



CITY OF  
BAINBRIDGE ISLAND

AFFORDABLE HOUSING TASK FORCE  
REGULAR MEETING  
WEDNESDAY, APRIL 25, 2018  
6:00-8:00 PM  
COUNCIL CHAMBER  
CITY HALL, 280 MADISON AVE N  
BAINBRIDGE ISLAND, WA 98110

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## AGENDA

### Members:

Althea Paulson, Chair

Emma Aubrey

Stephen Deines

Ann Lovejoy

Jeffrey Brown

Phedra Elliott

Bill Luria

Pat Callahan

Sharon Gilpin

Pegeen Mulhern

Corey Christopherson

Stuart Grogan

David Shorett

Jonathan Davis

Edward Kushner

Charlie Wenzlau

**Liaisons:** Deputy Mayor Blossom   Councilmember Scott   Commissioner Chester

- 6:00 PM**      Call to Order, Review and Approve Meeting Agenda, Conflict of Interest Disclosure
- 6:05 PM**      Review and Approve Notes from April 11, 2018 Meeting
- 6:10 PM**      Public Comment
- 6:20 PM**      Kirsten Jewell, Housing and Homelessness Program Coordinator  
Kitsap County Department of Human Services
- 6:30 PM**      Discuss Short-term Rental Issue
- 7:00 PM**      Review Inclusionary Zoning Memo to Staff
- 7:20 PM**      Work Groups Reports
- 7:45 PM**      Public Comment
- 7:55 PM**      Discuss Agenda for Next Meeting: April 11
- 8:00 PM**      Adjourn

*\*\*TIMES ARE ESTIMATES\**

For special accommodations, please contact Jane Rasely, Planning & Community  
Development 206-780-3758 or at [jrasely@bainbridgewa.gov](mailto:jrasely@bainbridgewa.gov)



AFFORDABLE HOUSING TASK FORCE  
REGULAR MEETING  
THURSDAY, APRIL 11, 2018  
6:00 PM – 8:00 PM  
COUNCIL CHAMBER  
280 MADISON AVE. N  
BAINBRIDGE ISLAND, WA 98110

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## MINUTES

### **TASK FORCE MEMBERS PRESENT:**

Pat Callahan  
Corey Christopherson  
Jonathan Davis  
Stephen Deines  
Phedra Elliott  
Sharon Gilpin

Stuart Grogan  
Ed Kushner  
Bill Luria  
Pegeen Mulhern  
David Shorett  
Charlie Wenzlau (Acting Chair)

**LIAISONS PRESENT:** Deputy Mayor Sarah Blossom, Planning Commissioner Bill Chester

**COBI STAFF PRESENT:** Jennifer Sutton, Senior City Planner

**MEMBERS OF THE PUBLIC PRESENT:** Marci Burkel and City Councilmember Ron Peltier

**CALL TO ORDER:** Acting Chair Charlie Wenzlau called the meeting to order at 6:03 pm.

**ADDITIONS & CORRECTIONS TO AGENDA:** None

**CONFLICTS OF INTEREST:** Pat Callahan: "As I have disclosed numerous times during these meetings that my company, Urban Renaissance Group LLC, owns Island Village Shopping Center and two other buildings on Hildebrand. The zoning changes we are discussing could, someday, impact those properties. In addition, as I have disclosed before, we occasionally interact with property owners with the Town Center zone of Bainbridge Island. Recently we have had discussions with a particular property owner that falls within the Town Center zoning. We have no agreement with this owner but it has been a substantive discussion."

**APPROVAL OF MINUTES:** The March 28 meeting minutes were approved without changes.

**PUBLIC COMMENT:** No public comment.

**TRANSFER OF DEVELOPMENT RIGHTS:** General discussion on the opportunities, constraints and limitations of the use of TDR's on Bainbridge. It was reported that the BI Land Trust expressed interest in TDR's and would like to discuss with the AFTH at some future meeting.

**REVIEW DRAFT INCLUSIONARY ZONING MEMO TO STAFF:**

Part 1: Inclusionary Zoning

- Exempt Business/Industrial Zones (i.e. Day Road) from the proposed inclusionary zoning requirements;
- Reconcile R (dua) zones with the FAR zones in the Designated Centers;
- Consider greater incentives for providing affordable rental units;
- Consider a minimum threshold (in units or sq. ft) for the fee-in-lieu requirement.

Part 2: Zoning Incentives in Designated Centers

- Consider incentives for more “livable” developments in the Neighborhood Service Centers, i.e., smaller & clustered housing with more public and open spaces.

**DISCUSS SHORT-TERM RENTALS ISSUE:** MOVED TO 4/25 MEETING.

**DISCUSS AGENDA FOR NEXT MEETING 4/25:** Charlie will revise the Memo to Staff re: Inclusionary Zoning as discussed during that agenda item and bring back to the next meeting. The group did not get to the issue of short-term rentals will also be on the next agenda, along with work group reports.

**PUBLIC COMMENT:** None

**ADJOURN:** Motion to adjourn at 8:10 p.m. approved by a unanimous vote.

# Short Term Rental Regulations Summary

Updated September 2017

## Primary goal

Balance the economic opportunity created by short-term rentals with the need to maintain supply of long-term rental housing stock available at a range of prices.

## Secondary goals

- A) Ensure a level playing field for individuals and companies in the short-term rental market and
- B) Protect the rights and safety of owners, guests and neighbors of these units.

## Definitions

- “Short Term Rental” is a booked stay of 29 consecutive nights or fewer
- “Long Term Rental” is a booked stay of 30 consecutive nights or more (these stays are excluded from an operator’s cumulative Short Term Rental nights total)
- “Operator” is the rental host
- “Platform” is the online company that facilitates the rental (Airbnb, VRBO, etc.)

## Basic Regulatory Framework

Requires a new **Short Term Rental Operator’s license** in addition to a business license. Limited to 2 dwelling units. \*

\*Existing STR operators will be exempt from these limits, for the continued operation of existing short-term rental units in specific areas within the Downtown, South Lake Union, and Uptown Urban Centers and for certain building types in the First Hill/ Capitol Hill Urban Center;

## Requirements of a Short Term Rental Operator License

- include the license number on any listing advertising or soliciting the property for use as a short-term rental
- a local contact number for guests,
- a signed declaration that the unit is up to code,
- basic safety information posted for guests in the unit, and
- annual license fee, per unit, of \$75.

## Requirements of a Short Term Rental Platform License

- to provide information about Seattle’s regulations to operators using the platform,
- provide booking services only with operators who have been issued a short-term rental operator’s license, and
- share basic data with the City on a quarterly basis, including
  - the total number of short-term rentals listed on the platform, and
  - the total number of nights rented through the short-term rental platform
- quarterly license fee based on the total number of nights booked on the platform,
- requires a new Short Term Rental Platform’s license in addition to a business license.

3/26/2018

RE: Short Term Vacation Rentals on Bainbridge Island

Members of the Council,

The housing element of the Bainbridge Island Comprehensive Plan sets Goal HO-5 to “maintain the existing stock of affordable and rent-assisted housing” on Bainbridge Island. To support this goal, the Affordable Housing Task Force recommends the adoption of an ordinance to limit the use of short term rentals on Bainbridge Island.

Since 2011, the third-party analytics site AirDNA has measured a 41% annual growth in the number of Airbnb rentals on Bainbridge Island, with 130 active rentals currently recorded. Of these active rentals, 113 are for the entire home, a number that represents more than three months of inventory in the current real estate market. This stranded inventory worsens the affordable housing crisis by reducing the stock of long term rental and for sale housing on Bainbridge Island. However, we also realize that many citizens of Bainbridge Island rely on the supplemental income generated by these short-term rentals to afford the ever-increasing cost of living, so it is necessary to control the growth of the short-term rental market without eliminating it all together.

In December of 2017, the City of Seattle passed a law (summary is attached) limiting the number of short term rentals per operator to their primary residence plus one additional unit. Although opposed by several operators with a large number of rentals, this action was supported by Airbnb as a “model regulatory framework” that properly supported the small operator without excessive burden.

The Affordable Housing Task Force recommends that the Bainbridge Island City Council adopt an ordinance modeled on the one passed by the City of Seattle.

Sincerely,

Affordable Housing Task Force

# FINAL RECOMMENDATIONS ON INCLUSIONARY ZONING, AFFORDABLE HOUSING INCENTIVES, & MULTI-FAMILY TAX EXEMPTION

From: AFFORDABLE HOUSING TASK FORCE  
Date: April 21, 2018  
Attn: Department of Community Development  
Jennifer Sutton, Senior City Planner

## EXECUTIVE SUMMARY

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*The Affordable Housing Task Force was created to develop strategies to implement the policies laid out in the Comprehensive Plan's Housing Element. The policies have been considered in the broadest context to address how housing policies are linked to the environment and local economy. The findings of the Task Force have been refined into recommended regulatory changes to the Bainbridge Island Municipal Code (BIMC). These recommendations address several of the key policies which have the greatest potential to address the shortage of affordable housing. The Task Force's final report will include other strategies, since it will take a broad array of approaches to address the problem. These recommendations provide a framework that will require further analysis by the planning staff and their consultants, Planning Commission and City Council to determine their viability and final regulatory format.*

*These recommendations include a combination of mandatory zoning regulations and other zoning incentives to stimulate the marketplace to achieve the intended results. This approach has been demonstrated regionally as an effective method to address affordability. Consistent with the Island's Comprehensive Plan, the creation of new housing and the related zoning recommendations are focused within the Designated Centers, helping to protect the rural areas of the island.*

*The key recommendations include:*

- *PART 1: Inclusionary Zoning*
- *PART 2: Zoning Changes to Incentivize Affordability in the Designated Centers*
- *PART 3: Multi-family Tax Exemption*

## INTRODUCTION

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These recommendations are intended to provide guidance to COBI staff, subject to findings and input from its consultants, to prepare draft ordinance(s) based upon the recommended changes described

herein to Bainbridge Island Municipal Code. These proposed changes to the zoning code are put forth to implement specific priority goals presented by the Task Force to the City Council. These recommendations, as well as other recommendations by the AHTF (forthcoming), are designed to serve improved affordability through a variety of income levels and various household types. It will take a combination of requirements and incentives to produce a measurable increase in affordable units.

The principles behind these recommendations include the following:

- Affordability by Size: Create smaller units for singles, couples and seniors, in both the rental market and ownership market.
- Affordability by Subsidy:
  - Pay for inclusionary units through an increase in market rate units sufficient to subsidize affordable units.
  - Provide financial incentives through tax abatement to subsidize affordable units.
- Affordability by Location: Eliminating or reducing the cost of a car and related parking.
- Affordability by Increased Supply: Incentivize both small size and rental housing

These principles are recommended in the context of the goals of the Comprehensive Plan. The Plan fundamentally seeks to encourage thoughtful growth in Greater Winslow and the Neighborhood Center, and constrain sprawl in the residential zones on the island. As referenced in Goals 1 and 2 of the City of Bainbridge Island Comprehensive Plan's Housing Element, the City of Bainbridge Island shall monitor provisions and changes to the zoning code and all affordable housing ordinances on a yearly basis to determine the effectiveness of the ordinances and code changes. At the end of every two years the Department of Planning and Community Development will prepare a report based on data gathered through the monitoring program. The reports will be used by the city planning department and the Planning Commission as a basis to amend and update the code and ordinances as needed to achieve the affordability Principles. The proposed amendments and updates will go to the City Council for approval. The time table for the updates shall be coordinated such that the amendments and updates are completed every 4 years.

## PART 1: INCLUSIONARY ZONING

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The following is recommended to establish a new Inclusionary Zoning Code:

- 1) Applicability: Designated Centers which include the Winslow Master Plan/Winslow Sewer Area and Neighborhood Service Centers.
  - a. *Island wide applicability was not recommended due to the Comprehensive Plan goal to focus new development in the Designated Centers.*
- 2) Base Requirement: **10%** minimum affordability on all new residential development projects. Projects which exceed project threshold size of **10,000sf residential FAR** are required to construct the inclusionary units. The 10% requirement is applied to the Base Residential FAR. Projects may exceed the 10% requirement by utilizing other zoning incentives.

- a. Staff will need to verify appropriate base requirement (percentage & minimum project size) in relation to offset (see 3, Offset). Projects on adjoining parcels shall be considered as a single project for determining project size. Controlling inclusionary threshold by project area (sf) will prevent projects from artificially increasing unit sizes to stay below minimum unit threshold.*
  - b. Projects within the residential zones (R-zones) in the Designated Centers are regulated by units per acre, not FAR. Staff will need to determine minimum project size and related offset.*
- 3) **Offset:** In order to effectively subsidize the inclusionary units, the FAR shall be increased to offset the financial impact to the project subject to the mandatory requirement. **The Mixed-use Base FAR and Bonus FAR shall be increased by 0.2** (see MUTC 18.12 Dimensional Standards) for all zones subject to the inclusionary requirement.
  - a. The offset is the difference between the market rent and inclusionary rent, OR the difference between the market rate sales price and the affordable sale price. In order to meet state law, the financial impact related to this lost revenue to a project must be offset by an equivalent density or FAR increase.*
  - b. In order to offset financial impact to the project, a significant increase is needed in the Base FAR. Under current code, any increase above the Base FAR is only available as Bonus FAR, by paying a fee to the City (or through other bonus provisions). The staff shall verify the proposed Base FAR increase is proportional to the financial impact to the project.*
- 4) **Fee in Lieu:** Residential projects **10,000sf or less**, are eligible to pay a Fee in Lieu instead of constructing the inclusionary units. Fees shall be directed to Housing Trust Fund. Fee shall vary based upon project size.
  - a. Note that the Fee in Lieu is offset by the 0.2 FAR increase or density increase (in R zones).*
  - b. Fee in Lieu is not available for larger projects to ensure inclusionary units are constructed as part of the project. Small projects typically have a more difficult time integrating inclusionary units due to their small site area.*
  - c. The Task Force did not want Fee in Lieu to be available for larger projects. It is important to have inclusionary units built within projects and to have them dispersed throughout the community. Communities which rely only on Fee in Lieu will typically use those funds to construct standalone multi-unit affordable projects.*
  - d. Projects which are not eligible for offset are not required to pay Fee in Lieu.*
- 5) **Target Income Groups:** Inclusionary units shall serve a range of Kitsap Area Median Income (AMI) between 50% and 120%. For projects which are required to provide multiple inclusionary units, those units shall serve **a range of income levels which equal an average of 80% AMI**. For projects with a single inclusionary unit, it shall be affordable to a household income shall be no more than 80% AMI.
  - a. The Task Force recognized that other solutions will be required to address serving lower income level and will be recommending other solutions.*
  - b. Publicly subsidized affordable projects are typically required to serve lower income levels, similar to the proposed Suzuki affordable housing project.*



- 6) Unit Size and Types: For projects with multiple inclusionary units, unit sizes shall reflect the proportionality of the bedroom mix of the market rate units. For projects with one inclusionary unit, the number of bedrooms shall reflect the average size in project. The inclusionary unit size may be smaller than typical market rate unit. The exterior design of the affordable dwelling unit(s) shall be similar in appearance to the market rate units. The units shall be geographically dispersed throughout the project.
  - a. *The intent here is to ensure the affordable units reflect the overall character of the project to be fully integrated.*
- 7) Duration: Affordability shall be permanently enforceable by a deed restriction placed on the property title report.

## PART 2: ZONING CHANGES TO INCENTIVIZE AFFORDABILITY IN DESIGNATED CENTERS

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The following incentives are intended to encourage mixed-use development and affordability within the Designated Centers. Emphasis has been given to the High School Road and Ferry Terminal Districts. Key outcomes include expanding residential uses within allowable building envelopes and the creation of mixed-use villages in areas currently developed as low rise commercial and parking lots. These concepts are consistent with the Comprehensive Plan to focus growth in Designated Centers, increase workforce housing and reduce environmental impacts of workforce commuting.

Proposed modifications to Chapter 18.12 Dimensional Standards:

- 1) HIGH SCHOOL ROAD & FERRY TERMINAL DISTRICTS: Highschool Road and Ferry Terminal Districts shall have their **FAR set equal to Core district**. Consistent with the goal to have pedestrian oriented villages, these projects shall be **required to be mixed-use**.
  - a. *These two zoning districts hold the greatest potential to become transit-orient development locations. The current code has the maximum amount of residential for the High School Road District set low to support auto-oriented commercial development. The proposed flexibility to increase the overall FAR and related residential component will take pressure off residential zones throughout the island.*
  - b. *Under current code, mixed-use is not required.*
  - c. *This ensures we get mixed-use pedestrian-oriented development in the commercial districts. So long as first floor commercial and/or retail is provided, residential use can be utilized for all remaining FAR.*
  - d. *The specific requirements to meeting the intent of mixed-use requirement shall be determined by staff. Mixed use shall provide retail at key frontages and public spaces.*
- 2) FLEXIBLE FAR: Consistent with the Core district Base FAR and proposed mixed-use requirement, the commercial portion of mixed-use FAR may be converted to residential FAR.

- a. *The flexibility to convert commercial FAR to residential will have the benefit of producing more housing overall and a proportional increase in the inclusionary units. This has the potential to double the number of inclusionary units.*
  - b. *The current method of FAR allocation only allows a portion of the site development to be housing, with the rest being commercial. The intent was to encourage mixed-use projects. Under current market conditions, residential use has far greater market demand than commercial. Limiting amount of residential to current levels is resulting in sites being underbuilt.*
  - c. *This added flexibility with base residential FAR would not increase the building size or overall FAR since it is within current allowable mixed-use FAR.*
  - d. *For example, a mixed-use project in the Core District, with bonuses, under current zoning, has a maximum FAR of 1.5. That maximum must be divided between the commercial maximum of .5 FAR and the residential maximum of 1.0 FAR. Under the recommended approach, if the project is located in any of the following zones (High School Road, Ferry Terminal, and Core), and it is mixed-use with retail or commercial at the base of the project, then the mixture of commercial and residential FAR is flexible. For example, the residential could end up being 1.3 in this example so long the projects has sufficient commercial to meet the mixed-use requirement.*
- 3) NEIGHBORHOOD SERVICE CENTERS (NSC): Change NSC zoning from current method of determining density by units per acre to FAR method.
- a. *Currently NSCs have a low base density (2 units/acre) which doesn't support pedestrian-oriented villages. Basing density on units per acre encourages projects to build large units to maximize buildable area. The FAR approach would increase flexibility allowing smaller unit sizes and related affordability. Staff need to determine what appropriate FAR is in relation to density.*
- 4) BUILDING HEIGHT: Increase the maximum height from 45' to 55' when underground parking is provided and project exceeds both 20% affordability and 20% public space. Applies to High School Road District and Ferry Terminal District only.
- a. *This encourages pedestrian-oriented urban villages close to transit. Height increase would not be allowed in Core district in order to keep new development in scale with existing buildings.*
- 5) PARKING: Allow lower parking requirements (.5 spaces/unit) for units within 1 mile of Ferry and unit size less than 600sf.
- a. *The cost of providing parking and related vehicle ownership costs impact affordability. On average, the cost of owning a vehicle can be as high as \$700/month. The cost of an underground parking stall ranges between \$25,000 to \$30,000 per stall. These costs affect both the renter's ability to afford housing and the cost of building the housing.*
- 6) SUBDIVISIONS: Allow subdivisions within Mixed Use Town Center.
- a. *Currently, subdivisions are only allowed if approved under the Housing Design Demonstration Program (HDDP). This change would not require a density or FAR increase. This will encourage "missing middle" homes such as cottages, townhouses and*

*small footprint homes. Home size would be limited to 1600sf and lot sizes would be restricted to a maximum size to ensure minimum densities are achieved.*

### **PART 3: MULTI FAMILY TAX EXEMPTION**

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- 1) **MULTI-FAMILY TAX EXEMPTION:** Implement MFTE as part of zoning code to stimulate creation of affordable units. This tax exemption requires the property to continue paying the existing tax obligations but exempts the new taxes on value added (i.e., the new construction) for 12 years. Under the MFTE, the 20% affordable requirement would remain for 12 years. Note that this exemption is allowed by state law and must follow the guidelines of that law. Many cities in the state of Washington have passed such legislation, and it provides a meaningful incentive to create affordable housing. The MFTE is typically associated with projects exceeding 40 units.
  - a. *The MFTE could be combined with the inclusionary zoning requirements to increase the number of affordable units in a given project, potentially 30% of the total (10% inclusionary and 20% MFTE).*
  - b. *The MFTE affordability requirement of 20% could be maintained and the inclusionary zoning requirement could require something else, like 5 extra years of affordability after the 12 years abatement goes away.*
  - c. *Allow MFTE for market rate rental projects for projects with 8 year compliance period. This will add a key incentive to stimulate the creation of rental units.*

### **CONCLUSION**

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These recommendations, in their totality, embrace multiple affordable strategies. The mandatory inclusionary requirement will effectively address those households in the 80% AMI range. The smaller units driven by our incentive recommendations will effectively address the 100% AMI range. In addition, other strategies that the Task Force has recommended, using public or non-profit owned land to build affordable units (exemplified by Suzuki), for example, will address the 60% AMI range.

Affordability is affecting all aspects of our community. Issues such as the daily influx of vehicles on to the island and their associated emissions are related to the lack of workforce housing. Our efforts to minimize sprawl need to be coordinated with where it is best to locate affordable homes. These measures may not be enough to address the shortage of affordable homes. To make any serious progress, it is essential to let the marketplace, which builds most of our housing, help solve the problem. Overly punitive approaches will not succeed since they tend to suppress the marketplace, driving home costs up even further out of reach.

The Task Force welcomes a thorough review of these recommendations, both to help increase awareness of the challenges we face and to ensure the community will benefit from them.