



 **LYNNWOOD**  
WASHINGTON

# HOUSING POLICY AND CODE REVIEW

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# Glossary

- **By-Right.** By-right refers to a use that is permitted without additional discretionary land use review or approval from the city.
- **Comprehensive Plan.** A Comprehensive Plan articulates a series of goals, objectives, policies, actions, and standards that are intended to guide the day-to-day decisions of elected officials and local government staff. The Washington State Growth Management Act (GMA) requires the City of Lynnwood to adopt and update a Comprehensive Plan.
- **Conditional Use Permit (CUP).** A CUP is a type of permit that requires discretionary approval from the city through review of the Hearing Examiner. These permits apply to uses that are not allowed by-right in a particular zone. In Lynnwood, when issuing a CUP the following items are considered: the character and use of adjoining buildings and those in the vicinity, the number of persons residing or working in the buildings, the traffic conditions in the area, and compliance with any special conditional use criteria.
- **Housing Affordability Regional Taskforce (HART).** HART is a taskforce in Snohomish County comprised of City and County officials and supported by other community leaders. HART is focused on middle-income and affordable housing, subsidized housing, alternative housing models, and land use and redevelopment. HART developed a five-year action plan that identifies priorities for County and City governments to accelerate their ability to collaboratively meet the housing needs of all County residents.
- **Housing Action Plan (HAP).** A HAP defines strategies and actions that promote greater housing diversity, affordability, and access to opportunity for residents of all income levels. Subsequent actions implementing the HAP will happen after its adoption.
- **Housing Needs Assessment (HNA).** A HNA is a study that identifies housing needs to serve all economic segments of a community. It explores a community's socioeconomic characteristics, housing types, and future housing needs. Lynnwood's HNA was updated in August 2020.
- **Multifamily Tax Exemption (MFTE).** MFTE is a statewide program in Washington which allows the value of eligible multifamily housing improvements to be exempt from property taxes for a specified period of time, typically 8 or 12 years. The program aims to stimulate construction, rehabilitation, or conversion of existing structures to provide multifamily housing,

including affordable housing, in designated areas within a jurisdiction.

Cities can choose to implement an MFTE program within designated areas and select the requirements for participating developers. These requirements can include a percentage set aside of income-restricted units affordable to households at a designated income level. Income-restricted unit must remain affordable for the period of the tax exemption.

- **Missing Middle Housing:** Housing options that transition between single family homes and mid- or high-rise multifamily buildings. This includes a diversity of residential housing options, such as duplexes, stacked or side-by-side multiplexes, and townhomes.
- **Net Density:** Net Density means the total number of dwelling units per acre of land, excluding areas such as streets, sidewalks, parks and open space.
- **Project Design Review (PDR).** PDR is a land use permit review process required for certain projects in Lynnwood (typically multifamily, commercial, industrial, and other larger projects). The purpose of a PDR is to ensure the project complies with the City's design guidelines, to help coordinate with other known or anticipated development, and to review for compliance with other applicable laws and regulations.
- **Planned Unit Development (PUD).** A PUD is a mechanism Lynnwood can use to permit a project that includes variety of structures and coordinate the project characteristics across the site. It allows for innovations and special features in site development, including the location of structures, conservation of natural land features, conservation of energy, and efficient utilization of open space through the approval of the Hearing Examiner.
- **Zoning Code (or Development Regulations):** A zoning code is a set of regulations that define how property in specific geographic zones can be used and the rules for development (allowed height, required parking, etc.). Zoning codes are intended to implement the policies contained in a city's Comprehensive Plan.

# Report Summary

- This Policy and Code Review (Report) analyzes Lynnwood's existing housing policies, programs, and actions. It will assist in preparation of the Housing Action Plan (HAP) by assessing what is working, what is not yielding results as expected, and what may challenge Lynnwood's ability to meet housing needs. This Report refers to and relies on data from Lynnwood's Housing Needs Assessment (HNA), released in August 2020.
- Overall, Lynnwood's existing policy supports increasing housing supply. Lynnwood has been successful at increasing the overall number of housing units.
- However, while the city has seen an increase in the average number of housing units developed per year, it still falls short of the units needed to accommodate growth through 2044. Further, there is not a great amount of diversity in the type of housing units produced. This is a challenge because Lynnwood needs to see a broader variety of new housing types to meet the needs of current and future residents.
- The city's policy focus on creating the City Center subarea and focusing growth in designated subareas is working, although some subareas are performing better than others. Based on city permit data from 2013-2018, the City Center has the highest rate of new housing production in the city, followed by the College District and Alderwood Mall area. The City will need to continue efforts to plan for additional growth and invest in amenities and services to increase multifamily housing production in desired subareas.
- City policy references the need for housing diversity. While successful in attracting large multifamily development, the city has been less successful in attracting other types of housing development, such as townhomes, tri- and fourplexes, or smaller multifamily buildings. Additional policy support and changes to implementing regulations may be necessary to ensure the city has a diverse stock of housing to meet the needs of everyone in the community.
- According to the 2012 Buildable Land Report (BLR), Lynnwood has adequate capacity to meet growth anticipated for 2025. The land capacity assessment will be updated in 2021. Capacity calculations for 2021 will take into account development history, achieved density, and zoning changes to determine whether adequate capacity exists for the future.
- The Comprehensive Plan community vision references housing in several ways, emphasizing the importance of walkable neighborhoods, affordability, and cultural diversity. The HNA identifies gaps in affordability and diversity of housing types within neighborhoods, elevating the prominence of these vision elements. The Comprehensive Plan community vision does not mention the use of policy to promote equitable outcomes for all residents, an essential component of working toward a welcoming, healthy, and sustainable community.
- The majority of the policies in the Housing Element of the Comprehensive Plan will help the

city meet the needs identified in the Housing Needs Assessment (HNA). Of the 32 policies in the Housing Element, 4 policies may challenge the city's ability to meet the needs identified in the Housing Needs Assessment. These policies reference preserving the stability and character of established neighborhoods and preventing encroachment of single-family neighborhoods. Given that some change is likely across neighborhoods to address the scale of housing need and unit types identified in the HNA, these policies' benefits and consequences should be further evaluated at the time of the Comprehensive Plan update.

- Zoning districts outline what uses are permitted and where, required setbacks, use buffers, and other development regulations. The largest zoning district by acreage is the single-family residential zone of Residential 8400 Sq. Ft. (RS-8). While it comprises 84% of Lynnwood's residential land area it only contains 50% of Lynnwood's housing units.
- As noted earlier, there is need for more variety in housing types to meet resident's diverse housing needs. Historically, building types ranging from duplexes to townhomes and smaller scale multifamily (commonly referred to as "Missing Middle" housing) have seen very little production in Lynnwood. Missing middle housing types are allowed across a range of zones, but the total acreage of these zones (and potential for redevelopment) is limited.
- The development code contains inconsistencies and seemingly small requirements that lead to significant challenges for implementation. A thorough review of code followed by updates to remove inconsistencies, reduce added costs, and eliminate unnecessary barriers would improve overall development and housing costs in Lynnwood.
- The City of Lynnwood is actively implementing several programs and actions to encourage housing and meet the diverse needs of its community. Some examples include streamlining permit review processes, updating the zoning code to allow multifamily development by-right in a majority of zones, implementing an inter-local agreement (ILA) with HASCO, adopting planned action ordinance with early environmental review, providing flexibility through development agreements, and participating in regional housing efforts.
- The City has implemented all the relevant early action items from the Snohomish County Housing Affordability Regional Task Force (HART) report that are under its authority to implement. A majority of the five-year actions have also been implemented. The remaining action items are being considered as part of the Housing Action Plan process.
- The City has established a Multifamily Tax Exemption (MFTE) program in the City Center subarea. To date, only one development (Kinect at Lynnwood) has used the MFTE, and one other project is in the pipeline. Permit data show at least two additional multifamily buildings (City Center Apartments and Lynnwood Senior Apartments) opted to use other tax exemption programs and financing mechanisms.
- As a voluntary, incentive-based program, the MFTE is effective at creating units only if developers participate. The state gives cities wide latitude to design their MFTE laws to meet local planning goals. Recalibrating MFTE to meet the needs identified through the Housing Action Plan could make it more attractive to developers and increase its effectiveness.

- Revenue from SHB 1406 is expected to provide an additional source of funding. Revenue will be an estimated maximum of \$196,581 (dependent on sales tax) annually for the next 20 years. The Housing Action Plan will provide strategy and guidance on how to best utilize SHB 1406 funds.



# Introduction

An important component of producing a Housing Action Plan (HAP) is a review of development processes and any systems the City of Lynnwood has control over which may influence housing development. Consistent with this, this report presents a review of existing housing policies, programs, and actions.

This paper is structured as follows:

- **Introduction**
- **Policy Review.** This section includes a description and evaluation of housing policies in Lynnwood's adopted Comprehensive Plan and an overview of land capacity.
- **Zoning and Land Use Review.** This section evaluates the city's housing regulations within zoning and development codes. The review focuses on a description of zoning and land use code that implements the Comprehensive Plan, allowed housing types, and other development standards. There is also a brief review of subdivision and SEPA requirements.
- **Programs and Actions Implementation Review.** This section includes a description and evaluation of Lynnwood's progress on implementation of identified programs and actions including the Snohomish County Housing Affordability Regional Taskforce (HART) recommendations, the Multi-family Tax Exemption Program (MFTE), an interlocal agreement with HASCO, and the use of funds from SHB 1406.
- **Conclusion and Next Steps.**

# Policy Review

## Comprehensive Plan

This Comprehensive Plan review assesses whether the city's existing housing policies align to meet the needs identified in the Housing Needs Assessment. All adopted policies in the Housing Element of the Comprehensive Plan were reviewed. Relevant sections of Land Use, Transportation, Community Character, Parks, and Economic Development Elements were also reviewed. The review does not update or provide alternative policy language. Policies will be updated as part of the City's comprehensive planning update process. Summary findings of the evaluation are noted below.

## Comprehensive Plan Evaluation

### Structure

The Comprehensive Plan elements vary considerable in format, style of writing, and vision. Additionally, there is an inconsistent level of detail across policies. Some policies reference the creation of specific programs and services (for education, increasing community awareness, and others) that are more suitable for an implementation plan rather than a broad policy document such as the Comprehensive Plan. The updated Comprehensive Plan should be a concise and consistent long-term policy document that guides the future of the Lynnwood.

### Community Vision

The Lynnwood Comprehensive Plan includes the City's adopted Community Vision. The Community Vision is:

*The City of Lynnwood will be a regional model for a sustainable, vibrant community with engaged citizens and an accountable government.*

*Our Vision is...*

*To be a welcoming city that builds a healthy and sustainable environment.*

*To encourage a broad business base in sector, size and related employment, and*

*promote high quality development.*

*To invest in preserving and expanding parks, recreation, and community programs.*

*To be a cohesive community that respects all citizens.*

*To invest in efficient, integrated, local and regional transportation systems.*

*To ensure a safe environment through rigorous criminal and property law enforcement.*

*To be a city that is responsive to the wants and needs of our citizens.*

The Comprehensive Plan community vision references housing in several ways, emphasizing the importance of walkable neighborhoods, affordability, and cultural diversity. It also highlights the value of connecting residential spaces to parks and commercial activity. The Housing Needs Assessment identifies gaps in affordability and diversity within neighborhoods, elevating the prominence of these vision elements. The vision, however, does not mention the use of policy to promote equitable outcomes for all residents, an essential component of working toward a welcoming, healthy, and sustainable community.

## Housing Element

### Alignment with Housing Needs Assessment

- The majority of the policies in the Housing Element will help the city meet the needs identified in the Housing Needs Assessment.
- These include existing policies that integrate the connection between housing, mobility, and amenities and recognize the value of communication and coordination with residents.
- Of the 32 policies in the Housing Element, 4 policies may challenge the city's ability to meet the needs identified in the Housing Needs Assessment. These policies reference preserving the stability and character of established neighborhoods and preventing encroachment of single-family neighborhoods. Given that some change is likely across neighborhoods to address the scale and types of housing need identified in the Housing Needs Assessment, these policies should be reviewed. Review should focus on these policies' impacts on housing affordability and supply to determine an appropriate balance to meet the community's needs.
- There is an over-emphasis in the Housing Element on mobile home parks. The policies do not accurately reflect the role of mobile home parks as just one part of a holistic housing system. There is room for consolidation since five policies address this topic, and the action items have already been implemented by the City. Additionally, two policies (related to rezoning and redevelopment of mobile home parks) are at a much higher level of detail compared to other policies in the Element. Additionally, policies in the Housing Element reference

criteria for the rezoning of mobile home parks to other zones but the Element is silent on zoning criteria for other housing types that are part of a holistic set of housing choices.

- There is also too much emphasis in the Housing Element on code enforcement. While maintaining neighborhoods may help the city meet the housing needs identified in the Housing Needs Assessment, there may be unintended consequences (such as mistrust from community members) or missed opportunities to direct programs elsewhere. The repeated emphasis on code enforcement can be costly to fully implement and is potentially misdirected.
- Finally, another policy references the provision of neighborhood amenities for public safety. It is important to remember that public safety will be defined in a variety of ways depending on how people experience their community. As written, the term “public safety” does not lead to understandable, actionable implementation steps. There are many other amenities in neighborhoods that support housing development and public safety, including public space, recreational resources, and neighborhood retail.

### What’s Missing?

- The Housing Element policies do not explicitly address the need for equitable outcomes or processes. Related to this topic, the element does not reference or address racial inequities in housing or structural factors that create racial disparities.
- There is a long history in public policy of using coded language about place to justify policy approaches to exclude groups of people or impact groups of people in negative ways. Some policies in the Housing Element use language about public safety, neighborhood character, and code enforcement that need to be reviewed to reduce any negative connotations or exclusionary practices.
- There is policy support for diverse housing, but this reference has few specifics that could lead to implementation. Additional policy support for expanded housing choices and housing types can help the city achieve its vision.
- The Housing Element is silent on development of new units and the operation of existing units for persons with special needs, such as elderly residents or those with functional access needs. Promoting universal design principles in new and rehabilitated housing can ensure housing is designed for all persons and abilities.
- Related to both equity and diversity, the Housing Element is silent on the need to make affordable housing available across the city to meet the varied needs of the community and to enable community members greater geographic mobility.
- The Housing Element does not directly address land capacity and the need for new housing in coordination with anticipated population growth, employment growth, and transportation goals.
- The Housing Element does not include an Implementation Strategy that establishes evaluation criteria and allows the city to monitor progress.

- The Comprehensive Plan does not identify specific funding and operational resources to implement its policies and programs. This has limited the use and effectiveness of the following:
  - Programs and services for neighborhood preservation, safety and improvement
  - Programs that recognize the efforts of neighborhood groups and associations and coordinate their efforts
  - Education programs to inform residents and homeowners about housing and neighborhood improvement programs
  - Education programs to inform residents and homeowners about housing maintenance and rehabilitation of their homes
  - Applying code enforcement regulations and strategies that will promote neighborhood protection, quality redevelopment, preservation, property maintenance, public safety and welfare

## Other Comprehensive Plan Elements and Connections

- The Land Use Element references desired characteristics for properties designated by the Future Land Use Map as appropriate for multifamily residential development and policy objectives for the land use code review of Single Family 2 (SF-2) planned unit developments. However, the level of detail is inconsistent. The Land Use Element is silent on desired characteristics or policy objectives for other housing types such as duplexes, triplexes, and others.
- The Housing Element would benefit from stronger links to parks and trail networks, pedestrian safety, and walkability goals established in the Parks Element.
- Similarly, connections to the Human Services Element in reference to rehousing programs for residents experiencing homelessness, will help illustrate how the issue of supportive and transitional housing is consistently addressed across the city's policies.
- The City could show the connection to implementation and its Capital Facilities Plan. Including investments in amenities and walkability in the Capital Facilities Plan can address policies on neighborhood quality.

## Comprehensive Plan: Subareas

In addition to the citywide vision and policy framework, Lynnwood's Comprehensive Plan includes subarea plans for three areas – City Center, Highway 99, and College District. An overview of the housing policies for these subareas is included below:

### City Center - Overview

The intent of the City Center subarea plan is to direct growth toward a more concentrated, mixed-use, pedestrian friendly and transit-supportive center for Lynnwood. The City Center Sub-Area Plan identifies four housing policies:

- **CCH 1: Encourage Urban Residential Development within the City Center.** Floor area ratios (FARs) and building heights should allow for high-density residential development
- **CCH 2: Variety of Housing.** The City should encourage a wide range of housing types and densities within the City Center
- **CCH 3: Quality in Design and Amenities.** Incentives and standards should be devised to ensure that higher density development is livable, permanent, and contributes positively to the image of Lynnwood in general and the City Center in specific.
- **CCH 4: Partnerships.** The City, other government agencies, non-profits, and private developers should consider ways of jointly developing housing within the City Center.

### Highway 99 - Overview

The intent of the Highway 99 Subarea Plan is to transform the corridor from a primarily auto-oriented commercial strip to a multi-modal, multi-use corridor that features strategically placed mixed-use centers or “nodes” between stretches of diverse commercial uses. The Highway 99 Plan has two policies, related to the land use goal of supporting housing along and adjacent the Highway 99 corridor:

- **Policy 3.1: Protect residentially zoned neighborhoods adjacent to the corridor** through adequate setbacks and screening and requiring site planning to minimize impacts.
- **Policy 3.2: Consider allowing residential development at larger parcels outside of the nodes.** For parcels five acres or larger, through PUD.

### College District - Overview

The intent of the College District is to define and describe an integrated areawide and campus master plan. The Plan envisions a blend of college activities, multi-family residential and community-oriented commercial facilities into a unified district. A key component of the Plan is the eventual phased redevelopment of a mostly single-family residential neighborhood adjacent to 68th Avenue to a mixed-use center. The mixed-use center will integrate existing multi-family residential units and, over time, convert single-family residential units to a mix of commercial, retail and additional multi-family units.

### Alignment with Needs Assessment and What’s working?

- Lynnwood’s policy support for increasing housing supply is aligned with the identified need for increased housing production. Lynnwood has also been successful at attracting new development that has increased its housing stock. However, most of this stock is in the form

of large multifamily developments with smaller (one bedroom) units.

- The city's policy focus on creating a city center and focusing growth in subareas is working. Based on city permit data from 2013-2018, the City Center, College District, and Highway 99 nodes, have seen higher rates of housing production than the rest of the city, with all the multifamily units produced in the city located in one of these subareas. City policies and regulations have effectively attracted and concentrated growth in these areas. Continued City efforts around planning for additional growth and investments in amenities to maintain and increase multifamily housing production will be needed for the future.
- While the City has policies around housing preservation, supply, and diversity, its permit trends show it lacks variety in housing types. While successful in attracting multifamily development, the city has been less successful in attracting diverse housing development types such as townhomes, tri- and fourplexes, or smaller multifamily buildings. Changes to implementing regulations may be necessary to ensure the city has a diverse stock of housing.
- Given the scale and the diversity of housing needs in Lynnwood, future planning may also need to consider opportunities to leverage areas outside the subareas for housing development.

# Zoning and Land Use Code Review

One of the City's most effective tools to implement the Comprehensive Plan is the Lynnwood Municipal Code (LMC) – specifically Title 21 Zoning and Title 19 Subdivisions. These titles provide regulations related to allowed uses, density, setbacks, parking, landscaping, other development standards, and approval processes. The City also has design guidelines which are adopted by reference in Title 21. The City's design guidelines provide requirements to make sure new development in Lynnwood reflects the policies and visions outlined in the comprehensive plan. At its best, development regulations implement the city's vision while facilitating efficient and predictable permitting. However, they can also impose added costs and uncertainty for development.

## Zoning – Title 21 LMC

The Comprehensive Plan Future Land Use Map (Figure LU-1) is the city's visual guide to planning and intended land use activity in the city. The Zoning Map and Lynnwood Municipal Code (LMC) implement the Comprehensive Plan by assigning a zoning district and development standards consistent with the Future Land Use Map designation.

Through the LMC, zoning districts (zones) outline what uses are permitted and where, required setbacks, use buffers, and other development regulations. These regulations are all adopted by ordinance.

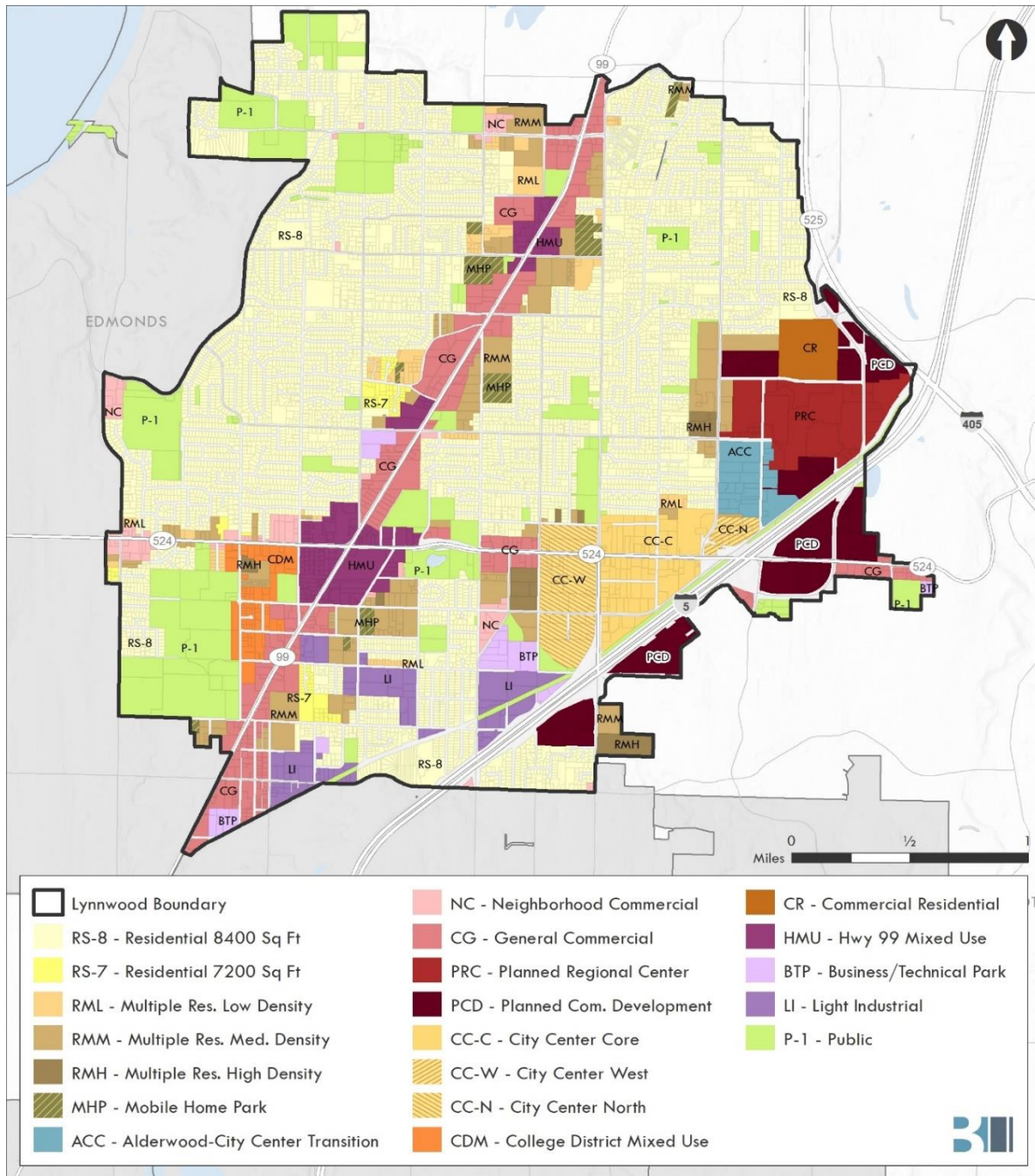
Title 21 of the Lynnwood Municipal Code provides the regulations for each of the 20 different zoning districts in the city of Lynnwood. Lynnwood's zoning districts are shown geographically on the zoning map. Each zone includes regulations which can implement policies outlined in the Comprehensive Plan.

### What is Zoning?

Zoning governs the use and development of land in cities. Zoning districts specify a category of uses (e.g., single-family residential, multifamily residential, commercial, industrial, etc.) that are allowed and the rules for development in the districts (allowed height, required parking, etc.). Zoning districts are shown geographically on the City's Official Zoning Map.



**Exhibit 1. Map of Zoning**



Source: City of Lynnwood 2020, BERK 2020.

The largest zoning district by acreage is the single-family residential zone of Residential 8400 Sq. Ft. (RS-8). Roughly 1,992 acres of the city, and 84% of the residentially-zoned land in the city, are zoned RS-8. This zoning district allows only detached buildings or zero lot line attached buildings with one common wall on an individual lot designed exclusively for occupancy by one family and containing one dwelling unit per lot. The Public (P-1) zone is the second largest by acreage, with roughly 566 acres zoned in this category. Zones that allow commercial development and multifamily homes occupy much smaller acreages.

### Exhibit 2. Acres by Zone

Code	Description	General Uses Allowed	Acres
RS-8	Residential 8400 Sq Ft	Single-Family Residential Zones	1992
P-1	Public	Public and Institutional Zones	566
RMM	Multiple Residential Medium Density	Multiple-Family Zones	293
CG	General Commercial	Commercial Zones	286
PCD	Planned Commercial Development	Commercial Zones	188
PRC	Planned Regional Center	Commercial Zones	125
HMU	Highway 99 Mixed Use	Commercial Zones	119
CC-C	City Center Core	Commercial Zones	104
LI	Light Industrial	Industrial Zones	104
CC-W	City Center West	Commercial Zones	79
RML	Multiple Residential Low Density	Multiple-Family Zones	63
NC	Neighborhood Commercial	Commercial Zones	58
CDM	College District Mixed Use	Commercial Zones	50

Code	Description	General Uses Allowed	Acres
ACC	Alderwood-City Center Transition Area	Commercial Zones	50
MHP	Mobile Home Park	(unlisted)	46
BTP	Business/Technical Park	Industrial Zones	44
RMH	Multiple Residential High Density	Multiple-Family Zones	41
CR	Commercial - Residential	Commercial Zones	40
RS-7	Residential 7200 Sq Ft	Single-Family Residential Zones	34
CC-N	City Center North	Commercial Zones	14
<b>Total Acres</b>			<b>4,297</b>

Source: City of Lynnwood 2020, BERK 2020.

Housing production trends are one way to evaluate the effectiveness of existing zoning and regulations. Permit data from 2013-2020 show Lynnwood has been successful in attracting housing development to the city. The average annual production of housing units in Lynnwood over this time period was 291 units per year.

While the city has demonstrated it can attract housing development, there is need for more variety in housing types. There has been higher production of multifamily units but these units are found in a small number of large buildings (50+ unit buildings). From a zoning standpoint, two zones accounted for all of the multifamily units developed in Lynnwood over this period- City Center Core (CC-C), and the Highway 99 Mixed Use (HMU) zone. There is additional mixed-use housing currently under development around the Alderwood Mall in the Planned Regional Center (PRC) and Commercial Residential (CR) zones. There has been a relatively steady production of new single-family homes in the RS-8 zone, averaging 31 units annually. Lynnwood's City Council approved accessory dwelling units (ADUs) for residential neighborhoods in 2008 and in 2016 updated this policy to allow detached ADUs (DADUs) in RS-8 zones. Use has been limited so far with only 19 units built since 2008. Historically, building types ranging from duplexes to townhomes and smaller scale multifamily (up to 49 units) have seen very little production in any zone.

## Land Use Code Review

The Lynnwood Municipal Code (LMC) implements requirements to achieve the vision, goals and policies of the city's Comprehensive Plan. This code review identifies existing regulations in place, and key barriers to housing development. This code review section focuses primarily on the zoning code (Title 21). Other sections of code can also promote housing opportunities or pose barriers; specifically land division processes (Title 19). When relevant, these code sections are included in this analysis.

## Land Use Code Analysis

### Development Approval

The process for land use approval (permitting) is dependent on the housing type and zoning designation. The following processes may be required when developing housing in the City of Lynnwood:

- **By-Right:** Single family houses are the only housing type that requires no additional land use approval through Title 21. Several housing types are allowed by-right but require Project Design Review (PDR) approval.
- **Project Design Review (PDR):** Requirements and process for PDR are outlined in Chapter 21.25 LMC. PDRs are an administrative process, meaning they are reviewed and determined by the Director or their designee. PDRs are required for any multi-family development, including multi-family development projects that are allowed by right, Conditional Use Permit, or Planned Unit Development approval. The purpose of the PDR is to:
  - To review the proposal for compliance with the provisions of Title 21 Zoning, Design Guidelines and all other applicable laws and regulations.
  - To help ensure that the proposal is coordinated, as is reasonable and appropriate, with other known or anticipated development on private properties in the area and with known or anticipated right-of-way and other public improvement projects within the area.
  - To encourage proposals that embody good design principles that will result in high quality development on the subject property.

PDRs are used to review the development for compliance with adopted design guidelines. The City has adopted the following design guidelines with the applicable implementing zones:

- City Center Design Guidelines: required in all City Center zones

- Highway 99 Design Guidelines: required in the Highway 99 Mixed Use zone
- Alderwood – City Center Transition Area: required in the Alderwood-City Center Transition Area zone
- Citywide Design Guidelines: required in all other zones (with the exception of single-family homes in those zones)
- **Conditional Use Permit (CUP):** Requirements and process for a CUP is outlined in Chapter 21.24 LMC. The Hearing Examiner makes a decision to approve, approve with conditions, or deny a request for a CUP. A public hearing is required. CUPs are often required when a use may or may not be appropriate within a specific zone, or when a use may only be appropriate with additional conditions. The Hearing Examiner is authorized to impose additional conditions beyond code requirements with his or her approval. CUPs introduce uncertainty and risk to developers as the use is not permitted outright. A housing development requiring CUP approval will also require approval of a PDR. The CUP process requires the project to demonstrate compliance with the following approval criteria:
  - In determining findings, the hearing examiner shall take into account the character and use of adjoining buildings and those in the vicinity, the number of persons residing or working in such buildings or upon such land, traffic conditions in the vicinity, compliance with any special conditional use criteria for that specific use set forth in this chapter and all factors relevant to the public interest.
- **Planned Unit Development (PUD):** Requirements and process for a PUD are outlined in Chapter 21.30 LMC. Except for multi-family development in the CG Zone (where a PUD is required), PUDs are an optional process for the approval of residential development. PUDs allow for an alternative arrangement and variety from the requirements of the LMC. PUDs are often used to offset buffers required by the Critical Areas Ordinance or other constraints presented on site. A decision on a PUD is made by the hearing examiner. Similar to a CUP, a PUD presents uncertainty and risk to a developer as it requires review and approval by the hearing examiner and requires a public hearing. The developer must demonstrate compliance with the chapter requirements and other code to receive approval. If a PUD is used for approval of a multi-family development, PDR approval is also required. The purpose of a PUD is:
  - A planned unit development is a mechanism by which the city may permit a variety in type, design, and arrangement of structures; and enable the coordination of project characteristics with features of a particular site in a manner consistent with the public health, safety, and welfare. A planned unit development allows for innovations and special features in site development, including the location of structures, conservation of natural land features, conservation of energy, and efficient utilization of open space.

**Permitted Housing Types**

As discussed in the Housing Needs Assessment, 49% of Lynnwood's housing stock is single-family homes. 44% of Lynnwood's units are in multifamily apartments with 20 units or more. The remaining 7% of homes would be classified as "missing middle" housing types, such as triplexes, and townhomes. Missing middle housing types are allowed across a range of zones, but the total acreage in these zones (and potential for redevelopment) is limited.

Exhibit 3 lists the housing types allowed in Lynnwood by zone as well as the permitting process.

**Exhibit 3. Housing Types by Where Permitted**

**Missing Middle**

Missing middle housing refers to types of housing such as duplexes, triplexes, cottage homes, townhomes, etc. that transition from a single-family house to a larger multifamily building. Missing Middle Housing types provide diverse housing options, such as duplexes, fourplexes, cottage courts, and multiplexes. These house-scale buildings are intended to fit seamlessly into existing residential neighborhoods and support walkability, locally serving retail, and public transportation options. Adding these housing types to the existing stock of housing creates more choices and allows people to stay in their community during different stages of life. They provide solutions along a spectrum of affordability and ownership opportunities to address the mismatch between the available U.S. housing stock and shifting demographics combined with the growing demand for walkability.

Source: Opticos, 2020



Housing Type (Definitions per LMC)	Where and How Permitted
<ul style="list-style-type: none"> <li>▪ <b>One-family dwelling</b> means a detached building or zero lot line attached building with one common wall on an individual lot designed exclusively for occupancy by one family and containing one dwelling unit per lot.</li> </ul>	<ul style="list-style-type: none"> <li>• By right: RS-8, RS-7, RS4, CDM, MPH</li> <li>• By CUP: RML, RMM, RMH</li> </ul>
<ul style="list-style-type: none"> <li>▪ <b>Two-family dwelling or duplex</b> means a building designed exclusively for occupancy by two families living independently of each other and containing two dwelling units.</li> </ul>	By PDR: CC
<ul style="list-style-type: none"> <li>▪ <b>Group dwelling</b> means more than two separate buildings, each containing one or more dwelling units</li> </ul>	Not Allowed



Housing Type (Definitions per LMC)	Where and How Permitted
<ul style="list-style-type: none"> <li>▪ <b>Multiple dwelling</b> means a building designed exclusively for occupancy by three or more families living independently of each other and containing three or more dwelling units.</li> </ul>	<ul style="list-style-type: none"> <li>▪ By PDR: RML, RMM, RMH, PCD, PRC, CDM, CC, ACC, HMU</li> <li>▪ By CUP: NC</li> <li>▪ By PUD: CG (Hwy 99 FLUM)</li> </ul>
<ul style="list-style-type: none"> <li>▪ An “<b>accessory dwelling unit</b>” (ADU) is a self-contained second residential unit that is subordinate to a primary single-family detached dwelling. The ADU provides a completely independent dwelling unit with facilities for cooking, eating, sanitation and sleeping. The ADU may be added to or created within the primary dwelling, it may be connected to the primary dwelling unit by the foundation, floor, walls, ceiling, and roof, or it may be a separate, detached building from the building containing the primary residence.</li> </ul>	<p>By ADU permit: RS-8</p>
<ul style="list-style-type: none"> <li>▪ <b>Mobile home</b> means a transportable dwelling unit manufactured after January 1, 1968, and before June 15, 1976, and bearing an insignia of the Washington State Department of Labor and Industries. All mobile homes without such insignia are nonconforming structures.</li> </ul>	<p>By right: MPH</p>
<ul style="list-style-type: none"> <li>▪ <b>Manufactured home</b> means a dwelling unit constructed after June 15, 1976, in accordance with state and federal requirements for manufactured homes. All manufactured homes shall bear the appropriate insignia by a state or federal regulatory agency indicating compliance with all applicable construction standards of the U.S. Department of Housing and Urban Development for manufactured homes as adopted by the Washington State Department of Labor and Industries or the International Building Code as adopted by the city of Lynnwood.</li> </ul>	<p>By right: RS-8, RS-7, RS4, RML, RMM, RMH, MPH</p>
<ul style="list-style-type: none"> <li>▪ <b>Senior housing</b> means multiple-dwelling housing which is designed for the particular needs of those elderly and physically disabled who may have functional limitations due to advanced age or physical impairment but are otherwise in good health. Residents of such housing can maintain an independent or semi-independent lifestyle and do not require more intensive care as provided in a nursing or convalescent home. For the purposes of this definition, elderly shall typically mean 55 years of age or older. Design features may include but are not limited to wide doors and hallways and low counters to accommodate wheelchairs, support bars, specialized bathroom and kitchen fixtures, and common dining, recreation, or lounge areas. Minor medical care may be provided at the facilities. The term “senior housing” shall include “congregate care” and “independent living community.” The definition shall not be construed to include facilities to house persons under the jurisdiction of the superior court or the board of prison terms and paroles.</li> </ul>	<ul style="list-style-type: none"> <li>▪ By PDR: NC, PCD, CG, PRC, CDM, CC, HMU</li> <li>▪ By CUP: RML, RMM, RMH</li> </ul>

Housing Type (Definitions per LMC)	Where and How Permitted
<ul style="list-style-type: none"> <li>▪ <b>Townhouse</b> means a type of attached multifamily dwelling in a row of at least two such units in which each unit has its own front and rear access to the outside, no unit is located over another unit, and each unit is separated from any other unit by one or more vertical common fire-resistant walls.</li> </ul>	<ul style="list-style-type: none"> <li>▪ By PDR: RML, RMM, RMH, PCD, PRC, CDM, CC, ACC, HMU</li> <li>▪ By CUP: NC</li> <li>▪ By PUD: CG (Hwy 99 FLUM)</li> </ul>

Source: City of Lynnwood 2020.

The chart above and a review of development regulations demonstrate the following:

- **One-family dwellings** (more commonly referred to as single family homes) have the least permitting requirements and review to build in the City of Lynnwood. If the land is already subdivided, the only approvals needed are building permits.
- **Accessory dwelling units** are permitted in RS-7 and RS-8 zones with an ADU land use approval permit. The ADU permit reviews the proposal against the code requirements and requires notification to the neighbors. The additional cost of the permit and review time can make this option unattractive to property owners. Although advertised to the neighbors, these projects usually do not draw opposition or input from the surrounding neighbors. The current development standards for ADUs can make development of an ADU difficult and/or costly on existing RS-8 and RS-7 lots.
- **Two-family dwellings** (more commonly referred to as duplexes) are only allowed in the City Center zone with review and approval of a Project Design Review permit. A two-family dwelling's impact is more similar to a one-family dwelling than a multifamily development. Duplexes can provide affordable rental and ownership opportunities for families and households that seek more space and privacy than a multifamily development provides. As discussed in the Housing Needs Assessment, the city has very few housing units with three or more bedrooms available to renters. Intergenerational living often necessitates larger dwellings or dwellings where families can live together in close proximity. Duplexes can help meet these needs.
- **Townhouses** are considered a multiple family housing type in the Lynnwood Municipal Code (although in some jurisdictions and in building codes they are considered single family residences). Regardless of designation, these structures can provide affordable home ownership opportunities, especially for first-time home buyers, or for individuals seeking to downsize from a single-family home. Consideration of how they are defined and where they are permitted could increase home ownership opportunities in Lynnwood.



- **Multiple unit dwellings (apartments or multifamily units)** are permitted in several zones in the City. Many zones allow the use by-right. This allowance gives developers certainty that the use is permitted. All multifamily units require the approval of a Project Design Review permit, which may cause unnecessary delay for land use approval of smaller multifamily structures. In some zones the development standards (for example, setback, height, lot coverage, etc.) may limit the permitted densities or may not allow for developments that are financially feasible for the developer.
- **Senior housing** groups several types of living arrangements for seniors into one group without recognizing the different impacts or needs of each use. Congregate care (more commonly referred to as assisted living) is a use that lies somewhere between a residential and medical use type. Impacts related to parking and density should be considered differently than independent living situations for seniors. Revisions to code to clearly define different types of senior housing would streamline and clarify permitting and development reviews.

### Other Development Standards

In addition to determining where housing is allowed and how it is reviewed, Title 21 includes development standards (such as parking, height limitations, ground-floor retail requirements, etc.) that are intended to implement the city's vision. Sometimes, the development standards are contradictory to the policy intent of the Comprehensive Plan, have unintended impacts that limit implementation to its full potential, or effectively prohibit development even though it is technically allowed. During listening sessions hosted with the Stakeholder Advisory Group and Council Housing Policy Committee and through other public engagement efforts, the City has repeatedly heard that the development code does not always function as intended and can add significant costs to housing or completely impede development. Below are two (of many) examples that demonstrate conflicting or difficult code requirements:

- The RS-8 zone requires parking to be located outside of the 25-foot front yard setback. Frequently, a garage is the only location that meets this requirement, despite most single-family properties containing a driveway with sufficient dimensions to accommodate two parking spots. This limits a homeowner's ability to convert a garage to living space or to add an accessory dwelling unit.
- LMC 21.46.116(C) contains a note that multifamily housing in the Highway 99 Corridor (future land use designation) that is zoned Neighborhood Commercial (NC) or General Commercial (GC) requires PUD approval (in addition to PDR). This note is confusing, contradictory, and problematic for several reasons. First, the use table (Table 21.46.09) states that multifamily is not permitted in the GC zone. Second, the use table states that multifamily development is permitted outright in the NC zone. Finally, there are not any

NC zones within the Highway 99 future land use designation. This code section adds additional permitting requirements that are confusing to sort out and are not immediately evident until someone carefully reviews code.

The development code contains inconsistencies and seemingly small requirements that lead to significant challenges for implementation. It is difficult to accurately measure how many “missed opportunities” for housing development are occurring. A thorough review of code followed by updates to reduce inconsistencies, added costs, and unnecessary barriers would improve overall development and housing costs in Lynnwood.

## Parking

Parking is a balancing act and important consideration for housing affordability because of the cost it carries and impacts on street congestion. Neighbors of new developments are frequently concerned about parking overflow into surrounding areas and an increase demand for on-street parking. However, requiring too many parking spaces may decrease developer interest in a city and increase housing costs. Additionally, for renters, parking costs are typically embedded in rents or added on as additional fees.

While the availability of parking is a concern by many in the community (normally that there is not enough “free” parking), parking requirements carry costs to an overall project. According to a 2012 study, the average cost to construct surface-level parking was \$24,000 per space and the cost to construct parking underground was \$34,000 per space.<sup>1</sup> These costs are for constructing the parking facility. They do not account for any opportunity-cost of using the parking area for other purposes, such as more revenue-generating retail or additional housing units.

Lynnwood's parking regulations are outlined in the Zoning Code in three places: Chapter 21.18 – Off-Street Parking, Chapter 21.60 – City Center District (CC) Zone and Chapter 21.48 Planned Regional Center. These chapters provide minimum parking requirements to ensure adequate off-street parking and reduce parking demand by encouraging alternative means of transportation and shared parking where feasible. Minimum standards required in the city overall differ from requirements in the City Center and Planned Regional Center differ, with parking requirements for residential development in the City Center and Planned Regional Center being lower. This is in line with the city's goal of encouraging alternative means of transportation in denser areas.

Most cities identify the minimum number of parking spaces required for each land use using the Institute of Transportation Engineers (ITE) parking generation rates. The ITE is an internationally

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<sup>1</sup> Rider, Levett, and Bucknall, “Quarterly Construction Cost Report”, Third Quarter (2012).

recognized organization that analyzes parking demand observed in areas ranging from rural, urban/suburban, dense multi-use urban, to center city.

Lynnwood originally instituted parking requirements in 1964. Since then there have been 22 updates, with the most recent update occurring in 2017. A summary of the parking requirements for residential uses is outlined in Exhibit 4.

**Exhibit 4. Parking Requirement for Residential Land Uses in the City of Lynnwood**

Residential Land Use	Number of Parking Stalls Required
Single-family	2 per dwelling unit Plus requirement for accessory unit (if any)
Multi-family (in all permitted zones with the exception of City Center and Planned Regional Center)	2 per dwelling unit with 2+ bedrooms 1.75 per dwelling unit with 1 bedroom 1.5 per studio or efficiency unit over 500 SF 1.25 per studio or efficiency unit 500 SF or less
Multi-family in the City Center	Minimum stalls per unit: 0.5 Maximum stalls per unit: 3
Multi-family in the Planned Regional Center	Minimum stalls per unit: 1 Maximum stalls per unit: 1.5
Mobile and manufactured home parks	1 per dwelling unit plus 1 per five dwelling (for guests)
Senior apartments or units (in all permitted zones with the exception of City Center)	0.25 per dwelling unit less than requirement for same category of general multi-family units, above
Senior apartments or units in the City Center	Minimum stalls per unit: 0.25 Maximum stalls per unit: 1
Independent living community	1 per every 2 units
Assisted living residences	1 per every 3 rooms
Convalescent, nursing or rest homes, sanitariums, and skilled nursing facilities (including Alzheimer's/dementia care facilities)	1.5 per 1,000 SF Gross Floor Area (GFA)
Rooming houses, fraternities, and sororities	1 per room

Residential Land Use	Number of Parking Stalls Required
Hotels, motels, or other overnight accommodations*	1 per room Plus additional parking required for restaurants, convention facilities, or other business facilities associated with the hotel/motel

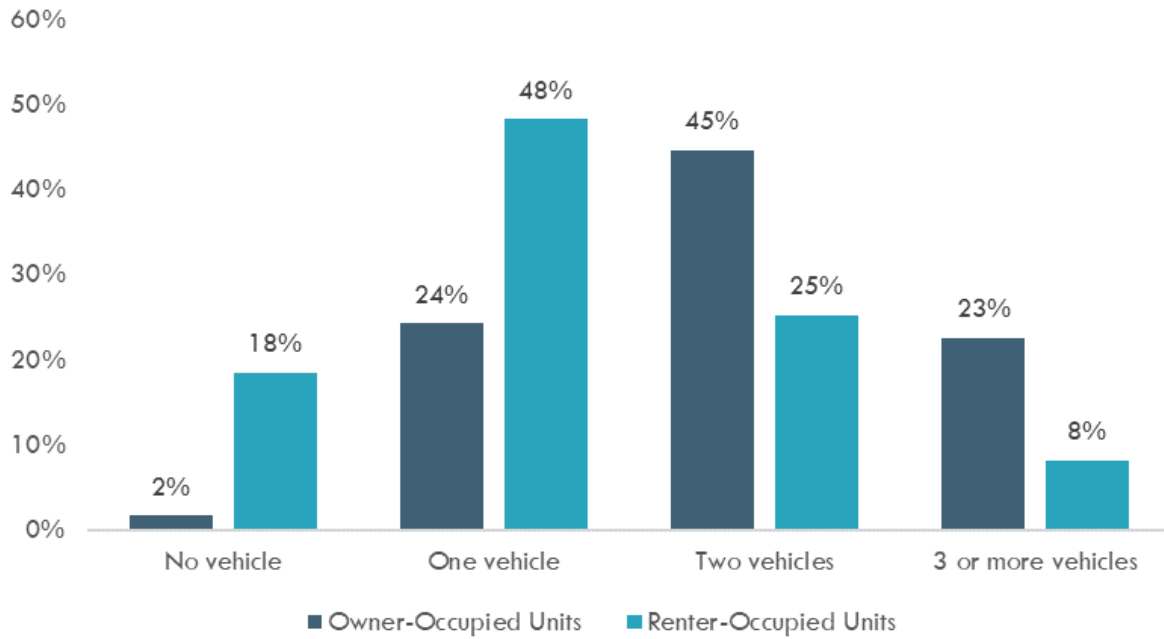
\*Note: Table 21.18.08 of the Lynnwood municipal code includes "hotels, motels, and other overnight accommodations" as a residential use. Other jurisdictions would categorize hotels and motels as commercial use since these facilities are not intended for permanent occupancy.  
Source: Ch. 21.18 Off-Street Parking, Lynnwood Municipal Code

Recent case studies have shown parking demand at transit-oriented development is often less than ITE parking generation guidelines.<sup>2</sup> The sites studied had diverse land-uses, pedestrian friendly designs, and abutted transit stations. The case studies found, with one exception, that peak parking demand was often less than one half of the parking guideline in the ITE Parking Generation manual.

In Lynnwood, renter-occupied units have access to fewer vehicles. 18% of renter-occupied units have no vehicle available and 48% have one vehicle available. On the other hand, owner-occupied units have access to more vehicles, with 67% having access to two or more vehicles. Only 2% of owner-occupied units have no access to a vehicle. See Exhibit 5.

<sup>2</sup> (Ewing, Tian, Lyons, & Terzano, 2017)

**Exhibit 5. Vehicle Access by Tenure in Lynnwood, 2018**



Source: American Community Survey 5-year estimates (Table B25044); BERK 2020.

## Subdivisions

Subdivisions are the mechanism by which land is divided for sale, transfer of ownership, and development. Subdivisions are regulated by Title 19 LMC. There are two primary types of subdivisions. Short subdivisions are an administrative review process which allows for the division of land into a maximum of nine lots. Short subdivisions are the decision of the mayor. Subdivisions allow for the division of ten or more lots. The hearing examiner reviews and makes a decision on subdivisions. A public hearing is required.

In 2015 the City adopted an ordinance increasing the number of lots under a short plat from four to nine, as permitted by RCW 58.17.020(6). This change facilitates an easier process to divide land for residential development.

In 2016 the City adopted an ordinance to allow for Fee Simple Unit Lot Subdivisions. This ordinance allows for the subdivision of townhomes to allow for homeownership. The process for approval aligns with short subdivisions and subdivisions. The creation of nine fee simple lots is approved by the Mayor and 10 or more fee simple lots require a public hearing and the review and approval of the hearing examiner.

## State Environmental Policy Act (SEPA)

The State Environmental Policy Act (SEPA) process identifies and analyzes environmental impacts associated with governmental decisions, including decisions for development. The SEPA review process helps agency decision-makers, applicants, and the public understand how the entire proposal will affect the environment. It requires a public notification process to consider all potential impacts before a threshold determination is retained. SEPA can be used to modify or deny a proposal to avoid, reduce, or compensate for probable impacts. While SEPA has many benefits, it has also been criticized for adding review time and uncertainty.

State law provides opportunities for agencies to streamline environmental review processes. In 2014 the City of Lynnwood adopted raised threshold exemption levels for development as provided by WAC 197-11-800(1)(c) and (d). The adopted exemption levels align with the maximum levels allowed by WAC 197-11-800(1)d. SEPA review is required for single family development of 30 or more units and for multi-family development of 60 or more units.

Additionally, cities can designate areas for planned action if they have had significant impacts adequately addressed in an environment impact statement (EIS) (RCW 43.21C.030 and WAC 197-11-164, 168, and 172). The designation of an area as a planned action streamlines environmental review of individual projects because it consolidates review upfront and eliminates the need for environmental review for each project. In 2012 the City adopted a Planned Action Ordinance for the City Center subarea to facilitate development (Ordinance

No. 2943). The Planned Action Ordinance analyzed impacts of 6.6 million square feet. Approximately 3.6 million square feet (or 3,000 dwelling units) are for residential development. Residential development in the City Center has exceeded what was analyzed in the Planned Action Ordinance. The city is currently in the process of updating the development scenarios and environmental analysis for the City Center.

### Development Agreements (DAs)

Certainty in the development review process can significantly encourage development or redevelopment of property. This certainty is especially important for large-scale or multiphase developments that take years to complete and that require substantial financial commitments at an early stage. The city may, at its discretion, enhance certainty for a developer by entering into a development agreement with a project sponsor that addresses the “ground rules” for review of the development application and construction of the project.

A development agreement provides flexibility and the opportunity for the city and the developer to agree on the scope and timing of the project, applicable regulations and requirements, mitigation requirements and other matters relating to the development process. A development agreement promotes the general welfare by balancing the public and private interests, providing reasonable certainty for a development project, and addressing other matters, including reimbursement over time for the financing of public facilities.

The City updated the development agreement process in 2019. Previously, development agreements were only allowed in the Regional Growth Center and City Center. In 2020, the City expanded development agreements as an option for development in any zone that is not designated as single-family residential.

## Land Capacity

The Buildable Lands Program is a key part of Washington State's Growth Management Act (GMA). GMA requires a periodic evaluation of capacity through the Buildable Lands Report (BLR). The BLR looks at:

- Urban densities achieved
- Adequacy of remaining urban capacity for accommodating adopted growth targets, based on observed densities
- If needed, reasonable measures, other than expanding Urban Growth Areas (UGA), to remedy inconsistencies.

The BLR is prepared by cities and the county using the Snohomish County Tomorrow (SCT)

collaborative process. The county leads the analysis and prepares the report, working closely with the cities. SCT has published three BLRs on behalf of the county and its cities; in 2002, 2007, and 2012. The 2012 report is the latest available source for land capacity information. County staff have been working with cities to develop the 2021 BLR, which will be complete by June 30, 2021. This iteration of the report will include some changes to the methods and procedures used for analysis based on direction from the state legislature.

Since 2002, Lynnwood has done extensive planning for additional capacity to accommodate growth. Planning in the Regional Growth Center, City Center, Highway 99 and College District as well as a range of regulatory measures were intended to increase residential capacity and ensure the city had enough capacity to meet anticipated growth in population. According to the 2012 BLR, Lynnwood has adequate capacity to meet growth anticipated through 2025. Based on zoning at the time, the total estimated dwelling unit capacity for the city was 4,769 housing units. Based on permit data from 2013 - 2018, a total of 2,347 housing units were either built or are in the pipeline. This means at least half of the dwelling capacity is available for the future. See Appendix B for a detailed table summarizing available housing capacity by zone in Lynnwood based on the 2012 Buildable Lands Report (BLR) from Snohomish County.

Capacity calculations for 2021 will take into account the development history, density that has been achieved and changes to zoning to determine whether adequate capacity exists for the future. For example, development history from 2013-2018 shows the City Center has added housing units at a density of roughly 96 units/acre which is higher than anticipated in the 2012 BLR. Redevelopment in the College District has been at roughly 90 units/acre, also higher than the density anticipated in the 2012 BLR.

Once the 2021 BLR is complete, the City will be able to determine whether the City has sufficient capacity to accommodate future growth. It is anticipated that some zoning changes will need to occur to allow more units as well as a variety of units to meet Lynnwood's housing needs.



# Programs and Actions Implementation Review

This section summarizes programs and actions the City of Lynnwood has completed to encourage housing and meet the diverse needs of its community. This includes an evaluation of implementation of HART recommendations, the Multifamily Tax Exemption, HASCO Interlocal agreement, and the use of SHB 1406 funds.

## HART Recommendations

The Snohomish County Housing Affordability Taskforce (HART) Five-Year Housing Affordability Action Plan created recommendations to all Snohomish County cities and Snohomish County government for responding to housing affordability challenges. The Action Plan is based on five framework goals; three that focus on increasing housing affordability, and two goals that focus on how cities and the county can work together. The recommendations include supporting strategies for each goal. The strategies are divided into two types: policy and regulatory strategies; and funding strategies.

The five framework goals are:

1. Promote greater housing growth and diversity of housing types at all levels of affordability and improve jobs/housing connection.
2. Identify and preserve existing housing at risk of rapid rent escalation or redevelopment balancing this with the need for more density.
3. Increase housing density on transit corridors and/or in job centers, while also working to create additional housing across the entire county.
4. Implement outreach and education programs for use countywide and by individual jurisdictions to raise awareness of housing affordability challenges and support for action.
5. Track progress and support ongoing regional collaborations.

Some action items in the HART report are not directly under the purview of the City, but would be more appropriate for the city to support (for example, Action Item 1.B.15: Target federal CDBG (Community Development Block Grant) and HOME (HOME Investment Partnerships Program) funds for low-income housing creation and rental assistance.)

The HART Action Plan includes eight (8) “Early Action” items which are intended for launch in 2020. Lynnwood has already implemented all of the early action items under its purview.

The HART report also includes 37 action items to be implemented by HART or its members within the next five years. Prior to the HART report’s release, Lynnwood had already implemented more than 50% of the five-year action items under its purview. The City has partially implemented or is in the process of implementing another 25% of the HART action items under its purview. Through the preparation of the Housing Action Plan, the City will continue to engage with stakeholders and will evaluate next steps toward implementing the remaining HART action items.

## Multi-Family Tax Exemption Program (MFTE)

The MFTE program provides tax exemptions to multi-family developments which must be within a specific target area and include a certain percentage of low-income units. City Council designated the City Center as an MFTE target area. The target area was created in May 2007 by Ordinance No. 2681. This program incentivizes the construction of multiple-family housing to include a portion of affordable units, in exchange for a 12-year tax break. An 8-year tax break is also available and does not require an affordable housing component.

MFTE helps increase residential opportunities within the targeted area; stimulate new construction or rehabilitation of existing vacant and underutilized buildings for multiple-unit housing; assist in directing future population growth into the targeted area; and achieve densities which are more conducive to transit use in the residential targeted area.

To generally qualify, projects must be within the residential targeted area; not displace existing tenants, contain a total of 50 permanent residential units; comply with development regulations; and be designed to LEED silver standards. City council reviews and renders a decision on MFTE proposals through a Development Agreement. The Development Agreement is a contract between the City and the developer that establishes the terms and conditions of the project.

To date, only one development, Kinect at Lynnwood, has used the MFTE, and one other project is in the pipeline. Permit data show at least two additional multifamily buildings (City Center Apartments and Lynnwood Senior Apartments) could have potentially used this tax exemption but did not do so. Instead, they opted to use other tax exemption programs and financing mechanisms.

As a voluntary, incentive-based program, the MFTE is effective at creating units only if developers participate. The state gives cities wide latitude to design their MFTE laws to meet local planning goals. Key considerations to recalibrate the program include:

- Balancing a high threshold for units and the public benefits required. A higher threshold and

demanding public benefits may discourage developer participation. A lower threshold and limited public benefits, on the other hand, may make the program more attractive to developers but may be unlikely to provide enough value for the foregone revenue.

- Low developer participation in the MFTE suggests the benefits of the tax exemption may not be sufficiently offsetting the reduced rents and costs to developers. Lynnwood can nudge developers toward providing affordable housing by refining the unit threshold and public benefits associated with the 12-year exemption compared to 8-year exemption for market rate housing.
- Setting the threshold differently for rental versus ownership units may also help make the program more attractive. The MFTE program provides incentives for affordable multifamily rental housing where the whole development is eligible for the 12-year tax exemption if at least 20% of the units are affordable to low- and moderate-income households. For buildings that are entirely owner-occupied, all units must be priced affordably for moderate-income households.
- Adjusting the geographic area where the MFTE would apply is also an option. Based on state law, areas in downtowns, commercial corridors, or other intensively developed neighborhoods may be eligible as MFTE target areas. Areas within the five-minute walkshed of transit, such as the SWIFT corridor in Lynnwood, may be a good fit as a target area. Timing the expansion, if any, is an important consideration. MFTE projects often act as catalysts when used in areas where the market is still new or untested and work to prove the market and attract more investment to the area. The MFTE program in the City Center may currently work in this manner and expanding the program across the city in the short term may impact the pace of development here. Timing the expansion to when a critical mass of projects is in the pipeline for City Center, may be more effective.

## Housing Authority of Snohomish County (HASCO)

### Interlocal Agreement between HASCO and the City of Lynnwood

The City of Lynnwood and HASCO entered into an interlocal agreement (ILA) in 1995 which allows HASCO to operate in the city boundaries. This means HASCO has the right to purchase property in Lynnwood without the approval of City Council. In cities without ILAs, HASCO must obtain permission from city council

### Alliance for Housing Affordability (AHA)

In 2013 Lynnwood entered into an interlocal agreement (ILA) along with the cities of Edmonds, Everett, Granite Falls, Lake Stevens, Marysville, Mill Creek, Mountlake Terrace, Mukilteo, and Snohomish, and the town of Woodway, the Housing Authority of Snohomish County (HASCO), and Snohomish County to create the Alliance for Housing Affordability. The purpose of the AHA is to facilitate the cooperation of these entities to:

- Educate and provide technical expertise in support of the affordable housing goals and policies of the entities
- Foster efforts to provide affordable housing by encouraging funding of housing projects from any combination of public, non-profit, and private-sector resources
- Seek opportunities to leverage resources to support implementation of the housing goals and policies of the GMA and the Countywide Planning Policies relating to affordable housing; and
- Accomplish these purposes efficiently and expeditiously.

## SHB 1406

House Bill 1406 was passed as a sales tax sharing program. The bill allows cities to access a portion of state's 6.5 percent sales tax revenue to make local affordable housing investments. The bill does not increase sales taxes. Funds received via this action must be used on capital costs (acquisition, construction, rehabilitation), operations & maintenance, or in some cases rental subsidy. The funding must be spent on projects that serve persons whose income is at or below sixty percent of the median income of the city imposing the tax. Recognizing the individually small fund amounts each city would receive; the bill allows for sharing of revenues via interlocal agreements between municipalities. The funds can also be used to finance bonds.

On May 26, 2020, the City Council adopted Ordinance 3357 and is now receiving a return of sales and use tax for the purpose of affordable and supportive housing. The revenue will be an estimated maximum of \$196,581 annually for the next 20 years. The Housing Action Plan will provide strategy and guidance on how to best utilize SHB 1406 funds.

## Next Steps

This Policy and Regulatory Review identifies Lynnwood's existing policies and regulations related to housing and their alignment with current and future housing needs. In addition, this review of existing city policies and regulations, the Housing Action Plan will be informed by an assessment of current and future housing needs. The terms of the Department of Commerce grant stipulate that a Housing Action Plan must be adopted by June 2021 or else the city forfeits 30% of the grant. Housing Action Plan strategies will address identified needs and policy changes and will be presented to Council for review and adoption in 2021. The policy and regulations review will be used to determine where changes are needed to implement strategies.

# References

Lynnwood Comprehensive Plan, 2015

<https://www.lynnwoodwa.gov/files/sharedassets/public/development-and-business-services/planning-amp-zoning/city-of-lynnwood-comprehensive-plan.pdf>

Snohomish County, Buildable Lands Report, 2012

<https://snohomishcountywa.gov/DocumentCenter/View/7662/2012-Buildable-Lands-Report?bidId=>

Lynnwood Municipal Code

<https://www.codepublishing.com/WA/Lynnwood/#!/Lynnwood21/Lynnwood21.html>

# Appendix A: Net Densities

Net residential densities by zone shows the overall distribution of housing across the city. The units per acre shown in the table below includes both existing housing and recently added development. The numbers are for existing densities and do not reflect development potential. The density in several zones, such as City Center, is currently offset by strip malls. It is anticipated that these areas will be redeveloped at significantly higher densities than what is currently shown.

**Exhibit 6. Zoning Districts and Net Densities**

Zone	Net Units/Acres
RMM - Multiple Residential Medium Density	15.0
RMH - Multiple Residential High Density	13.7
MHP - Mobile Home Park	9.4
RML - Multiple Residential Low Density	9.3
CDM - College District Mixed Use	8.4
CC-C - City Center Core	7.0
RS-7 - Residential 7200 Sq Ft	3.7
CC-N - City Center North	3.6

Zone	Net Units/Acres
RS-8 - Residential 8400 Sq Ft	3.6
CC-W - City Center West	3.5
NC - Neighborhood Commercial	2.9
HMU - Highway 99 Mixed Use	0.7
CG - General Commercial	0.5
CR - Commercial - Residential	0.0
LI - Light Industrial	0.5
BTP - Business/Technical Park	0.3

Note: This table does not include areas of the city with no housing units – the P1 zone, the Planned Commercial Development (PCD) zone, Planned Regional Center (PRC) zone, and the Alderwood-City Center Transition Area (ACC)  
 Source: Snohomish County 2020; City of Lynnwood, 2020; BERK 2020.



# Appendix B: 2012 Buildable Lands Report

Exhibit 7. Dwelling Unit Capacity Under Current Zoning

Zone	Description	Buildable Acres	Capacity (Dwelling Units)
B1	Community Business	24.6	189
B3	Neighborhood Business	11.3	74
CC-C	City Center Core	92.1	1,953
CC-W	City Center West	66.2	979
CDM	College District Mixed Use	7.8	119
H99-MU	Hwy 99 Mixed Use	26.3	367
MU	Mixed Use	32.4	500
RMH	Multiple Residential High Density	2.1	33
RML	Multiple Residential Low Density	6.8	58
RMM	Multiple Residential Medium Density	13.3	138

Zone	Description	Buildable Acres	Capacity (Dwelling Units)
RS7	Single Family Residential 7,200 Sq Ft	12.4	34
RS8	Single Family Residential 8,400 Sq Ft	153.4	325
<b>TOTAL:</b>		<b>448.6</b>	<b>4,769</b>

Source: Snohomish County 2012, BERK 2020.