

MEETING NOTICE

TOWN OF LA CONNER PLANNING COMMISSION

Tuesday, July 18, 2023 6:00 p.m.

Location

Lower Maple Center
104 Commercial Street, La Conner, WA
And by Zoom
Information below and on the Town website

Agenda

1. CONVENE
2. PUBLIC COMMENT (Topics not otherwise on the Agenda) – Time Limit 3 Minutes
3. MINUTES
 - ❑ Approve minutes from the June 20, 2023 meeting
4. OLD BUSINESS
 - Status Report: 306 Center Street
 - Status Report: Public Participation Program
 - Comprehensive Plan Update: Discussion of Transportation Element
 - Ongoing Discussion: Short Term Rental Regulations
5. NEW BUSINESS
 - Report on Legislative Actions: Part 2: Housing Impacts
 - High Density Housing Discussion
6. CLOSING COMMENTS

Zoom

Topic: Planning Commission Meeting
Time: Jul 18, 2023 06:00 PM Pacific Time (US and Canada)

Join Zoom Meeting

<https://phadowud-online.zoom.us/j/81256246828?pwd=SUhRYlVnMkREZzZjVm13aGNUaVpjUT09>

Meeting ID: 812 5624 6828

Passcode: 583001

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**TOWN OF LA CONNER
PLANNING COMMISSION MEETING
June 20, 2023**

The Planning Commission meeting was called to order at 6:00 p.m.

Commissioners present: Carol Hedlin, Marna Hanneman, Bruce Bradburn, John Leaver, Sommer Holt

Commissioners absent: None

Staff: Michael Davolio, Ajah Eills

PUBLIC COMMENT:

There was no Public Comment. Sommer Holt was introduced and welcomed to the Commission.

MINUTES:

Commissioner Hanneman moved to approve the minutes from the June, 2023 meeting with corrections. Seconded by Commissioner Leaver. **Motion carried unanimously.**

OLD BUSINESS:

Staff discussed meeting with the Senior Center as part of the public participation program. There was continued discussion of short-term rental regulations.

NEW BUSINESS:

Staff presented a proposal for a rezone from applicant Greg Ellis. Ellis also spoke about his proposal. Staff presented information about the 2023 legislative session.

COMMISSIONER COMMENTS/STAFF COMMENTS:

Commissioner Hanneman inquired about other municipalities' short-term rental regulations, and if short-term rental regulations had been discussed by the Town Council. Commissioner Leaver inquired about the possibility of a trip to Langley. Planner Davolio clarified the rezone procedure that Ellis will follow. Commissioners agreed that there were many more questions to be asked about the rezone before any recommendation could be reached.

The next Planning Commission meeting will be on July 18, 2023.

La Conner Planning Commission

6-06-2023

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With no further business Commissioner Leaver moved to adjourn the meeting at 7:33 p.m. Seconded by Commissioner Bradburn. **Motion carried unanimously.**

Chair

Date

MEMORANDUM

TO: Planning Commission
FROM: Michael Davolio, AICP, Planning Director
Ajah Eills, Assistant Planner
SUBJECT: Affordable Housing Incentives
DATE: July 14th, 2023

Please see the attached research on affordable housing incentives in Kirkland, recommendations from the MRSC, and potential ways that La Conner could apply these incentives.

Affordable Housing: Kirkland, MRSC, and La Conner

Part One: Kirkland

Kirkland Housing Incentives:

Kirkland has Inclusionary Zoning, meaning that all developments with over four units located in certain zones **must** provide some affordable units.

Affordable Housing Unit *Kirkland definition*:

1. An owner-occupied dwelling unit reserved for occupancy by eligible households and affordable to households whose household annual income does not exceed the following percent of the King County median household income, adjusted for household size, as determined by the United States Department of Housing and Urban Development (HUD), and no more than 30 percent of the monthly household income is paid for monthly housing expenses (mortgage and mortgage insurance, property taxes, property insurance and homeowners' dues):
 - a. Eighty percent in the CBD 5A, RH, TL, HENC 2, and PLA 5C zoning districts and for Transit Oriented Development in the PR 1.8 zone; or
 - b. One hundred percent in density limited zoning districts.
2. A renter-occupied dwelling unit reserved for occupancy by eligible households and affordable to households whose household annual income does not exceed 50 percent of the King County median household income, adjusted for household size, as determined by HUD, and no more than 30 percent of the monthly household income is paid for monthly housing expenses (rent and an appropriate utility allowance).

In the event that HUD no longer publishes median income figures for King County, the City may use any other method for determining the King County median income, adjusted for household size.

An applicant may propose different affordability levels for the AHUs.

Kirkland Zoning:

Kirkland has much more complicated zoning than La Conner, with over 20 different zones defined, including three different residential zone densities (low, medium, high). Different incentives are allowed in different zones. Before any incentives are applied, Kirkland assesses the application for the following:

- Intermingling of affordable housing units (AHUs) with other units
- Type of ownership (AHU=other units)
- AHUs shall have a comparable range of number of bedrooms to other units
- Size of AHUs shall not be more than 10% smaller than other units
- AHUs shall be available for occupancy at the same time as other units
- AHUs must have an exterior design that is compatible and comparable with other units
- AHUs have an interior finish and quality of construction that is comparable to other units

Kirkland also requires the following covenant to run with the land and be binding on all assigns, heirs, and successors of the applicant:

[Affordable housing units](#) that are provided under this section shall remain as affordable housing for a minimum of 50 years from the date of initial owner occupancy for ownership [affordable housing units](#) and for the life of the project for rental [affordable housing units](#).

The following *basic incentives* are often split up by zone.

- Height Bonus – used when there is no minimum lot size per dwelling unit. Allows additional height when a certain number of units are affordable
- Development Capacity Bonus – used in specific portions of particular zones throughout the city. Grants additional residential development capacity in exchange for affordable housing.
- Bonus Units – used when number of dwelling units is determined by dividing lot size by the required minimum lot area per unit. Allows two additional units constructed for every affordable housing unit provided. The maximum number of bonus units allowed shall be 25% of the number of units allowed in the underlying zone of the property.

Where a density bonus is provided, the below table determines the ratio of bonus units:

Affordability Level	Bonus Unit to Affordable Unit Ratio
<i>Renter-Occupied Housing</i>	
60% of median income	1.9 to 1
70% of median income	1.8 to 1
<i>Owner-Occupied Housing</i>	
90% of median income	2.1 to 1
80% of median income	2.2 to 1

In specific use zones (those specified in the 1.a. subsection of the definition of AHUs), the % AHUs is as follows:

Affordability Level	% of Project Units Required to Be Affordable
<i>Renter-Occupied Housing</i>	
60% of median income	13%
70% of median income	17%
<i>Owner-Occupied Housing</i>	
70% of median income	8%
90% of median income	13%
100% of median income	21%

In order to accommodate the bonus units that may be allowed above, Kirkland offers Dimensional Standards Modification that may be utilized by the applicant.

- Maximum Lot Coverage may be increased by 5% - not on properties with streams, wetlands, minor lakes or their buffers. Would require a shoreline variance for properties within 200ft.
- Parking reduced to 1.0 spaces per AHU. No additional guest parking requested. Owner shall sign covenant restricting occupants of each AHU to a maximum of one (1) automobile.
- Structure height may be increased by 6 ft when the structure contains AHUs, as long as it is at least 20 ft from all property lines. Not to be used on any structure portion that adjoins a low-density zone. May require shoreline exemption.
- Structures with affordable housing may encroach 5 ft into any required yard. Remaining yard after encroachment cannot be less than 5 ft. Shoreline setback modification would require a shoreline variance.
- Common recreational space required may be reduced by 50 sq ft per/AHU.

If applicant chose to provide AHUs in excess of the minimum required by code, they can also request an exemption from road and park impact fees. When applicants provide AHUs, bonus units are eligible to be exempt for various planning, building, plumbing, mechanical, and electrical permit fees.

Properties providing AHUs may also be eligible for a property tax exemption.

Kirkland also offers *additional incentives* beyond the basic ones. Applicants may request these incentives in addition to or in place of the basic ones offered above, but must meet one or more of the following requirements:

- Additional incentive is necessary to provide sufficient economic incentive to applicant to offset cost of providing AHUs
- Additional incentive is necessary to achieve permitted density, including bonus units
- Additional incentive is necessary to achieve greater level of affordability or greater number of AHUs

The following additional incentives may be requested:

- Density bonus: applicant may propose more than 2 bonus units or a density bonus that exceeds 25% of the number of allowed units, but no city approval shall ever result in a number of bonus units that exceeds 50% of the units allowed in underlying zone. Can be appealed.
- Dimensional standards modification: applicant may request further modification from the dimensional standards, provides that they demonstrate that the subject property cannot achieve the permitted density otherwise, including bonus units. Can be appealed.

Kirkland also offers alternative compliance options for some or all of the required AHUs. Alternative compliance may look like providing AHUs at another location, paying in Lieu fees, or other alternative proposed by the applicant and approved by the Planning Director. Alternative compliance must meet the following two criteria:

- Alternative compliance method results in an affordable housing benefit equal or better than providing AHUs on site.
- AHUs provided through alternative compliance will have the same type of ownership as units provided on site would have had.

Kirkland also includes some affordable housing incentive for developments with 150 + units, but as it is highly unlikely development of the size will take place in La Conner, those are not included here.

Part Two: MRSC

[MRSC's Affordable Housing Guidance](#)

MRSC's resources related to affordable housing focus on households making less than 80% of the MFI. La Conner can choose to encourage or require affordable housing. Most cities that chose to require affordable housing apply this requirement when multi-family projects are built, or when projects are built in certain zones. Many of these requirements apply when 10, 25, or 50 housing units are built at once. Given that La Conner rarely sees this type of development, it may make sense to encourage, but not require, affordable housing in La Conner.

MRSC offers several ideas for how to encourage affordable housing through city actions.

- Density bonus
 - Used in a variety of ways to encourage common goods/community resources such as third spaces, preservable green spaces, public amenities, affordable housing, or other public benefits. Functionally, these bonus work by allowing a developer to create more housing units in exchange for a public good, usually AHUs, but not always.
 - Relies on a strong real estate market where demand for new construction can subsidize public goods
 - Difficult to craft so that the incentives are "worth it" to the developers without fueling resentment from communities that may view such in incentives as "giveaways".
 - MUST speak with other successful cities that have implemented density bonus, speak with local developers to see what would make an incentive "worth it", and extensively communicate the reasoning behind the bonus with the public.
- Partnerships with Nonprofit Housing/Public Housing Authorities (PHA)
 - Nonprofit housing development offer a wider scope of housing services, while PHA's focus on providing housing for low-income households. Both have independent governing boards and often have access to funding sources otherwise unavailable to cities. MRSC directs cities to [Grounded Solution Network](#) for further information.
 - The Bellingham and Whatcom County Housing Authorities may provide a very good example of a nearby program that utilizes this type of partnership
 - La Conner may be too small to attract this type of partnership, but reaching out may lead to other ideas and resources as well.
- Permit Streamlining
 - Refers to the practice by a city which endeavors to shorten permit review times for affordable housing. Shorter permit review times may result in significant applicant

savings if there are costs associated with a holding a property. Although unlikely to be enough by itself to create more affordable housing, it may help be enough for a developer to convince a lender to give a green light on an affordable housing project.

- This is usually combined with a reduction in permit fees, or an expedited permit review. Pulling affordable housing permits to the “front of the line” so to speak.
- Pre-Approved building plans
 - A large amount of time is spent getting individual building plans reviewed and approved. By offering sets of pre-approved plans, municipalities can save applicants an extensive amount of time and money. It takes time and effort by municipalities to set up this kind of pre-approval, as the plans needs to be compatible with the surrounding neighborhood and meet demand. La Conner would have to work with Skagit County to get the pre-approved building plans. Although this would likely take a lot of time and effort, working with Skagit County to get a set of pre-approved plans that could be used for affordable housing would be valuable, and perhaps one of the most effective strategies to encourage affordable housing. Seattle offers a [suite of 10 different ADU designs](#) that they have pre-approved, which may be a good starting point.
- Reduced parking standards
 - Parking requirements and the associated costs with parking construction or in-leu fees are often quite expensive, and are often a major factor in determining affordability of a development. Reduction parking standers for affordable home developments, especially tiny homes and other micro-housing, in combination with other incentives can allow developers the flexibility to build affordable homes. In addition, reducing on-site parking requirements can free up space for housing itself, as parking requires a significant amount of land. La Conner would need to be cognizant of the effect on flow of traffic around town when discussion any reduction in parking standers.
- Reduction/wavier of fees
 - Communities around Washington have taken several different approaches to fee reductions when it comes to encouraging affordable housing. Waivers reduced include application fee waivers, impact fee waivers, and infrastructure connection charge waivers or reductions.
 - Application fee waivers are an option to reduce cost for affordable development, but they will not provide enough economic incentive to offset the cost of the development completely. These waivers often need to be combined with other cost-saving strategies in order to provide meaningful incentives to developers. In addition, La Conner could only offer fee reductions for a La Conner building permit, when the majority of building permit fees come from Skagit County. La Conner would have to work with Skagit County to ensure that the fee reductions would be meaningful. La Conner does have the option of waiving other fees, such as the fees related to the acquisition and preparation of land for development (boundary line adjustment charges, platting charges, conditional use charges, etc.)
 - Impact fee waivers can serve as better economic offsets for development costs, but they must be repaid from public funds. Given how small La Conner is, it may not make sense to offer this type of incentive to developers.

- Reduced infrastructure charges would apply only to utility connection-oriented charges, and could include reduced sewer connection fees, reduced water meter fees, and even reduced stormwater fees. In La Conner, utility connection fees often make up a significant percentage of the overall fee totals for a project, making potential fee reduction a meaningful economic incentive for developers. For example, roughly \$45,000.00 in utility fees is being charged for a two-triplex development on the Snapdragon Flat property, almost half of the total fees being charged for the project. La Conner contracts out for wastewater treatment, so that may affect La Conner’s ability to reduce wastewater fees. In addition, La Conner would need to draft clear and careful eligibility criteria for the reduced charges.

Part three: La Conner

Potential La Conner Incentives:

La Conner is in an interesting position when trying to incentivize affordable housing. The majority of the town is in the floodplain, which can make it difficult to receive housing specific federal grant money. The majority of the affordable housing created in La Conner has been through local organizations, such as Skagit Home Trust and local Habitat for Humanity groups. It may be valuable to discuss what meaningful housing incentives would look like to groups such as these, to ensure that the incentives La Conner chooses to implement are effective.

La Conner also runs on a concurrent review system for building permits with Skagit County. It will be very important to collaborate with Skagit County to look at possibilities for pre-approved building plans and permit fee reductions. In addition, each housing incentive will need clear eligibility criteria that includes a time period within which these units must remain at the set affordability level.

Note that developing incentives for affordable housing is different than developing code encouraging affordable housing, although there is some overlap. La Conner should do both. The following incentives assume that La Conner has already adopted middle housing code and adjusted multi-family density appropriately.

1. Pre-Approved Building Plans

- a. La Conner could work with Skagit County to get pre-approved building plans for a variety of housing sizes. [Seattle’s ADUniverse](#) may be a good starting point, although La Conner could likely be successful with just 2 or 3 sets of pre-approved building plans. In addition, it may be a good idea to look into getting pre-approved plans for one type of middle housing, so that developers have options for expanded development in La Conner.

2. Fee Reductions

- a. Planning department fees could be reduced based on the percentage of AHU’s being developed on the property. For instance, each AHU could secure a 15% fee reduction, stackable up to 50%. This could apply to all planning permit fees assessed for the project (platting fee, application fees, BLA fees). For example, a housing developer may develop a multi-family cottage style development with 6 living units, 2 of which will be AHUs. As the developer applies for the auxiliary permits necessary for the development (platting, shoreline, floodplain, SEPA, conditional use, etc.) they would receive a 30% “break” on

the permitting fees for the overall project. La Conner would have to work with developers on the appropriate reduction percentage that would be enough to incentive AHUs.

- b. Building permit fees may also be able to be reduced, but as the majority of these fees come from Skagit County, La Conner would have to work with Skagit County to develop these reduction policies. This could be something that is developed in conjunction with pre-approved building plans.
 - c. Reduced infrastructure charges, potentially developed with insights from the WWTP, may also be a helpful incentive. These charges could be reduced percentage-wise based on the overall percentage of AHUs, or reduced in a different way. Perhaps a waiver for the secondary connection fees if the units being connected were AHUs.
3. Permit streamlining
 - a. La Conner could offer permit streamlining for projects involving AHU's. This could look like marking AHU projects as staff priorities, tracking the timelines of permit intake and outtake, and allowing AHU projects to "skip the line". This would have to involve an understanding among all of the Town departments (Planning, Public Works, Fire Department, and Wastewater Treatment) so ensure that the permit streamlining has meaningful effects.
 4. Parking reductions
 - a. Given the challenges in La Conner around traffic flow and parking, blanket parking reductions may not be a good option. However, parking reductions on a case-by-case basis would still provide an opportunity for developers to work with the La Conner to develop parking standards that would reduce the burden on developers creating AHUs.
 5. Density/Height bonus
 - a. La Conner is a very small town with limited ability to fight fires over 30 feet. For this reason, La Conner should not include height bonus when incentivizing AHUs, unless the Fire Department has obtained equipment allowing them to reliably fight fires at an increased height. La Conner is also already changing the code to better enable density within its lots. La Conner should wait and see how those density changes in favor of middle housing and multi-family housing impact development around La Conner before offering additional density incentives for AHUs. However, both height and density bonus could be offered later if conditions in La Conner changed.

La Conner Next Steps:

1. Work with Skagit County to develop 3 sets of pre-approved building plans for ADUs (studio, one bedroom, two bedroom).
2. Work with Skagit County to develop fee reductions for building permit projects that include AHUs.
3. Develop internal fee reductions for project involving AHUs – fee reductions based on percentage of the project that is to include AHUs are often used by other municipalities.
 - a. Work with WWTP on reduction of infatuation charges.
4. Develop staff consensus around permit streamlining for projects involving AHUs.
5. Develop code allowing case-by-case parking reductions for AHUs projects.
6. Adopt definitions for AHUs and develop a covenant which is required to run with the property.

MEMORANDUM

TO: Planning Commission
FROM: Michael Davolio, AICP, Planning Director
Ajah Eills, Assistant Planner
SUBJECT: High Density Residential Development Draft Proposal
DATE: July 14th, 2023

Please see attached the Planning Staff's latest revised draft proposal to amend the town's development regulations to allow high density residential development as a conditional use. Some amendment may need to be made to allow for flexibility on waiving of impact fees.

Definitions

15.10.512 High Density Residential Development.

“High density residential development” means a residential development designed and intended to provide housing for low to moderate income individuals and families. The purpose of high density residential development is to encourage the development of housing that would be affordable to lower and moderate-income individuals and families, and to provide more flexible design requirements to promote housing affordability. High density residential development may be permitted only if the applicant agrees that any future sale or rental price shall not exceed fifty (50%) percent of the average price of a dwelling unit in Skagit County at the time of the sale.

15.20.050 Conditional use permits

(8) High density residential development, as set forth in Section 15.20.100.

15.20.100 High density residential development standards.

(1) Minimum lot size – 20,000 square feet.

(2) Dimensional standards - The dimensional standards within the high density residential zone shall be the same as the dimensional standards as set forth in LCMC 15.20.060, except that the minimum lot size for any proposed high density residential development shall be twenty thousand (20,000) square feet. There is no maximum density limit.

(3) Allowed uses - The following uses are permitted within a high density residential development, by conditional use. The use of solar or other green energy sources is highly encouraged.

(a) Single-family dwelling units with not greater than 1,000 square feet of interior space;

(b) Multi-family dwelling units, provided that no dwelling unit is greater than 800 square feet of interior space;

(c) Tiny home developments;

(d) Buildings designed for the common use of all residents of the development;

(e) Open space, including playgrounds and garden spaces; and

(f) Covered parking areas.

(g) Up to twenty (20%) percent of the dwelling units in a high density residential development may be approved for short-term rental. However, the applicant must show a reasonable need for such usage.

(4) Uses not allowed - The following uses are not permitted within any high density residential development:

(a) Garages;

(b) Storage buildings.

(c) Dwelling units to be sold or rented at any price greater than 50% of the current market rate within Skagit County;

(5) Historic design review, if applicable – historic design review shall not be required for any high density residential development. However, if the site is located within the Historic Preservation District, no existing building shall be demolished or relocated to accommodate such development.

(6) Pre-application conference - before filing any application for a high density residential development the applicant shall submit preliminary plans to the planning department for staff information and review.

(7) Development plan

(a) Following the pre-application conference, the applicant shall submit a formal application for staff and planning commission review.

(b) The development plan shall include an application form indicating existing zoning, total site area, area of bodies of water (if any), and the gross area of the site. In addition, the development plan shall indicate the total number of dwelling units, the proposed residential density, the amount of usable open space, which shall not be less than thirty (30) percent of the overall site area, and the total number of on-site parking spaces, which shall not be less than 0.75 spaces per dwelling unit. On street parking shall not be included in the calculation of parking spaces.

(c) The application shall include a legal description of the site and a statement of present ownership.

(d) The development plan shall indicate intent as to final ownership, including plans for rental, sale or combination thereof.

(e) If the proposed site is within shoreline management jurisdiction an application for shoreline substantial development permit along with any other permits required, such as a floodplain permit or other local, state, or federal permits, shall be filed;

(f) An environmental checklist, as set forth by the State Environmental Policy Act (SEPA), shall be required.