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SUBJECT: **DRAFT** Island County Housing Challenges and Assets

Introduction

Island County's Housing Element Update process is at a mid-point. The first phase of the process included several information gathering tasks: outreach efforts to various stakeholders, an online survey of local residents, and an analysis of housing needs, data, and trends. The current phase of work is evaluating this information and then updating draft goals and policies for review. The next phase of work to occur later in the winter and through the spring, will be to get public input on the draft goals and policies and to conduct the necessary environmental review.

The purpose of this memorandum is to identify and summarize the key housing challenges and assets to build on that can inform the process of updating the current Housing Element's goals and policies.

- **Housing needs and challenges** include programmatic, institutional, regulatory, or policy constraints that are barriers to market-rate or subsidized affordable housing¹ development.
- **Existing housing assets** include funding, programs, and partnerships that currently support the development or preservation of subsidized affordable housing and policies that support the development of a variety of housing types.

Background

A comprehensive plan's Housing Element needs to provide policy direction for County regulations, programs, and initiatives related to housing. It does not need to address every housing topic, but it should reference all existing programs and services and objectives that are a priority for the County.

Several of the Housing Element's goals and policies already address some of the challenges and assets identified. These goals and policies will likely remain and/or be modified. Where there are challenges and assets identified that do not have a corresponding goal or set of policies, the updated Housing Element should include new goals or policies for those topics.

¹ For this project, housing is defined as "affordable housing" when a household spends less than 1/3 of their gross income on total housing related expenses, such as rent, mortgage payments, and utilities. Affordable housing can be either subsidized to ensure rents are low enough to be affordable or unsubsidized, market-rate housing where the rent or price is low enough to be considered affordable to the resident without a subsidy.

Comprehensive plan goals should capture the primary housing objectives for Island County. Island County's currently has four goals in its Housing Element:

- Goal 1: Promote fair and equal access to housing for all persons.
- Goal 2: Promote a variety of residential densities and housing types in appropriate locations where infrastructure, public transit, and/or services are readily accessible or planned for the near future.
- Goal 3: Encourage preservation of existing housing stock and the character of existing neighborhoods and communities.
- Goal 4: Implement Island County's Housing Element in accordance with RCW 36.70A.070(2).

The Baseline Review memorandum determined that the goals in the current Housing Element generally correspond to the housing issues in the county and are consistent with the Growth Management Act's requirements. Since the Baseline Review was completed in October, the consultant team has conducted extensive outreach to different stakeholders, conducted an online survey, and completed a housing needs analysis. These efforts have provided additional information on housing challenges in the county and existing assets that the County can build on, which are summarized in the following two sections.

Overall, a couple of the broad takeaways from the outreach and analysis tasks include:

- The housing market in Island County needs more types of housing.
- There is a sizable need for housing that is affordable to lower-income households, particularly renters.

The County has already taken steps to address these housing issues, which is discussed more in the Housing Assets sections. However, more still needs to be done and this will require innovative approaches and coordination within Island County government and with other local governments and organizations. Implications for updating the Housing Element include establishing clear goals that have a variety of appropriate policies to support and implement those goals. This will require assessing what additional options are possible under the Growth Management Act that are not already being pursued, ensuring existing policies are as effective as they could be, and identifying new approaches that can be pursued.

Document Organization

The remainder of this document is organized into three sections:

- The first summarizes current, individual housing assets.
- The second section summarizes individual housing needs and challenges identified.
- The last section provides an overview of the implications for updating the Housing Element that considers challenges and assets to address, and the existing goals and policies.

Existing Housing Assets

Housing assets in Island County include policies, programs, and partnerships that the County has developed or is currently administering that are working well and that should be maintained and/or expanded and improved.

The County has already created and pursued a number of housing-related policies to address the need for more housing types and support affordable housing. These actions are based on existing policies in the Housing Element. The County is also significantly involved in supporting programs and services for homeless and affordable housing, primarily through the Human Services Department. In addition, the Human Services Department provides leadership and coordination for the Housing Provider Network, which includes public, private, and nonprofit organizations providing housing and supportive services within Island County.

Specific assets identified are discussed in more detail below. This list is not a comprehensive inventory of everything that is taking place in the county. It does represent those that have the most implications for updating the Housing Element's goals and policies. These assets are also the foundation for the implementation of the updated Housing Element.

Existing Policies

- **Proactive and financial support for low-income housing development.** Island County has been proactive in purchasing property for the development of low-income housing. Up-front and pre-development actions, such as acquiring suitable property and due-diligence, can be a challenge for affordable housing development. Continued financial support and collaboration to increase the stock of housing affordable to low-income households will be important to continue. Other options not currently used that could be pursued include permit fee waivers or new funding sources, such as a 0.1% sales tax² for affordable housing.
- **Zoning that allows smaller and multi-unit housing.** A variety of housing types are allowed under the Growth Management Act as long as they are consistent with rural character and densities. In unincorporated areas, more intensive residential uses are allowed in designated local areas of more intense rural development (LAMIRDs)³. The County currently allows housing besides large single-family homes, such as accessory dwelling units, small-lot homes, multi-plexes, and farm worker units, in a number of the current zones and RAIDs. The flexibility of building smaller and/or multi-unit homes in unincorporated areas address the need for a variety of housing types in the county. However, relatively few of these types of units have actually been built, and increasing production of these types of units in zones where they are already allowed will be important to provide a broader set of housing available in Island County.

² RCW 82.14.530

³ WAC 365-196-425 (6)

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- **Manufactured homes and manufactured housing communities:** Manufactured homes (MH) and manufactured housing communities (MHCs) represent a very important part of the county's affordable housing stock. The issues for the County to consider are how to preserve and enhance the existing MH and if it wishes to change any of its current land use policies with respect to MH and MHC going forward. The greatest risk to current residents is the possibility of closure.

Programs

- **Homeless system:** The County has developed a very well-organized collaborative structure for providing shelter, transitional housing, and services for those without housing that consists of a central Housing Support Center and a network of providers. The system has both reduced the time between a person needing help and receiving it, provided that appropriate resources are available. The system also provides an effective way of tracking housing needs, including whose needs are met and whose needs cannot be met currently. The homeless system prioritizes keeping the precariously housed in housing through short-term assistance and is also effective at helping the situationally homeless. Currently, the system is performing well but is taxed to the maximum. The ongoing challenge for the County is to continue to find the resources to keep it running well and to expand the services it provides.
- **Existing subsidized housing:** The County has approximately 450 to 485 subsidized housing units for families and individuals. As discussed above, this is a very important asset that needs to be preserved because opportunities to create new housing are limited.
- **Housing vouchers:** The Housing Authority of Island County is able to issue approximately 222 Housing Choice vouchers (formally known as Section 8 vouchers) and 14 Veterans Affairs Supportive Housing (VASH) vouchers (authorization is for 275 Housing Choice vouchers and 14 VASH vouchers). The Housing Authority's willingness to project-base additional VASH vouchers if it receives the allocation is an important asset in attracting and working with affordable housing developers.
- **Potential new projects in the pipeline:** There are two affordable and/or transitional housing projects in the pre-development stages that would target low-income households.

Partnerships and Networks

- **Nonprofit development capacity:** Island County benefits from having both a local nonprofit with recent development experience (Housing Authority of Island County) and good relationships with statewide and regional developers (such as the Low Income Housing Institute). This is probably the right combination of nonprofit development capacity to maintain over the next five years. To expand their options, County staff may wish to talk with other members of the Skagit HOME Consortium about nonprofit developers active in their areas and initiate informal informational meetings with those

that complement existing relationships, such as developers expert in farmworker housing and rural development financing sources.

- **Professional network:** Island County staff are engaged in regional and statewide affordable housing initiatives which provide informal opportunities to meet and share ideas with others in the field. Current activities include participation on the Washington state Low Income Housing Alliance Homelessness Advisory Committee and Public Policy Committee, and the Steering, Governance, Review and Homeless Families Committees of the Balance of State Continuum of Care. Staff are also active in the Skagit HOME Consortium. The County should continue to support staff involvement in these and other professional groups.
- **Local committees:** County staff manage two local committees: the Housing Advisory Board, which reviews and ranks projects for locally-managed homelessness funding, and the Housing Provider Network, the means through which homeless services are coordinated. Staff involvement in this work is critical to both program delivery and broadening the base of support and knowledge about homelessness and housing issues.
- **Interjurisdictional coordination.** The County has been a key stakeholder in the North Whidbey Affordable Housing Task Force, which has been working to address housing issues in north Whidbey Island. The Task Force developed and prioritized list of recommendations and action items for each jurisdiction to implement. Continue coordination with Oak Harbor and other jurisdictions in the County will be important going forward.

Housing Needs and Challenges

Based on the Housing Needs Analysis and outreach efforts, housing challenges in Island County include the need for a variety of housing types, the need for more housing affordable to low-income households, as well as a number of existing conditions that present different challenges.

Island County's population is aging and becoming increasingly diverse making it hard to find rental housing. The existing housing stock is relatively homogenous; almost 80 percent of homes in the County are single-unit homes, which reflects past growth, market demand, and regulations in Island County. The need for housing in the future will likely include more rental options, smaller units, and senior housing than the current share of this type of housing.

Island County also has a shortage of housing affordable to homeowners and renters with modest to low incomes. Currently, over one-third of households (36) in Island County are housing cost-burdened (they spend more than 30 percent of their income on housing-related costs). The affordability challenge is even more acute for renters where half of all renters, and more than three-quarters of renters with incomes less than \$25,000, are housing cost-burdened.

Lastly, the rural nature of much of Island County presents challenges for housing. The availability of infrastructure limits the location and intensity of development in many locations.

The multi-phase permitting process can be lengthy, and the access to health care, transit, and other services are often not nearby.

Specific challenges within each of these areas are discussed in more detail below.

Development and Regulatory Challenges

The existing housing stock is predominantly single-unit housing. This creates a mismatch of existing single-unit stock with existing and future needs. To accommodate an aging population, younger households, and/or lower-income households, more options for smaller units (those with just one or two bedrooms) and rental housing is needed. These could take the form of cottage housing, tri-plexes, or apartments (including apartments specifically for seniors).

A diversification of housing types is needed to meet the future needs of the county. Future policies and regulations should facilitate a diversification of the housing stock with attention to encouraging multifamily, smaller units, and rental housing in the appropriate areas. The strategies for achieving diversification will be somewhat different for the RAIDS and the UGAs than they will be for the more rural areas, given the limitations of infrastructure and the GMA. More intensive development such as multi-family housing should be reserved for the RAIDS and the UGAs. In the rural county areas, a full utilization of the rural housing tools, provided under the GMA, should be explored.

- **Sizable, vacant sites for multifamily housing development are challenging to find.** Interviews with housing providers and builders noted that it is a challenge to find sites within cities and unincorporated areas that are zoned for a multifamily housing development, that are large enough for an apartment development, and that do not already have an existing use. Parking and (in some cases) drain fields, drive the need for larger lot sizes. In unincorporated areas, multifamily housing is only allowed in the Rural Center zone. Mixed-use development is allowed in the Rural Center, Rural Village, and Rural Service zones.
- **Farm labor housing availability.** Despite a stated need for farm labor housing (both seasonal and longer-term), the ability to build this type of housing is a challenge. One of the main issues is density limits within Rural Agriculture and Commercial Agriculture zones, which limit housing to one unit per 10 or 20 acres. Both these zones to allow "Dwelling units for farm workers." However, the same lot density requirements apply to this type of housing as a single-family home, for example.
- **Opportunities for manufactured home communities.** Existing regulation for manufactured home parks in the Rural zone require parcels be at least 10 acres in size and have no more than 30 homes on 20 acres. Reducing the minimum lot area requirement (while still maintaining the same density levels currently allowed of 1.5 dwelling units per acre) would increase the number of sites that manufactured homes could be built in the County.

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- **Clustered housing.** Existing subdivision regulation allow the clustering of up to six homes in a smaller area as way to maintain larger areas of contiguous open space in rural areas. More than one cluster can be developed, but must be separated by 200 feet from other clusters. The current review process for these planned residential developments is not straight-forward. Different types of land use decisions are required depending on the number of lots created, underling zoning, and initial lot size. In addition, the current option for clustering housing does not always offer density benefits to home builders. As a result, few clustered housing developments have been built in Island County. Saratoga Hills on Camano Island is one example of a recent development that used clustered housing.
 - **Accessory Dwelling Units and Guest Cottage Housing.** Accessory dwelling units or guest cottage housing are allowed in a number of zones throughout the County. There is a limit of 35 guest cottages that can be permitted within one year. However, over the last five years, the County has averaged less than 15 of these units a year, well below the 35-unit maximum. The County may want to evaluate the potential for facilitating the development of these units. Possible options include a streamlined permitting process or pre-approved guest cottage building types.
 - **Permitting process.** Through stakeholder outreach and one-on-one interviews, people mentioned Island County’s process for attaining the necessary permits can be a lengthy process. Permitting on an island has inherent challenges related to infrastructure and critical area issues that vary by location and lead to a level of unpredictability. At issue is the need to get three separate permits sequentially: water, septic, and building. Each permit is approved by a different department, which requires additional coordination. Approval times cited ranged from approximately two to four months or more. Stakeholders expressed concern that the multi-phased nature of the process makes it hard to lineup contractors and start of construction efficiently.

Market Conditions and Programmatic Challenges

- **Lack of funding for more subsidized low-income housing, particularly permanent affordable housing.** While the County's network of social service agencies and housing providers provide an efficient system of shelter and transitional housing options, they report that their clients cannot find permanent housing once their stay in transitional housing has ended. Given the County's low rental vacancy rate and the shortage of housing affordable to households with low incomes, new subsidized housing is needed to help fill the affordable housing gap of 2,750 units for households earning less than \$25,000 annually.
- **Loss of existing affordable units.** Some of the subsidized housing units built by private developers twenty to forty years ago are reaching the end of their required affordability periods and transitioning to market-rate housing that is beyond the means of low-income households to afford. Three subsidized projects totaling 73 units were lost from the inventory in recent years, and two others totaling 85 units—Harbor Heights in Oak

Harbor and Cam-Bey Senior Apartments in Coupeville—are currently at risk. In addition, service providers report that other projects are decreasing their share of affordable units as the underlying subsidies or affordability periods expire. More units are at risk than have been built in the last five years; their loss would have a significant impact.

- **Fair Market Rents (FMRs) are lower than military Basic Housing Allowance (BAS):** In a tight rental market with a shortage of low-cost units, even households with Housing Choice Vouchers (formally known as Section 8 vouchers) are challenged to find housing that they can afford. The BAS is higher than the maximum housing payment standard (based on FMRs) allowed by the Department of Housing and Urban Development. Thus, landlords find it more remunerative to charge rents pegged to the BAS than to rent to households with Housing Choice Vouchers, which makes it difficult for voucher holders to find units to rent.
- **Need for public information and advocacy:** Greater public awareness is needed of the range of individuals and families who face housing affordability challenges, including working families with low-wage jobs. This is an important step toward building a stronger commitment to supporting affordable housing development.

Existing Conditions Posing Challenges

- **Physical geography.** Island County has a variety of geographic constraints that make housing development more challenging than other locations. Specific issues include environmental constraints such as wetlands, shorelines, and soil/septic issues, as well as Ebey's Landing National Historic Reserve, which all limit the locations suitable for housing development within Island County.
- **Lack of sewer and water infrastructure.** Many areas within the county are zoned for more intense development, including Freeland, Clinton, and various Rural Areas of Intense Development (RAIDs) throughout the county. However, the existing water systems and lack of sewer systems in these areas limit the intensity of development and ability to develop infill housing. Freeland, in particular, is an area within a designated urban growth area that does not have the sewer treatment facilities to reach its development potential. Efforts have been made in the past to address this issue, and future options will likely be costly.
- **Limited access/proximity to health care and other services.** Much of the existing housing stock in Island County (72%) is in unincorporated areas of the county. Due to the county's rural character, many areas of more intense development, such as those on Camano Island, do not have health care, regular public transit, and other urban services nearby. This is especially an issue for siting future senior and subsidized affordable housing developments, which have limited suitable locations. Existing Goal 2 promotes building housing in locations where infrastructure, public transit, and/or services are readily accessible or planned. Enhancing public transit improvements and public health services in areas where future senior and subsidized affordable housing developments

can be supported (by infrastructure) will allow for Goal 2 to be more fully realized and allow more effective delivery of services to more intensively developed areas.

Next Steps

This review identified several housing challenges to address and assets the County can build on as part of updating the current Housing Element's goals and policies. The current Housing Element has goals that address these and other housing issues and related policies that provide direction for County regulations, programs, and initiatives. However, this review identified some challenges and assets that do not have a corresponding goal or policy.

Regulatory Options Under the Growth Management Act

The overall intent of the Growth Management Act (GMA) is to avoid urban sprawl by ensuring more intense forms of development and growth occur within designated urban growth areas (UGAs), which have the necessary services and infrastructure, and to maintain open space and the "rural character" in areas outside of UGAs. As a result, there are limited options for jurisdictions like Island County, which is predominantly rural, for supporting the development of different and denser housing types outside of UGAs.

The GMA does provide some options for development in rural areas, some of which are listed below. These options have advantages and disadvantages depending on the location. Island County already allows for some of these options.

- **Rural clusters** allow smaller individual lots through maintaining larger areas of open space. Under Island County's Planned Residential Development code, developers can receive a density bonus for clustering development.
- **Limited areas of more intense development (LAMIRDs)** allow counties to plan for more intense development in rural areas. Although new RAIDs cannot be created, a variety of housing densities and types can be accommodated within Island County's existing RAIDs.
- **Transfer of development rights (TDR)** programs allow the purchase of development rights on resource or rural lands and the relocation of those development rights to sites where more intense development is allowed beyond the base zoning.
- **New fully contained communities** can be approved outside of UGAs to accommodate a portion of its 20-year population target if new infrastructure is provided.
- **Affordable housing incentive programs** are an option for providing housing affordable to low-income households. Incentive used could include:
 - Fee Waivers or exemptions for permit and/or impact fees.
 - Expedited permitting to reduce waiting time to receive permits.
 - Density bonuses that allow more units than allowed under the base zoning.

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- Height and bulk bonuses that allow more building area than allowed under the base zoning.
 - Parking reductions to reduce the cost of development and provide more flexibility for utilizing a site.

In addition, under the State Environmental Policy Act (SEPA), local jurisdictions can adopt a **Planned Action Ordinance** to help implement a comprehensive plan or subarea plan. As part of the planned action process, local jurisdictions analyze the environmental impacts of future development in a subarea. Planned action ordinances then allow development projects under certain threshold studied upfront to avoid environmental review as part of the SEPA process.

Lastly, counties have the flexibility to establish development regulations that accommodate a wide range of housing types. In rural areas, counties have the ability to set densities and lot sizes as long as they are consistent with the rural character of the area. Rural character is defined in the Rural Element of the comprehensive plan.

Update of Goals and Policies

Our approach for updating goals and policies is to first review the existing goals and determine where there are gaps and what goals may need to be modified to better address specific objectives. After a set of updated Housing Element goals are established, we then have to determine if there are appropriate policies to provide guidance for achieving each goal. The review of policies is based on a baseline set of questions that address important topics related to each goal, such as:

- Direction on scope, scale, or location for implementation.
- Guidance on the use and/or prioritization of government resources, incentives, or subsidies.
- Identification of special populations to specifically address.
- Guidance on future land use changes and comprehensive plan dockets to support specific housing needs.

Next steps for the project include addressing these gaps and modifying the current goals and policies in the Housing Element. This will include removing unnecessary or redundant policies, modifying existing text to better address specific issues, and drafting language for new goals and policies. These changes will also likely result in some reorganization of the existing goals and corresponding policies as well.

The next two subsections discuss gaps and potential modification to the current goals and policies for consideration as part of the Housing Element update. These items are not comprehensive, and additional ones may arise through the review process with staff, elected officials, and the public.

Housing Goals

- **Gap:** Of the County's four current goals, there is no goal addressing the creation of subsidized low-income housing directly. Several of the current policies provide direction on this topic, but they are mostly under Goal 4.
- **Gap:** There is no goal addressing partnering or coordinating with local organizations or governments to address housing issues in the county. The County has several policies related to this objective. In addition, it has already engaged in coordinated actions through the North Whidbey Affordable Housing Task Force.
- **Modification:** Goal 1 and Goal 2 addresses promoting access to housing for all persons and promoting a variety of housing generally, but there is not a specific goal about senior housing, housing for those with disabilities, farm labor housing, or other groups with special or unique housing needs. Either one or both of these goals could be modified to be more specific.
- **Modification:** Goal 4 references the GMA requirements for Housing Elements, but it does not describe any broad housing related objective the County is trying to achieve. This goal should be modified to be more specific.

Policies and Implementation

- **Gap:** There are not any policies providing guidance on housing in Rural Areas of Intense Development (RAIDS) or similar areas. Policies of this type would likely fall under current Goal 2.
- **Gap:** There are not any policies about approaches for increasing the concentration of housing while still maintaining rural character, such as clustered housing developments. There is a goal in the Land Use Element about clustered development and maintaining rural character. A new housing-related policy could fall under current Goal 2.
- **Gap:** There is only one policy under Goal 3 related to preservation of the existing housing stock. Additional policies related to maintenance and weatherization could be added.
- **Gap:** There are not any policies that address senior housing or farm labor housing.
- **Gap:** There is not a specific policy for monitoring the implementation of reasonable alternatives identified in the current Countywide Planning Policies. Current Policy H 4.17 does address monitoring the County's housing strategy, but does not mention monitoring what reasonable alternatives are being pursued to ensure the County is meeting the Comprehensive Plan's population and housing target.
- **Gap:** There is no existing policy related to the use of clustered housing development. While clustered housing development is currently an option under the development code, it is not used very often and use of this option could be encouraged.

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- **Gap.** Given the geographic and environmental constraints in Island County, a policy providing guidance on ways the County could identify, inventory, and communicate information on these topics could help facilitate the development process.
 - **Modification:** There is only one policy related to manufactured housing (H 1.9) in the current Housing Element, and it does not provide guidance on any housing regulations or programs. It should be revised to provide more detail.
 - **Modification:** Several of the current policies listed are too detailed and are more like implementation actions rather than policy guidance. These policies should be written to be broader or moved to a subsequent implementation strategy.
 - **Modification:** Current Policy H 4.5 discusses reviewing existing code regulations to ensure they do not conflict with affordable housing goals. This policy can be written to also include a review of other market-rate housing types such as cottage housing, manufactured housing, or clustered housing, in addition to affordable housing.