

## ***Affordable Housing: Existing Resources & Current Initiatives***

"Affordable housing", according to the interpretation found in the Growth Management Act - Procedural Criteria [WAC365-195-070(6)], "applies to the adequacy of the housing stocks to fulfill the housing needs of all economic segments of the population. The underlying assumption is that the market place will guarantee adequate housing for those in the upper economic brackets but that some combination of appropriately zoned land, regulatory incentives, financial subsidies, and innovative planning techniques will be necessary to make adequate provisions for the needs of middle and lower income persons."

A number of for-profit and not-for-profit housing developers using various Federal, State and local funding mechanisms have produced affordable housing on Bainbridge Island. The City's financing mechanisms include:

1. The City's Affordable Housing Program
2. The City's Housing Trust Fund
3. Waiver of Public School Impact Fees

### **City's Affordable Housing Program**

The City's Affordable Housing Program, enacted by Ordinance 97-15 in 1997, was established to create "affordable homeownership opportunities for income-qualified individuals" and is applicable to most residential developments. The program requires that housing developers provide a specified number of affordable rental or for-purchase dwelling units in all residential developments over a certain size. In return, the developer receives a market-rate density bonus equivalent to the amount of affordable housing provided. The initial income-qualified buyer may resell the unit at market-rate, with a portion of the appreciation paid to the City's Housing Trust Fund.

To date the Affordable Housing Program has produced 35 units of affordable homeownership disbursed in 12 Island subdivisions and four affordable rental units in Lynwood Commons, as shown in **Table 23** on the following page. Two of the for-purchase units have since been re-sold at market-rate, removing them from the inventory of affordable housing. The first sale had insufficient appreciation, so there was no payment to the City's Housing Trust Fund. The second sale generated \$25,425 in appreciation recapture, which will be transferred to the City's Housing Trust Fund.

**Table 23: Housing Produced by the City's Affordable Housing Program**

Table 23: Housing Produced by City's Affordable Housing Program 1998 - 2003											
For Purchase Housing:											
Subdivision	Zoning	Status	# Required	Built	Not Built	Year of Initial Sale					
						1999	2000	2001	2002	2003	Total
Courtyards on Madison	MUTC - Madison Avenue Overlay District	Approved	4	4	0		4				4
Fort Ward Parade Grounds <sup>1.</sup>	R-2	In Process	2	0	2						0
Idle Weiss	R-1	Approved	1	1	0						0
Mill Heights	R-0.4	Approved	1	1	0			1			1
North Town Woods	R-2	Approved	15	15	0		2	11	2		15
Tiffany Meadows	R-2.9	Approved	1	1	0			1			1
Toad Holler	R-0.4	Approved	1	1	0				1		1
Weaver Creek <sup>2.</sup>	R-3.5	Approved	9	9	0			9			9
Weaver Landing	R-2	Approved	2	0	2						0
Wild Swan	R-1	Approved	1	1	0						0
Winslow Mews	MUTC - Ericksen Avenue Overlay District	Approved	2	2	0	2					2
Winslow's Cove	R-3.5	Approved	2	2	0				1	1	2
	<b>Subtotal</b>		<b>39</b>	<b>37</b>	<b>2</b>	<b>2</b>	<b>6</b>	<b>22</b>	<b>4</b>	<b>1</b>	<b>35</b>
Less: Homes Re-sold <sup>3.</sup>									-1	-1	-2
	<b>Current Total</b>		<b>39</b>	<b>37</b>	<b>2</b>	<b>2</b>	<b>6</b>	<b>22</b>	<b>3</b>	<b>0</b>	<b>33</b>
Notes											
1. Being developed under Kitsap County Consolidated Housing Authority guidelines. 6 more homes than the 2 required by City will be built. 2 will be sold to moderate-income buyers (>80% - 95% of Median) and 6 to medium income buyers (>95% - 120% of Median).											
2. Sweat equity homes developed under Kitsap County Consolidated Housing Authority.											
3. When homes produced under the City's Affordable Housing Program are re-sold, the new purchaser does not have to meet the programs' income guidelines. The City recaptures a specified percentage of equity upon the initial resale. Any recaptured equity is deposited in the Housing Trust Fund.											
For Rent Housing:											
Development	Location	Status	# Required	Built	Not Built	Year Rented					
						1999	2000	2001	2002	2003	Total
Lynwood Commons	Lynwood Service Center	Approved	4	4	0						0
Source: Department of Planning and Community Development, City of Bainbridge Island											

### Affordable Housing Program - Fee In Lieu Option

In 2003, a group of developers proposed that the City adopt a “fee in lieu” provision to the Affordable Housing Program for the Mixed Use Town Center/High School Road (MUTC/HSR) area, giving developers the option to pay into the Housing Trust Fund rather than provide the required affordable housing units. The fee would be based on the number of square feet required by the Affordable Housing Program. The City adopted the fee-in-lieu proposal by Ordinance 2003-20 on May 14, 2003.

The revenue from the fee in lieu option, on the projects currently permitted or in process at the time of the Ordinance’s adoption, is projected to be approximately \$213,000. The Housing Trust Fund would then seek to leverage these dollars up to 8 times that amount. Over a five-year period funds generated by the fee in lieu option are projected to produce up to 36 long-term, affordable housing units for households with incomes at or below 80% of the Kitsap Median Income.

### Review of the City’s Affordable Housing Program

Experience with the Affordable Housing Program, since it was implemented in 1997, indicates that a review is needed to determine whether the program meets its stated intent. To this end, the 2003 90-Day Affordable Housing Task Force has been appointed. They will forward any recommended program revisions to the Mayor and City Council.

### **City’s Housing Trust Fund**

Upon recommendation of the Mayor’s 90-Day Committee for a Housing Trust Fund, the City’s Trust Fund was established by Ordinance in 1999. “The targets of the Housing Trust Fund are those households which depend on an Island-based income to support their home [and] are those households on which the Island depends upon as clerks, teachers, public employees, wait staff, artists, crafts people, skilled workers...In short, those people who make the Island run day-to-day in an interesting and economically viable way.”<sup>1</sup>

The Trust Fund provides financial support to non-profit and for profit housing developers in the acquisition, rehabilitation and new construction of affordable housing on Bainbridge Island. Projects and programs funded by the Housing Trust Fund must serve households with incomes at or below 80% of the Kitsap (Bremerton) Median Income shown on **Table 19** on page 32. The Housing Trust Fund’s support of programs and projects, since its inception, is shown in **Table 24** on the following page.

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<sup>1</sup> The Mayor’s 90-Day Committee for a Housing Trust Fund (1999), page 5.

**Table 24: Projects & Programs Supported by the City's Housing Trust Fund**

Table 24: Projects Supported by COBI's Housing Trust Fund (4th Qtr 1999 - July 2003)									
Program / Project	Income Group	Type of Activity	Housing Type	# of Units	Total Project / Program Cost	Total Cost per Unit	Total HTF Funds	HTF Per Unit	HTF Leverage
Habitat for Humanity	80% or >	New Construction	For Purchase	<u>3</u>	\$369,291	\$123,097	\$75,000	\$25,000	3.9
Housing Resources Board									
Independent Living Program	80% or >	Preservation	Ownership & Rental	25	\$74,031	\$2,961	\$74,031	\$2,961	0.0
JanetWestHome	31 - 50%	New Construction	Rental	9	\$1,160,049	\$128,894	\$61,130	\$6,792	18.0
VillageHome	31 - 50%	Preservation	Rental	11	\$1,538,096	\$77,921	\$23,239	\$2,113	65.2
Sadie Woodman House	31 - 50%	Preservation	Rental	<u>1</u>	<u>\$78,500</u>	\$78,500	<u>\$33,470</u>	<u>\$33,470</u>	1.3
HRB Total				46	\$2,776,645		\$191,870		13.5
KCCHA									
Islander Mobile Home Park	80% or >	Preservation	Rental	<u>60</u>	\$5,750,000	\$95,833	\$200,000	\$3,333	27.8
Serenity House	80% or >	Option Pymt (Preservation)	Special Needs	<u>34</u>	Under Development	\$176	\$6,000	\$176	Unknown
HTF Total				143	\$8,895,936		\$472,870		17.8

Source: Housing Trust Fund, Housing Resources Board & Long Range Planning, City of Bainbridge Island.

One of the most significant programs supported by the Housing Trust Fund is HRB's Independent Living Program. This program provides repair, rehabilitation and the removal of architectural barriers to allow low-income homeowners and seniors to remain in their homes, directly responding to Goal 2.4 of the Housing Element: "The City shall support programs that assist low-income homeowners and seniors to repair, rehabilitate, maintain and to improve accessibility to and within their homes."

### Public School Impact Fees

The City has provisions for waiving public school impact fees for certain affordable housing projects, as specified in the Bainbridge Island Municipal Code 15.28.070: "No impact fees shall be imposed for...low-income housing projects that are constructed by public housing agencies or private nonprofit housing developers; low-income residential units, rented or purchased, that are dedicated and constructed by private developers; temporary placement shelters, relocations facilities and transitional housing facilities..." On such projects the fees are paid for out of public funds. (Please see **Table 25**, on the following page.)

The school impact waiver provision requires that eligible rental households have incomes at or below 50% of the calculated average Median Income, of the Bremerton and Seattle PMSAs, adjusted for family size. For eligible for-purchase units, the family income cannot exceed 80 percent of the calculated average Median Income. Limits are also set on the monthly rent, including utilities, for rental housing and the prices on the for-purchase units. The current income and rent limits can be found in **Table 20** on page 33.

**Table 25: Public School Impact Fees Waived for Eligible Projects**

Table 25: Public School Impact Fees on Eligible Projects			
Program / Project	# of Units	Total Fees Waived to Developer & Paid for by City Funds	Per Unit
Habitat for Humanity	3	\$13,170	\$4,390
Housing Resources Board			
IslandHome	10	\$30,000	\$3,000
JanetWestHome	9	\$61,130	\$6,792
VillageHome	11	\$68,400	\$6,218
HRB Total	30	\$129,530	\$4,318
KCCHA			
Weaver Creek	9	\$39,510	\$4,390
Overall Total	42	\$182,210	\$4,338

Source: Habitat For Humanity, HRB, KCCHA, COBI

### Habitat For Humanity

Habitat For Humanity is completing three single-family homes on Bainbridge, their first Habitat homes on the Island. Two are in Fort Ward and one is in the Hidden Cove neighborhood. These homes were financed, in part, by a \$45,000 per house pledge from three Island groups: dentists, lawyers and Rolling Bay Presbyterian church. The City's Housing Trust Fund provided \$75,000 (\$25,000 per lot). Other support came from the Windermere Foundation, Community Development Block Grant dollars, the donation of in-kind services, labor from the low-income families chosen to purchase the homes, the sponsoring groups and other community volunteers.

### Housing Resources Board

Housing Resources Board (HRB), incorporated in 1989, is the only Island-based non-profit housing provider. They currently have 31 affordable rental units in their portfolio. When JanetWestHome, a nine-unit rental project on Knechtel named in honor of a previous mayor, is completed towards the end of 2003, the inventory of units under HRB's ownership and management will increase to 40 units.

### Cost to Produce Affordable Housing

An ongoing challenge to HRB, or any Bainbridge developer, is the increasing cost of land and materials. The per unit cost rose from \$77,400 in 1992 to just under \$129,000 by 2003. **Table 26**, on the following page, breaks out the cost for each project.

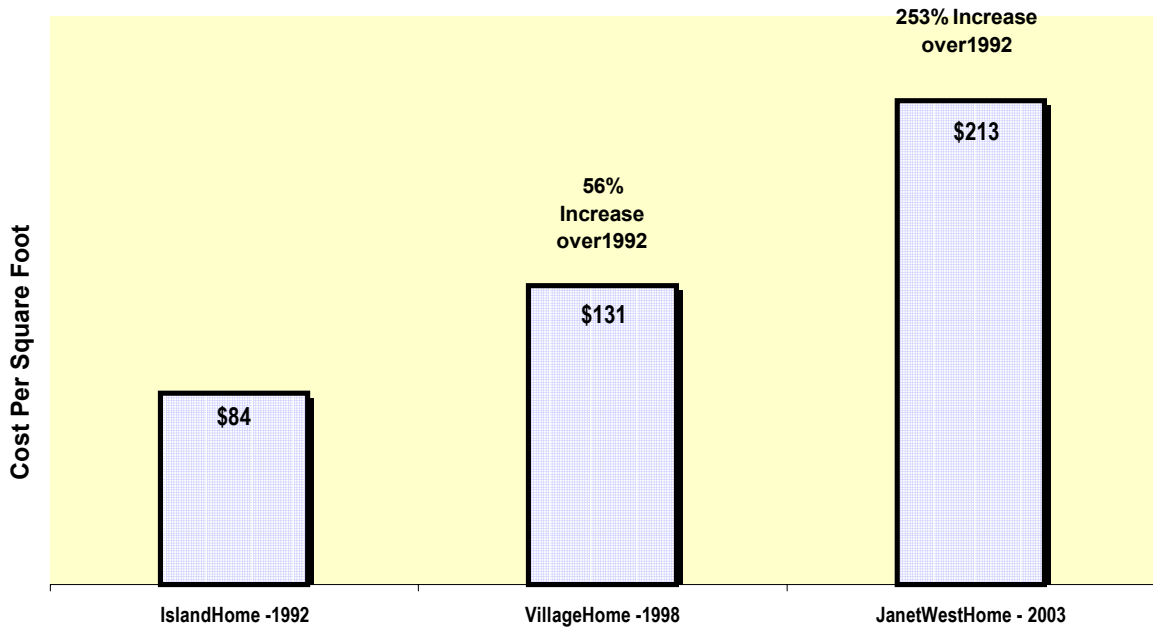
**Table 26: Housing Resources Board's Historical Cost to Produce Affordable Housing**

Table 26: Housing Resources Board's Historical Cost to Produce Affordable Housing on Bainbridge Island								
Project	Year Completed	Number of Housing Units	Total Cost / Value	Gross SqFt	Cost Per SqFt	% Increase over 1992 Cost	Cost Per Unit	
<b>New Construction</b>								
IslandHome	1992	10	\$774,260	9,200	\$84		\$77,426	
VillageHome - Residential Units	1998	11	\$986,205	7,500	\$131	156%	\$89,655	
JanetWestHome - Under Construction	2003	9	\$1,160,049	5,450	\$213	253%	\$128,894	
<b>House Donated, Relocated, Rehabed</b>								
Sadie Woodman - moved to land leased from City	2001	1	\$78,500	1,250	\$63		\$78,500	
ForestHome - moved to IslandHome site	1994	1	\$152,225	1,250	\$122		\$152,225	
<b>Donated (2 Buildings)</b>								
Western View Terrace	2001	8	\$680,000	6,400	\$106		\$85,000	
<b>Totals</b>		<b>40</b>	<b>\$3,831,239</b>	<b>31,050</b>				
Source: Housing Resources Board								

The cost per square foot (including land cost) to produce HRB's affordable rentals has increased from \$84 per square foot in 1992 to \$213 per square foot in 2003 for their newest project, JanetWestHome. The per square foot cost on the JanetWestHome represents a 253% cost increase over the cost of IslandHome, built 11 years earlier (Please see **Chart M**, on the following page.)

Chart M – HRB's Per Square Foot Cost to Produce Affordable Housing

Housing Resources Board - Cost Per Square Foot to Produce Affordable Housing  
(New Construction Including Land)



Financing Mix Required to Produce Affordable Housing

Another challenge facing HRB, and other non-profit housing providers, is the complexity of financing affordable housing. As **Table 27**, on the following page illustrates, numerous loans and grants from local, state and federal sources can be necessary for projects to “pencil” or achieve financial feasibility. \$218,809 of local support for HRB projects was provided through the City’s Housing Trust Fund and waived fees (public school impact fees and utility hook-up fees). The City’s support represents 5% of the total funding required on HRB’s projects, a leverage of just under \$19 for every \$1 the City provided. (For more detail on the waived fees, please see page 43.)

**Table 27: HRB Project Funding Sources**

Table 27: Funding Sources on HRB Projects															
Project	COBI		Local Lenders			Gifts, Grants & Donations				Other Financing					Total
	General Fund for School Impact & Hook-up Fees	Housing Trust Fund	American Marine Bank	Bank of America	Frontier Bank Loan	Gifts	Grants & Pro Bono Services	Housing Resources Board	Windemere Foundation	Sale Proceeds from Commercial Condos	CDBG	Federal Home Loan Bank	WA State Office of Community Devel.	Source Not Available	
ForestHome	\$14,500				\$85,000	\$3,000	\$3,000	\$5,000	\$4,500					\$37,225	\$152,225
IslandHome	\$30,000			\$410,040			\$50,220		\$25,000			\$40,000	\$219,000		\$774,260
JanetWestHome	\$17,200	\$32,000	\$204,901								\$409,481		\$496,467		\$1,160,049
Sadie Woodman		\$33,470	\$26,530						\$8,500		\$10,000				\$78,500
VillageHome <sup>1</sup>	\$68,400	\$23,239					\$70,766		\$7,500	\$551,890	\$208,850		\$597,928	\$32,762	\$1,561,335
W. View Terrace						\$680,000									\$680,000
<b>Totals</b>	<b>\$130,100</b>	<b>\$88,709</b>	<b>\$231,431</b>	<b>\$410,040</b>	<b>\$85,000</b>	<b>\$683,000</b>	<b>\$123,986</b>	<b>\$5,000</b>	<b>\$45,500</b>	<b>\$551,890</b>	<b>\$618,331</b>	<b>\$50,000</b>	<b>\$1,313,395</b>	<b>\$69,987</b>	<b>\$4,406,369</b>
% of Total Funds	3.0%	2.0%	5.3%	9.3%	1.9%	15.5%	2.8%	0.1%	1.0%	12.5%	14.0%	1.1%	29.8%	1.6%	100.0%
<b>Totals</b>	<b>\$218,809</b>			<b>\$726,471</b>			<b>\$857,486</b>			<b>\$551,890</b>		<b>\$1,981,726</b>		<b>\$69,987</b>	<b>\$4,336,382</b>
<b>%</b>	<b>5.0%</b>			<b>16.8%</b>			<b>19.8%</b>			<b>12.7%</b>		<b>45.7%</b>		<b>1.6%</b>	<b>100.0%</b>

Source: Housing Resources Board & Housing Trust Fund

1. Original development cost was \$1,538,096 as shown on **Table 26**. The Housing Trust Funds of \$23,239 were provided after the project was operational.

**Section 8 and Fair Market Rents**

Section 8 certificates, provided by HUD to eligible low-income households, ensures the certificate holders will pay no more than 30% of their income for housing and guarantees the landlord that the balance of the rent will be provided by HUD. In exchange, landlords agree to HUD’s Fair Market Rent (FMR) for the unit. The Fair Market Rent can limit the number of potential units for Section 8 holders or preclude them altogether in a rental market where the FMRs are below the market rent. Bainbridge Island is in such a rental market.

The average market-rate multifamily rents on Bainbridge are higher than the FMRs allowable for Kitsap County. They are more in line with the Seattle Fair Market Rents, as show in **Table 28**, below. The result is limited housing choices for Bainbridge households with Section 8 certificates. According to the November 2002 multifamily rental survey, only 550 Madison, Park View Apartments, Quay Bainbridge and Western View Terrace had units offered at rents below the Bremerton FMRs.

**Table 28: HUD’s Fair Market Rents vs. Bainbridge Market Rents**

Table 28: Comparing HUD's Fair Market Rents (Bremerton & Seattle) with Bainbridge's Market Rents					
Bedrooms	0	1	2	3	4
Bainbridge Market Rent <sup>1</sup>	\$850	\$713	\$911	\$1,042	-
Bremerton FMR	\$509	\$587	\$761	\$1,027	\$1,249
Difference	\$341	\$126	\$150	\$15	-
Bainbridge Market Rent <sup>1</sup>	\$850	\$713	\$911	\$1,042	-
Seattle FMR	\$584	\$710	\$899	\$1,249	\$1,476
Difference	\$266	\$3	\$12	-\$207	-

Source: Fair Market Rents - Federal Register / Vol. 67, No. 189/Monday, September 30, 2002 / Notices 61435. Bainbridge Market Rents are the weighted averages shown in **Table 9**: Summary of Multifamily Units & Average Rents.

## **Kitsap County Consolidated Housing Authority (KCCHA)**

KCCHA owns and operates 51 multifamily units on Bainbridge Island (Rhododendron Apartments – 38 units and 550 Madison – 13 units) and is currently building a number of affordable homes for purchase on the Fort Ward Parade Grounds. They were instrumental in the development of nine units of self-help housing at Weaver Creek, a sweat equity project. Their most recent purchase is 550 Madison, a 13-unit apartment on Madison Avenue. They are currently applying for funding to purchase the 60-pad Islander Mobile Home Park with the goal of maintaining the park for a minimum of ten years and as an affordable housing site for 50 years or more.

In support of preserving the mobile home park City Council authorized a \$200,000 set-aside from the City's Housing Trust Fund that is projected to be leveraged 27.75 to 1 with grants and loans. KCCHA hopes to secure the balance of the needed funds over the next three years. Once all the financing is secured they will complete the purchase from the Park's long time owner and operator.

Based on an anonymous poll of the Parks occupants conducted by the residents, 44 of the 58 current households or 76% are low-income (at or below 80% of the Kitsap Median). Half of those low-income households are very low or extremely low-income, with incomes of between 31 – 50% and 30% or less, respectively. The Park is home to 28 individuals and 30 households ranging from two to seven occupants. The Park is a diverse mixed-income community within walking distance of virtually all services Winslow has to offer – medical care, the ferry, shopping, library, senior center, Bainbridge Performing Arts, retail and other services, City Hall and the Farmers' Market.

## ***Other Local Affordable Housing Initiatives***

### **Housing Resources Board and Parks District**

HRB is working with the Parks District on a plan to place manufactured homes in three Island parks - Manzanita, Meigs and John Nelson - under a land lease agreement with the Parks District. The homes would be owned and managed by HRB and rented to low-income households, providing a positive presence in the parks. Each household would be responsible for some limited park maintenance.

### **Teacher Housing**

Approximately 10% of the 263 teachers employed by the Bainbridge Island School District are expected to retire in the near future. The School District expects recruitment of replacement teachers will be challenging given teacher salaries and the cost of housing on Bainbridge. For example, in 2003 the beginning salary for a teacher with a bachelor's degree and no experience would be \$28,300, a sum insufficient to purchase most homes on Bainbridge. In comparison, the highest salary paid in 2003 to a teacher with 16 years experience and a Ph.D. or equivalent was \$56,588. In response, an ad hoc group of interested and concerned community members are meeting to think "out of the box" about developing teacher housing. A possibility under consideration is rental housing on land provided anonymously.

### **Cottage Housing**

Another ad hoc group is working on an affordable housing model showing the feasibility of affordable cottage housing using a City owned parcel of land.