CITY OF KIRKLAND
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MEMORANDUM

To: Dave Ramsay, City Manager

From: Marilynne Beard, Assistant City Manager

Date: February 14, 2007

Subject: COUNCIL GOALS – HOUSING

RECOMMENDATION:

City Council develops a housing goal statement as part of their retreat discussion on housing.

BACKGROUND DISCUSSION:

The City Council recently began a process to define goal statements for their highest priority areas for this biennium. The priority areas (as they were originally ranked) include:

- Economic Development
- Neighborhoods
- Housing
- Environmental Stewardship
- Long Range Planning
- Community Involvement
- Annexation
- Public Safety

At their January 16 meeting, the Council worked with consultant Dee Endelman to define the components of a goal statement related to economic development. A number of the priority areas are the topics of upcoming Council meetings, including housing which was chosen as a topic for the City Council retreat.

At their 2006 retreat, the City Council identified housing as one of their highest priority topic areas. The following summarizes some of the comments and concerns that were captured as part of their original discussion:

- Cost Of Housing
- Aging Population
- Pricing People Out Of Market
- Affordable For Low/Medium Income
- Choices – Land Use

- Housing For Least Affluent Reveals The Soul And Face Of A Community
- Foundation Of Character Of Neighborhoods
- Public Lands

By way of background, the Comprehensive Plan includes adopted housing goals.

Framework Goal

FG-3: Maintain vibrant and stable residential neighborhoods and mixed-use development, with housing for diverse income groups, age groups, and lifestyles.

Housing Goals

H-1: Maintain and enhance the unique residential character of each neighborhood.

H-2: Promote the creation of affordable housing and provide for a range of housing types and opportunities to meet the needs of all segments of the population.

H-3: Provide for greater housing capacity and home ownership opportunities.

These may be adequate long term goal statements. Council may want to set shorter-term goals relative to the biennium, such as "Adopt new affordable housing regulations." The other consideration for the housing goal is the regional nature of the City's affordable housing approach. By joining ARCH, the City chose a regional approach to affordable housing in order to leverage our own resources. Given the regional approach, the City's goal would need to be consistent and supportive of the ARCH program.

Given the goal statements in the comp plan and with the affordable housing and innovative housing discussions as background the Council may want to articulate where they would like to be at the end of this biennium. This discussion could take place at the conclusion of the affordable housing discussion. We will use the same process as that used by Dee Endelman, with Council providing their thoughts and identifying key themes. Staff would then return with a list of supporting activities and performance measures.

It should be noted that most of the priority areas identified by Council at the 2006 retreat are the subject of discussion at various meetings and that the 2007-2008 Budget was developed with those priority areas in mind. The purpose of the goal statement exercise is to provide a cohesive statement of where the Council would like to be on that particular topic area and priorities for this biennium. Following is a summary of issue areas and scheduled Council discussions:

- **Economic Development** – Goal setting discussion held January 16, 2007 with follow-up discussion in Council Retreat memo on Economic Development

- **Neighborhoods** – Council held a joint study session with Kirkland Alliance of Neighborhoods in October, 2006. Since that time, a program evaluation was conducted and the results will be

scheduled for an upcoming Council meeting. A goal statement can be discussed at that time.

- **Housing** – Innovative Housing strategies were presented at the January 2nd study session and affordable housing strategies will be presented at the Council Retreat. At the close of the affordable housing discussion, Council will have the opportunity to articulate housing goals for this biennium.

- **Environmental Stewardship** – This is the topic of a study session scheduled for May 1, 2007. The Natural Resources Management plan has a goal statement contained within it the plan has a series of goals and objectives. Council can amend and/or confirm those statements at the May study session.

- **Long Range Planning** – This topic was related to long range financial planning, both operating and capital. Two items are scheduled for the Council Retreat to discuss the City's long term financial picture, capital planning and how to involve the public in long range financial planning strategies.

- **Community Involvement** – The City Council made a significant investment in improving communications and community involvement efforts when they approved funding for a new communications position. The job description has been prepared and recruitment will begin in March. Once someone has been hired, we will check in with Council regarding recommended activities and priorities.
- **Annexation** – The Council has been actively engaged in phase one of a four-phase decision making process on annexation. A special study session is scheduled on March 27, 2007 to discuss whether to proceed to phase two. If the Council gives direction to proceed to phase 2, staff will return to Council to revisit objectives for that phase and provide a specific list of tasks and resources needed during this phase.

- **Public Safety** – There is not specific date set for discussion of public safety operational priorities, however, the annexation discussion does include a public safety building decision point. An overall facilities recommendation will be forwarded to Council this spring (date to be determined) which includes short and medium-term options for public safety facility planning.

Staff recommends that we continue the goal setting process as these topics come before Council and/or as time allows at a regular meeting or study session.

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DEPARTMENT OF PLANNING AND COMMUNITY DEVELOPMENT
MEMORANDUM

To: David Ramsay, City Manager

From: Dorian Collins, AICP, Senior Planner
Paul Stewart, AICP, Deputy Director
Eric Shields, AICP, Planning Director

Date: December 12, 2006

Subject: **EVALUATION OF KIRKLAND'S INNOVATIVE HOUSING PROGRAM (FILE ZON06-00004) AND STATUS OF HOUSING ISSUES IN KIRKLAND**

RECOMMENDATION

Staff recommends that the City Council:

- Consider the recommendation from the Planning Commission in support of permanent innovative housing regulations, and provide direction to staff to move forward with necessary code amendments.
- Discuss potential additions or changes to tasks or priorities noted in the Housing Strategy Plan. It is not recommended that the Council provide final direction on the Strategy Plan until completion of the ARCH Strategy Program.
- Consider designating representatives to participate in the upcoming workshops on the ARCH Strategy Program.
- Discuss which housing issues might merit further discussion, and consider setting aside time at the upcoming Council retreat for discussion and direction.

BACKGROUND DISCUSSION

Purpose and Intent of Study Session

The City has undertaken a variety of efforts to address housing issues in recent years, making amendments to the Zoning and Municipal Codes to provide for increased housing capacity, simplified development processes, and expanded incentives for affordable housing. The City is also in its ninth year of providing a high level of support for ARCH, contributing to housing preservation and the development of affordable housing throughout east King County.

The City's updated Housing Strategy Plan, provided in Attachment 1, presents the variety of measures that have been accomplished and those that remain to be completed, to support the goals and policies

contained in the Housing Element of the Comprehensive Plan. The City's efforts have been designed around the three key areas identified in the Element:

- Residential Character
- Capacity for New Housing
- Diversity/Affordability/Special needs

The City continues to make good progress toward meeting its housing targets, as shown on the chart below. In order to meet the 2001-2022 target of 5,480 additional units, the city would need to grow by 249 units per year. Over the past five years, net new units have averaged an annual growth of 276, which is a comfortable margin above that needed to meet the 2022 target.

Kirkland Household Growth Target 2001- 2022 = 5,480 (average of 249/ year)

Kirkland Housing Units Reported Through Buildable Lands Program
(based on building permiits ***issued*** January 1 - December 31)

	2001	**2002**	**2003**	**2004**	**2005**	**2001-2005 TOTAL**
Single-family	139	129	147	240	205	860
Multi-family	218	123	31	277	282	931
ADUs	12	9	6	4	13	44
Demolitions	-61	-66	-68	-102	-154	-451
Totals	**308**	**195**	**116**	**419**	**346**	1,384

276.80 units/yr. average

Kirkland has had more difficulty meeting housing affordability targets, however. As shown in Attachment 2, over the last ten years, Kirkland produced an annual average of 12 units of housing affordable to low income households, or those whose incomes are less than 50% of median. This number fell far short of the target of 60 units annually for this income group. Kirkland has been more successful in creating housing units affordable to moderate income households (between 50% and 80% of median), with an annual average of 21 units, while the target for this group is 42 units per year. These results are fairly typical of eastside cities, with the exception of Bellevue, which has been quite successful in creating housing affordable to moderate income households.

The initial focus of the discussion at the Council's study session on January 2nd will be the presentation of the report on the evaluation of the City's innovative housing demonstration projects. A discussion on this topic and direction from the Council regarding subsequent permanent Zoning Code amendments will be necessary before staff can proceed with this task. The development of permanent regulations is currently on the Planning Commission's Work Program, with an expected January – July timeframe.

Additional topics to be covered at the Study Session include the Housing Strategy Plan, the ARCH Housing Strategies Program and the upcoming Affordable Housing Regulations task on the Planning Commission's Work Program.

Innovative Housing Evaluation

The City's Innovative Housing Demonstration Project Ordinance was passed in 2002 (see Attachment 3). The ordinance stated that the goals of innovative housing are to:

- Increase housing supply and the choice of housing styles available in the community through projects that are compatible with existing single-family developments; and
- Promote housing affordability by encouraging smaller homes.

The ordinance also called for a work plan to develop amendments to the Zoning Code that would specifically address innovative housing projects. Until the permanent ordinances could be implemented however, the ordinance acknowledged the need to allow regulated innovative housing projects, and set forth a review process and general parameters to apply to innovative housing project applications and subsequent developments.

Among the parameters included in the ordinance was a restriction on the total number of projects that could be approved in each of the City's neighborhoods. Consequently, although four projects were proposed for the North Rose Hill Neighborhood, only two were selected. Both projects were completed in the summer of 2005, and all homes have been sold.

The City determined that the evaluation of the two housing demonstration projects was a key first step in the preparation of housing regulations that may enable innovative housing on a permanent basis. The following three key components were to be addressed in the evaluation:

- **Technical and code evaluation** – how well did the demonstration projects address the goals and criteria established in the ordinance?
- **Community education** – what are the perceptions of the different groups that have a stake in the outcome, such as occupants, neighbors, the public, developers, and the real estate community?
- **Public education** – how can we help various stakeholders understand the goals of the innovative housing projects in order to make the evaluation as meaningful as possible and aid subsequent discussions about permanent innovative housing regulations.

Community and Public Education

In July of 2006, the City contracted with Michael Luis of Michael Luis & Associates to conduct an evaluation of the two innovative housing demonstration projects. While staff would perform the technical evaluation of the two projects, Mr. Luis was charged with addressing the second two pieces discussed above: community education and public education.

Mr. Luis used a series of workshops and focus group sessions to collect information from immediate neighbors of the projects and Kirkland citizens at-large. He also interviewed builders and realtors from the

area, and the developers of the two projects. Mr. Luis' completed report is attached (see Attachment 4). He will also attend the City Council meeting on January 2nd, where he will present his findings and recommendations.

The key conclusions of the report are the following:

- The two projects have been well received by all groups
- Similar projects would likely work in other Kirkland neighborhoods
- More work is needed on development standards and housing types
- The projects do not address concerns about affordability

In his review of the report, Arthur Sullivan (ARCH) noted that the comments in the report point out fundamental policy issues that come up in the discussion of the development of these housing types. The report notes that on one hand, industry professionals state that it is still quite profitable to build large single family homes in Kirkland, and that builders might not take advantage of a permanent innovative ordinance. Builders interviewed by Mr. Luis suggested that the City may need to offer a somewhat more attractive package of density bonuses and development standards, and provide a relatively easy review process, with short timeframes and predictable outcomes, to induce builders to undertake housing alternatives rather than conventional housing.

Arthur also noted that the report states that not all participants agreed that "relative affordability" is an important policy objective. In the report, Mr. Luis states that "most of the group discussions reached a point at which participants expressed their frustration about the lack of affordability in Kirkland and their wish that these projects had done more to address it. Even those familiar with the innovative housing program were not clear about the degree to which absolute affordability was an underlying policy objective." Although the ordinance was intended to produce somewhat more affordable housing due to the restrictions on the size of the units, actual affordability for low and/or moderate income households was not an explicit objective of the ordinance. The report indicates that many people assumed that a City-sponsored program on housing would somehow result in homes that were relatively affordable to those with modest incomes.

Technical and Code Evaluation

The matrix included in Attachment 5 presents the *Technical and Code Evaluation* piece of the evaluation project. The matrix contains a comparison between various elements of the two innovative housing demonstration projects and typical code requirements.

One aspect of the comparison that staff notes may be worthy of additional monitoring is the traffic generated by the two projects. As the matrix indicates, vehicle trips from the demonstration projects are higher than those from the "typical" development. It is likely that a share of these trips is due to the interest that has been generated by the projects, as they receive a number of visitors curious about the developments. In addition, there are more units in each of these projects than in the "typical" development, which would account for more vehicle trips. However, the number of people living in each of the units in the demonstration projects is less than would be expected in a typical single family home, based on Kirkland's overall persons per household figure. A second set of traffic counts in a year or so might be useful in understanding whether or not this is a true impact of this type of housing.

While low impact development techniques (LID) were not required by the innovative housing ordinance, both demonstration projects incorporated several of these elements. These included clustering of homes, narrow streets, rain gardens and bio-retention swales. City staff in Public Works and Planning has been exploring various LID techniques with assistance from a consultant funded through a grant. One of the primary findings is that the clustering of units has the greatest potential to incorporate LID practices into a development. As we design the innovative housing standards, we would like to explore how the LID concepts and strategies could be applied in these types of developments.

Planning Commission Discussion and Recommendation

During their study session on this topic on November 9th, the Planning Commission discussed a variety of issues related to the innovative housing program (see draft Minutes, Attachment 6). The Commission suggested that the goals for the program be expanded to promote additional community values such as the provision of open space, a sense of community, and energy and resource conservation. Most agreed that good design was also an important element of the success of the demonstration projects, and should be ensured in future developments. The Commissioners did not necessarily support design board review for innovative housing, but agreed that design standards would be important.

The Commission discussed the issue of affordability and the demonstration projects at length. While Commissioners reaffirmed that the provision of choice in housing types was a valid goal for innovative housing, they also agreed that innovative housing should provide some "relative affordability" in comparison to standard, market-rate housing development. *The motion made by the Planning Commission was to recommend to the City Council that they "consider permanent regulations for innovative housing to include additional types of innovative housing and possibly to include design requirements and additional incentives and requirements on the projects to maximize the public benefit and public good".*

The Conover Commons cottage development, recently completed in the city of Redmond, was cited as an example of an innovative housing project that provided some level of affordability. Under Redmond's regulations, residential development in neighborhoods with recently completed neighborhood plans is subject to the City's new affordability regulations. Under the regulations, the developer of the Conover cottages had the option of providing 10% of the units (in this case, two units) at 80% of median income, or one unit at 50% of median income. The developer opted to provide one unit at 50% of median income.

Housing Strategy Plan

The City has maintained a Housing Strategy Plan since the Comprehensive Plan's Housing Element was first adopted, as a way to consider and set priorities for actions that will implement the City's housing goals and policies. The Plan is organized into key issue areas identified in the Housing Element: capacity for new housing, character, streamlining/innovative and affordability/special needs. Direct links to the goals and policies of the Housing Element are noted with each task. The Plan also provides a list of measures for the City to undertake related to providing housing assistance, regional and statewide initiatives/actions, and oversight of housing efforts and education.

Staff has updated the Plan (see Attachment 1) for review by the Council at its study session in January. As shown in the Housing Strategy Plan, many tasks have been completed or are underway. These include a number of the strategies aimed at increasing housing capacity, addressing design and neighborhood

character issues, and providing for streamlining of regulations and innovative housing. Additionally, most of the strategies included that are aimed at addressing needs for affordable housing and special needs housing have already been completed. Many others are included on the City's code amendment list, to be considered by the Council in 2007.

In the update of the Strategy Plan, staff found several tasks which are either not clear, and, in some cases, where a policy discussion by the Council may be needed to clarify the intention of the Council, including whether or not these tasks should still be undertaken. A number of additional tasks are described clearly, but have not been completed and are not scheduled for consideration. Discussion by the Council as to whether or not these tasks still merit consideration would be helpful, as well as a suggested timeframe for when each should be accomplished.

Staff suggests that the following tasks have the highest priority, and that work in these areas, if not already scheduled, should be undertaken in the near future:

- Innovative Housing ("Allow cottages, multiplexes that look like single-family and small lot single-family in all zones") *This task is underway, with the evaluation completed, and code amendments on the Planning Commission work program for the first half of 2007.*
- Affordable housing regulations ("Evaluate and potentially revise special bonuses for affordable housing . . . and review processes"). *This task has been completed in multifamily zones, Totem Lake and NE 85th Street. The proposed Planning Work Program task will provide approaches for the CBD, JBD, and NRHBD zones and will explore incentives or regulations for single-family zones. In addition, it may be desirable to explore the potential for requiring affordable housing in all housing developments. This task is scheduled for the latter part of 2007. The Planning Commission's retreat was held on December 14th. At the Council study session on January 2nd, staff will report on the Commission's discussion on housing issues and the work program.*
- Conduct inventory of existing multifamily residential properties and encourage preservation of those that are affordable. This task could include the creation of a funding source in Kirkland, or the dedication of additional dollars to the ARCH (regional) Trust Fund. *This task has not been scheduled.*

Staff recommends that the City work with ARCH on the following as-yet-unscheduled tasks, to determine those that might merit either guidance from ARCH or to be handled by ARCH with a regional approach:

- Acquire land in Kirkland for development of housing to serve households earning 60% or less of County median income.
- Work with local banks to coordinate better financing for affordable housing.
- Explore non-cash forms of assistance (e.g. providing loan guarantees for affordable housing).
- Explore opportunities to encourage private and other public donation of resources, including land, for affordable housing.
- Analyze the potential City role in employer-assisted housing/work with local employers to study model programs.
- Work with other jurisdictions to develop and implement a regional housing finance strategy.
- Evaluate City efforts in achieving objective of dispersing affordable housing in the city.

- Undertake an educational campaign to increase awareness of housing issues.

Staff suggests that the following tasks should either be delayed or deleted from the Housing Strategy Plan:

- Expand density bonus above 110%
- Evaluate overall effectiveness of PUD process, especially once other changes to code are completed (e.g. small lot guidelines, etc.)
- Provide for SRO (Single Room Occupancy) housing in zones allowing hotels, and other appropriate locations.

ARCH Housing Strategies Program

As the Council considers the City of Kirkland's Housing Strategy Plan, it should also be aware of current efforts by ARCH to develop an ARCH Strategy Program. Arthur Sullivan will be present at the Council study session in January to respond to questions about this effort. At that time, the Council may wish to designate representatives to participate in the upcoming workshops. In addition, the Council may want to discuss how this effort will proceed, and consider postponing the prioritization of uncompleted tasks on the City of Kirkland's Housing Strategy Plan until the results of the regional ARCH effort are available.

The concept of the ARCH Strategy Program arose during the evaluation of the ARCH Trust Fund by the ARCH Executive Board. The Board recognized that the Housing Trust Fund, while a cornerstone of local efforts, was, on its own, insufficient to meet local goals, especially in the face of changing market conditions. They concluded that a Trust Fund linked to a more coordinated and comprehensive set of strategies may yield more effective results. In August, as a first step to exploring this idea, the ARCH Executive Board participated in an exercise to identify a range of alternative housing strategies. These strategies were grouped in the following categories:

- *Direct Local Support* (e.g., strategies for new sources of funds for the ARCH housing trust fund as well as other types of support such as donating surplus property or property tax reductions for affordable housing)
- *Other Public/Private Sources* (e.g., coordinating other public funds with local housing objectives, private sector investment)
- *Land Use Incentives for Affordable Housing* (e.g., accessory dwelling units, incentives for including affordable housing in mixed income development)
- *General Land Use/Building Regulations* (e.g., variable unit size requirement and allowing cottages in single family areas,)

Another topic raised frequently in local council discussions is that there is a need for better communication/education on local housing issues.

Building on these two themes, the ARCH Executive Board would like to join with council members to develop an ARCH Housing Strategy Program. The Program will include several main components:

- Identify a short list of top priorities from each of the four categories listed above, that are most universally applicable across the ARCH membership and will yield the most practical impact.

- Develop a set of 'best practices' or "tool kits" for community outreach and education on housing needs in East King County.
- Develop methods for implementing the priority strategies and 'best practices' including evaluating how these could be implemented through some form of collective or simultaneous effort of the ARCH members.
- Determine if ARCH's current sphere of influence should be modified to accommodate other cities in East King County.

To advance these ideas, the Board proposes holding three workshops over several months in early 2007. The workshops will involve representatives from ARCH member councils, commissions and staff, and housing stakeholders. The goal would be for this group of local officials to jointly develop the Strategy Program described above, and then forward their recommendations to all the member councils for their consideration and adoption. This overall process would be similar to one done a number of years ago where ARCH member councils adopted the ARCH 'Parity Program'

ARCH has received a grant from Washington State Department of Community Trade and Economic Development to hire consultants and experts to assist in the process of developing the Housing Strategy Program. ARCH is currently seeking Council members and Commissioners from ARCH members to participate in these workshops.

Attachments

1. City of Kirkland Housing Strategy Plan, revised January 2007
2. Summary: Creation of Affordable Housing: 1993-2004
3. Kirkland's Innovative Housing Demonstration Project Ordinance (#3856)
4. Innovative Housing Evaluation Report, Michael Luis and Associates, October 2006
5. Matrix: Comparison of Innovative Housing Demonstration Projects with Typical Code Requirements
6. Planning Commission Minutes, November 9, 2006
7. Staff Report on Danielson Grove project
8. Staff Report on Kirkland Bungalows project
9. "Kirkland's Innovative Housing Demonstration Program: an Evaluation Strategy", a report by Janet Hyde-Wright, February 2006

cc: ZON06-00004
Planning Commission
Sarah Stiteler, Planning and Community Development, PO Box 97010, Redmond WA 98073-9710 (Council memo only)
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