

DATE: March 2020  
TO: Kitsap County  
City of Bremerton  
FROM: ECONorthwest  
SUBJECT: KITSAP-BREMERTON AFFORDABLE HOUSING INVENTORY AND MARKET ANALYSIS –  
APPENDIX A: HOUSING LANDSCAPE OVERVIEW

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## Background and Purpose

As part of the *Affordable Housing Inventory and Market Analysis* for Kitsap County and the City of Bremerton, this technical memorandum describes the housing landscape, partnerships, and planning environment in Kitsap County and several of its jurisdictions. This landscape sets a contextual foundation to better understand other aspects of this project, including the assessment of the current housing inventory (Appendix B Housing Inventory) and a housing needs assessment over the next 17 years (Appendix C Housing Needs Assessment).

The findings herein support policy recommendations offered in the *Affordable Housing Inventory and Market Analysis* for the City and County to consider as they continue working to provide housing for all Kitsap residents. This memo is an appendix to the final report.

To prepare this landscape overview, we conducted 11 interviews with local housing providers, surveyed key public sector staff, and reviewed the planning documents that govern housing and development in the region. With this research, we evaluated the housing market and development considerations that are working well, those that need new policies, partnerships or regulatory improvements, and those that require new solutions to emerging issues.

Importantly, this assessment focuses on opportunities and barriers for development that is not occurring in the County. As the development market for single-family homes is strong in Kitsap County, this type of housing was not the focus of our research. Instead, this assessment focuses on the development opportunities and barriers preventing the development of higher-density multifamily housing, alternative housing types (such as accessory dwelling units, missing-middle housing or townhomes) and rent-restricted affordable housing options.

This memorandum is broken down into the following sections:

1. Key housing organizations and agencies,
2. Overview of current planning documents,
3. Key findings evaluating what is working, what needs improvement, and where new solutions are needed for emerging issues, and
4. Interviewees and interview questions.

## References Used

This section steps through references to different planning jurisdictions and key terms used.

### Kitsap County Inclusive vs Kitsap County Jurisdiction

In this memorandum, references to “Kitsap County,” “Kitsap,” or “the County” relate to the county as a whole, inclusive of its cities and urban growth areas. Readers should assume that in-text references to “Kitsap County” or “the County” are inclusive of all other jurisdictions within the County.

### Housing, Finance, and Development Terms

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

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

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

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

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

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

**Median Family Income (MFI).** The U.S. Housing and Urban Development (HUD) produces an area median family income each year to measure affordability thresholds against. Affordable housing deals, loans, and other HUD requirements will be assigned to a percentage of the MFI (see sidebar).<sup>1</sup>

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### Kitsap County MFI

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

- 30% of MFI is about \$23,135
  - 50% of MFI is about \$38,559
  - 60% of MFI is about \$46,271
  - 80% of MFI is about \$61,695
  - 100% of MFI is \$77,119
  - 120% of MFI is about \$92,542
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**“Missing-Middle” Housing.**<sup>2</sup> Missing middle housing is a term coined by Opticos Design to refer to medium-density housing like duplexes, triplexes, townhouses, courtyard style apartments, cottage clusters, or accessory dwelling units. These types of housing developments were largely outlawed in the post-war period in favor of single-family housing units. Recent efforts call for relegalizing missing middle housing to increase density and affordability in highly walkable, opportunistic neighborhoods.

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

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

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

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

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

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<sup>1</sup> HUD releases MFI data each year. However most of the data used in this study is through 2017, so we refer to the 2017 HUD MFI for consistency.

<sup>2</sup> Opticos Design. 2019. “Missing-Middle Housing.” Available from: [opticosdesign.com/missing-middle-housing/](https://opticosdesign.com/missing-middle-housing/)

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

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

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

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

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

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

# Part I. Key Housing Organizations and Agencies

Kitsap County and the City of Bremerton, like many municipalities, must work with private for-profit and nonprofit developers and builders in order to supply housing to its residents. ECONorthwest interviewed several regional developers, and many of them mentioned other builders and developers who work on quality single-family and multifamily housing. Several of these organizations are local to Kitsap County, while others are regional or national developers who could be future partners for development in the area. Exhibit 1 below, while not exhaustive, lists the prominent developers mentioned in our stakeholder interviews.

**Exhibit 1. Kitsap County Housing Organizations by Type and Primary Region**

	Organization	Description	Development Type	Primary Region
Market-Rate Developers	Olympic Property Group	Real estate developer and manager	Master Planned Communities, Single-Family, Mixed-Use	Kitsap
	Chinook Contractors	Local contractor	Multifamily, Single-Family, Ownership	Kitsap
	Central Highland Homes	Local homebuilder	Single-Family, Townhomes, Ownership	Kitsap
	Neiman Taber Architects	Architecture and development firm	Multifamily, Single-Family, Rental, Ownership	Seattle area
	Sound West Group	Real estate developer	Multifamily, Single-Family, Commercial, Rental, Ownership	Seattle area
	Urban Renaissance Group	Real estate investment, development, and manager	Commercial	West Coast
	Madison Development Group	Real estate developer	Multifamily, Commercial, Mixed Use	West Coast
	Clark Construction	General contractor	Multifamily, Rental, Ownership	National
Affordable Developers	Housing Kitsap	Public housing authority	Multifamily, Rental, Public, Supportive	Kitsap
	Housing Resources Bainbridge	Nonprofit affordable housing developer and manager, community land trust	Multifamily, Single-Family, Supportive, Rental, Ownership	Kitsap
	Habitat for Humanity, Kitsap	Real estate developer	Single Family, Homeownership	Kitsap
	Community Frameworks	Nonprofit affordable housing developer	Multifamily, Single-Family, Supportive, Rental, Ownership	Washington
	Low-Income Housing Institute	High-capacity regional nonprofit affordable developer and manager	Multifamily, Supportive, Rental	Washington
	Beacon Development Group	Affordable housing consulting firm	Multifamily, Supportive, Rental	West Coast
	Shelter Resources, Inc.	Affordable housing developer	Multifamily, Supportive, Rental	West Coast
	NDC	Community developer, funder, advisor	Multifamily, Single-Family, Supportive, Rental, Ownership	National

Various public agencies also play important roles in the housing development landscape, including but not limited to, the Planning, Building, Community Development, and Public Works departments of all of the cities in the County, in particular Bremerton and Bainbridge Island; the Planning, Building, and Community Development departments of Kitsap County overseeing housing for the many unincorporated areas; and Kitsap Transit, which provides public transit service for the entire County, including ferry service to Seattle.

# Roles and Responsibilities in Housing Provision

Development and investment in housing can come from a number of areas: the public sector plays important roles in regulating, processing, and investing in housing; the private development sector is the engine behind housing production; nonprofits and philanthropy often assist in housing the most vulnerable residents; the business sector is critical for economic growth, jobs, and the incomes to support housing; and communities themselves play an important role in making people feel welcome.

Housing development relies on inputs set by numerous interrelated markets and players – from the cost of land to the cost of labor and materials to the price of rents. Each input to development is its own market with supply and demand factors constantly in flux, which make development complex and difficult to replicate across locations, markets, and phases of the economic cycle.

## Private Sector

Private sector development is the driving force behind nearly all housing development—market rate and affordable housing—and includes both for-profit developers and non-profit developers.<sup>3</sup> The private sector relies on inputs from multiple interrelated markets—capital markets, land markets, construction and labor markets, and home sales or rental markets—to reach feasibility. Housing projects of all types follow a similar development trajectory: working through design and feasibility, entitlements and permitting, securing financing, constructing the building(s), and then either selling or continuing to operate a development as a rental property.

## Market-Rate Housing

Market-rate housing developers assess the financial feasibility of new housing development with the market conditions and regulatory constraints of the region and specific site in mind. They use this information to decide on the amount, type, and pricing of housing development that they expect they can fund and subsequently rent or sell.

For-profit developers will not build in areas where rents or home prices are insufficient to cover the costs of construction and the required return on investment. Different types of housing have different costs, risks, and return requirements, making some types of housing more suitable to build than others. The larger and more complex a housing development—such as a multifamily property with strict design requirements, neighborhood opposition, on an infill site on a steep slope—the longer and more costly it is to develop. Some combination of any of these issues may be impacting development in Kitsap County.

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<sup>3</sup> Public housing, which is owned and or operated by the Federal government, is declining in total number of units and in funding. See: Center on Budget and Policy Priorities (CBPP). 2019. “Policy Basics: Public Housing.” Available from: [www.cbpp.org/research/policy-basics-public-housing](http://www.cbpp.org/research/policy-basics-public-housing)

Interviewees mentioned that many of the locations most suitable to larger residential development have already been used, leaving the hardest to develop left. Some developers mentioned that this made greenfield areas in Silverdale or unincorporated areas more attractive to development. However, some of these greenfield sites may have lower rents, or lack infrastructure like sewer, water, or roadways. Because developments are required to install this infrastructure, this can increase costs beyond what the market rents and prices can bear prohibiting development from occurring.

The City of Bremerton’s Infill Toolkit offers guidance for policymakers and the planning department about infill development challenges. It identifies codes that may be barriers to development, that should be evaluated or revised to make infill easier.

### Affordable Housing

The development of new, multifamily rent-restricted affordable housing is generally a long and complex process. While it is subject to many of the same development conditions as market-rate development, it has the added complexity due to lower rents requiring additional, lower-cost funding. This often entails submitting funding applications to compete for cash from a variety of programs and funds and more complicated asset management tasks, as regulatory agencies require compliance reporting to ensure affordability agreements stay in place.

Affordable housing can be built by non-profit entities, for-profit entities, and to a lesser extent the public sector, depending on the program and source of funding. Most affordable housing development today is built by private sector developers. According to data from the Washington State Housing Finance Commission and our interviews, the agencies overseeing affordable housing development and management in Kitsap County include the following. More details about this housing, including incomes served, is provided in the housing inventory in Appendix B.

- The Bremerton Housing Authority
- Housing Kitsap
- Catholic Housing Services
- The Low Income Housing Institute
- Habitat for Humanity
- Housing Resources Bainbridge
- Martha & Mary
- Shelter Resources
- Pinnacle Realty Management
- Spokane Housing Ventures
- Olympic Management Company
- Allied Residential
- Ad-West Realty Services
- Lund Pointe Apartments
- Preservation Partners Group
- Cambridge Management
- Bonaventure Senior Living
- HumanGood

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### City of Bremerton Infill Toolkit

“Infill development is an important smart growth strategy for regional equity. Infill development is not, however, always a developer’s first choice. Challenges associated with infill include small, scattered nature of many infill parcels, complex title issues, outdated infrastructure serving the infill site, and environmental contamination. For these reasons, urban infill is often bypassed by developers for cheap, readily available suburban land that is often referred to as ‘greenfield development’.”

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- Sage Apartment Communities
- Cascade Management, and
- FPI Management.

### **Affordable Housing and Community Development Services**

Another important component of the affordable housing sector in Kitsap County is service provision for extremely low-income households, seniors, people with disabling conditions, people with mental or physical health needs, and people experiencing homelessness. Important players in service provision include the local jurisdictions, particularly the City of Bremerton and Kitsap County, and the following providers:<sup>4</sup>

- Kitsap Community Resources
- St. Vincent de Paul of Bremerton
- West Sound Treatment Center
- Catholic Community Services/Benedict House
- Agape Unlimited
- North Kitsap Fishline
- The Salvation Army
- Kitsap Recovery Center
- Hope in Christ Ministries/Coffee Oasis
- Kitsap Mental Health Services
- YWCA/Alive
- Kitsap Rescue Mission
- Helpline House
- Georgia House
- Scarlet Road
- Kitsap Sexual Assault Center

### **Public Sector**

The public sector plays a critical role in determining what types of development occur and where. Public planning processes dictate where development and growth will occur, and zoning separates development uses to create distinct neighborhoods and public places. In addition, the public sector can offer critically needed capital or funding boosts to private investment where the market is not delivering the desired development. By designating certain areas for financial or developmental benefits – such as Federal Opportunity Zones, Bremerton’s Community Empowerment Zone, or its Historically Underutilized Business Zone – the public sector can influence and steer capital to areas that might otherwise be overlooked.

### **Market-Rate Housing**

The public sector plays important roles in market-rate housing production as a regulator, processor, guide, and occasionally an investor. Public sector collaboration and cooperation in the zoning, planning, entitlements, and permitting phases of predevelopment are the first essential step for any housing development project. The public sector also participates in the development process through environmental review and coordination with transit agencies and public works departments.

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<sup>4</sup> List available from Kitsap Community Resources: <https://www.kcr.org/housing/>

Clear messaging on zoning and public housing goals, consistent review of permits and development applications, and timely processing through entitlements are all critically important for the public sector to encourage private sector housing development. In Kitsap County and the local jurisdictions, interviewees mentioned that public messaging can be inconsistent across departments and City Councils, but the governing planning documents and the online permitting processes were all seen as favorable for development. Both staff and interviewees also mentioned that there are not a lot of development incentives for new construction which is an area that the public sector could improve.

### Affordable Housing

The public sector is critically important in the provision of housing for low-income households. Because this housing is developed with the intention of affordable rents, these projects are more difficult to get through feasibility, often facing large funding gaps that must be filled with investment dollars that are willing to accept low or no return. Here, the public sector offers developers (both private and non-profit) important guidance, technical assistance, review (such as permitting, environmental, and design), and funding for development.

- In affordable rental housing, rents are restricted to be affordable for lower-income households, which means that a project needs to find lower-cost funding and operating subsidies to offset the reduction in rental revenue for operations.
- In affordable homeownership housing, homes may be part of a land bank, community land trust, or other shared equity program keeping resale prices low while still offering wealth building opportunities for low-income homebuyers. In addition, through funding for down payment assistance, mortgage assistance, or home repair assistance, and through homebuying counseling and education, the public sector can help lower-income households access homeownership opportunities.

Locally, the public sector jurisdictions in Kitsap County do not have meaningful funding for affordable housing development or subsidies. However, these jurisdictions play important roles in collaborating and advocating for federal and state funding to house low-income residents.

### Current Partnerships

Given the long and complex process to develop new housing, strong partnerships are essential in bridging gaps, overcoming barriers to development, and overseeing the development process. Key stakeholders were asked interview questions about the strong development partnerships in the county. Most interviewees suggested that the public sector was a good partner, and most of the public sector staff noted that good partnerships exist amongst the nonprofit sector housing providers. Specifically, the partnerships between Kitsap Mental Health Services and Housing Resources Bainbridge, and the Housing and Homeless Coalition were called out as strong partnerships in the area. The potential for new or stronger partnerships is explored further in the Recommendations section on page 31.

# Part II. Current Planning Documents

In addition to the key stakeholders, long-term planning documents influence housing production and provision in Kitsap County. A hierarchy of planning documents, from the State Growth Management Act down to municipal comprehensive plans, lay out parameters for where and how housing should develop in the area. Most of these documents support housing development at a broad level, with broad policy dictums that recognize the lack of affordable housing choices for residents and encourage denser, transit-oriented development to further environmental and livability goals.

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### Comprehensive Plans

Jurisdictions are required to prepare comprehensive plans under the Growth Management Act of Washington State. These must be reviewed and updated at minimum every eight years.

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These documents govern housing production and provision by establishing the development zones, regulating the types and characteristics of housing allowed and where, by creating programs and incentives to influence the market, and offer long-term guidance and parameters for growth and development over the next five to twenty years.

Exhibit 2 below demonstrates these plans and policies and their influence on future housing development in Kitsap County. Most of these plans are updated every five years, with the next round to be finalized in 2021, so now is the time to start determining possible changes to make to better accommodate the current goals at the City and County levels.

## Exhibit 2. Overview of Current Planning Documents Impacting Housing Development

Planning Document	Year	Lead Agency	Goals	Implications for this study
Vision 2050	2019	Puget Sound Regional Council	Long-range regional growth strategy	Comment period on plan update 7/19/19-9/16/19 for adoption in spring 2020. Highlights the need for local action to address housing challenges, in particular affordability and density.
Assessment of Bremerton's Affordable Housing Policies & Regulations	2018	City of Bremerton	Assists the City in addressing affordable housing needs	Defines key terms, evaluates affordable housing comp plan goals, identifies strategies for increasing affordable housing, offers an "infill toolkit" for new development
City of Bainbridge Island Comp. Plan	2017	Bainbridge Island	Guide development of the City in compliance with the GMA and PSRC	Outlines the City's vision, guiding principles, and associated goals and policies to help direct efforts to manage GMA requirements related to land capacity, urban services, and capital facilities
City of Poulsbo Comprehensive Plan	2016	City of Poulsbo	Guide development of the City in compliance with the GMA and PSRC	Reflects the community's desires, needs, and aspirations and compiles them into a list of guiding principles, goals, policies, and strategies in coordination with GMA requirements
City of Bremerton Comp. Plan	2016	City of Bremerton	Guide development of the City in compliance with the GMA and PSRC	Identifies designated centers for development, specifies housing needs for current and future residents of varying demographics and incomes
Kitsap County Comp. Plan	2016	Kitsap County	Establish 20-year vision for County growth	Reduces size of Silverdale and Port Orchard UGAs slightly, increases size of Kingston and Central Kitsap UGAs, upzones near Silverdale, downzones near Bangor
Final Supplemental Environmental Impact Statement for Comp. Plan Update	2016	Kitsap County	Address possible impacts of Comprehensive Plan, in accordance with SEPA	Same as Comprehensive Plan
Capital Facilities Plan	2016	Kitsap County	Identify capital improvements necessary to comply with GMA growth plans	Water, sewer, and transportation service investments proposed through 2021 (5-year outlook) and 2036 (20-year outlook). Assumes Silverdale will incorporate in 2026
HOME Consortium Comp. Plan	2016-2020	Kitsap County and City of Bremerton	Guide HOME and CDBG funding decisions in building affordable housing and economic opportunity	Demonstrates priorities of two small but reliable sources of affordable housing funds in the area
2015-2020 Transit Development Plan	2015	Kitsap Transit	Plan transit improvements	Expansion of transit lines, ferry service, non-motorized vehicle paths and facilities
Growth Management Act	1990	State of Washington	Concentrate urban growth, reduce sprawl, plan for transportation and affordable housing	UGBs are very large, which means that buildable land is not a large issue, though transit accessibility is.

### Kitsap County Comprehensive Plan

The Kitsap County Comprehensive Plan was adopted in 2016 to describe “the 20-year vision for unincorporated Kitsap County and how that vision will be achieved.” The Comprehensive Planning process is mandated by the Growth Management Act of Washington State. The plan covers many aspects of life including land use, transportation, economic development, housing and human services, environment, utilities, capital facilities, open space, and parks and

recreation. Chapter one, *Land Use* and Chapter four, *Housing and Human Services*, were the most relevant chapter for our assessment.

### **Chapter 1 Land Use:**

- Land Use Goal 1. Focus current and future planning on infill and redevelopment of existing Urban Growth Areas.
- Land Use Goal 2. Promote health in the built environment.
- Land Use Goal 3. Support more dense residential areas with access to transportation, urban amenities, goods and services, physical activity and healthy foods.
- Land Use Goal 4. Coordinate with other jurisdictions, tribal governments, agencies, special districts, and property owners to ensure coordinated and compatible land use planning and utilize Urban Growth Area Management Agreements with cities, as feasible.
- Land Use Goal 5. Encourage urban-rural distinction with cities. Facilitate and encourage incorporation or annexation with associated cities of urban areas over the 20-year planning period and ensure compatibility of development with future planned uses within the unincorporated Urban Growth Area consistent with the Urban Growth Area Management Agreement process called for in the Countywide Planning Policies.
- Land Use Goal 6. Direct development to designated Urban Growth Areas consistent with projected population growth, Growth Management Act and Countywide Planning Policies while considering development patterns that reduce sprawl, use urban land more efficiently, and that incorporate feasible, innovative and sustainable practices.
- Land Use Goal 13. Protect Kitsap County's unique rural character.

### **Chapter 4 Housing and Human Services:**

- Housing and Human Services Goal 1. Make homelessness rare, brief, and one-time in Kitsap County.
- Housing and Human Services Goal 2. Increase affordable housing units and ensure that a broad range of housing types are available.
- Housing and Human Services Goal 3. Preserve existing affordable housing inventory.
- Housing and Human Services Goal 4. Ensure that all people have fair and equal access to housing and services.
- Housing and Human Services Goal 6. Integrate affordable housing and human services planning with transportation, workforce development, and economic development efforts.

Kitsap County's Comprehensive Plan outlines flexible development standards and diverse housing stock as essential to its vision, as a way to reach both housing and environmental goals. Furthermore, the County recommends analyzing and implementing new funding opportunities and sources to support the development of affordable housing.

## City of Bremerton Comprehensive Plan

The City of Bremerton's Comprehensive Plan, also adopted in 2016, sits atop the local planning hierarchy and "guides virtually all decisions made by City government and, in many cases, by local organizations and individual citizens." The Comprehensive Plan sets out the City's vision, values, and goals, and creates a framework to ensure that decisions, funding, and actions are aligned with those goals. The most relevant sections for this analysis were the *Housing Element* and the *Land Use Element*.

### Housing Element:

- H1. Protect and enhance Bremerton's existing quality housing stock.
- H2. Encourage the development of a variety of new housing options and densities to meet the changing needs of Bremerton's residents.
- H3. Support access to quality and affordable housing for all Bremerton residents.
- H4. Implement and coordinate strategies that promote public and private efforts to facilitate improvements to the housing stock.

### Land Use Element:

- LU1. Plan for Bremerton's population and employment growth.
- LU2. Encourage economic development within the City.
- LU4. Promote community health by allowing opportunities for healthy lifestyle choices.

The Land Use Element also describes the City's *Designated Centers* (as required by PSRC), which are to be generally mixed-use, well-designed, moderate- to high-density at their cores, and transitioning to single-family housing. These include:

1. Downtown regional growth center
2. District centers: Wheaton/Riddell, Wheaton/Sheridan, Charleston
3. Manette Neighborhood Center
4. Eastside Employment Center
5. Manufacturing/industrial center: Puget Sound Industrial Center-Bremerton

In addition to its comprehensive plan, the City of Bremerton also created an Infill Toolkit, most recently updated in December 2018, that outlines solutions to many of its particular challenges. These tools are primarily intended to further the City's Comprehensive Plan goals surrounding to preserve the existing housing stock and promote development of new housing. The Toolkit suggests amendments to the Comprehensive Plan, including revision density requirements in General Commercial zones, revising Medium Density Residential to meet Kitsap County's density requirements, and allowing duplexes and townhomes in Low Density Residential while maintaining current density. Stakeholder interviews confirm the recommendations of the Infill Toolkit should be adopted by the City, particularly around increasing density.

## Bainbridge Island Comprehensive Plan

Bainbridge Island’s Comprehensive Plan was adopted in 2017. Guided by the project, “Navigate Bainbridge”, this plan involved an extensive public outreach program that engaged the community through several face-to-face events. The plan outlines the City’s vision, guiding principles, and associated goals and policies. These elements help direct the City’s efforts to manage GMA requirements related to land capacity, urban services, and capital facilities.

The most relevant sections for this analysis were the *Housing Element* and the *Land Use Element*. The Housing Element describes the City’s vision for Bainbridge Island in the year 2036 as one in which the island provides a broad diversity of housing, where residential land use outside of designated centers is at low densities and constitutes 90% of the Island’s area. The Land Use Element identifies four Designated Centers (see sidebar) meant to provide cultural amenities, employment and housing opportunities, and efficient public services, utilities, and infrastructure with a focus on creating residential, commercial, and industrial growth.

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**Bainbridge Island  
Comprehensive Plan Land  
Use Element Designated  
Centers:**

1. Island Center
  2. Lynwood Center
  3. Rolling Bay
  4. Winslow
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### Housing Element:

- Goal HO-1: Make steady progress toward several aspirational targets for increasing the diversity of housing types and the supply of affordable housing.
- Goal HO-2: Beginning in 2019, prepare biennial reports on the status of housing on Bainbridge Island.
- Goal HO-3: Promote and maintain a variety of housing types that meet the needs of present and future Bainbridge Island residents at all economic segments and encourage more socio-economic diversity.
- Goal HO-4: Increase the supply of permanently affordable multifamily housing each year through the year 2036.
- Goal HO-5: Maintain the existing stock of affordable and rent-assisted housing, in partnership with community non-profit organizations and local and regional public and private entities.
- Goal HO-6: Facilitate the provision of diverse affordable housing stock in all geographic areas of the community.
- Goal HO-7: Promote and facilitate the provision of rental and for-purchase housing that is affordable to income-qualified households with a variety of income levels.
- Goal HO-8: Facilitate the siting and development of housing opportunities for special needs populations.
- Goal HO-9: Explore the usage of the City’s bonding capacity and pursue other resources to support the creation of affordable housing.

### **Land Use Element:**

- Goal LU-5: Focus urban development in designated Centers—residential, commercial, and industrial growth
- Goal LU-9: Encourage the development of the Neighborhood Centers at Rolling Bay, Lynwood Center, and Island Center as areas with small-scale commercial, mixed use and residential development outside Winslow.
- Goal LU-14: Develop context-sensitive regulations for residential development in areas designated R-2, R-1 or R-4, in order to limit clearing, soil disturbance, promote low impact development and reconcile development and conservation.

### **City of Poulsbo Comprehensive Plan**

Poulsbo’s Comprehensive Plan, adopted in 2016, is described as a reflection of the community’s desires, needs, and aspirations. The Plan compiles these community needs into a list of guiding principles, goals, policies, and strategies that were developed within the framework of the GMA. Key community goals identified within the Plan are related to land use, community character, transportation, the natural environment, capital facilities, housing, economic development, and parks, recreation, and open space.

The most relevant sections for this analysis were the *Housing Element* and the *Land Use Element*. Key community goals within the Housing Element include achieving a mix of housing types and densities while maintaining healthy neighborhoods. A Land Use Element community goal advocates for residential development that complements the built environment and the city’s neighborhoods.

### **Housing Element:**

- Goal HS-1: Provide enough housing to meet the needs of the existing and projected population.
- Goal HS-2: Strengthen and preserve the City’s existing neighborhoods and housing stock.
- Goal HS-3: Promote a variety of housing types that meet changing population needs and preferences.
- Goal HS-4: Promote and facilitate the provision of affordable housing in all areas and zoning districts of the city.

### **Land Use Element:**

- Goal LU-1: Provide orderly growth that enhances and respects the City’s character, natural and small city setting, while accommodating the population growth allocated to the City by Kitsap Regional Coordinating Council.
- Goal LU-2: Provide residential land use designations that encourage a variety of housing types and densities throughout the city.

## Part III. Key Findings

Taken together, the interviews with stakeholders, past County conversations with developers, the review of current planning documents, and an in-person workshop with City and County officials highlighted different aspects of development that are working well, areas that need improvement, and emerging issues that need new solutions.

In each section—what is working well, what needs improvement, and emerging issues—we categorize the development consideration as either (a) conditions of the market, (b) partnerships and collaborations, (c) policies and programs (including zoning and regulations), or (d) planning documents. Although most development considerations require partnerships and cross-sector collaboration, we use this category to specifically focus on those areas where new partnerships are needed or where partnerships could be strengthened to improve housing overall development.

### What is Working Well

The items listed here are already in place and working well to address the housing challenges in the County. Development has been increasing in many years, buoyed by the strong regional economy, low unemployment, rising costs of housing (rent and home prices), as well as generally supportive local governments.

#### Market Conditions

- **Land availability.** Kitsap County has sufficient land available for housing development within its existing urban growth boundaries. Stakeholders interviewed suggested that land itself was not typically a barrier to production.
- **Opportunity Areas.** Stakeholders mentioned several opportunity areas that could potentially see multifamily development in and around Kitsap County, including:
  - In Bremerton along major corridors, near the Wheaton Way Transit Center, and through the adaptive reuse of shopping centers
  - In Silverdale (in areas expected to be annexed in the next 10 years)
  - Tracyton
  - Southworth
  - Gorst (if and when a bridge is built)
  - Olalla
  - Manchester

#### Partnerships and Collaborations

- **Strong government relationships.** Several stakeholders expressed that leadership across the County and cities were open to conversations about how to improve the development process and incentivize new housing construction. Though they may not all agree, the lanes of communication are open and being used.

## Policies and Programs

- **Online permitting process.** Stakeholders expressed that the online permitting option in Kitsap County and the City of Bremerton has helped to smooth this process. Expanding this digital option to the rest of the jurisdictions within the County would help reduce friction during permit submittal.
- **Multifamily tax exemption (MFTE).** While the 12-year option, which includes affordable housing units, is seldom used, the 8-year MFTE has incentivized denser market-rate housing in certain areas, including two developments in downtown Bremerton.
- **Opportunity Zones.** Kitsap County has three Opportunity Zones – one in downtown Bremerton and two in Port Orchard. These designations present development opportunities, and appear to already be incentivizing some new development. Sound West Group is currently working on Marina Square, a new mixed-use development in downtown Bremerton that will include a hotel, multi-family housing, and ground-floor retail.
- **Efforts to streamline planning documents.** These efforts are also supportive of housing production and development. The City of Bremerton’s Housing Infill Toolkit is a great example of evaluating planning documents to reduce barriers to development.

## Planning Documents

Exhibit 3 and Exhibit 4 below list the types of comprehensive plan goals and policies that are considered supportive and encouraging to new housing development of all types and affordability levels. Since many of Kitsap’s jurisdictions have similar goals and policies, we do not specify which plans and goals these came from.

Land use goals and policies are written with a wider lens than just housing production – as they influence land use patterns, growth, and protection of rural areas or wetlands. However, because they do influence housing as well, we include them in our assessments of what is supportive of housing. It is important to note, however, that these goals and policies can look supportive on paper and in theory, their actual implementation and impact on development can vary, according to interviews.

**Exhibit 3. Example Housing Goals and Policies Supportive of Housing Development**

Goal	Policy	Rationale
Make homelessness rare, brief, and one-time.	Expand public resources to create a mix of housing alternatives and services for people experiencing homelessness.	Incentives can help to increase development feasibility.
	Remove regulatory barriers to alternative housing models for people experiencing homelessness.	Removing regulatory barriers can help to increase development flexibility and improve feasibility.
	Create additional permanent supportive housing units and expand service options.	Funding and incentives for PSH units can help to increase development feasibility.
Increase affordable housing units and ensure that a broad range of housing types are available.	Incentivize and provide flexibility for development of affordable and special needs housing.	Incentives and development flexibility can help to improve feasibility.
	Analyze and implement new funding opportunities and sources to support the development of additional affordable housing.	Funding and incentives for affordable housing can help to increase development feasibility.
	Wherever possible and appropriate utilize unused properties for affordable housing.	Donated or low cost land or properties for affordable housing can help to increase development feasibility.
	Eliminate unnecessary regulatory impediments to the development of affordable housing.	Removing regulatory barriers can help to increase development flexibility and improve feasibility.
	Maintain an innovative housing program and clarify or adopt new flexible permit processes in appropriate areas.	Flexibility in housing regulations (e.g. permitting) can help the housing market provide innovative or low-cost options.
	Understand staffing needs to assist and advise on options for affordable housing, financing strategies and funding sources.	More staff can help reduce complexity and speed processing time for affordable housing development entitlements.
	Expand partnerships with non-profits, churches, developers, funders, elected officials and the community to assist in meeting affordable housing goals.	Cooperation and agreement between public sector and private sector actors can reduce barriers preventing more affordable housing development.
	Partner with the for-profit sector to create affordable housing through the targeted use of the multifamily property tax exemptions in designated areas.	Incentives can help to increase development feasibility.
	Support alternative ownership models such as shared or limited-equity housing, lease-purchase options, cohousing, land trusts, and cooperatives.	Flexibility in housing options helps provide a variety of housing for different household needs; support (funding and or regulatory incentives) can help to improve development feasibility for affordable housing.

Goal	Policy	Rationale
	Pursue effective strategies to reduce the land cost component of affordable housing.	Low cost land or properties for affordable housing can help to increase development feasibility.
	Exempt low-income housing developments from impact and administrative development fees.	Lower construction costs can help to improve development feasibility for affordable housing.
	Encourage alternative affordable housing options such as rooms for rent and boarding houses - which benefit those on a fixed income with those of low income, thereby strengthening the sense of community.	Flexibility in housing options helps provide a variety of housing for different household needs; support (funding and or regulatory incentives) can help to improve development feasibility for affordable housing.
Preserve existing affordable housing inventory.	Encourage the rehabilitation of deteriorating housing.	Funding and regulatory incentives for rehabilitation can improve development feasibility; rehabilitation can be more expensive than new construction.
	Preserve existing subsidized housing units with expired affordability restrictions at risk.	Preventing the loss of existing funding and units reduces the need to develop new units, saving cost and adding to the housing stock.
	Encourage preservation manufactured homes and parks; continue to permit them.	Flexibility in housing options helps provide a variety of housing for different household needs.
Protect and enhance existing quality housing stock.	Work to replace substandard structures of existing housing units (rehabilitation, maintenance, or replacement).	Support (funding and or regulatory incentives) for rehabilitation can help to improve development feasibility; rehabilitation can be more expensive than new construction.
	Promote, and incentivize, private commitments to improve existing housing stock, particularly for low-income households.	Funding and incentives for rehabilitation can help to improve development feasibility; rehabilitation can be more expensive than new construction.
	Enhance livability in neighborhoods by maintaining and upgrading services and infrastructure.	Installation of infrastructure (utilities) can help increase land capacity suitable for development and reduce development costs.
	Partner with grant programs and funding sources to encourage removal or abatement of blighting influences in and around residential areas.	Funding for rehabilitation or redevelopment can help to improve development feasibility; rehabilitation can be more expensive than new construction.
Ensure fair and equal access to housing and services.	Remove regulatory barriers that limits access to or the provision of a diverse affordable housing supply.	Removing regulatory barriers can help to increase development flexibility and improve feasibility.
	Identify and remove impediments to creating housing for harder to house populations.	Removing regulatory barriers can help to increase development flexibility and improve feasibility.
Integrate affordable housing and human services planning with other planning efforts.	Ensure coordination and consistency policies, planning efforts and documents such as transportation, workforce development, and economic development.	Consistency between planning documents can reduce complexity and speed processing time for development entitlements thereby reducing costs.

Goal	Policy	Rationale
	Cooperate with other jurisdictions and entities to plan and develop housing and human services.	Consistency between planning documents can reduce complexity and speed processing time for development entitlements thereby reducing costs.
	Promote housing preservation and development in areas that are already well-served, and have adequate infrastructure to support alternative modes of transportation.	Development near transit could reduce parking requirements and reduce development costs.
Encourage more multifamily housing and denser housing	Increase the efficiency of the review process and revise development standards to encourage these areas to develop into walkable, transit-served, mid-rise, mixed-use areas with affordable housing.	Reduced processing time for development entitlements and revised zoning standards can increase development feasibility and flexibility.
	Support infill development and increased densities.	Support (funding and or regulatory incentives) for infill development can help to improve feasibility; infill development is often more expensive than greenfield development.
	Allow accessory dwelling units in appropriate residential zones with reasonable flexibility regarding development standards.	Removing regulatory barriers can help to increase development flexibility and improve feasibility.
	Remove barriers to developing new multifamily housing (as well as affordable multifamily housing).	Removing regulatory barriers can help to increase development flexibility and improve feasibility.
	Consider programs that other communities are doing to discourage the development of sprawling, large single-family homes.	Zoning regulations that favor smaller housing development can encourage more supply.
	Promote home ownership by encouraging alternatives to conventional detached single-family housing.	Flexibility in housing options helps provide a variety of housing for different household needs. Support (funding and or regulatory incentives) for alternative housing development options increases development flexibility and can help to improve feasibility
Encourage a variety of new housing options and densities.	Support private sector efforts to provide a full range of housing options.	Support (funding and or regulatory incentives) for alternative housing development options increases development flexibility and can help to improve feasibility.
	Enhance livability by upgrading infrastructure.	Installation of infrastructure (utilities) can help increase land capacity suitable for development and reduce development costs.

Goal	Policy	Rationale
	Support the production of new housing for all incomes, ages, and family types via non-traditional housing types (e.g. townhomes, carriage units, accessory dwelling units, and duplexes) as appropriate.	Support (zoning and or regulatory incentives) for the development of alternative housing types can help to increase development flexibility and improve feasibility. Support for infill development can help to improve feasibility as infill can be more expensive than new construction.
	Develop standards to encourage development of small to mid-size single-family housing units.	Adjusting regulations governing mid-sized single-family housing can help to increase development flexibility and improve feasibility.
	Encourage and allow innovative zoning regulations to increase housing variety and choice.	Removing zoning regulation barriers can help to increase development flexibility and improve feasibility.
	Promote mixed income neighborhoods and socioeconomic integration by allowing a variety of housing types and sizes in new development projects.	Flexibility in housing options helps provide a variety of housing for different household needs.

**Exhibit 4. Example Land Use Goals and Policies Supportive of Housing Development**

Goal	Policy	Rationale
Focus current and future planning on infill and redevelopment of existing Urban Growth Areas.	Support infill development and redevelopment in existing developed areas within UGAs.	Support (funding and or regulatory incentives) can help to improve feasibility on infill development which is often more expensive than greenfield development.
	Examine incentives for infill development.	Incentives can help to improve feasibility on infill development which is often more expensive than greenfield development.
	Encourage mixed use, high density uses, and Transit Oriented Development to reduce vehicle miles traveled.	Mixed-use and higher density development can help to improve feasibility.
	Confirm public services and necessary capital facilities are provided through the development review process according to applicable laws.	Consistency between planning documents and programs can reduce complexity and speed processing time for development entitlements thereby reducing costs.
Encourage economic development.	Pre-qualify key areas and sites for environmental permitting through such tools as subarea plans and related programmatic Environmental Impact Statement's.	Pre-qualifying areas or sites for development can reduce complexity and speed processing time for development entitlements thereby reducing costs.
	Zone complementary uses near one another so people can work or shop close to where they live; provide for the most efficient use of land.	Higher density development can help to improve feasibility and additional zoned capacity for housing development can encourage more supply.
Promote health in the built environment.	Review requirements on new development to connect to existing infrastructure.	Installing infrastructure can be very costly. Additional flexibility in these regulations can help to improve feasibility.
	Improve walkability and multimodal transportation options and provide networks to link neighborhoods; orient development toward the pedestrian.	Encouraging walkability by increasing density or reducing parking requirements can help to improve development feasibility or reduce development costs.
Support residential density via access to transportation, amenities, retail, outdoor recreation, and healthy foods.	Promote housing preservation and development in areas that are already well-served (e.g., schools, transit, retail), and have adequate infrastructure.	Higher density development can help to improve feasibility. Development near transit could reduce parking requirements and reduce development costs.
	Implement parking ratios that reflect the least amount of spaces required where transportation options are available.	Development near transit and reduced parking requirements can help to increase density, improve feasibility, and reduce development costs.
	Provide incentives and allow flexibility to encourage development, including alternative parking options like payment in lieu of parking spaces.	Incentives for development near transit and reduced parking requirements can help to increase density, improve feasibility, and reduce development costs.

Goal	Policy	Rationale
	Utilize neighborhood plans to identify smaller geographic areas within the city limits and provide site specific and intensive land use and design planning.	Higher density development can help to improve feasibility.
	Provide for advanced utility planning to offer upgraded, ready-to-serve services for development designed to achieve maximum density.	Higher density development can help to improve feasibility. Installation of infrastructure (utilities) can help increase land capacity suitable for development and reduce development costs.
	Consider transfer of development rights to achieve commercial and residential density within designated areas.	Higher density development can help to improve feasibility and additional zoned capacity for housing development can encourage more supply.
	Support transit-oriented development by zoning higher density residential development within walking distances of transit facilities.	Development near transit could reduce parking requirements and reduce development costs.
Encourage urban-rural distinction with cities and within unincorporated Urban Growth Areas.	Establish a planning process to improve consistency between existing plans, zoning and development regulations.	Consistency between planning documents can reduce complexity and speed processing time for development entitlements.

## Areas Needing Improvement

Stakeholders and our review of the planning documents also identified development considerations that need improvements to improve housing development, and particularly housing development for affordable housing. These aspects are not new to Kitsap—they are policies, programs, or zoning that could be improved, leveraged, or expanded to fully address the housing challenges in the County. The recommendations in Part III work to address many of these barriers.

### Market Conditions

- **Second homes.** Anecdotally, stakeholders cited that the proliferation of second homes and retirement homes that affect the housing market in the area. These homeowners are likely higher income and may tend put their house on the short-term rental market for tourists, on sites such as Airbnb, instead of providing long-term rentals for local residents. While this is not a new phenomenon, it has grown in urgency and impact to the local housing market.
- **Infrastructure.** Sewer and water service are limited throughout the County, which impacts multifamily development. While single-family housing construction can easily provide well and septic access, a lack of central infrastructure is a barrier to high-density housing options.
- **Access to transit.** Kitsap County’s natural geography means that access to buses and ferries is spotty, at best. The transit system currently best serves commuters who are

traveling in and out of the County, as opposed to local workers. This is likely to be an ongoing issue, but ongoing coordination with Kitsap Transit can help mitigate this fundamental challenge.

- **Low-paying jobs.** At the root of many of the housing issue in Kitsap is the challenging local economy. Although the shipyard pays fairly high wages, there fundamentally are not enough jobs that pay well enough to afford housing prices in the region. The proliferation of employment in the public sector means that the area should weather recessions better than other elsewhere, but they also do not experience the economic highs of the private market. Housing and economic development efforts must be seen as working in tandem.

### Partnerships and Collaborations

- **Public messaging.** Some stakeholders expressed concern that inconsistent messaging by public officials on the need for more housing, including at higher densities and affordable prices, is undermining City and County efforts to build support among constituents for development-friendly policies and programs. Council members and citizens alike have expressed NIMBY-like concerns about new development affecting “neighborhood character,” including opposition to abolishing parking minimums and allowing less expensive housing options, such as manufactured housing.
- **NIMBYs.** Current residents who speak out to prevent new or certain types of development, known as NIMBYs (an acronym for not-in-my-backyard), can have significant impacts on housing development by increasing the perceived or real riskiness of a project. They may have negative stereotypes of people who live in subsidized housing or aesthetic concerns about what higher density development looks like and how it could affect their neighborhood character. These constituents often protest proposed regulatory changes that would allow for more housing, such as upzoning and abolishing parking minimums.
- **Lack of funding or subsidies.** Many developers, particularly on the affordable side, cited a simple lack of funds for low-income housing development. Existing local funds, such as HOME or CDBG, are too small to make a project feasible. State low-income housing tax credit funds are prioritized for high-needs populations, and as such are very difficult to obtain for general low-income or workforce housing. Additional funding sources are critical to fill this need.
- **Local developer capacity.** Affordable housing developers in the area mentioned the need for training and staff – they do not have sufficient capacity to engage in the development process, both in terms of staff time and knowledge, and also in terms of available funding.
- **Impact of the military.** The presence of Naval Base Kitsap creates housing challenges, particularly for the City of Bremerton, on several fronts. The military does not provide any housing for its personnel. Instead, it subsidizes housing costs through the Basic Allowance for Housing (BAH), which is often higher than other renters can afford, making military employees attractive tenants. However, due to security concerns, the

City does not get any warning when a carrier will dock, which means that they cannot predict or prepare for the arrival of more than 5,000 crew members and their families into the local housing market for a period of two to three years. Policies and Programs

- **Kitsap Transit vision map:** This map and the associated plans for corridor improvement outline future service provision in the County and provides an opportunity to align future development with transit. This document has a lot of potential and could be catalytic for planning and incentivizing for transit-oriented development. If paired with incentives, appropriate zoning, and supportive policies and practices, this vision map could generate meaningful interest in housing production.
- **Transfer of development rights (TDR).** The existing TDR program in Bainbridge Island is one of the few ways for developers to build densely, but there are very few TDRs available for purchase. The current economics of the program do not seem to be functioning and may need better calibration to adequately incentivize development use.
- **Zoning and allowable density.** Across the board, stakeholders consistently expressed that low allowable density in residential zones, specifically widespread single-family housing zones, was a fundamental barrier to financial feasibility of new housing construction.
- **Efficiency housing types:** Development of SROs (single-room occupancy units) or SEDUs (small efficiency dwelling units) could fill a gap in housing need for less expensive housing with little upkeep necessary, particularly for older adults on a fixed income. The code is currently silent on the permissibility of these types of units, which could be an opportunity to pursue. The Infill Toolkit also recommends allowing cottage housing, developments that are often oriented around common spaces, but zoning may still be prohibitive or restrict the density needed to get a project to pencil.
- **Infill challenges.** In the City of Bremerton specifically, the remaining infill lots are the most difficult to develop because of slopes, wetlands, and other environmental challenges. Developers may prefer to build on green lots in areas such as Silverdale if there are too many challenges to infill.
- **Parking.** The City of Bremerton has a severe parking shortage, which makes new development politically difficult, and particularly any suggestions of decreasing parking minimums to improve feasibility. In addition, parking requirements at multifamily developments add significant costs, limiting feasibility and requiring higher rents to cover costs.
- **Parcelization.** There are very few development opportunities on larger lots, which are attractive to developers, because Kitsap County has already been divided into parcels.
- **Lengthy permitting process.** Though stakeholders did not perceive that Kitsap County or the City of Bremerton were any worse than other jurisdictions in the region in terms of time to permit, they certainly are no better. Time is money in real estate development, so anything that makes the permit process take longer, including insufficient plan check staff, slow turnaround times, and confusing or conflicting comments, will add to the risk and costs of a potential project.

- **Public land for low-income housing:** Providing publicly-owned land to developers, particularly of affordable housing, at below-market rates would be a significant incentive for development.
- **Lack of development incentives.** Development incentives are particularly powerful at encouraging builders to fulfill specific needs the local jurisdiction has identified. Without programs such as density bonuses or incentive zoning, housing developers may be financially constrained to building primarily luxury units.
- **Housing Bill 1406:** New funding for affordable housing under this state bill, passed in early 2019, will provide some money for new development, but questions remain on how to fill out the rest of the funding stack and how to agree where new development funded under the bill will occur.

### Planning Documents

Exhibit 6 and Exhibit 4 below list the types of comprehensive plan goals and policies that could be prohibiting or used against new housing development. Since many of Kitsap’s jurisdictions have similar goals and policies, we do not specify which plans and goals these came from.

Land use goals and policies are written with a wider lens than just housing production – as they influence land use patterns, growth, and protection of rural areas or wetlands. However, because they do influence housing as well, we include them in our assessments of what may be hindering housing development. It is important to note, however, that these goals and policies can look supportive on paper and in theory, their actual implementation and impact on development can vary, according to interviews.

**Exhibit 5. Example Housing Goals and Policies that Could Hinder Housing Development**

Goal	Policy	Rationale
Ensure that all people have fair and equal access to housing and services.	Disperse affordable housing opportunities throughout the area.	Dispersing affordable housing can increase development costs and or reduce feasibility (affordable housing development often needs low cost land, which is not always dispersed throughout a region). Requirements to disperse affordable housing could also be used to block or delay new construction.
Protect and enhance existing housing stock.	Promote preservation of structures in good repair, including establishing incentives that encourage private property owner’s efforts to preserve homes having historical and or architectural significance.	Historic preservation regulations can limit land suitable for development, and can increase total development costs. Historic or cultural preservation can also be used to block or delay new construction.
	Encourage the maintenance, restoration, and rehabilitation of locally significant residences in which these residences are retained instead of redeveloped.	Historic preservation regulations can limit land suitable for development, and can increase total development costs. Historic or cultural preservation can also be used to block or delay new construction.
Encourage a variety of new housing options and densities.	Encourage new development to blend with positive characteristics of surrounding neighborhoods.	Development and design standards can reduce flexibility in new housing development, can increase costs, and can potentially be used to block new construction.
	Promote a sense of community, or gathering places, within new neighborhoods by creating spaces where residents can interact.	Requiring amenities in new developments can also increase development costs and reduce feasibility.

**Exhibit 6. Example Land Use Goals and Policies that Could Hinder Housing Development**

Goal	Policy	Rationale
Focus current and future planning on infill and redevelopment of existing UGAs.	Establish specific development standards for medium- and high-density developments to ensure compatibility adjacent to existing low-density neighborhoods.	Development standards can reduce flexibility in new housing development, can increase costs, and can potentially be used to block new construction.
	Require connection to a public sewer system for new or extensively remodeled development in UGAs.	Requiring development to pay for installation or upgrades to public sewers can increase development costs and reduce feasibility.
Promote health in the built environment.	Through development standards, encourage urban amenities such as open space, plazas, and pedestrian features in areas of more intensive development within UGAs	Development standards can reduce flexibility in new housing development, can increase costs, and can potentially be used to block or delay new construction. Requiring amenities in new developments can also increase development costs and reduce feasibility.
Plan for population and employment growth.	Preserve and protect features of historic, archaeological, cultural, scientific and educational value or significance.	Historic preservation regulations can limit land suitable for development, and can increase total development costs. Historic or cultural preservation can also be used to block or delay new construction.
	Development regulations should encourage and/or requiring architectural features that are of a scale and type appropriate for pedestrians and the existing neighborhood.	Development and design standards can reduce flexibility in new housing development, can increase costs, and can potentially be used to block new construction.
	Development projects should provide amenities such as street furniture, street trees, small public spaces and plazas, etc.	Development and design standards can reduce flexibility in new housing development, can increase costs, and can potentially be used to block new construction.
	Consider the existing built environment when creating development regulations.	Development and design standards can reduce flexibility in new housing development, can increase costs, and can potentially be used to block new construction.
	Maintain the natural and scenic qualities of the area by limiting residential density.	This reduces housing development.

**Emerging Issues for Kitsap County**

The items listed here are relatively new challenges facing Kitsap County—largely due to the robust Puget Sound economy and housing market in the past decade—that either require new policies and programs, or require existing policies and programs to stretch to properly address.

## Market Conditions

- **Rent growth.** Rising rents are a double-edged sword, as they put additional housing cost burden on existing residents, but they also allow developers to leverage more debt to construct new housing. Market rate developers see rents as a positive indication of market support and development feasibility, so the public sector can put policies and programs in place that harness this supply for future needs and to reach lower income households.
- **Low vacancy and turnover rates.** Extremely low vacancy rates, under 2%, restrict residents' ability to right-size their homes. Those who would like to move to a different area of the County or downsize to a smaller home cannot because they are unable to find other options, for rent or purchase, within their budget. Market rate developers see low vacancy rates as a positive indication of market demand, so the public sector can put policies and programs in place that harness this development for future needs and to reach lower income households.
- **High housing prices.** Homeowners who would like to downsize or move are staying in their homes because area rents are higher than their current mortgages. Housing prices are so high that to get any meaningful equity out of their current homes they would have to sell and move to cheaper areas in the region.
- **Expensive home repairs.** Many existing single-family homes are in varying states of disrepair because of the high costs of renovation. This is particularly difficult for lower-income households, who may have less home equity to pay for repairs.
- **Demand from Seattle and King County.** Stakeholders were mixed on their feelings toward newcomers from Seattle, as well as on the magnitude of their impact. Several expressed an acceptance of being a bedroom community to Seattle, citing the reality of a lack of economic opportunity in Kitsap. Others were concerned that these higher-earners will compete with locals, who have lower incomes on average, for the limited housing stock. A few emphasized that despite common fears, Kitsap County actually has fewer residents who commute out of the county for work than places like Pierce County.

## Partnerships and Collaborations

- **Displacement and homelessness.** Displacement pressures are very real for low-income households who are facing steep competition for housing from new residents. For extremely low-income households, displacement in a very tight housing market with low vacancy and rising rents, can mean homelessness. This is particularly a concern for aging baby boomers and those that have mental and physical health problems. Preventing displacement and eviction is thus a high priority in solving the homelessness crisis and largely needs public, private, and nonprofit collaborations.

## Policies and Programs

- **Prior local examples.** Recent new housing developments have drawn criticism from constituents based on issues such as traffic and light pollution, which makes it more difficult to move new proposals forward. However, good examples of successful housing projects in the area are critical as a signal to developers that Kitsap's market is

appropriate and can support this development. This is especially important for innovative housing types, such as alternative housing types, infill and redevelopment, or ADUS or “missing-middle” type housing. If the public sector can help encourage the first few examples of the types of development it wants to see, this will help build momentum for other builders.

- **Inclusionary zoning.** The City of Bremerton considers its development incentives as sufficient and generous, so inclusionary zoning is not high on its priority list of tools to use. The Infill Toolkit outlines that inclusionary zoning incentives such as increased maximum heights in certain zones could fit with Bremerton’s goals, but it does not suggest offering density bonuses.
- **Moratorium on development.** Bainbridge Island’s current moratorium on new housing development, as well as the short-term moratorium on new water hookups (and thus new development) in Port Orchard are both having negative effects on the development forecast. This hurts developers who have already purchased land in the affected areas, as they are losing money the longer they are forced to sit on a purchase instead of moving forward with permitting and construction. Potential partners may also consequently view Kitsap County as being a riskier regulatory environment for future development, discouraging them from considering building housing here because of a fear of future moratoriums.
- **Maximum lot size.** In unincorporated areas, a change to the code means that developers must either build to meeting density requirements (a duplex or higher density on a single-family plot) or subdivide the lot (and pay for impact fees for each parcel). This change affects about 200 parcels, and there are no development agreements, waivers, or other tools to alleviate this pressure.
- **State funding priorities.** The current Washington State Housing Trust Fund money is segmented in a way that limits what types of housing affordable developers can build, which in turn constraints supply. In addition, low-income housing tax credits highly prioritize building homeless housing, which leaves few reliable resources for low-income housing for seniors and families.

## Part IV. Stakeholder Interview Information

### Interview List

- Russ Shippet, Kitsap Building Association
- Gina Schulz, Better Properties Kitsap Real Estate
- Ed Coviello, Kitsap Transit
- Stuart Grogan, Housing Kitsap
- Phedra Elliott, Housing Resources Bainbridge
- Matt Chantry, Shelter Resources Inc.
- Ginger Segel, Community Frameworks
- Beth Boram, Beacon Development Group
- Jonathan Rose, Olympic Property Group
- Chuck DePew, NDC (National Development Council)
- Pat Callahan, Urban Renaissance Group

### Interview Questions

1. Describe the housing development landscape in Kitsap County. What's working? What's not working? What policies, programs, funding sources, organizations, people are incentivizing or hindering housing development/affordable housing development in the area?
2. Where are there strong partnerships in housing provision?
3. What barriers or limitations do you face? What makes it more difficult for you to provide or support affordable housing in the area?
4. What would help you to overcome these barriers? What changes would make your job easier?
5. What types of investments would make it easier to develop housing (infrastructure, transportation, etc.)?
6. Are there specific areas within the City of Bremerton and Kitsap County where it's easier and more difficult to build or support affordable housing? Why is development happening in some areas of the city, but not in others?
7. What type of housing do you think is needed in the City of Bremerton and Kitsap County? (senior, supportive, special needs; townhomes, apartments; studios, larger units; <60% AMI, 60-80% AMI, 80-120% AMI)
8. Are there any opportunity sites you're aware of for market rate or affordable multi-family development?

9. What is your expectation of the development supply pipeline over the next five years?  
What trends do you anticipate?
10. What recommendations would you have for the City/County to improve housing coordination in Kitsap? Perhaps to cover gaps in service provision or create new partnerships?