land for the production of food, other agricultural products, or
34 fiber, or the extraction of mineral resources, rural uses, rural
35 development, and natural resource lands designated pursuant to RCW
36 36.70A.170. A pattern of more intensive rural development, as
37 provided in RCW 36.70A.070(5)(d), is not urban growth. When allowed
38 to spread over wide areas, urban growth typically requires urban
39 governmental services. "Characterized by urban growth" refers to land
40 having urban growth located on it, or to land located in relationship

1 to an area with urban growth on it as to be appropriate for urban
2 growth.

3 (22) "Urban growth areas" means those areas designated by a
4 county pursuant to RCW 36.70A.110.

5 (23) "Wetland" or "wetlands" means areas that are inundated or
6 saturated by surface water or groundwater at a frequency and duration
7 sufficient to support, and that under normal circumstances do
8 support, a prevalence of vegetation typically adapted for life in
9 saturated soil conditions. Wetlands generally include swamps,
10 marshes, bogs, and similar areas. Wetlands do not include those
11 artificial wetlands intentionally created from nonwetland sites,
12 including, but not limited to, irrigation and drainage ditches,
13 grass-lined swales, canals, detention facilities, wastewater
14 treatment facilities, farm ponds, and landscape amenities, or those
15 wetlands created after July 1, 1990, that were unintentionally
16 created as a result of the construction of a road, street, or
17 highway. Wetlands may include those artificial wetlands intentionally
18 created from nonwetland areas created to mitigate conversion of
19 wetlands.

20 (24) "Affordable housing" means, unless the context clearly
21 indicates otherwise, residential housing whose monthly costs,
22 including utilities other than telephone, do not exceed thirty
23 percent of the monthly income of a household whose income is sixty
24 percent of the median family income adjusted for family size, for the
25 county where the household is located, as reported by the United
26 States department of housing and urban development.

27 (25) "Extremely low-income household" means a single person,
28 family, or unrelated persons living together whose adjusted income is
29 at or below thirty percent of the median family income adjusted for
30 family size, for the county where the household is located, as
31 reported by the United States department of housing and urban
32 development.

33 (26) "Low-income household" means a single person, family, or
34 unrelated persons living together whose adjusted income is at or
35 below eighty percent of the median family income adjusted for family
36 size, for the county where the household is located, as reported by
37 the United States department of housing and urban development.

38 (27) "Very low-income household" means a single person, family,
39 or unrelated persons living together whose adjusted income is at or
40 below fifty percent of the median family income adjusted for family

1 size, for the county where the household is located, as reported by
2 the United States department of housing and urban development.

3 **Sec. 4.** RCW 43.21C.450 and 2012 1st sp.s. c 1 s 307 are each
4 amended to read as follows:

5 The following nonproject actions are categorically exempt from
6 the requirements of this chapter:

7 (1) Amendments to development regulations that are required to
8 ensure consistency with an adopted comprehensive plan pursuant to RCW
9 36.70A.040, where the comprehensive plan was previously subjected to
10 environmental review pursuant to this chapter and the impacts
11 associated with the proposed regulation were specifically addressed
12 in the prior environmental review;

13 (2) Amendments to development regulations that are required to
14 ensure consistency with a shoreline master program approved pursuant
15 to RCW 90.58.090, where the shoreline master program was previously
16 subjected to environmental review pursuant to this chapter and the
17 impacts associated with the proposed regulation were specifically
18 addressed in the prior environmental review;

19 (3) Amendments to development regulations that, upon
20 implementation of a project action, will provide increased
21 environmental protection, limited to the following:

22 (a) Increased protections for critical areas, such as enhanced
23 buffers or setbacks;

24 (b) Increased vegetation retention or decreased impervious
25 surface areas in shoreline jurisdiction; and

26 (c) Increased vegetation retention or decreased impervious
27 surface areas in critical areas;

28 (4) Amendments to technical codes adopted by a county, city, or
29 town to ensure consistency with minimum standards contained in state
30 law, including the following:

31 (a) Building codes required by chapter 19.27 RCW;

32 (b) Energy codes required by chapter 19.27A RCW; and

33 (c) Electrical codes required by chapter 19.28 RCW;

34 (5) Amendments to development regulations in order to comply with
35 section 1 of this act.

36 NEW SECTION. **Sec. 5.** A new section is added to chapter 36.70A
37 RCW to read as follows:

1 In counties and cities planning under RCW 36.70A.040, minimum
2 residential parking requirements mandated by municipal zoning
3 ordinances are subject to the following requirements:

4 (1) For affordable housing units that are located within one-
5 quarter mile of a transit stop that receives transit service at least
6 four times per hour for twelve or more hours per day, minimum
7 residential parking requirements may be no greater than one parking
8 space per bedroom.

9 (2) For housing units that are specifically for seniors or people
10 with disabilities, that are located within one-quarter mile of a
11 transit stop that receives transit service at least four times per
12 hour for twelve or more hours per day, no minimum residential parking
13 requirement may be imposed.

14 **Sec. 6.** RCW 70.146.070 and 2013 c 275 s 4 are each amended to
15 read as follows:

16 (1) When making grants or loans for water pollution control
17 facilities, the department shall consider the following:

18 (a) The protection of water quality and public health;

19 (b) The cost to residential ratepayers if they had to finance
20 water pollution control facilities without state assistance;

21 (c) Actions required under federal and state permits and
22 compliance orders;

23 (d) The level of local fiscal effort by residential ratepayers
24 since 1972 in financing water pollution control facilities;

25 (e) Except as otherwise conditioned by RCW 70.146.110, whether
26 the entity receiving assistance is a Puget Sound partner, as defined
27 in RCW 90.71.010;

28 (f) Whether the project is referenced in the action agenda
29 developed by the Puget Sound partnership under RCW 90.71.310;

30 (g) Except as otherwise provided in RCW 70.146.120, and effective
31 one calendar year following the development and statewide
32 availability of model evergreen community management plans and
33 ordinances under RCW 35.105.050, whether the project is sponsored by
34 an entity that has been recognized, and what gradation of recognition
35 was received, in the evergreen community recognition program created
36 in RCW 35.105.030;

37 (h) The extent to which the applicant county or city, or if the
38 applicant is another public body, the extent to which the county or
39 city in which the applicant public body is located, has established

1 programs to mitigate nonpoint pollution of the surface or
2 subterranean water sought to be protected by the water pollution
3 control facility named in the application for state assistance; and

4 (i) The recommendations of the Puget Sound partnership, created
5 in RCW 90.71.210, and any other board, council, commission, or group
6 established by the legislature or a state agency to study water
7 pollution control issues in the state.

8 (2) Except where necessary to address a public health need or
9 substantial environmental degradation, a county, city, or town
10 planning under RCW 36.70A.040 may not receive a grant or loan for
11 water pollution control facilities unless it has adopted a
12 comprehensive plan, including a capital facilities plan element, and
13 development regulations as required by RCW 36.70A.040. A county,
14 city, or town that has adopted a comprehensive plan and development
15 regulations as provided in RCW 36.70A.040 may request a grant or loan
16 for water pollution control facilities. This subsection does not
17 require any county, city, or town planning under RCW 36.70A.040 to
18 adopt a comprehensive plan or development regulations before
19 requesting a grant or loan under this chapter if such request is made
20 before the expiration of the time periods specified in RCW
21 36.70A.040. A county, city, or town planning under RCW 36.70A.040
22 that has not adopted a comprehensive plan and development regulations
23 within the time periods specified in RCW 36.70A.040 is not prohibited
24 from receiving a grant or loan under this chapter if the
25 comprehensive plan and development regulations are adopted as
26 required by RCW 36.70A.040 before the department executes a
27 contractual agreement for the grant or loan.

28 (3) Whenever the department is considering awarding grants or
29 loans for public facilities to special districts requesting funding
30 for a proposed facility located in a county, city, or town planning
31 under RCW 36.70A.040, it shall consider whether the county, city, or
32 town planning under RCW 36.70A.040 in whose planning jurisdiction the
33 proposed facility is located has adopted a comprehensive plan and
34 development regulations as required by RCW 36.70A.040.

35 (4) The department may not award a grant or loan for a public
36 facility located in a city subject to the requirements of section
37 1(1) and (2) of this act unless the city has certified to the
38 department of commerce that it is in compliance with section 1(1) and
39 (2) of this act, as appropriate.

1 (5) After January 1, 2010, any project designed to address the
2 effects of water pollution on Puget Sound may be funded under this
3 chapter only if the project is not in conflict with the action agenda
4 developed by the Puget Sound partnership under RCW 90.71.310.

5 **Sec. 7.** RCW 43.155.070 and 2017 3rd sp.s. c 10 s 9 are each
6 amended to read as follows:

7 (1) To qualify for financial assistance under this chapter the
8 board must determine that a local government meets all of the
9 following conditions:

10 (a) The city or county must be imposing a tax under chapter 82.46
11 RCW at a rate of at least one-quarter of one percent;

12 (b) The local government must have developed a capital facility
13 plan; and

14 (c) The local government must be using all local revenue sources
15 which are reasonably available for funding public works, taking into
16 consideration local employment and economic factors.

17 (2) Except where necessary to address a public health need or
18 substantial environmental degradation, a county, city, or town
19 planning under RCW 36.70A.040 may not receive financial assistance
20 under this chapter unless it has adopted a comprehensive plan,
21 including a capital facilities plan element, and development
22 regulations as required by RCW 36.70A.040. This subsection does not
23 require any county, city, or town planning under RCW 36.70A.040 to
24 adopt a comprehensive plan or development regulations before
25 requesting or receiving financial assistance under this chapter if
26 such request is made before the expiration of the time periods
27 specified in RCW 36.70A.040. A county, city, or town planning under
28 RCW 36.70A.040 that has not adopted a comprehensive plan and
29 development regulations within the time periods specified in RCW
30 36.70A.040 may apply for and receive financial assistance under this
31 chapter if the comprehensive plan and development regulations are
32 adopted as required by RCW 36.70A.040 before executing a contractual
33 agreement for financial assistance with the board.

34 (3) In considering awarding financial assistance for public
35 facilities to special districts requesting funding for a proposed
36 facility located in a county, city, or town planning under RCW
37 36.70A.040, the board must consider whether the county, city, or town
38 planning under RCW 36.70A.040 in whose planning jurisdiction the

1 proposed facility is located has adopted a comprehensive plan and
2 development regulations as required by RCW 36.70A.040.

3 (4) The board may not award financial assistance for a proposed
4 facility located in a city subject to the requirements of section
5 1(1) and (2) of this act unless the city has certified to the
6 department of commerce that it is in compliance with section 1(1) and
7 (2) of this act, as appropriate, of this act.

8 (5)(a) The board must develop a process to prioritize
9 applications and funding of loans and grants for public works
10 projects submitted by local governments. The board must consider, at
11 a minimum and in any order, the following factors in prioritizing
12 projects:

13 (i) Whether the project is critical in nature and would affect
14 the health and safety of many people;

15 (ii) The extent to which the project leverages other funds;

16 (iii) The extent to which the project is ready to proceed to
17 construction;

18 (iv) Whether the project is located in an area of high
19 unemployment, compared to the average state unemployment;

20 (v) Whether the project promotes the sustainable use of resources
21 and environmental quality, as applicable;

22 (vi) Whether the project consolidates or regionalizes systems;

23 (vii) Whether the project encourages economic development through
24 mixed-use and mixed income development consistent with chapter 36.70A
25 RCW;

26 (viii) Whether the system is being well-managed in the present
27 and for long-term sustainability;

28 (ix) Achieving equitable distribution of funds by geography and
29 population;

30 (x) The extent to which the project meets the following state
31 policy objectives:

32 (A) Efficient use of state resources;

33 (B) Preservation and enhancement of health and safety;

34 (C) Abatement of pollution and protection of the environment;

35 (D) Creation of new, family-wage jobs, and avoidance of shifting
36 existing jobs from one Washington state community to another;

37 (E) Fostering economic development consistent with chapter 36.70A
38 RCW;

39 (F) Efficiency in delivery of goods and services and
40 transportation; and

1 (G) Reduction of the overall cost of public infrastructure;
2 (xi) Whether the applicant sought or is seeking funding for the
3 project from other sources; and
4 (xii) Other criteria that the board considers necessary to
5 achieve the purposes of this chapter.
6 (b) Before September 1, 2018, and each year thereafter, the board
7 must develop and submit a report regarding the construction loans and
8 grants to the office of financial management and appropriate fiscal
9 committees of the senate and house of representatives. The report
10 must include:
11 (i) The total number of applications and amount of funding
12 requested for public works projects;
13 (ii) A list and description of projects approved in the preceding
14 fiscal year with project scores against the board's prioritization
15 criteria;
16 (iii) The total amount of loan and grants disbursements made from
17 the public works assistance account in the preceding fiscal year;
18 (iv) The total amount of loan repayments in the preceding fiscal
19 year for outstanding loans from the public works assistance account;
20 (v) The total amount of loan repayments due for outstanding loans
21 for each fiscal year over the following ten-year period; and
22 (vi) The total amount of funds obligated and timing of when the
23 funds were obligated in the preceding fiscal year.
24 (c) The maximum amount of funding that the board may provide for
25 any jurisdiction is ten million dollars per biennium.
26 ~~((+5))~~ (6) Existing debt or financial obligations of local
27 governments may not be refinanced under this chapter. Each local
28 government applicant must provide documentation of attempts to secure
29 additional local or other sources of funding for each public works
30 project for which financial assistance is sought under this chapter.
31 ~~((+6))~~ (7) Before September 1st of each year, the board must
32 develop and submit to the appropriate fiscal committees of the senate
33 and house of representatives a description of the loans and grants
34 made under RCW 43.155.065 and 43.155.068.
35 ~~((+7))~~ (8) The board may not sign contracts or otherwise
36 financially obligate funds from the public works assistance account
37 before the legislature has appropriated funds to the board for the
38 purpose of funding public works projects under this chapter.
39 ~~((+8))~~ (9) To qualify for loans, grants, or pledges for solid
40 waste or recycling facilities under this chapter, a city or county

1 must demonstrate that the solid waste or recycling facility is
2 consistent with and necessary to implement the comprehensive solid
3 waste management plan adopted by the city or county under chapter
4 70.95 RCW.

5 ~~((9))~~ (10) After January 1, 2010, any project designed to
6 address the effects of stormwater or wastewater on Puget Sound may be
7 funded under this section only if the project is not in conflict with
8 the action agenda developed by the Puget Sound partnership under RCW
9 90.71.310.

10 ~~((10))~~ (11) For projects involving repair, replacement, or
11 improvement of a wastewater treatment plant or other public works
12 facility for which an investment grade efficiency audit is reasonably
13 obtainable, the public works board must require as a contract
14 condition that the project sponsor undertake an investment grade
15 efficiency audit. The project sponsor may finance the costs of the
16 audit as part of its public works assistance account program loan or
17 grant.

18 ~~((11))~~ (12) The board must implement policies and procedures
19 designed to maximize local government consideration of other funds to
20 finance local infrastructure.

21 **Sec. 8.** RCW 47.26.086 and 2011 c 120 s 7 are each amended to
22 read as follows:

23 Transportation improvement account projects selected for funding
24 programs after fiscal year 1995 are governed by the requirements of
25 this section.

26 The board shall allocate funds from the account by June 30th of
27 each year for the ensuing fiscal year to urban counties, cities with
28 a population of five thousand and over, and to transportation benefit
29 districts. Projects may include, but are not limited to, multiagency
30 projects and arterial improvement projects in fast-growing areas. The
31 board shall endeavor to provide geographical diversity in selecting
32 improvement projects to be funded from the account.

33 To be eligible to receive these funds, a project must be
34 consistent with the Growth Management Act, the Clean Air Act
35 including conformity, and the Commute Trip Reduction Law and
36 consideration must have been given to the project's relationship,
37 both actual and potential, with the statewide rail passenger program
38 and rapid mass transit. For a project located in a city that is
39 subject to the requirements of section 1(1) and (2) of this act, the

1 city must certify to the department of commerce that it is in
2 compliance with section 1(1) and (2) of this act, as appropriate, in
3 order for the project to be eligible to receive these funds. Projects
4 must be consistent with any adopted high capacity transportation
5 plan, must consider existing or reasonably foreseeable congestion
6 levels attributable to economic development or growth and all modes
7 of transportation and safety, and must be partially funded by local
8 government or private contributions, or a combination of such
9 contributions. Priority consideration shall be given to those
10 projects with the greatest percentage of local or private
11 contribution, or both.

12 Within one year after board approval of an application for
13 funding, the lead agency shall provide written certification to the
14 board of the pledged local and private funding for the phase of the
15 project approved. Funds allocated to an applicant that does not
16 certify its funding within one year after approval may be reallocated
17 by the board.

18 NEW SECTION. **Sec. 9.** A new section is added to chapter 43.21C
19 RCW to read as follows:

20 (1) A project action evaluated under this chapter by a city,
21 town, or county planning under RCW 36.70A.040 is exempt from appeals
22 under this chapter on the basis of the evaluation of or impacts to
23 transportation elements of the environment, so long as the project
24 does not present significant adverse impacts to state highways and
25 the project is:

26 (a) (i) Consistent with a locally adopted transportation plan; or
27 (ii) Consistent with the transportation element of a
28 comprehensive plan; and

29 (b) (i) A project for which traffic or parking impact fees are
30 imposed pursuant to RCW 82.02.050 through 82.02.090; or

31 (ii) A project for which traffic or parking impacts are expressly
32 mitigated by an ordinance, or ordinances, of general application
33 adopted by the city, town, or county.

34 (2) For purposes of this section, "impacts to transportation
35 elements of the environment" include impacts to transportation
36 systems; vehicular traffic; waterborne, rail, and air traffic;
37 parking; movement or circulation of people or goods; and traffic
38 hazards.

1 **Sec. 10.** RCW 43.21C.420 and 2010 c 153 s 2 are each amended to
2 read as follows:

3 (1) Cities with a population greater than five thousand, in
4 accordance with their existing comprehensive planning and development
5 regulation authority under chapter 36.70A RCW, and in accordance with
6 this section, may adopt optional elements of their comprehensive
7 plans and optional development regulations that apply within
8 specified subareas of the cities, that are either:

9 (a) Areas designated as mixed-use or urban centers in a land use
10 or transportation plan adopted by a regional transportation planning
11 organization; or

12 (b) Areas within one-half mile of a major transit stop that are
13 zoned to have an average minimum density of fifteen dwelling units or
14 more per gross acre.

15 (2) Cities located on the east side of the Cascade mountains and
16 located in a county with a population of two hundred thirty thousand
17 or less, in accordance with their existing comprehensive planning and
18 development regulation authority under chapter 36.70A RCW, and in
19 accordance with this section, may adopt optional elements of their
20 comprehensive plans and optional development regulations that apply
21 within the mixed-use or urban centers. The optional elements of their
22 comprehensive plans and optional development regulations must enhance
23 pedestrian, bicycle, transit, or other nonvehicular transportation
24 methods.

25 (3) A major transit stop is defined as:

26 (a) A stop on a high capacity transportation service funded or
27 expanded under the provisions of chapter 81.104 RCW;

28 (b) Commuter rail stops;

29 (c) Stops on rail or fixed guideway systems, including
30 transitways;

31 (d) Stops on bus rapid transit routes or routes that run on high
32 occupancy vehicle lanes; or

33 (e) Stops for a bus or other transit mode providing fixed route
34 service at intervals of at least thirty minutes during the peak hours
35 of operation.

36 (4) (a) A city that elects to adopt such an optional comprehensive
37 plan element and optional development regulations shall prepare a
38 nonproject environmental impact statement, pursuant to RCW
39 43.21C.030, assessing and disclosing the probable significant adverse
40 environmental impacts of the optional comprehensive plan element and

1 development regulations and of future development that is consistent
2 with the plan and regulations.

3 (b) At least one community meeting must be held on the proposed
4 subarea plan before the scoping notice for such a nonproject
5 environmental impact statement is issued. Notice of scoping for such
6 a nonproject environmental impact statement and notice of the
7 community meeting required by this section must be mailed to all
8 property owners of record within the subarea to be studied, to all
9 property owners within one hundred fifty feet of the boundaries of
10 such a subarea, to all affected federally recognized tribal
11 governments whose ceded area is within one-half mile of the
12 boundaries of the subarea, and to agencies with jurisdiction over the
13 future development anticipated within the subarea.

14 ~~(c) ((In cities with over five hundred thousand residents, notice~~
15 ~~of scoping for such a nonproject environmental impact statement and~~
16 ~~notice of the community meeting required by this section must be~~
17 ~~mailed to all small businesses as defined in RCW 19.85.020, and to~~
18 ~~all community preservation and development authorities established~~
19 ~~under chapter 43.167 RCW, located within the subarea to be studied or~~
20 ~~within one hundred fifty feet of the boundaries of such subarea. The~~
21 ~~process for community involvement must have the goal of fair~~
22 ~~treatment and meaningful involvement of all people with respect to~~
23 ~~the development and implementation of the subarea planning process.~~

24 ~~(d))~~ The notice of the community meeting must include general
25 illustrations and descriptions of buildings generally representative
26 of the maximum building envelope that will be allowed under the
27 proposed plan and indicate that future appeals of proposed
28 developments that are consistent with the plan will be limited.
29 Notice of the community meeting must include signs located on major
30 travel routes in the subarea. If the building envelope increases
31 during the process, another notice complying with the requirements of
32 this section must be issued before the next public involvement
33 opportunity.

34 ~~((e))~~ (d) Any person that has standing to appeal the adoption
35 of this subarea plan or the implementing regulations under RCW
36 36.70A.280 has standing to bring an appeal of the nonproject
37 environmental impact statement required by this subsection.

38 ~~((f) Cities with over five hundred thousand residents shall~~
39 ~~prepare a study that accompanies or is appended to the nonproject~~
40 ~~environmental impact statement, but must not be part of that~~

1 ~~statement, that analyzes the extent to which the proposed subarea~~
2 ~~plan may result in the displacement or fragmentation of existing~~
3 ~~businesses, existing residents, including people living with poverty,~~
4 ~~families with children, and intergenerational households, or cultural~~
5 ~~groups within the proposed subarea plan. The city shall also discuss~~
6 ~~the results of the analysis at the community meeting.~~

7 ~~(g))~~ (e) As an incentive for development authorized under this
8 section, a city shall consider establishing a transfer of development
9 rights program in consultation with the county where the city is
10 located, that conserves county-designated agricultural and forestland
11 of long-term commercial significance. If the city decides not to
12 establish a transfer of development rights program, the city must
13 state in the record the reasons for not adopting the program. The
14 city's decision not to establish a transfer of development rights
15 program is not subject to appeal. Nothing in this subsection (4)
16 ~~((g))~~ (e) may be used as a basis to challenge the optional
17 comprehensive plan or subarea plan policies authorized under this
18 section.

19 (5) (a) Until July 1, ~~((2018))~~ 2029, a proposed development that
20 meets the criteria of (b) of this subsection may not be challenged in
21 administrative or judicial appeals for noncompliance with this
22 chapter as long as a complete application for such a development that
23 vests the application or would later lead to vested status under city
24 or state law is submitted to the city within a time frame established
25 by the city, but not to exceed the following time frames:

26 (i) Nineteen years from the date of issuance of the final
27 environmental impact statement, for projects that are consistent with
28 an optional element adopted by a city as of the effective date of
29 this section; or

30 (ii) Ten years from the date of issuance of the final
31 environmental impact statement, for projects that are consistent with
32 an optional element adopted by a city after the effective date of
33 this section.

34 (b) A proposed development may not be challenged, consistent with
35 the timelines established in (a) of this subsection, so long as the
36 development:

37 (i) Is consistent with the optional comprehensive plan or subarea
38 plan policies and development regulations adopted under subsection
39 (1) or (2) of this section;

1 (ii) Sets aside or requires the occupancy of at least ten percent
2 of the dwelling units, or a greater percentage as determined by city
3 development regulations, within the development for low-income
4 households at a sale price or rental amount that is considered
5 affordable by a city's housing programs. This subsection (5)(b)(ii)
6 applies only to projects that are consistent with an optional element
7 adopted by a city pursuant to this section after the effective date
8 of this section; and ((that))

9 (iii) Is environmentally reviewed under subsection (4) of this
10 section ((may not be challenged in administrative or judicial appeals
11 for noncompliance with this chapter as long as a complete application
12 for such a development that vests the application or would later lead
13 to vested status under city or state law is submitted to the city
14 within a time frame established by the city, but not to exceed ten
15 years from the date of issuance of the final environmental impact
16 statement)).

17 ((b)) (c) After July 1, ((2018)) 2029, the immunity from
18 appeals under this chapter of any application that vests or will vest
19 under this subsection or the ability to vest under this subsection is
20 still valid, provided that the final subarea environmental impact
21 statement is issued by July 1, ((2018)) 2029. After July 1, ((2018))
22 2029, a city may continue to collect reimbursement fees under
23 subsection (6) of this section for the proportionate share of a
24 subarea environmental impact statement issued prior to July 1,
25 ((2018)) 2029.

26 (6) It is recognized that a city that prepares a nonproject
27 environmental impact statement under subsection (4) of this section
28 must endure a substantial financial burden. A city may recover or
29 apply for a grant or loan to prospectively cover its reasonable
30 expenses of preparation of a nonproject environmental impact
31 statement prepared under subsection (4) of this section through
32 access to financial assistance under RCW 36.70A.490 or funding from
33 private sources. In addition, a city is authorized to recover a
34 portion of its reasonable expenses of preparation of such a
35 nonproject environmental impact statement by the assessment of
36 reasonable and proportionate fees upon subsequent development that is
37 consistent with the plan and development regulations adopted under
38 subsection (5) of this section, as long as the development makes use
39 of and benefits ((from)) from, as described in subsection (5) of
40 this section, ((from)) the nonproject environmental impact statement

1 prepared by the city. Any assessment fees collected from subsequent
2 development may be used to reimburse funding received from private
3 sources. In order to collect such fees, the city must enact an
4 ordinance that sets forth objective standards for determining how the
5 fees to be imposed upon each development will be proportionate to the
6 impacts of each development and to the benefits accruing to each
7 development from the nonproject environmental impact statement. Any
8 disagreement about the reasonableness or amount of the fees imposed
9 upon a development may not be the basis for delay in issuance of a
10 project permit for that development. The fee assessed by the city may
11 be paid with the written stipulation "paid under protest" and if the
12 city provides for an administrative appeal of its decision on the
13 project for which the fees are imposed, any dispute about the amount
14 of the fees must be resolved in the same administrative appeal
15 process.

16 (7) If a proposed development is inconsistent with the optional
17 comprehensive plan or subarea plan policies and development
18 regulations adopted under subsection (1) of this section, the city
19 shall require additional environmental review in accordance with this
20 chapter.

21 **Sec. 11.** RCW 36.70A.490 and 2012 1st sp.s. c 1 s 309 are each
22 amended to read as follows:

23 The growth management planning and environmental review fund is
24 hereby established in the state treasury. Moneys may be placed in the
25 fund from the proceeds of bond sales, tax revenues, budget transfers,
26 federal appropriations, gifts, or any other lawful source. Moneys in
27 the fund may be spent only after appropriation. Moneys in the fund
28 shall be used to make grants or loans to local governments for the
29 purposes set forth in RCW 43.21C.240, 43.21C.031, or 36.70A.500, and
30 to cover costs associated with the adoption of optional elements of
31 comprehensive plans consistent with RCW 43.21C.420. Any payment of
32 either principal or interest, or both, derived from loans made from
33 this fund must be deposited into the fund.

34 NEW SECTION. **Sec. 12.** A new section is added to chapter 35.21
35 RCW to read as follows:

36 Permanent supportive housing shall be a permitted use in all
37 areas where multifamily housing is permitted.

1 **Sec. 13.** RCW 82.02.060 and 2012 c 200 s 1 are each amended to
2 read as follows:

3 The local ordinance by which impact fees are imposed:

4 (1) Shall include a schedule of impact fees which shall be
5 adopted for each type of development activity that is subject to
6 impact fees, specifying the amount of the impact fee to be imposed
7 for each type of system improvement. The schedule shall be based upon
8 a formula or other method of calculating such impact fees. In
9 determining proportionate share, the formula or other method of
10 calculating impact fees shall incorporate, among other things, the
11 following:

12 (a) The cost of public facilities necessitated by new
13 development;

14 (b) An adjustment to the cost of the public facilities for past
15 or future payments made or reasonably anticipated to be made by new
16 development to pay for particular system improvements in the form of
17 user fees, debt service payments, taxes, or other payments earmarked
18 for or proratable to the particular system improvement;

19 (c) The availability of other means of funding public facility
20 improvements;

21 (d) The cost of existing public facilities improvements; and

22 (e) The methods by which public facilities improvements were
23 financed;

24 (2) May provide an exemption for low-income housing, and other
25 development activities with broad public purposes, from these impact
26 fees, provided that the impact fees for such development activity
27 shall be paid from public funds other than impact fee accounts;

28 (3) May provide an exemption from impact fees for low-income
29 housing. Local governments that grant exemptions for low-income
30 housing under this subsection (3) may either: Grant a partial
31 exemption of not more than eighty percent of impact fees, in which
32 case there is no explicit requirement to pay the exempted portion of
33 the fee from public funds other than impact fee accounts; or provide
34 a full waiver, in which case the remaining percentage of the exempted
35 fee must be paid from public funds other than impact fee accounts. An
36 exemption for low-income housing granted under subsection (2) of this
37 section or this subsection (3) must be conditioned upon requiring the
38 developer to record a covenant that, except as provided otherwise by
39 this subsection, prohibits using the property for any purpose other
40 than for low-income housing. At a minimum, the covenant must address

1 price restrictions and household income limits for the low-income
2 housing, and that if the property is converted to a use other than
3 for low-income housing, the property owner must pay the applicable
4 impact fees in effect at the time of conversion. Covenants required
5 by this subsection must be recorded with the applicable county
6 auditor or recording officer. A local government granting an
7 exemption under subsection (2) of this section or this subsection (3)
8 for low-income housing may not collect revenue lost through granting
9 an exemption by increasing impact fees unrelated to the exemption. A
10 school district who receives school impact fees must approve any
11 exemption under subsection (2) of this section or this subsection
12 (3);

13 (4) May not charge a higher per unit fee for multifamily
14 residential construction than for single-family residential
15 construction;

16 (5) Shall provide a credit for the value of any dedication of
17 land for, improvement to, or new construction of any system
18 improvements provided by the developer, to facilities that are
19 identified in the capital facilities plan and that are required by
20 the county, city, or town as a condition of approving the development
21 activity;

22 ~~((+5))~~ (6) Shall allow the county, city, or town imposing the
23 impact fees to adjust the standard impact fee at the time the fee is
24 imposed to consider unusual circumstances in specific cases to ensure
25 that impact fees are imposed fairly;

26 ~~((+6))~~ (7) Shall include a provision for calculating the amount
27 of the fee to be imposed on a particular development that permits
28 consideration of studies and data submitted by the developer to
29 adjust the amount of the fee;

30 ~~((+7))~~ (8) Shall establish one or more reasonable service areas
31 within which it shall calculate and impose impact fees for various
32 land use categories per unit of development; and

33 ~~((+8))~~ (9) May provide for the imposition of an impact fee for
34 system improvement costs previously incurred by a county, city, or
35 town to the extent that new growth and development will be served by
36 the previously constructed improvements provided such fee shall not
37 be imposed to make up for any system improvement deficiencies.

38 For purposes of this section, "low-income housing" means housing
39 with a monthly housing expense, that is no greater than thirty
40 percent of eighty percent of the median family income adjusted for

1 family size, for the county where the project is located, as reported
2 by the United States department of housing and urban development.

--- **END** ---

APPENDIX 7: COMMERCE CROSS-WALK

The following table illustrates how the Housing Action Plan complies with the requirements under HB 1923 and codified in RCW 36.70A.200(2) as implemented by the Washington Department of Commerce. **Note: this table will be updated with page numbers and references when the document is finalized.**

HB 1923 Requirement	Compliance
Quantify existing and projected housing needs for all income levels, including extremely low-income households, with documentation of housing and household characteristics, and cost-burdened households;	The Housing Needs Assessments presented herein quantifies existing and projected housing needs for all income levels, including extremely low-income households. It documents housing and household characteristics on pages [xx] through [xx]. It addresses cost burden and the housing gap on pages [yy] through [yy].
Develop strategies to increase the supply of housing, and variety of housing types, needed to serve the housing needs identified in (a) of this subsection;	The final Housing Action Plan presented herein delineates a wide variety of strategies and policies designed to increase the supply and variety of housing needed to serve the needs identified in the Housing Needs Assessments.
Analyze population and employment trends, with documentation of projections;	The Housing Needs Assessments presented in brief in Section F and in full in Appendix 1 of this Plan analyzes population [page xx] and employment [page yy] trends and documents projections. Care has been taken in this process to account for differences in demographics, policy, and housing market between Bonney Lake and Sumner.
Consider strategies to minimize displacement of low-income residents resulting from redevelopment;	The Housing Action Plan contemplates a number of strategies explicitly designed to minimize displacement of low-income residents resulting from redevelopment. For example, [...]
Review and evaluate the current housing element adopted pursuant to RCW 36.70A.070 , including an evaluation of success in attaining planned housing types and units, achievement of goals and policies, and implementation of the schedule of programs and actions;	The Housing Action Plan includes an evaluation of the success of the current Housing Elements of the adopted Comprehensive Plans of the Cities of Bonney Lake and Sumner. This evaluation finds [...]

<p>Provide for participation and input from community members, community groups, local builders, local realtors, nonprofit housing advocates, and local religious groups; and</p>	<p>The Housing Action Plan effort prioritized public and stakeholder engagement from the beginning. Bonney Lake and Sumner staff and the city councils approved a Project Charter (Appendix X) and Public Involvement Plan, or PIP (Appendix Y) as two of the first formal actions associated with the project. The Stakeholder Advisory Committee formed to guide the development of the HNA and HAP included representatives from the city, county, and area tribes; federal and state agency representatives, including NAS Whidbey; the building and development community; housing and community service providers; realtors; and other local stakeholder groups. This stakeholder committee held three meetings/work sessions and stayed engaged through email and the interactive data and document review platform. Additionally, public engagement through the Konveio platform and newsletters from the City resulted in participation and input from a range of community members.</p>
<p>Include a schedule of programs and actions to implement the recommendations of the housing action plan.</p>	<p>The Housing Action Plan includes an implementation strategy for its policies in Chapter [XX].</p>

APPENDIX 8: GLOSSARY OF TERMS

Affordable Housing Development Information

This section describes the affordable housing development and finance process and how it differs from market rate development, lists common state and local funding sources for housing, and includes a description of geographies associated with affordable housing benefits.

Typical Affordable Housing Development Process

The development of new, multifamily regulated affordable housing is a long and complex process. It is subject to many of the same development conditions as market-rate development, with added complexity due to lower rents requiring additional, lower-cost funding. The development process begins in predevelopment (design and feasibility, land entitlements, and funding applications) then enters construction, before beginning operations. The following are typical development phases for regulated affordable housing projects.

Design and Feasibility

Affordable housing developers start with an understanding of the need for less expensive housing in an area.

How many units are needed at what rent level?

What income levels have the biggest gaps in housing supply?

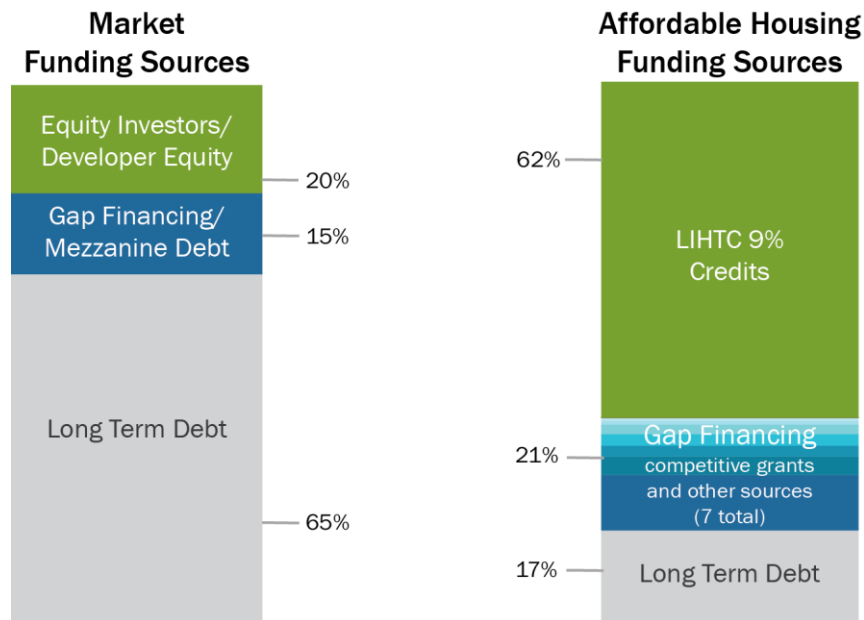
What populations are struggling with housing costs the most?

Just like market rate developers, affordable housing developers test the financial feasibility of what they hope to build against the local political and economic conditions. They must estimate what it will cost to build, what affordability levels the region needs, and the amount of funding available to build the project. If the project is not financially or politically feasible (i.e., cannot find adequate funding sources or does not meet a neighborhood's goals), building the housing will be immensely challenging. Key challenges that are considered: cost of land, development allowed on the land (zoning), costs of construction, rents or prices, costs of operations (for multifamily), or local opposition to the project.

How does affordable housing differ?

Both affordable housing development and market-rate development need to go through design and feasibility. Affordable housing development differs from market-rate development in this stage due to limited funding. With the goal of providing below-market rents, the financing structure (often called the “capital stack”) of an affordable housing development needs to fill a gap (often called a “funding gap”) between what it costs to build the property and what the property’s operations can support. A market rate development will typically have investor equity and one or two types of debt financing, but an affordable housing development may also need to secure public funding, grants, operating subsidies, and low-cost or forgivable debt on top of competitive investor equity sources (see the figure on the following page). Some affordable housing developers need to secure predevelopment loans or grants as they work out the logistics of project feasibility. Sometimes, affordable housing developments are given free or reduced cost land, which aids feasibility and reduces the amount of debt needed.

Typical Capital Stacks in a Market Rate and a 9% LIHTC Affordable Housing Development



Source: ECONorthwest

Land Use Entitlements

This is the process of getting control of the site (buying land or assembling parcels) and getting the legal authority to develop (zoning and permitting, design review, neighborhood opposition, etc.). This can take months or years depending on the type of project, the required level of public review, the time it takes to obtain permits, the amount of neighborhood opposition, and many other factors. Developers typically take out pre-development loans to cover these costs, meaning that delays incur “carrying costs” (the interest that accrues on the loan each month of the process). This loan may be wrapped into or repaid by the construction loan.

How does affordable housing differ?

Both affordable housing developments and market-rate developments need to secure land use entitlements. One major way that affordable housing development differs from market-rate development in this stage, is due to neighborhood opposition. It is common for neighborhoods to object to a new affordable housing development, and some may use the slow land use entitlements process to delay or “kill” a project. Some market-rate developments may face opposition in this process, but they may also be in a better financial position to weather delays (e.g., if a market rate developer does not need a pre-development loan, delays do not incur carrying costs).

Public Funding Applications

This is a unique step required of affordable housing development that does not apply to market-rate development. Often, affordable housing developments receive public funding in exchange

for renting to low-income households. With rents set below market, the property will have insufficient rent revenue to cover its operating costs and support the loans needed to pay for development. Thus, the property must apply for a range of low-cost funding, project equity, or grants to reach feasibility and begin construction. This step adds cost, time, complexity, and uncertainty to the development process. Because public funding is limited, these application cycles are very competitive and not all projects will receive the funding to move forward. The policy goals attached to each funding amount can influence the type of housing built (e.g., housing for families or seniors) as well as the income levels served. Most often, a project needs to have site control before it can receive funding.

How does affordable housing differ?

Market-rate developments do not typically need to secure public funding for development.

Construction

Once a property has site control, entitlements, and a confirmed design concept, it can begin construction. This stage depends on the availability of labor, materials, and equipment, as well as the complexity and size of the development. The project will take out a construction loan to cover these costs, which means that delays in construction incur additional “carrying costs.” The construction loan is repaid by the permanent loan, which is sized based on the net operating income of the project (rent revenues minus operating expenses).

How does affordable housing differ?

Affordable housing projects do not meaningfully differ from market-rate projects in the construction process. However, they may have simpler designs and prioritize faster construction timelines.

Operations

Once the project is built and leased, it begins operations. Rents are determined at the project feasibility stage and are very important in the project's operating phase. Feasibility and funding applications can occur several years prior to the project operating. The revenues from property rents need to be high enough to cover the cost of operating the property (including maintenance and repairs, landscaping, taxes, and numerous other fees and costs). The project's net operating income must also service the monthly debt payments on the permanent loan. Banks generally require an income “cushion” to assure that the property has enough operating income to pay its debts. This means that net operating income must be 15 percent to 20 percent higher than the debt payment. Any change in rent revenues (market softening, competition, vacancies, etc.), costs of operations (higher taxes, maintenance costs, capital repairs, etc.) can meaningfully disrupt a property's operations.

How does affordable housing differ?

Affordable housing properties operate under affordability restrictions for a specified period of time (e.g., 15-99 years), and are typically managed by mission-driven developers or non-profit organizations. In contrast, many market rate properties will sell to an institutional investor after the property stabilizes (after 5 or 8 years of operations). Another difference in affordable housing operations is that typically, affordable housing properties are required to put a portion of operating funds into reserves (both capital reserves and or operating reserves) which serve as a

cushion for unexpected vacancies, disruptions to operations, or major capital repairs. These reserves help prevent most affordable housing properties from defaulting on debt service requirements (LIHTC properties, in particular, have very low default rates). Market rate properties are not required to keep reserves. Lastly, another difference in affordable housing operations, is that often the properties may have insufficient cash flow (funds left over after paying for operating expenses and debt) to pay for any cash-flow dependent line items (e.g., the developer fee, cash-flow dependent loans, etc.) In contrast, market rate properties seek financial returns from the property, to provide steady cash flow to the owner or investor. While cash flow is not always available due to market rent fluctuations and or vacancies, the deals are structured to seek financial returns.

Local Affordable Housing Funding Sources

This section describes the state and local affordable housing funding sources available to developers looking to construct affordable housing properties in the Cities of Sumner and Bonney Lake. This section focuses solely on funding sources, not indirect financing sources that provide financial benefits to properties via reduced costs. The local funding sources do not include non-financial funding sources, like density bonuses or impact fee waivers, that indirectly provide funding by reducing costs.

Washington State Funding Sources

The Washington State Housing Finance Commission offers several funding programs to build multifamily affordable housing. All of these funding sources can be used in the Cities of Sumner and Bonney Lake. Additionally, properties utilizing some of these funding sources can receive funding “boosts” if they are located in one of the geographic areas described below.

The Low-Income Housing Tax Credit (LIHTC) program is the largest source of funding. It has two types: the 9% tax credit program is more valuable, but limited, and is awarded competitively through annual funding applications. The 4% bond tax credit program is less valuable for project financing, but the program is not competitive. Any project that is able to make the funding program work can access the tax credits up to a certain bond cap across the state. These programs typically fund housing units that are affordable to households earning below 60% of AMI.

The 80/20 Private Activity Bond program can fund construction and development costs for affordable housing projects. The interest on the funding is tax exempt, thereby reducing total development costs and increasing project feasibility. This program typically funds housing units that are affordable to households earning below 60% of AMI.¹⁸

Non-Profit Housing Bonds can assist 501(c)(3) nonprofits in financing numerous housing developments. These funds are more flexible than other types of financing programs.

The Land Acquisition Program assists qualified nonprofits with purchasing land for affordable housing development.

The Washington State Department of Commerce offers three additional funding programs for developing affordable housing.

The Washington State Housing Trust Fund provides loans and grants to affordable housing projects through annual competitive applications. This program typically funds housing units that are affordable to households earning below 80% of AMI.

The Housing Preservation Program provides funding for affordable housing rehabilitation, preservation, and capital improvement needs. It is only available for projects that have previously received Housing Trust Funds.

The HOME Program is a federal block grant program funded through the US Department of Housing and Urban Development (HUD). This program offers funding for the preservation and

¹⁸ Washington State Housing Finance Commission. 2020. Multifamily Housing 80/20 Bond Program: <https://www.wshfc.org/mhcf/BondsOnly8020/index.htm>

development of affordable rental housing to non-profit organizations, public housing authorities, and local and tribal governments. HOME Funds typically build units that are affordable to households earning below 50% of AMI.

Local Funding Sources

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.

A sales tax levy (RCW 82.14.530) – allows jurisdictions to place a sales tax up to 0.1 percent. At least 60 percent 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 percent of funds must go toward mental / behavioral health treatment programs and services or housing-related services. The Cities of Bonney Lake (2020) and Sumner (2019) have recently adopted this sales tax levy set at the 0.0073% sales tax credit level. They are estimated to generate around \$45,000 to \$50,000 per year from this credit.

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.

Pierce County Community Development Block Grants (CDBG) – Pierce County receives CDBG funding from the U.S. Department of Housing and Urban Development (HUD). CDBG funds can be used in a variety of ways, including the funding of low-income housing development and social services to improve the living conditions of homes within the Pierce County Consortium (along with several other cities, the City of Sumner is listed as being a part of this consortium but Bonney Lake is not listed). Pierce County has established a Citizens Advisory Board to help implement and advise the county on the use of CDBG funding. The CDBG public facilities Notice of Funding Availability typically is published in the fall for contracts that commence during the following summer.¹⁹

Pierce County Downpayment Assistance Loan Program – Pierce County has established a down payment assistance program which includes a second mortgage loan program that combines with the Home Advantage or Opportunity first mortgage loan programs. This program is for qualified borrowers purchasing within the Pierce County limits, outside of the Tacoma, Lakewood, Bonney Lake, Auburn, and Pacific city limits. Residents in the City of Sumner could be eligible for this program. This program allows up to \$24,900 in down payment assistance with payments deferred for 30 years, at 3 percent simple interest.²⁰

¹⁹ Pierce County Community Development Block Grant Program. 2020.
<https://www.co.pierce.wa.us/4853/Community-Development-Block-Grant-Program>

²⁰ Washington State Housing and Finance Commission. 2020. Pierce County Downpayment Assistance Loan Program.
<https://www.wshfc.org/buyers/Pierce.htm>

Federal Government Designated Geographic Areas for Affordable Housing Support

Developing a regulated affordable housing property can be a complex and difficult process. Different funding sources may have different priorities, and the costs of land and development can be prohibitive. To help alleviate some of these difficulties, the federal government has designated certain geographic areas to receive higher priority or more funding for regulated affordable housing development. These include Qualified Census Tracts, Difficult to Develop Areas, and Opportunity Zones, each described below.

Qualified Census Tracts

HUD defines a Qualified Census Tract (QCT) as a Census Tract with “50 percent of households with incomes below 60 percent of the Area Median Gross Income (AMGI)” or one where the poverty rate exceeds 25 percent. ²¹ Affordable housing developments in QCTs that apply for LIHTC funding receive a boost in the amount of tax credits they can receive. The Cities of Bonney Lake and Sumner do not have any QCTs.

Difficult Development Areas

HUD defines a Difficult Development Areas (DDA) as “areas with high land, construction and utility costs relative to the area median income” and uses HUD Fair Market Rents, income limits, 2010 census, and 5-year American Community Survey (ACS) data as determinants. As shown in the exhibit on the following page, the Cities of Bonney Lake and Sumner have DDAs intersecting parts of the area within both cities. DDA properties using the Low-Income Housing Tax Credit (LIHTC) program can receive a 30 percent basis boost in qualified costs, increasing tax credits and resulting in greater investment equity in a project.

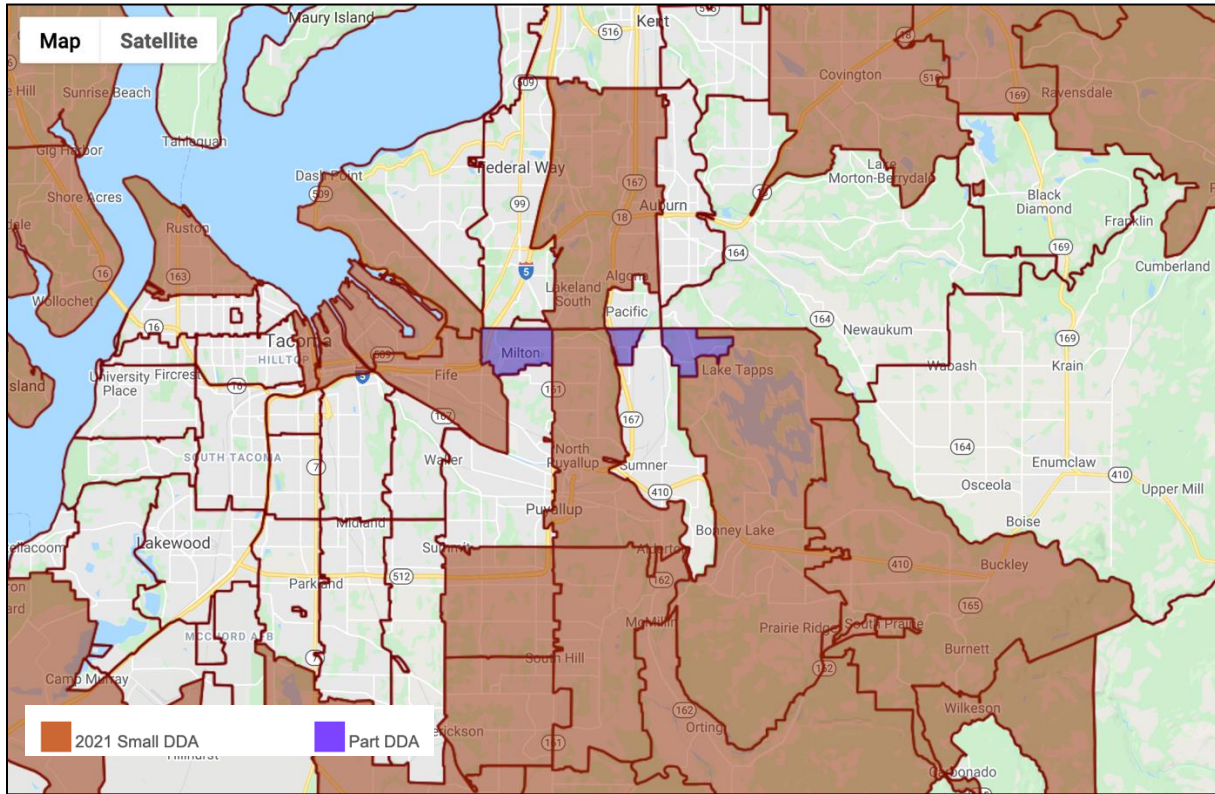
Opportunity Zones

In addition, the 2017 federal Tax Cuts and Jobs Act created the Opportunity Zone program which is designed to incentivize investment in low-income communities by providing tax benefits. Opportunity Zones are Census Tracts where the poverty rate exceeds 20 percent. ²² While there are no specific funding boosts for affordable housing projects developed in Opportunity Zones, the tax incentives make other types of multifamily development more feasible. The Cities of Bonney Lake and Sumner do not include any Opportunity Zones.

²¹ HUD. 2020. “Qualified Census Tracts and Difficult Development Areas.” www.huduser.gov/portal/datasets/qct.html

²² Washington State Department of Commerce. 2020. “Opportunity Zones-An Incentive to Invest in Lower-Income Areas.” <https://www.commerce.wa.gov/growing-the-economy/opportunity-zones/>

Difficult Development Areas near the Cities of Bonney Lake and Sumner



Data Source: HUD, 2020.

City of Bonney Lake Rent-Restricted Low-Income Housing

Project: Project Name	City	Project Type	# Market Rate Units	# Low Income Units	Total Project Units
View by Vintage	Bonney Lake	Bond	0	408	408
Cedar Ridge Retirement	Bonney Lake	Bond	98	25	123
Total			98	433	531

Data Sources: Washington State Housing and Finance Commission, 2020. Data Searches: Pierce County Housing Authority, HUD, USDA Rural Development Program, PolicyMap, and City of Bonney Lake.

City of Sumner Rent-Restricted Low-Income Housing

Project: Project Name	City	Project Type	# Market Rate Units	# Low Income Units	Total Project Units
Sumner Commons Senior Housing	Sumner	Tax Credit	0	34	34
Kincaid Court Apartments	Sumner	HUD Section 8	10	29	39
Total			10	63	73

Data Sources: Washington State Housing and Finance Commission, 2020. Data Searches: Pierce County Housing Authority, HUD, USDA Rural Development Program, PolicyMap, and City of Sumner. Sumner's newly adopted MFTE Program (2018) has not resulted in affordable housing production.