



Middle Housing Code Amendments

Ordinance O-4905

City Council

June 17, 2025



Agenda for Discussion

- Receive a staff briefing on changes to Ordinance O-4905 since Council briefing on June 3.
 - Consider possible alternatives to parking and affordable housing requirements.
- Consider adoption of Ordinance O-4905.

Council June 3 Feedback

•Middle Housing Parking Requirements:

- The Council generally supports the PC recommended parking requirements consistent with new State requirements under SB 5184
- Some concern regarding the implications of early SB 5184 adoption

•Affordable Housing Requirements:

- The Council generally supports the City Manager Alternative Option 3
- Request for more study/input on payment in-lieu methodology
- Desire to include a mechanism to adjust requirement in the future
- Concerns regarding potential loopholes in exempting additions



Parking Comparisons (KZC 113.25)

(See E-Page 339)

Alt. (Uses Existing + complies with HB 1110)*	Proposed (Complies with HB 1110 + SB 5184)**
Zero parking: <ul style="list-style-type: none">• Accessory dwelling units• Units within ½-mile of Major Transit Stop	Zero parking: <ul style="list-style-type: none">• Accessory dwelling units• Units within ½-mile of Major Transit Stop• Units 1,200 or less• Affordable units
1 space per unit + visitor parking: <ul style="list-style-type: none">• Units within ½-mile of frequent transit• Units 1,000 sq. ft. or less	0.5 space per unit: <ul style="list-style-type: none">• All other middle housing units
1.5 per unit. + visitor parking: <ul style="list-style-type: none">• Units outside ½-mile of frequent transit	

*Conforms to HB 1110 requirements and does not increase existing required parking outside ½-mile of Major Transit Stop.

**Cities are not required to meet the parking requirements of SB 5184 until January 2027.

Parking Comparisons

Existing	HB 1110	SB 5184
	0 space Within ½-mile of Major Transit Stop	0 space per unit for: <ul style="list-style-type: none"> • 1,200 sf or less • Affordable units • Senior housing units 0.5 space per multifamily unit 1 space per detached dwelling unit
1 space per unit Within ½-mile of Frequent Transit	1 space per unit or 2 spaces per unit over 1,000 square feet on lots larger than 6,000 square feet Outside ½-mile of Major Transit Stop	
1 space per unit 1,000 square feet or less; otherwise, 1.5 per unit. + visitor parking Outside ½-mile of Frequent Transit	0 space Visitor parking	
0 space for the first ADU	0 space for ADUs	

End June 30, 2025

July 1, 2025-December 31, 2026

Start January 1, 2027

Option 3 - Draft Affordable Housing Option

KZC 112.15 Affordable Housing Requirement (see E-Page 321)

1. Affordable housing requirements in low density residential zones.
 - a. Minimum Requirement – Beginning on January 1, 2027, for all new dwelling units more than 2,000 square feet in low-density residential zones, 10 percent of the unit(s) will be affordable housing units and comply with the provisions of this chapter. Provided, any replacement less than or equal to 2,000 square feet, and any remodel, rehabilitation, conversion, or alteration that does not add more than 100 percent of the existing square footage of an existing dwelling unit is exempt from this requirement. An option for in-lieu fee payment is provided in Section 112.30.4.b of this Chapter.
 - b. Alternative Requirement – No later than June 30, 2026, the Planning and Building Director shall propose alternative affordable housing methodologies for City Council consideration. The City Council may adopt an alternative program for affordable housing requirements in low density residential zones. The alternative program should not impose minimum affordable housing requirements that are more burdensome than those in subsection (a) above.
 - c. If the City provides additional development capacity, the minimum affordable housing requirement may be increased.

KZC 112.30.4 Requirements for Payment In-lieu (see E-Page 331)

- b. On January 1, 2027, for new dwelling units more than 2,000 square feet in low-density residential zones, the formula for payments will be based on the difference between the cost of construction for a prototype affordable housing unit, including land costs and development fees, and the revenue generated by an affordable housing unit. The final payment will be approved by the Planning and Building Director, or their designee.
 - 1) No later than June 30, 2026, the Planning and Building Director shall propose alternative affordable housing methodologies to that set forth in subsection (b) above for City Council consideration. The City Council may adopt an alternative methodology to that set forth in subsection (b) above, provided that the alternative program does not result in an in-lieu fee payment that exceeds the cost of developing 10 percent of the units on a subject property as affordable housing units.
 - 2) If the City provides additional development capacity, the in-lieu fee payment may be increased.

Note: Track changes shown are to the version of code section in the packet version of O-4905. This subsection will be entirely new in code.

CMO Alt. Requirements for Payment In-lieu

(On E-Page 331)

KZC 112.30.4 Requirements for Payment In-lieu

- b. On January 1, 2027, for new dwelling units more than 2,000 square feet in low-density residential zones, the formula for payments will be calculated as a per square foot fee, based on the difference between the cost of construction for a prototype housing unit, including land costs and development fees, and the revenue generated by an affordable unit from averaged-size stand-alone houses permitted across ten city neighborhoods in 2024. The per square foot fee payment starting on January 1, 2027, will be \$15.00 per square foot. The per square foot fee will be applied to each square foot above 2,000 square feet. Starting in 2028, the per square foot fee may be adjusted periodically by the city council to reflect changing market conditions. The final payment will be approved by the Planning and Building Director, or their designee.

Issued New Single-family Permits (2024)

Total: 220 (includes cottages and DADUs ≥ 1,200 sq. ft.)



	Conditioned or artificially lighted space
Size Range:	1,200 to 9,700 sq. ft.
Average Size:	3,512 sq. ft.
Median Size:	3,670 sq. ft.

Payment In-lieu (square-foot approach)



**\$15.00 per square foot
(recommended
starting in 2027)**

Methodology

- We calculated in-lieu fees for average-sized stand-alone houses permitted in 2024 across ten neighborhoods, per the CMO Option (Option 3), and then averaged the in-lieu fees.
- In 2024, the average size of new stand-alone houses, including ADUs and cottages equal to or greater than 1,200 square feet, was 3,512 square feet.
- The average In-lieu fee (\$49,180) takes into account the development cost of a prototypical (1,300-square-foot) for-sale affordable unit, and the sales price of that unit to a median-income household, multiplied by 10%.
- The per-square-foot in-lieu fee was calculated by taking the average in-lieu fee across the ten neighborhoods (\$49,180) and dividing it by 3,512 square feet, yielding **\$14 per square foot**.
- The per-square-foot in-lieu fee could be increased to **\$15 per square foot** in recognition that the fee would go into effect in 2027 (consistent with City budget growth assumptions).
- The per-square-foot in-lieu fee could be:
 - applied to every square foot in any newly-built house that is more than 2,000 square feet; or
 - applied to square footage exceeding 2,000 square feet in any newly-built house.

Affordable Housing Payment In Lieu based on average size single-family home in 2024.

Average sized home: 3,512 sq. ft.

1.	Land Acquisition (one-quarter of lot priced of a 10,000 sq. ft. lot equaling \$1,594,598)	\$398,650
2.	Hard Costs*	\$324,999
3.	Soft Costs**	\$258,748
4.	Total development costs (sum of rows 1 to 3)=	\$982,397
5.	Affordable home price for a median-income household	\$490,600
6.	Difference between rows 4 and 5 (fee in lieu of one affordable unit)=	\$491,797
7.	Fee for required affordable unit (10% or 0.1 unit)=	\$49,180
8.	Fee per sq. ft. of 3,512 sq. ft. home (row 7 divided by 3,512)=	\$14.00
9.	Fee after 2,000 sq. ft. [(3,512 - 2,000) x \$15.00 as adjusted]=	\$22,680

*Cost to construct a prototypical affordable housing unit and one-quarter of site development costs.

**Costs associated with architect, engineer, designer, insurance, permit fees, taxes, marketing, etc.

Recently-received Public Comments

1. Proposed amendments go beyond HB 1110 requirements – number of allowed units, reduced parking requirements, and affordable housing requirements.
2. Support for middle housing parking that aligns with SB 5184.
3. Concern that proposed ADU code does not clearly allow for two DADUs per lot.
4. Concern that affordable payment in-lieu fee applies to all square footage if a new dwelling exceeds 2,000 square feet and does not credit existing square footage of a home being removed.
5. Request to set a 2,500 square foot threshold before affordable housing requirement, and to make a clear, predictable, and transparent payment in-lieu methodology and payment timing.
6. Support for delayed effective date of affordable housing requirements and refining affordable housing methodology before June 30, 2026.

CMO Alt. Requirements for Payment In-lieu

(On E-Page 331)

KZC 112.30.4 Requirements for Payment In-lieu

- b. On January 1, 2027, for new dwelling units more than 2,000 square feet in low-density residential zones, the formula for payments will be calculated as a per square foot fee, based on the difference between the cost of construction for a prototype housing unit, including land costs and development fees, and the revenue generated by an affordable unit from averaged-size stand-alone houses permitted across ten city neighborhoods in 2024. The per square foot fee payment starting on January 1, 2027, will be \$15.00 per square foot. The per square foot fee will be applied to each square foot above 2,000 square feet. Starting in 2028, the per square foot fee may be adjusted periodically by the city council to reflect changing market conditions. The final payment will be approved by the Planning and Building Director, or their designee.

Tymczyszyn Alt. Affordable Housing Requirements

1. Amend Ordinance O-4905, at E-Page 322, Section 112.15.1 of the KZC, to add a new section (d) to read as follows:

d. The Planning and Building Director will provide a report to the Council in January of 2028 evaluating whether the affordable housing fee-in-lieu program in low-density residential zones has impacted housing development and recommending potential changes to the program for City Council consideration if impacts are identified.

2. Amend Ordinance O-4905, at E-Page 331, Section 112.30.4.b.1 of the KZC, to read as follows :

1) No later than June 30, 2026, the Planning and Building Director will propose for City Council consideration alternative affordable housing methodologies to that set forth in subsection (b) above, provided that the alternative program does not result in an in-lieu fee payment that exceeds the cost of developing 10 percent of the units on the subject property as affordable housing units. The alternative methodologies should contain options that

- a. Defer payment of the fee as long as possible in the permitting process.
- b. Exempt the square footage of garages and non-heated storage areas.
- c. Increase the per square foot exemption to 2,500 feet.
- d. Require that the City Council approve all allocations of the revenue generated by the fee.
- e. Exempt the square footage of any house that was removed prior to construction of the new home.

Note: Track changes shown are to the version of code section in the packet version of O-4905. This subsection will be entirely new in code.