

JEFFERSON COUNTY BOARD OF COUNTY COMMISSIONERS

AGENDA REQUEST

TO: Board of County Commissioners

FROM: Brent A. Butler, AICP, Chief Strategy Officer, Community Development

DATE: October 16, 2023

RE: UGA Zoning / Connecting Housing to Infrastructure Program (CHIP) Grant Briefing # 3

STATEMENT OF ISSUE:

This agenda request is the third briefing on this topic and arises out of an approach to remove new housing development barriers in the Port Hadlock Urban Growth Area (UGA). This briefing continues the ongoing Board discussion as more information about projects, process and financing is identified. This agenda request summarizes the two previous presentations, highlights new information, and requests Board of County Commissioners' ("Board" or "BoCC") direction. At the first briefing on October 2, 2023, the Chief Strategy Officer (CSO) identified a process for identifying, evaluating, and removing barriers to affordable housing development in the Port Hadlock Urban Growth Area (UGA).

UGA Zoning and CHIP Connecting Housing to Infrastructure Program

Steps To Review Zoning

1 - UGA Zoning

What are the barriers?

Does community support removing and where?

2 - Pro formas

What works?

Why?

3 - Zoning Review – what barriers could be removed?

4 - SEPA questions – Can the existing EIS accommodate the proposed developments?



Pro forma - Latin for "as a matter of form" or "for the sake of form", is a method of calculating financial results

As highlighted on slide three of the CSO's October 2nd presentation (see above), a multistep process to incentivize housing in the Port Hadlock UGA relies on proformas for a range of housing tenures to identify barriers. Tenure is defined as the type of financial arrangement and ownership structure under which someone has the right to live in a house or apartment. While some studies identify as many as 56 tenures¹,

¹ Housing Vulnerability Analysis, <https://projecttenurehome.wordpress.com/step-1-oaklands-housing-tenures/>, accessed October 12, 2023 and J. V. Henderson and Y. M Ioannides, A Model of Housing Tenure Choice, The American Economic Association, 1983

the CSO would argue that consideration of tenure is significant, and should be decided in advance, as some housing professionals argue that it may be one of the most important, and most ignored parts of housing policy. Simply stated: Should we focus on providing subsidized rental housing, market rate rental housing, land trust housing (where land ownership is retained by a third party), fee simple, or some mixture of these and other housing tenures?

PROCESS TYPE 1 – **Proforma Based Approach**

- a. **Development Proposal:** Proformas-based zoning supports housing development by ensuring that zoning responds to current market conditions.
- b. **Community Support:** Community supports for various housing tenures and typologies is evident
- c. **Review Existing Zoning** Amend zoning to accommodate findings

PROCESS TYPE 2 – **Demonstration Project Approach**

At the 2023 Housing Washington Conference, which occurred last week in Tacoma, one of the presenters shared the City of Burien’s alternative approach to affordable housing development.

- a. **Zoning Text Amendment:** Process a zoning text amendment allowing for affordable housing demonstration projects, as the Comprehensive Plan Housing Element goals and policies already support this, so no comprehensive plan amendment would be necessary (see Comp Plan goal HS-G-1, specifically Policy HS-P-1.1 and Policy HS-P-1.4
- b. **Community and Planning Commission Support:** Prepare a draft zoning text amendment that borrows largely from another jurisdiction’s which has had success, namely Burien’s.

PROCESS TYPE 3 – **Comprehensive Local Zoning Review Approach**

- a. **Development Proformas:** This first step identifies what developers would be willing to construct. This relies on bringing together a range of housing developers knowledgeable in a broad spectrum of housing tenures
- b. **Community Charrettes:** This approach assumes that many new community members do not understand urban regulations, nor what developers would likely be able to construct based on market dynamics. As a starting point, we ask questions about what the community envisions in the twenty-year horizon, and if any of the proposed developments match the community vision.
- c. **Compared UGA Zoning with Charrette outcomes:** Identify potential zoning changes to accommodate both market realities, and what developers say is buildable.

UGA Zoning’s Relationship to CHIP grant

At the October 9, 2023 briefing to the Board regarding Connecting Housing to Infrastructure Program (CHIP), the Board authorized the Chief Strategy Officer to work with Olympic Community Action Programs (“OlyCAP”) and Bayside Housing & Services (“Bayside”) to submit two separate \$2 million CHIP grant applications for connecting their proposed affordable housing projects to sewer, water and/or stormwater infrastructure or to address right-of-way needs as set forth in the CHIP program guidelines.

This approach recognizes that infrastructure financing is a significant barrier to development, and that most proformas will not result in a development, as they would be fiscally unsound (i.e., they would not ‘pencil’). The CSO argues that the latter approach—namely applying for CHIP grants—moves the former approach—advancing UGA Zoning—forwards as they are integrally connected.

ANALYSIS:

Based on a liberal reading of the grant guidelines, Jefferson County is eligible to apply and should be in a competitive position to win a CHIP award for several reasons. At the same time, a conservative reading of the CHIP grant guidelines suggests the opposite is true, namely that Jefferson County is neither eligible to apply for CHIP grants for Caswell-Brown Village or for the Port Hadlock Motel nor for an application anywhere else in the county outside of the city limits. Even though Jefferson County is one of three Washington counties to enact both a housing and related services sales and use tax authorized under RCW 82.14.520 and an affordable housing property tax levy authorized under RCW 84.52.105, as required for this funding, there appears to be strict guidelines prohibiting the extension of services outside of UGAs. Despite the fact that two organizations, tax-exempt under section 501(c)(3) of the Internal Revenue Code, are identified as likely partners, and both organizations are dedicated to serving the most vulnerable citizens in our community, questions remain about how to interpret the guideline’s prohibition on the extension of services outside of UGAs with respect to the Port Townsend UGA and, possibly, the transitional rural development standards in Chapter 18.19 JCC as applied to areas within the Port Hadlock UGA where urban services are not yet available.

Caswell-Brown Village

An in-depth review of the CHIP guidelines identifies one potential obstacle. While the county argues that the Caswell-Brown Village (CBV) development should meet the ‘public purpose facilities’ exemption that allows for an extension of infrastructure outside of a UGA, a close reading of the grant guidelines suggest that the location of the CBV outside of the City of Port Townsend UGA may mean that it is ineligible for funding. Additionally, the CSO believes that the site would not qualify for the UGA Swap, as permissible under Senate Bill (SB) 5593, which specifically requires that the land involved in the swap be encumbered no more than 15% by critical areas. A review of the CBV site suggest it would not qualify because of the site’s encumbrance by one critical area, namely critical aquifer recharge areas (CARAs). However, the specific mapped CARA in the CBV is solely a Susceptible Aquifer Recharge Area. High-impact activities are regulated within that type of CARA; however, housing facilities are not found among the list of high-impact activities in JCC 18.22.330. Thus, it’s unclear whether the reference to critical areas in SB 5593 applies to this situation. Furthermore, it has yet to be determined what areas would comprise a UGA swap with the City of Port Townsend. As this agenda request moves forward, the CSO is anticipating a response from Commerce regarding eligibility.

Port Hadlock Motel

After conversations with the UGA Sewer team, the CSO realizes that the project scope to connect the Port Hadlock Motel to infrastructure is significantly smaller than anticipated, and would not require a significant award. For this reason, the CSO is meeting with Bayside housing to revisit the questions surrounding development at the Old Alcohol Plant site. Nonetheless, this project may also face a similar obstacle regarding eligibility because upon submitting a CHIP grant application, urban services would not

yet be available to the site, which affects the 'status' of the UGA via Chapter 18.19 JCC, as mentioned above. Success may therefore depend on these eligibility details and whether Bayside could demonstrate readiness within the context of the CHIP grant guidelines.

FISCAL IMPACT:

Either grant would be budget-neutral as no match is required. The Chief Strategy Officer is continuing outreach to the grant funders and various developers with the goal of determining eligibility and which projects would most likely succeed based on the CHIP program guidelines, respectively. This outreach will consume approximately 40 hours.

RECOMMENDATION:

Listen to the staff presentation and provide guidance.

REVIEWED BY:

 10/12/23
Mark McCauley, County Administrator Date