

HOW TO DEVELOP A HOUSING ACTION PLAN

Wednesday, July 8, 2020



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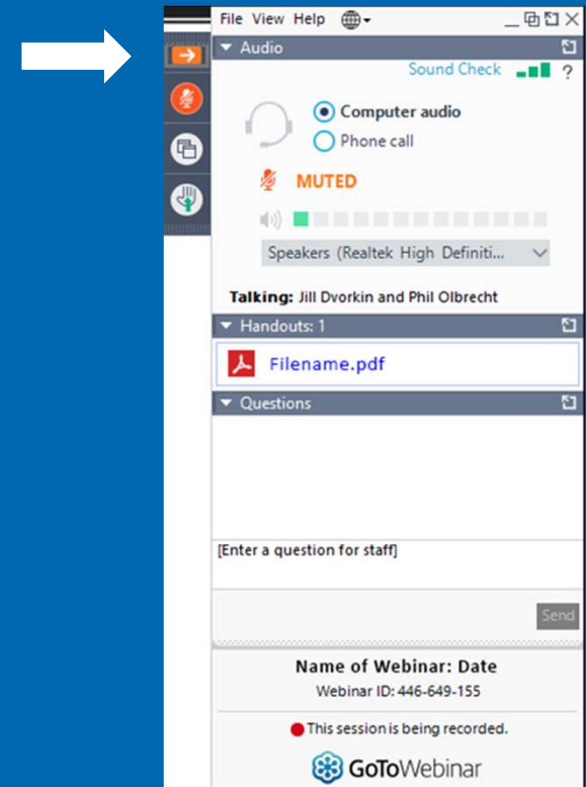
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Agenda

- **Housing Action Plan Overview:** Anne and Kevin
- **Introduction to the Strategies:** Bob
- **Checking in on Feasibility:** Andrew
- **Addressing Displacement:** Kevin
- **Case Studies:** Anne
- **Q&A**



Guidance for Developing a Housing Action Plan

Defining strategies that promote more housing,
more housing diversity and affordability

Washington State Department of Commerce, in partnership with
BERK Consulting and MAKERS Architecture and Urban Design

JULY 8, 2020



Washington State
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We strengthen communities



**HOUSING
HOMELESSNESS**



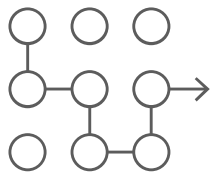
INFRASTRUCTURE



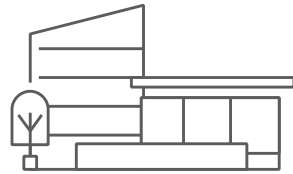
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PLANNING



COMMUNITY FACILITIES



**CRIME VICTIMS &
PUBLIC SAFETY**



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SERVICES**

What is a Housing Action Plan (HAP)?

A plan including **strategies** and **implementing actions** for promoting:

- Greater housing diversity
- Affordability
- Access to opportunity for residents of all income levels



Developing a Housing Action Plan



RCW 36.70A.600(2)

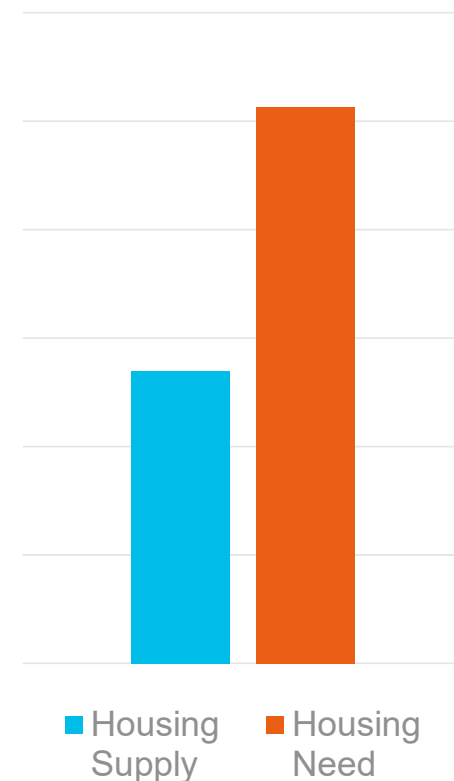
Housing Needs Assessment (HNA)

An HNA is a study that evaluates:

- Current and future housing needs
 - Resident and workforce needs
 - Consider needs for different income levels and household types
 - Informed by community engagement
- Housing inventory
- Gaps between the current housing supply and identified needs

An HNA informs your HAP strategic objectives:

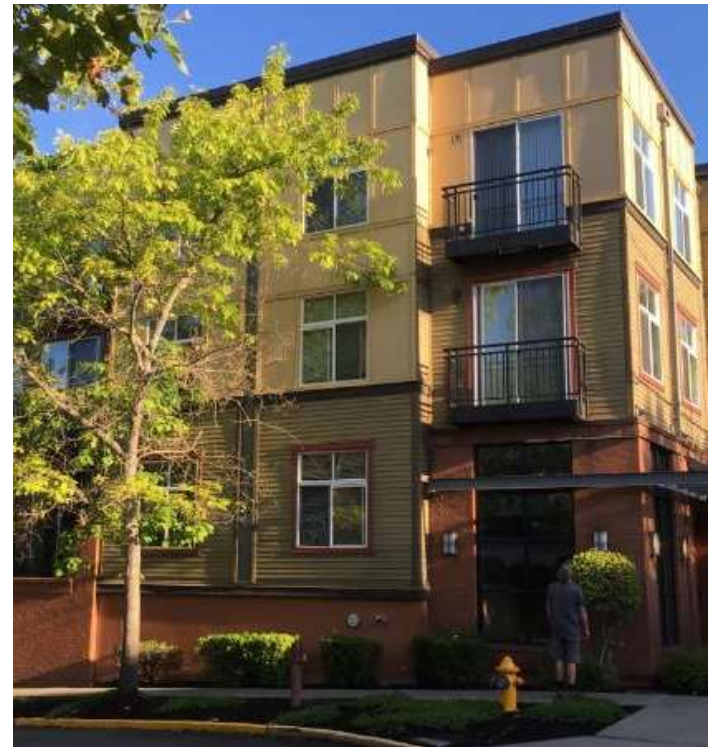
- Builds shared understanding about goals of the plan
- Focuses community engagement on identifying solutions that can fit local circumstances



Housing Policy Framework Review

Housing Policies

- Aligned with housing needs?
 - Targets, housing types, affordability levels, etc.
- Consistent with countywide planning policies and regional transportation plan?
- Aligned with community vision and public engagement results?



Housing Policy Framework Review (cont'd)

Development Regulations

- What are regulatory barriers to housing diversity and supply?
- Is your development review process predictable and transparent?

Permitting and Development Fees

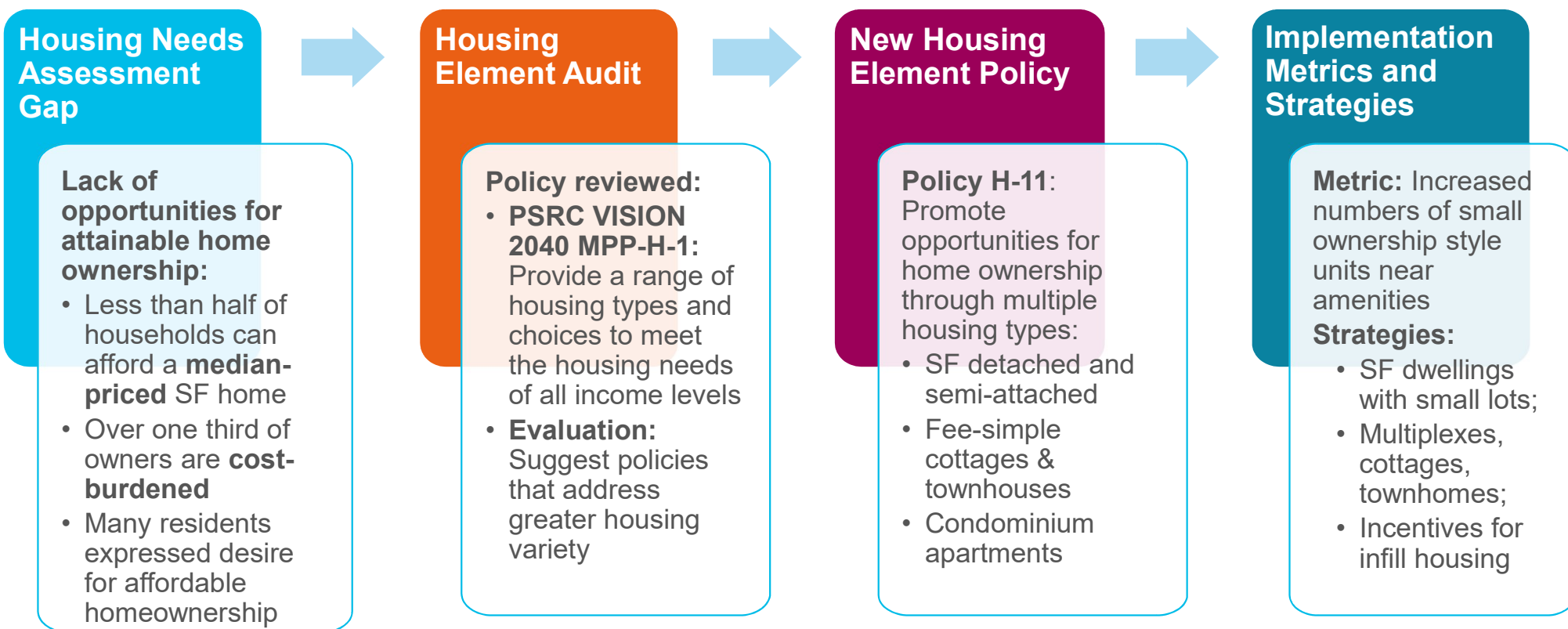
- What signals do your fees give developers?
- Are there opportunities to streamline or simplify the permitting process to provide for more predictable timelines?

Housing Programs

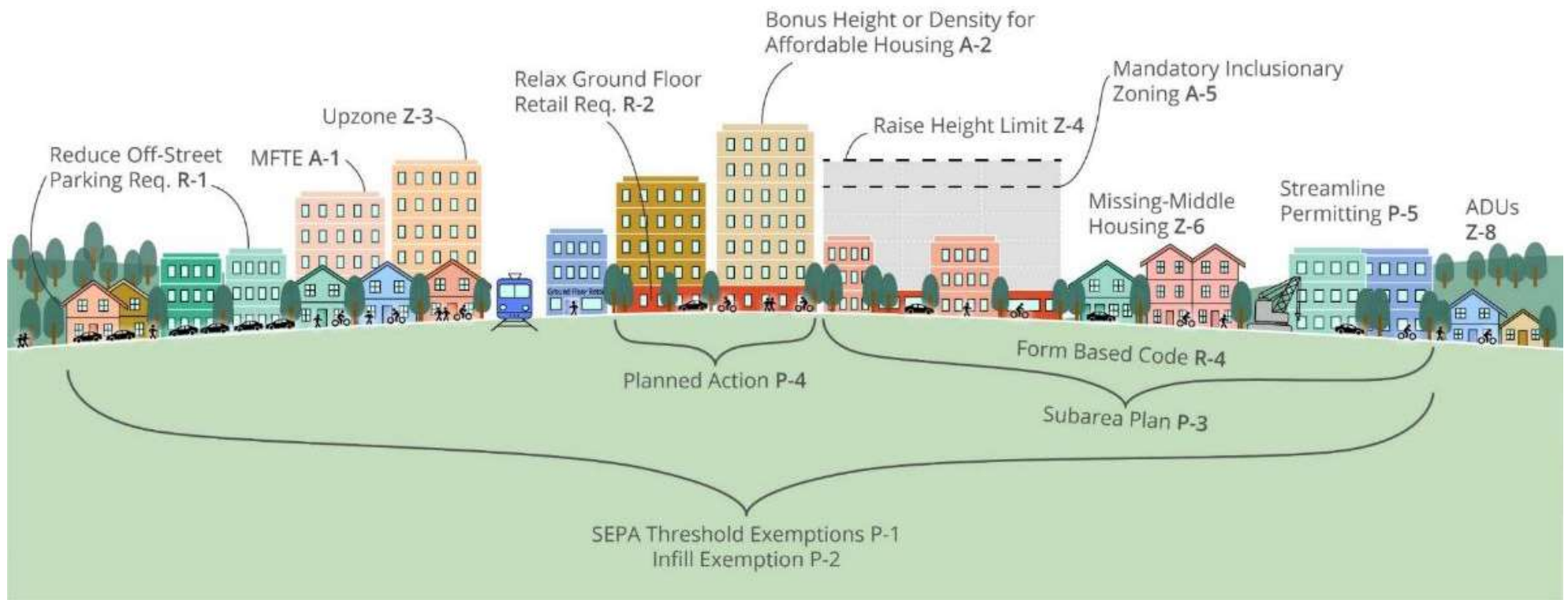
- How well are existing programs working? (MFTE, density bonus, etc.)



Example: Auburn Housing Element Update (2015)



Selecting Strategies to Address Needs



Housing Strategies



- Zoning and other regulatory strategies
- Process improvements
- Affordable housing incentives
- Funding for affordable housing
- Mitigating displacement

Considerations When Selecting Strategies

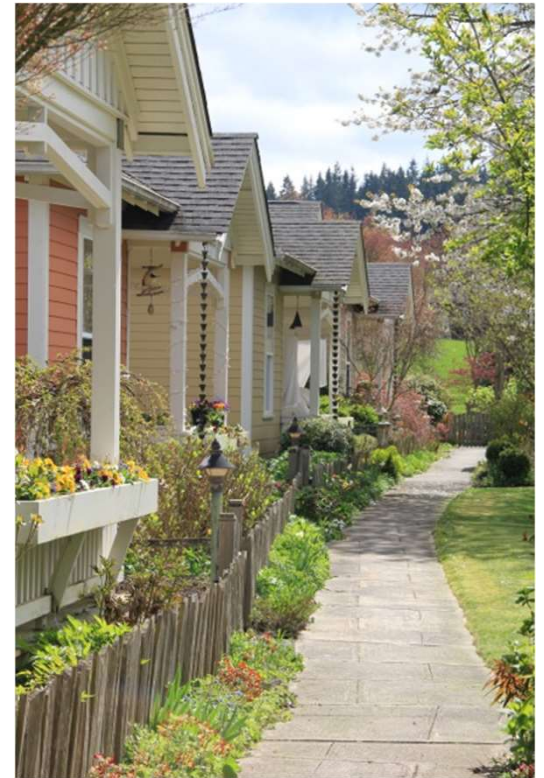
What type of community/neighborhood are we planning for?

(urban center, corridor, small city, rural community)

What types of needs are we trying to address?

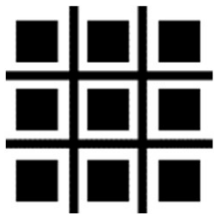
(general housing supply, housing prices, affordable housing, senior housing, homelessness)

What are current market conditions that will impact how we address these needs?

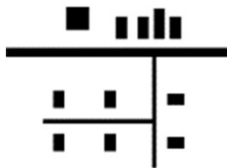


Community Typologies

Metro
Center



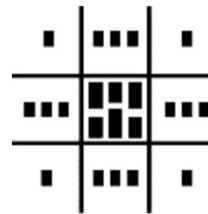
Outer
Suburb



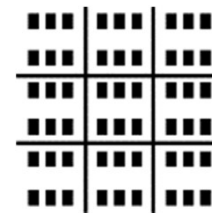
Arterial
Corridor



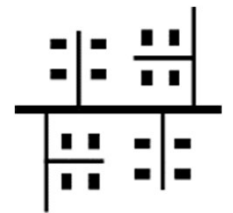
Small
Cities &
Towns



Compact
Neighborhood



Low Density
Neighborhood



What Need Does a Strategy Meet?



- Increase housing supply
- Housing diversity
- Affordable homeownership
- Middle-income rental housing
- Senior housing
- Very low-income housing

| Matrix Legend: | Community Typology | | | | | |
|---|--------------------|--------------|-------------------|----------------------|----------------------|--------------------------|
| | Metro center | Outer suburb | Arterial corridor | Small cities & towns | Compact neighborhood | Low-density neighborhood |
| ● Typically relevant | | | | | | |
| ○ Occasionally relevant | | | | | | |
| ★ Potential high impact | | | | | | |
| ☆ Potential moderate impact | | | | | | |
| Strategy number and name | | | | | | |
| Revise Zoning Standards | | | | | | |
| Z-1 Reduce Minimum Lot Sizes | | ● | ○ | ● | ● | ● |
| Z-2 Require a Minimum Density | ● | ○ | ○ | | ○ | ● |
| Z-3 Upzone | ● | ○ | ● | ○ | ○ | ○ |
| Z-4 Increase Building Height | ● | ○ | ○ | ○ | ○ | |
| Z-5 Integrate or Adjust Floor Area Ratio Standards | ● | ○ | ○ | ○ | ○ | |
| Z-6 Increase Allowed Housing Types in Existing Zones (cottages; 2, 3, 4-plexes; townhouses; micro-housing) | ○ | ● | ○ | ● | ● | ● |
| Z-7 Increase or Remove Density Limits | ● | ● | ● | ● | ○ | |
| Z-8 Revise ADU Standards | | ● | | ● | ● | ● |
| Z-9 Offer Density and/or Height Incentives for Desired Unit Types | | ○ | | ● | | |

| Matrix Legend: | Distinct Housing Needs | | | | | |
|-----------------------------|-------------------------|-------------------|--------------------------|------------------------------|----------------|-------------------------|
| | Increase housing supply | Housing diversity | Affordable homeownership | Middle-income rental housing | Senior housing | Very low income housing |
| ● Typically relevant | | | | | | |
| ○ Occasionally relevant | | | | | | |
| ★ Potential high impact | | | | | | |
| ☆ Potential moderate impact | | | | | | |
| Strategy number and name | | | | | | |

Revise Zoning Standards

| | | | | | | |
|---|---|---|---|---|---|---|
| Z-1 Reduce Minimum Lot Sizes | ☆ | ☆ | ★ | ☆ | | |
| Z-2 Require a Minimum Density | ☆ | | ☆ | | | |
| Z-3 Upzone | ★ | ☆ | ☆ | ☆ | | |
| Z-4 Increase Building Height | ☆ | | | ☆ | | |
| Z-5 Integrate or Adjust Floor Area Ratio Standards | ☆ | ☆ | | ☆ | | |
| Z-6 Increase Allowed Housing Types in Existing Zones (cottages; 2, 3, 4-plexes; townhouses; micro-housing) | ☆ | ★ | ★ | ★ | ★ | |
| Z-7 Increase or Remove Density Limits | ★ | ☆ | ☆ | ★ | | |
| Z-8 Revise ADU Standards | ☆ | ☆ | ☆ | ★ | ★ | |
| Z-9 Offer Density and/or Height Incentives for Desired Unit Types | ☆ | | ☆ | ★ | ☆ | ☆ |

Guidance for each strategy

What's included:

- General description
- Gaps addressed
- When & where applicable
- Potential drawbacks
- Tips for success
- Time/capacity/skill needed
- Resources

Z-6a Cottage Housing

Cottage housing typically refers to a cluster of small dwelling units (generally less than 1,200 square feet) around a common open space. The cluster arrangement around a common open space also offers a model that's been very attractive to empty nesters, singles, couples and even some small families. They offer a development approach that is appropriate and compatible with low density residential neighborhoods. While the construction cost per square foot is often higher than a larger traditional single family home, their smaller size makes them more affordable than a typical single family residence. While cottage clusters may be on a single lot and rented like an apartment complex or divided into separate condominiums, most cottages today are built on fee simple lots with common areas maintained by a homeowners' association.

Gaps Addressed

- Increase housing supply
- Housing diversity
- Affordable homeownership
- Senior housing

When and Where Applicable

- Single family zones
- They apply best in areas with larger vacant or redevelopable properties or in neighborhoods built well below maximum density

Potential Drawbacks

- The site design could break up the street frontage pattern of single family development.
- Increased demand for on-street parking could be an issue depending on the amount of off-street parking and tenant mix, however, household size will generally be small.

Tips for Success

Density/massing and review process:

- Some density increase is essential, as such units are smaller and usually more expensive to build on a cost per square foot basis. The typical increase is two cottages per one traditional single family home.
- As an alternative to density limits noted above, consider applying a maximum floor area ratio limit in tandem with other design standards to fit well into the applicable single family context.
- Be sensitive to creating an overly burdensome approval process, which can discourage interest. For example, requiring a conditional use permit may discourage such developments as it tends to reduce the predictability for developers. A preferred approach is to allow cottage developments by right provided there are strict, but workable design standards to help ensure compatibility.
- Consider developing a trial period for cottages to ensure that the regulations and process are meeting the community vision for this development type. One bad project that is labeled a "cottage housing" development can stigmatize that product type for an entire community.

Design elements:

- Porches are a critical design component of successful cottage developments. Include standards to ensure that porches orient towards common open space(s) and are wide enough to be useful (seven feet wide or more is preferred).
- Provide design standards for both common open spaces and semi-private open spaces for individual cottages. Common open spaces should be the focal point of a development with at least half of the cottages in a cluster directly facing the space.

Revising Zoning Standards

Z-1 Reduce minimum lot sizes

Z-2 Require a minimum density

Z-3 Upzone

Z-4 Increase building heights

Z-5 Integrate or adjust floor area ratio standards

Z-6 Increase allowed housing types in existing zones

(cottage housing, duplex/triplex/fourplex, townhouses, courtyard apartments, micro-housing)

Z-7 Increase or remove density limits




Z-8 Revise accessory dwelling unit (ADU) standards

Z-9 Offer density and/or height incentives for desired housing type

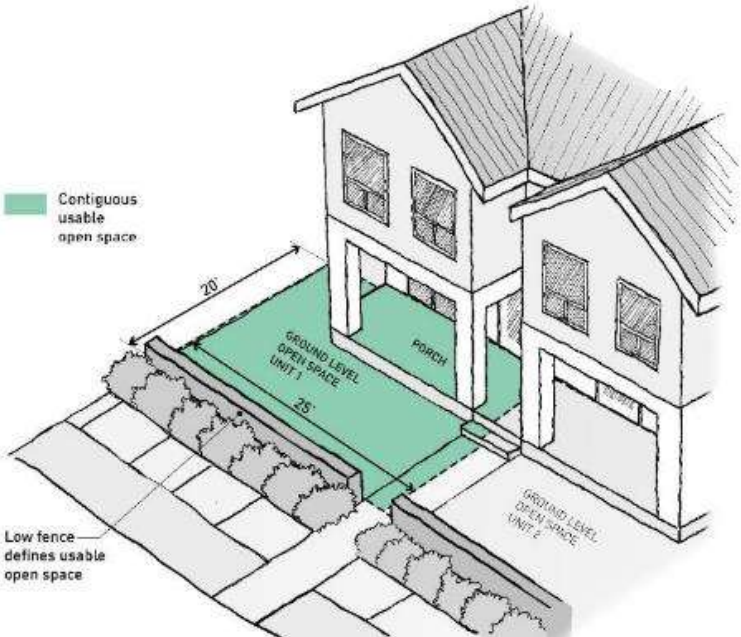
Revising Zoning Standards

Z-6: Increase allowed housing types in existing zones

- Cottage housing
- Duplex, triplex, fourplex
- Townhouse
- Courtyard apartment
- Micro-housing

| Subsection | Housing Type | Examples | Density Range (net) |
|------------|---------------------------|---|---------------------|
| Z-6a | Cottage housing |  | 6-20 du/acre |
| Z-6b | Duplex, triplex, fourplex |  | 8-32 du/acre |
| Z-6c | Townhouse |  | 12-40 du/acre |

Z-6b: Duplex, triplex, fourplex



Z-6c: Townhouses

Good examples:



Townhouses in Issaquah Highlands.
Source: MAKERS



Townhouses along a private internal drive in Redmond. Source: MAKERS



Townhouses in Issaquah Highlands,
Source: MAKERS



Lionsgate townhouses in Redmond was the first large urban townhouse complex in the Seattle region and immediately became a model for its pedestrian-friendly design. Source: Google Earth



Caution examples:



Tall fences create more privacy and usable open space for townhouse units, but create a stark unfriendly presence along the street. Source: MAKERS



Front-loaded townhouses create continuous driveways facing the street and reduce opportunities for on-street parking, while also contributing to a negative pedestrian environment. Source: MAKERS

Additional Regulatory Strategies

- R-1 Reduce off-street parking requirements
- R-2 Relax ground floor retail requirements
- R-3 Reduce setbacks, lot coverage and/or impervious area standards
- R-4 Adopt design standards
- R-5 Use a form-based approach
- R-6 PUD/PRD and cluster subdivisions
- R-7 Manufactured home and tiny house communities

R-2: Relax Ground Floor Retail



Process Improvements

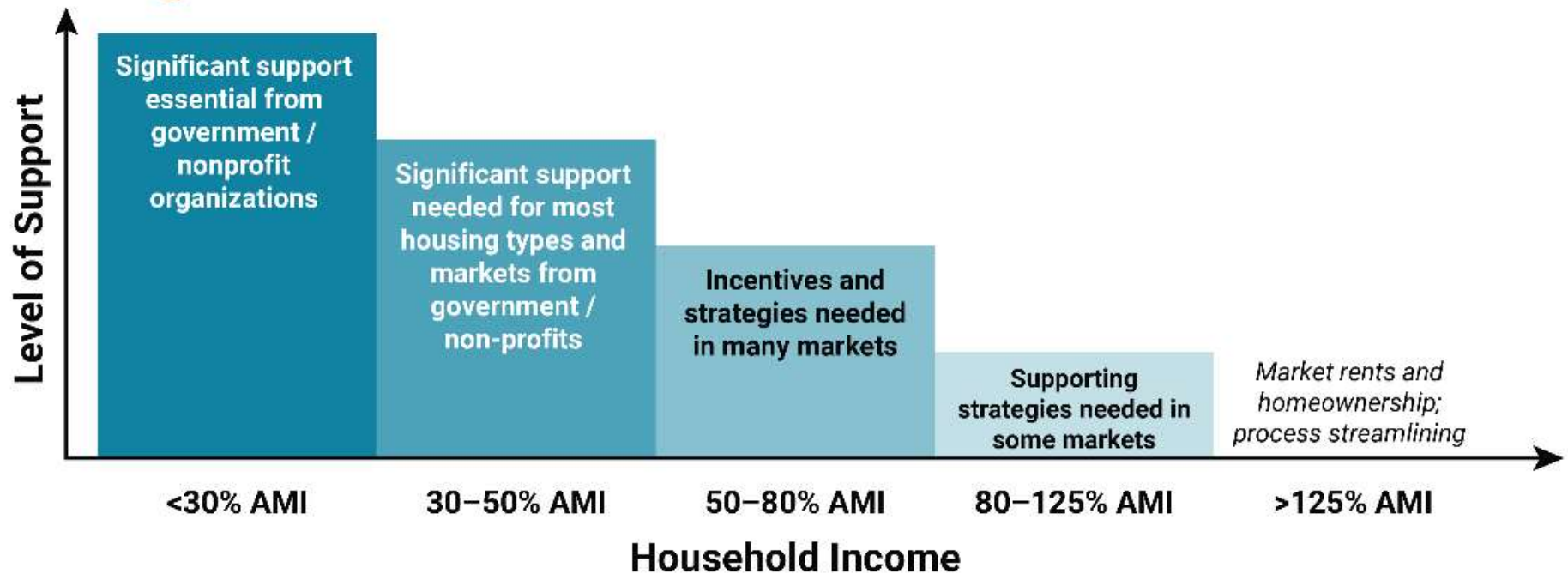
- P-1 SEPA threshold exemptions
- P-2 SEPA infill exemptions
- P-3 Subarea plan with non-project EIS
- P-4 Planned action
- P-5 Protection from SEPA appeals on transportation impacts
- P-6 Permitting process streamlining
- P-7 Subdivision process streamlining

P-1: SEPA Threshold Exemptions

| Project Types | Standard Exemptions All Communities | Fully planning GMA Counties – Maximum Exemption Level | | All Other Counties – Maximum Exemption Level |
|---|-------------------------------------|---|--|--|
| | | Incorporated and Unincorporated UGA | Other Unincorporated Areas | Incorporated and Unincorporated Areas |
| Single family residential | 4 units | 30 units | 20 units | 20 units |
| Multifamily residential | 4 units | 60 units | 25 units | 25 units |
| Office, school, commercial, recreational, service, storage building, parking facilities | 4,000 square feet | 30,000 square feet and 90 parking spaces | 12,000 square feet and 40 parking spaces | 12,000 square feet and 40 parking spaces |

Strategies for Affordable Housing

Strategies needed for different income levels...



Affordable Housing Incentives

- A-1 Multifamily tax exemption
- A-2 Density bonuses for affordable housing
- A-3 Alternative development standards for affordable housing
- A-4 Fee waivers for affordable housing
- A-5 Inclusionary zoning

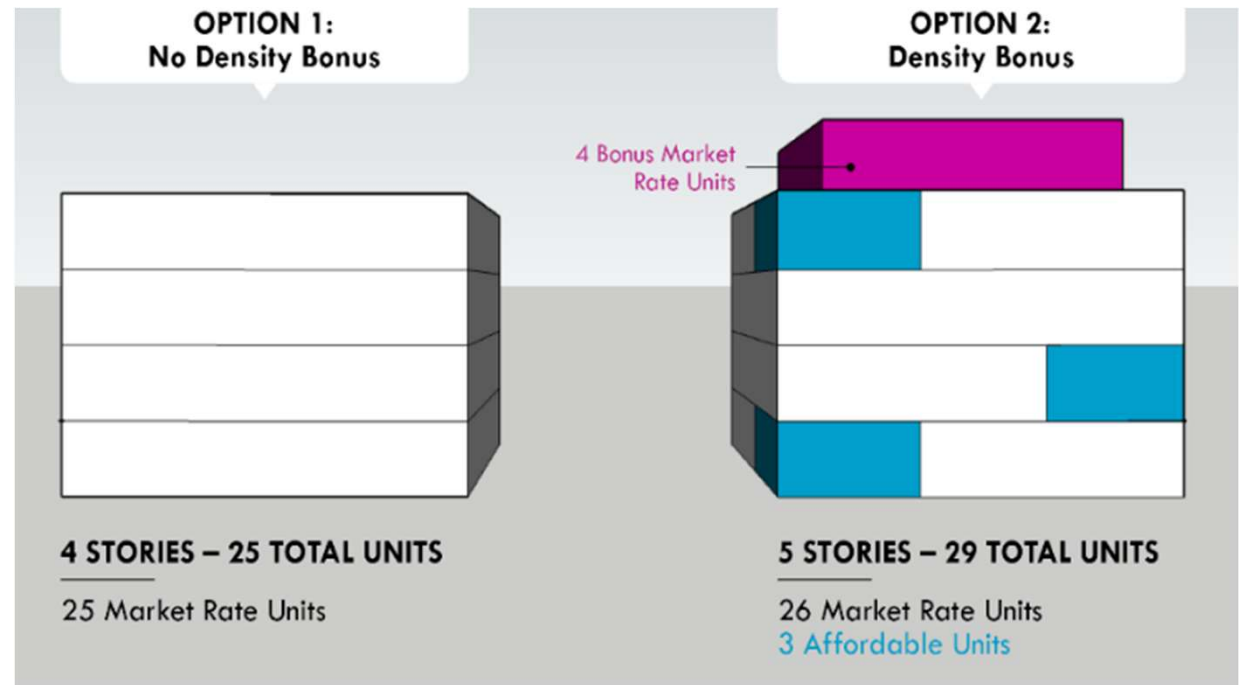


A-2: Density Bonus for Affordable Housing

Multifamily (MF) or single family development

Where?

- Communities needing more affordable MF development
- Along transit corridors and areas with amenities



Funding and Other Strategies

F-1 Local option taxes, fees and levies

F-2 Local housing trust fund

F-3 “Found” land: surplus land and other opportunities

F-4 Partner with local housing providers

O-1 Strategic infrastructure investments

O-2 Simplify land use designation maps

O-3 Local programs to help build missing middle housing

O-4 Strategic marketing of housing incentives

O-5 Temporary emergency housing

F-1: Local Option Taxes, Fees and Levies

Property tax levy for affordable housing:

- Up to \$0.50 per \$1,000 assessed value
- Serves households below 50% AMI
- Ex.: City of Bellingham

Sales and use tax for affordable housing:

- Up to 0.1% per dollar spent
- Serves households below 60% AMI
- Ex.: City of Olympia

Real Estate Excise Tax (REET 2):

- Additional 0.25% REET tax for GMA jurisdictions
- Can fund capital projects, including affordable housing
- Ex.: San Juan County

Feasibility: How Do We Use These Tools Effectively?

Example:

- A city wants to use **Inclusionary Zoning (IZ)** to promote affordable housing in an urban neighborhood
- Current stock: single-family housing, recent infill of duplexes/triplexes, older 3–4 story low-rise/garden apartments
- Existing MF zoning allows for **6 stories**
- IZ would allow **7 stories + added density** in exchange for affordable units



Question:

Will IZ incentivize new housing?

Looking at the Market Ecosystem

Financial Investment

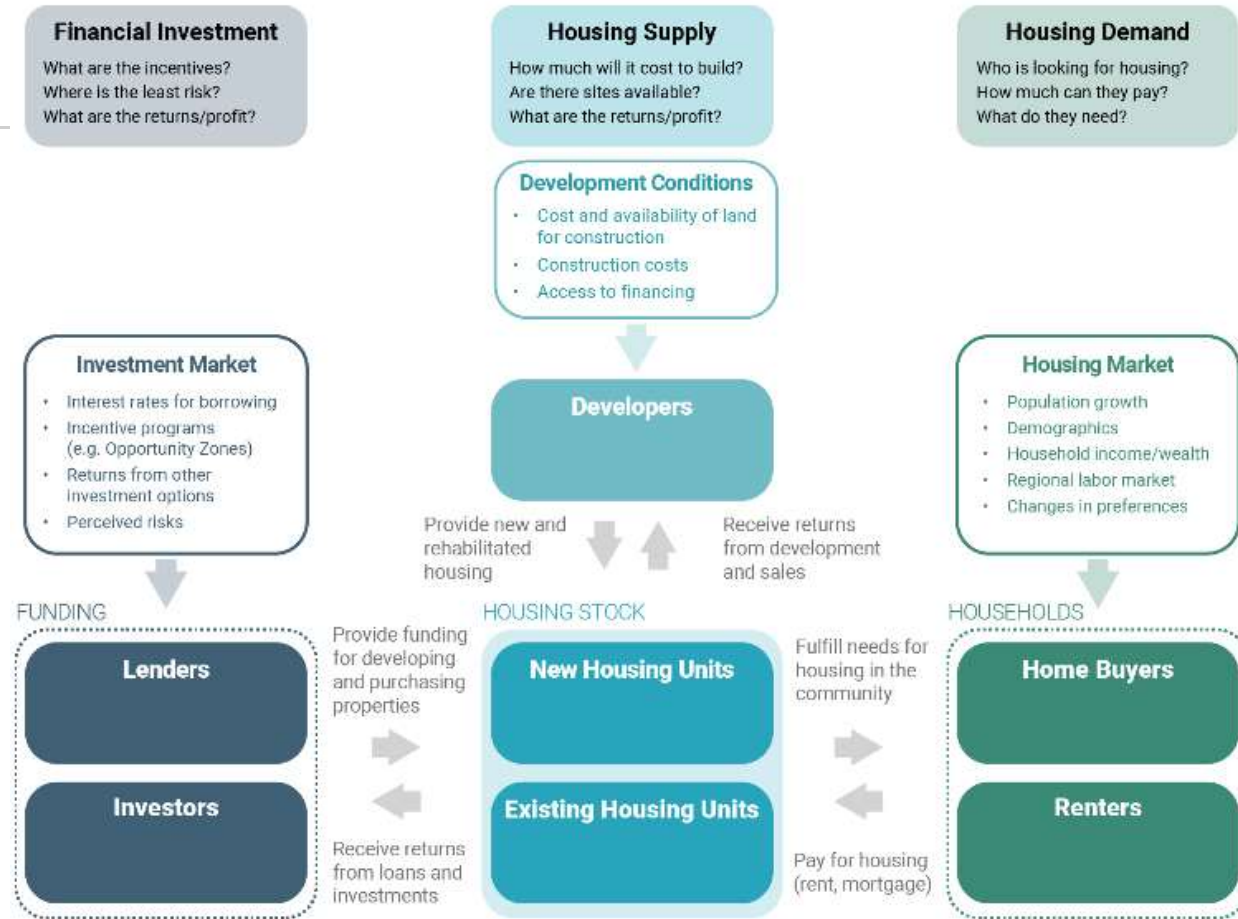
- Loans/mortgages
- Equity/investments

Housing Supply

- Current housing stock
- New housing stock and feasible projects

Housing Demand

- Homebuyers
- Renters



Effective Policies in the Market

Two major questions to consider

- Will developers and investors use these policies, programs and tools to create housing in the community?
- Will they be effective in providing the housing needed?

The answers are influenced by

- **Rate of return:** What is the likely return on a certain investment versus other investment options?
- **Risk:** What is the likelihood of a lower return or even an obligation from a particular investment?



Evaluating Development Feasibility

Compare the magnitude of benefits with rents / prices

Consult with the real estate community

- Local and regional developers
- Realtors
- Housing nonprofits / housing authorities

Pro forma assessments of the benefits to project returns

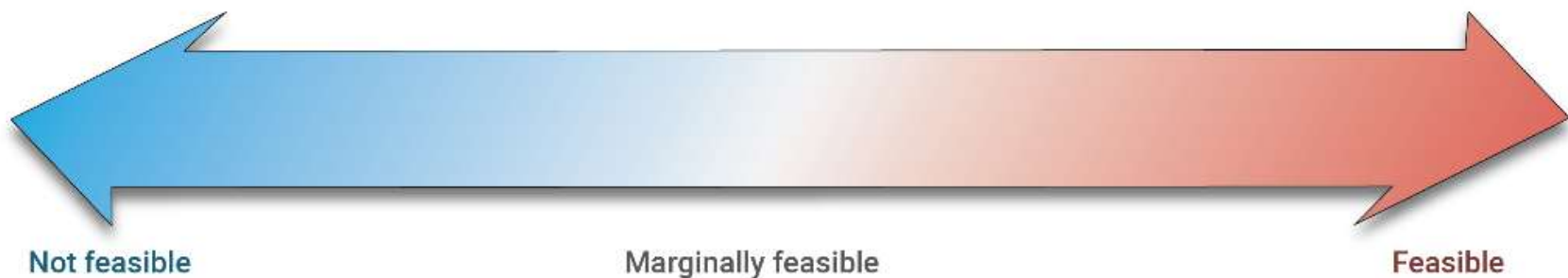


Development Feasibility

For a feasible project, income provides an acceptable rate of return based on:

- **Costs:** land prices, development costs, fees and charges, financing
- **Net income:** Revenue *less* operating costs, taxes, mortgage payments, etc.
- **Required rates of return** for an investment

Spectrum of Project Feasibility



Using Pro Forma Models

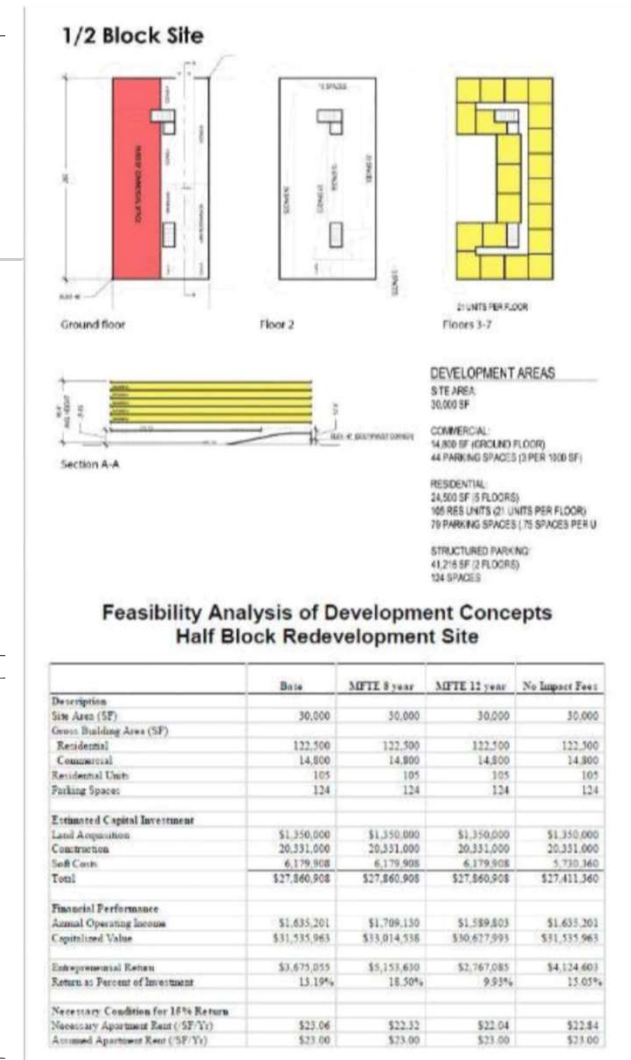
Pro forma models are a way to evaluate any investment

These models can be used to compare prototypical real estate projects:

- Development/purchase costs
- Operating expenses
- Income (gross/net)
- Expected performance (rate of return)

Development program

Financial assessment

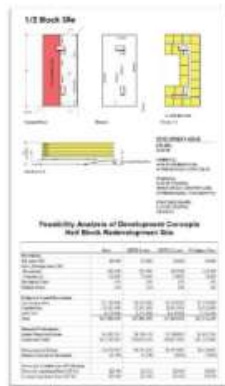


Using Pro Forma Models

What are the expected effects of different policies on feasibility?

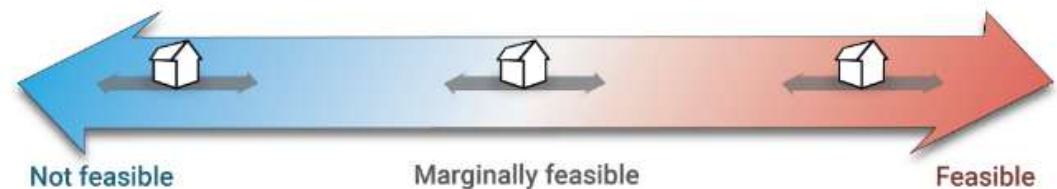
- Development cost changes
- Changes in revenue
- Changes in operating expenses
- Adjustments to financing and required rates of return

Scenario
Evaluation



Possible outcomes:

- Projects are not feasible, even with significant incentive programs
- Projects are very feasible in a “hot” market, and some requirements possible without significant impacts
- Marginal market where incentives can make the most difference



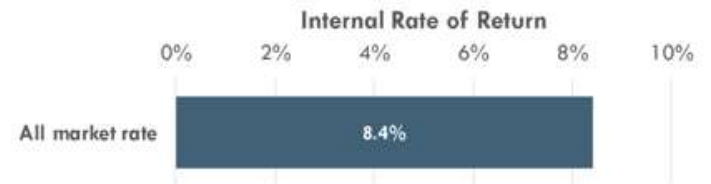
Example: Providing Affordable Housing

Prototype multifamily development project in unincorporated Pierce County

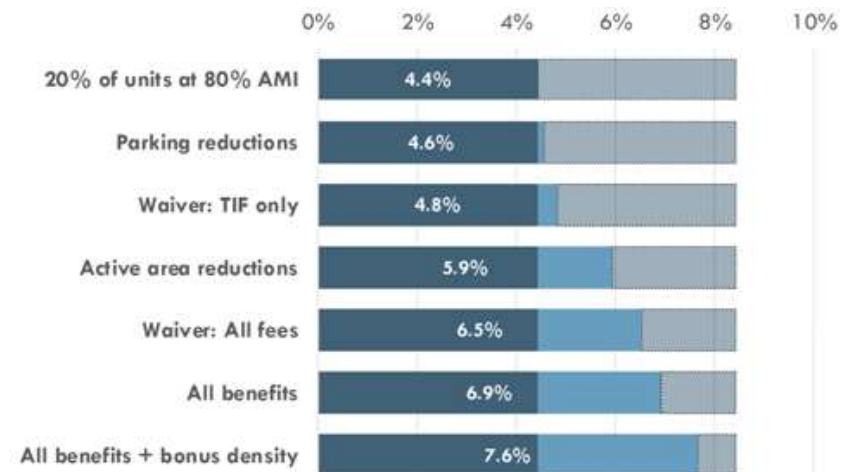
Question

Can you subsidize 20% of units to be affordable at 80% AMI?

Calculate a base scenario:



Evaluate the impacts of changes:

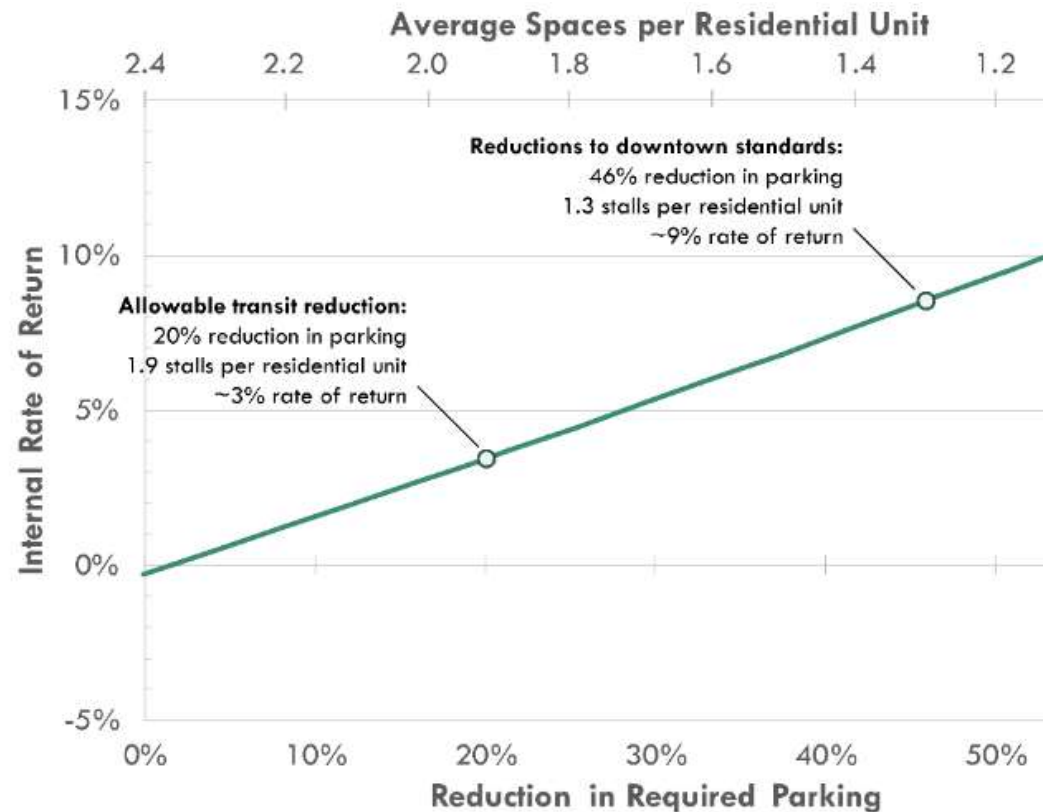


Example: Parking Reductions

Prototype mixed-use residential/retail project in city of Bothell

Question

Can you make the project feasible by reducing parking requirements?

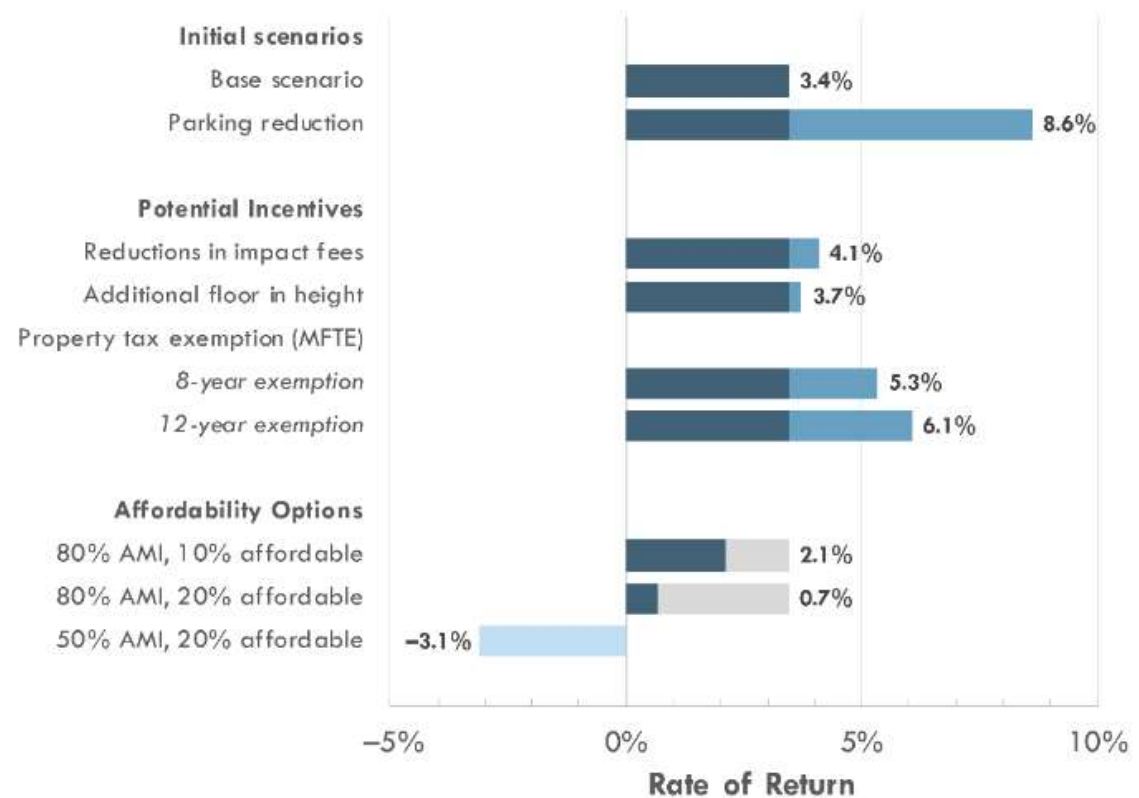


Example: Parking Reductions

Prototype mixed-use residential/retail project in city of Bothell

Question

Can you make the project feasible by reducing parking requirements?



Addressing Displacement

Three types of displacement

- Physical Displacement
- Economic Displacement
- Cultural Displacement

Proactively addressing displacement

- Act early
- Set goals and monitor progress
- Capture benefits of new development

A HAP should:
“Consider strategies to minimize displacement of low-income residents resulting from redevelopment”
RCW 36.70A.600(2)(d).

Strategies to Reduce Physical Displacement

- Strategic acquisition & financing of existing multi-family housing
- Support third-party purchases of existing affordable housing
- Notice of intent to sell
- Foreclosure intervention
- Regulating short-term rentals
- Mobile home relocation
- Mobile home park conversion to cooperative
- Tenant relocation assistance
- Just cause eviction protections
- “Right to return” policies

Strategies to Reduce Economic Displacement*

- Community land trusts
- Need-based rehabilitation assistance
- Down payment assistance towards homeownership
- Need-based assistance

* All strategies to increase housing supply help reduce economic displacement pressure



Implementation and Monitoring Plans

Implementation plan

- Priority
- Timeline
- Responsible parties
- Type of action needed
- Investment/cost

Monitoring results

- Select metrics
- Report on progress

Action 1.3: Update the Multifamily Tax Exemption Program to Increase Its Impact

| <i>Priority</i> | <i>Timeline</i> | <i>Type</i> | <i>Lead Party</i> | <i>Who can assist?</i> | <i>Investment</i> |
|-----------------|-----------------|-------------|-------------------|---|-------------------|
| High | 1 year | Legislative | City Council | Community and Economic Development Department | Staff – 0.5 FTE |

Adopting the HAP

Develop the HAP to respond to housing needs

Stakeholder engagement and public review

Environmental review (SEPA)

Adopt by resolution or ordinance


Implementation and monitoring

Tips for Adoption

- Plan for adoption from the beginning
- Engage decision makers along the way
- Simplify the process

Case Study: Anacortes (2019)

Reviewed current code against comprehensive plan policies to determine possible code revisions

| | Current Code | Comprehensive Plan Policy | Concepts for Consideration |
|---|---|---|---|
| <p>Accessory Dwelling Units (ADU)</p>  | <ul style="list-style-type: none"> • Allowed in all residential zones subject to standards • May be within a single family home (attached) or detached • May be up to 900sf in area • A total of 3 off street parking spaces for the home & ADU are required • Height limit is 16' for detached ADUs | <p>Allow for attached and detached ADUs in all residential districts provided size, design, and other provisions are included to promote compatibility with surrounding uses.</p> | <ul style="list-style-type: none"> • Adjust height limit to allow a gabled second floor for ADUs built over garages (but perhaps not a full 2nd floor) • Limit ADU/garage structure to no more than 75% of the lot width • Allow on-street parking to count for one required parking space |

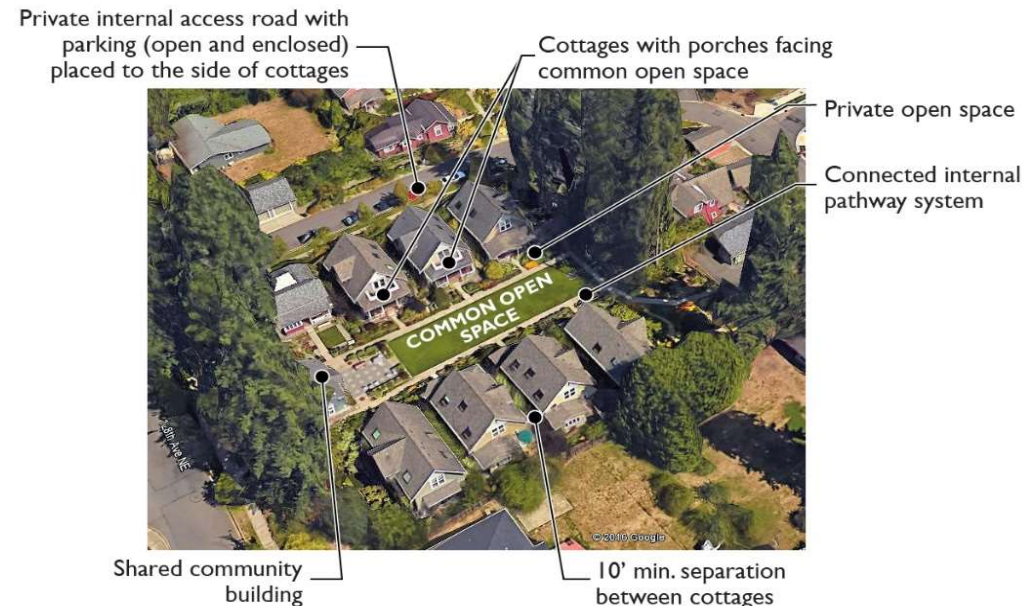
Case Study: Anacortes

Mix of strategies used:

- Z-1 - Reduce minimum lot size
- Z-2 - Minimum density in CBD & mixed-use zones
- Z-3 - Upzone key waterfront site
- Z-6 - Expand list of permitted housing types
- Z-7 - Increase or remove density limits
- Z-8 - Revise ADU standards
- Z-9 - Height bonus for small units in two zones

-
- R-1 - Reduce off street parking requirements
 - R-2 - Relax ground level use requirements
 - R-3 - Relax setbacks and lot coverage standards
 - R-4 - Adopt design standards
 - R-5 - Use a form-based approach

-
- A-2 - Density bonus for affordable housing



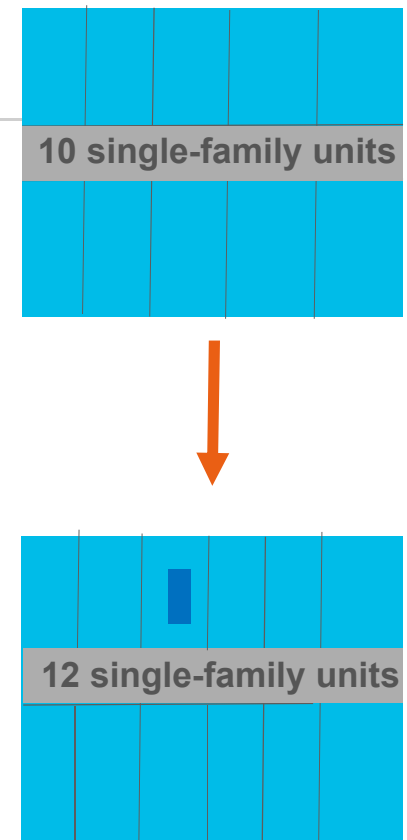
Case Study: Prosser (2018)

Prosser worked to add more and more affordable housing.

- Simplified land use designations: “residential” and “steep slope residential”
- Rewrote zoning codes to reflect new comprehensive plan policies
- Housing density incentive (PMC 18.95)
- Fee waivers for senior housing (PMC 18.96)

How do you bring developers to the table?

- Increased density
- Efficient process



Case Study: Prosser



What they achieved

- As of May 2020, they have 3 high-density rezones.
- First application for private development of affordable housing unit (pending).
- Changing hearts and minds of the citizens.

What they hope to achieve in the next 24 months?

- Mixed development – both multifamily and multi-income
- Address housing affordability through private for-profit developments
- End poverty concentrations

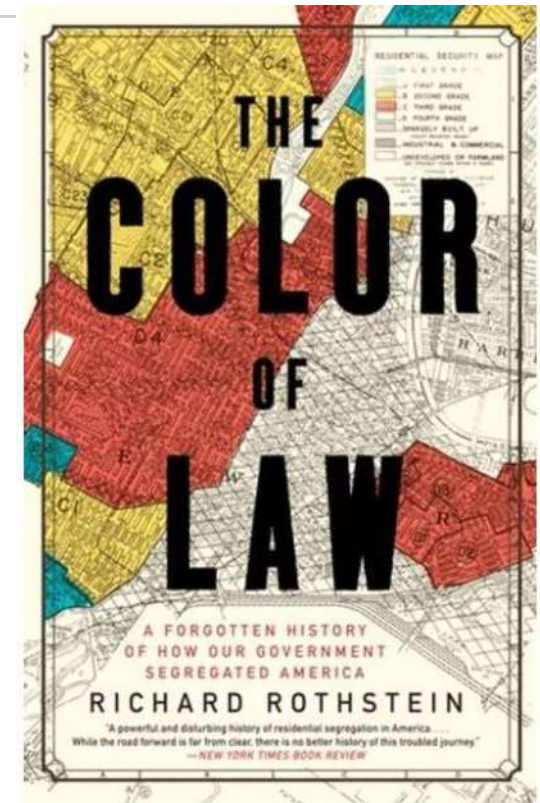
Final Point: Housing and Race

The US has broad history of housing discrimination

We have an opportunity to focus on race and poverty issues in housing.

Remember

- Variety of housing
- Areas of opportunity
- Watch for displacement



Housing Action Plan Resources



Housing Action Plans

A housing action plan (HAP) is an optional tool, described in RCW 36.70A.600(2), that defines strategies and implementing actions that promote greater housing diversity, affordability and access to opportunity for residents of all income levels. Please click on the pages under the "Housing Action Plan" tab for resources, example documents, housing images, presentations and HAP webpages.



Commerce housing planning webpage
www.commerce.wa.gov/serving-communities/growth-management/growth-management-topics/planning-for-housing/

EZ View housing action plan (HAP) resource page
www.ezview.wa.gov/site/alias_1976/37657/housing_action_plans.aspx

Questions?



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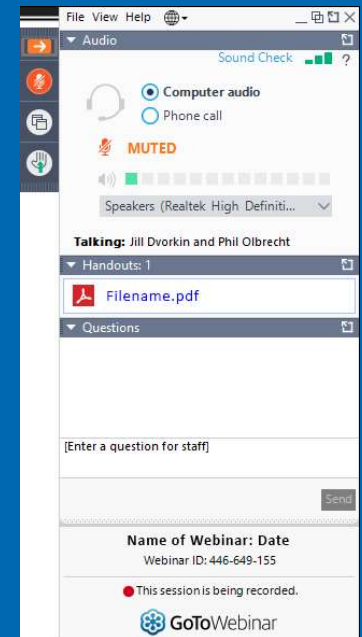
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1. Click the orange arrow to expand or collapse the toolbar.
2. Enter your inquiry in the “Questions” dialogue box and click the “Send” button.



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