
City of Bremerton & Kitsap County Affordable Housing Recommendations Report

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Prepared for: The City of Bremerton and Kitsap County

FINAL REPORT

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ECONorthwest prepared this report for the City of Bremerton and Kitsap County. It received substantial assistance, guidance, and data from staff at the City of Bremerton and Kitsap County as well as the development and affordable housing community.

That assistance notwithstanding, ECONorthwest is responsible for the content of this report. The staff at ECONorthwest prepared this report based on their general knowledge of housing development economics and affordable housing, and on information derived from government agencies, private statistical services, the reports of others, interviews of individuals, or other sources believed to be reliable. ECONorthwest has not independently verified the accuracy of all such information, and makes no representation regarding its accuracy or completeness. Any statements nonfactual in nature constitute the authors' current opinions, which may change as more information becomes available.

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Executive Summary

In response to the housing challenges facing many households in Kitsap County, the County and the City of Bremerton sought an *Affordable Housing Inventory and Market Analysis* to find data and recommendations on ways to encourage more affordable housing. This report concludes this study, and includes key findings and recommendations for the City and County to consider as they continue to work with residents, nonprofits, and the private sector to encourage and support the development of more housing to meet residents' needs. This report:

- Offers an overview of the housing landscape, developers, and planning environment,
- Provides key data and analysis on the housing market and future housing demand in the County,
- Sheds light on the development considerations that are working well, areas that need improvement, and emerging development issues that require new solutions,
- Identifies key recommendations to improve the housing landscape in the county, including potential partnerships to create or strengthen,
- And helps Kitsap County jurisdictions plan for additional housing over the next 10-20 years.

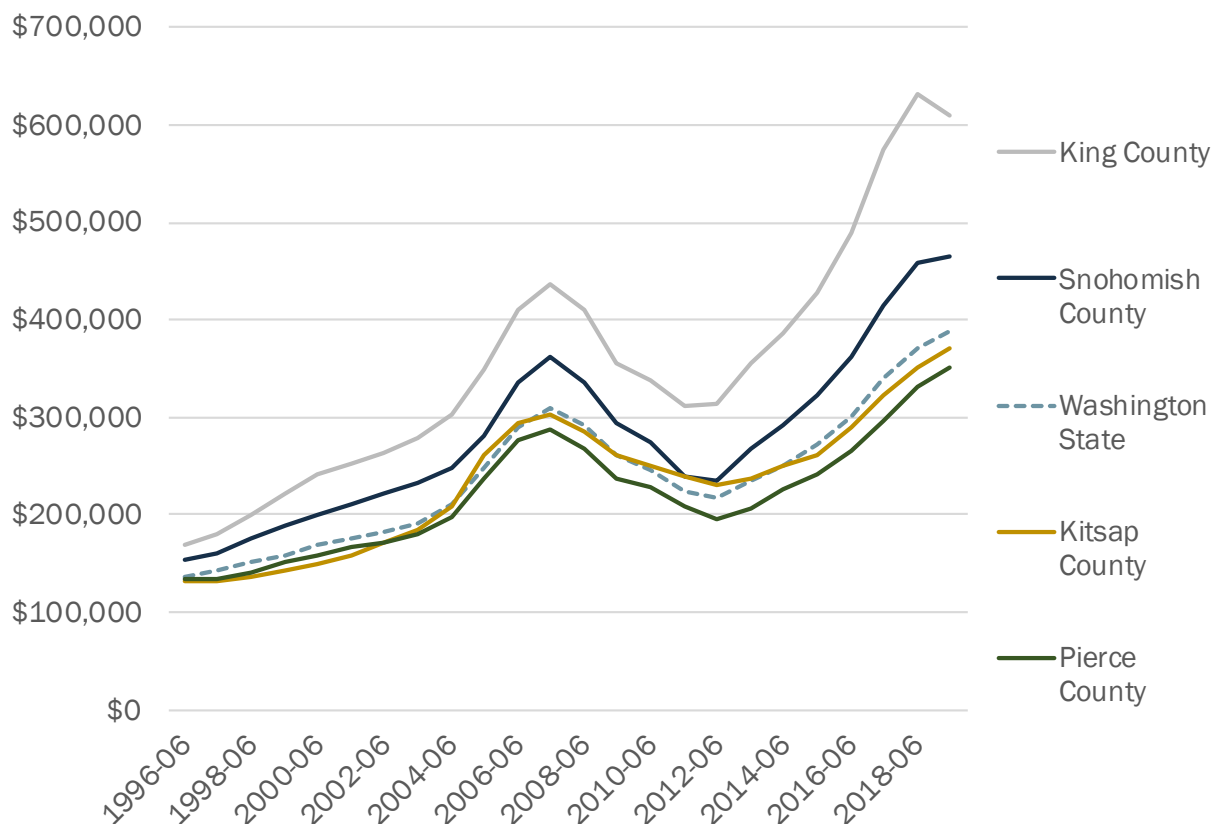
Kitsap County has several housing related challenges, including the need for a variety of housing types and the need for more housing affordable to low-income households. Based on population forecasts, Kitsap County and its jurisdictions will need approximately 25,150 new housing units through 2036, or about 1,480 per year for the next 17 years, of all types and price points. Over the 2010-2017 time period, jurisdictions across the County produced only 3,600 new housing units (including demolitions), or about 515 units per year (see Appendix B for more information on the current inventory and recent production trends). Thus, jurisdictions will need to almost triple their annual housing production to accommodate the expected 25,150 new units through 2036. Sub-county housing need and the distribution of the 25,150 new units across the county were not analyzed as part of this study. This work can be pursued with new funding grants from the Washington Department of Commerce.

Kitsap has also been significantly underproducing housing, producing only 42 new units for every 100 new households formed over the 2010-2017 timeframe. With development and construction costs just as high on the westside of the sound, but rents and price points lower, Kitsap has not been competitive for the post-recession housing supply increases seen in Seattle and the east side of Puget Sound.

However, the economic spillover from the rest of Puget Sound has made its way to Kitsap County. Because housing markets operate at a regional scale, the availability and affordability of different types of housing in one area affect the demand for that housing in other areas. Despite recent increases in prices, housing costs in Kitsap County overall have historically been relatively less expensive than elsewhere in the region (see Exhibit 1 below).

Households across the Puget Sound region facing price increases and cost burdening—as well as increased congestion or traffic—are now looking at the relatively more affordable housing in Kitsap. This increased demand for housing has had major implications for the local market, which has not caught up by building new supply. Residents in Kitsap County are feeling the brunt of these changes, seeing price pressure and low vacancies from growing demand and lack of production.

Exhibit 1. Increasing Home Values for Multifamily, Single-family, Condo/Co-op Housing in Puget Sound Counties and Washington State, 1996-2019



Source: Zillow Home Value Index, 2009-2019

These factors (explored comprehensively in the Housing Market Analysis in Appendix C), combined with the rural nature of Kitsap County, the natural land and infrastructure constraints of the area, and the presence of numerous vacation homes or second homes, present challenges in providing housing for Kitsap’s working and full time residents.

This report offers 10 high priority, near term recommendations for the City and County to consider in support of housing production and improvements to affordability across income spectrums. In general, they align with three major goals for housing production and affordability:

- A. **Help people stay in affordable housing.** This includes work to preserve existing regulated housing, preserve unregulated housing, improve affordability (or reduce

costs) for tenants, and enhance tenant protections. This goal focuses on affordable housing, workforce housing, and low-income homeownership opportunities.

- B. **Encourage the development of more affordable housing.** This includes work to expand partnerships, improve local affordable housing development capacity, boost existing programs and resources, and reduce development costs to encourage supply. This goal focuses on rent restricted affordable housing and to a lesser extent, workforce housing.
- C. **Expand housing options and grow housing supply to address existing shortages and future growth.** This includes projects and programs relating to reducing development costs or time it takes to deliver a project from start to finish, changing zoning that limits density, and allowing more housing choices for new construction to meet the varying needs of Kitsap residents. This goal focuses on multifamily housing and alternative housing types, with the understanding that more supply can help relieve price pressure in a tight market.

The City, County, and other planning jurisdictions have meaningful work ahead. Recent annual housing production trends need to more than triple in order to meet the expected housing needs by 2036. These ten priority recommendations are aimed at significant changes to boost production and help vulnerable residents at risk of rent increases and displacement.

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Introduction

Throughout 2019, ECONorthwest worked with staff at the City of Bremerton and Kitsap County to prepare this *Affordable Housing Inventory and Market Analysis*. This report offers concrete actions the County, local cities, and local planning jurisdictions can take to advance housing solutions to better meet the housing needs of all residents with a particular focus on improving the affordable housing landscape for low- and moderate-income residents across the County.

While the focus of this report is on improving affordable housing options in the County, several actions and recommendations are aimed at increasing the supply and production of housing affordable to moderate and higher incomes, with an understanding that supply of all types can help ease the affordability challenges posed by a tight market.

The findings and recommendations advanced herein are informed by three technical appendices that surveyed (a) the housing landscape and existing organizations providing housing and affordable housing in the county, (b) the housing inventory including characteristics, size, type, age, and price of housing, and (c) a housing needs assessment that evaluates the drivers of housing supply, drivers of housing demand, and the future needs for housing of all types and price points across the county over the next 20 years.

This report is broken down into the following sections:

- I. **Opportunities, Challenges, and Key Findings** lists the most important information from the supporting analysis that inform the recommendations,
- II. **Recommended Actions** offers *comprehensive action sheets* on 10 high-priority actions and another 33 recommendations that can help to increase housing affordability across Kitsap County,
- III. **Implementation** outlines the decision points, funding considerations, and lead agencies that can move forward on each action,
- IV. **Methods & Data Summary** describes the report creation process and summarizes key data sources,
- V. **Appendices** include short summaries of the three technical appendices that provide supporting data. The technical appendices can be found online at www.KitsapGov.com or at www.BremertonWa.gov.

Readers should come away with an understanding of the policy recommendations and concrete actions that Bremerton, Kitsap County and the jurisdictions can consider as they continue working to provide safe, affordable housing for all Kitsap residents.

Geographic References Used

Throughout this analysis, statistics are referenced for different geographies across Kitsap County. This section steps through the geographic boundaries used, and nomenclature used to address different planning jurisdictions.

Cities and Census Designated Places vs Urban Growth Areas

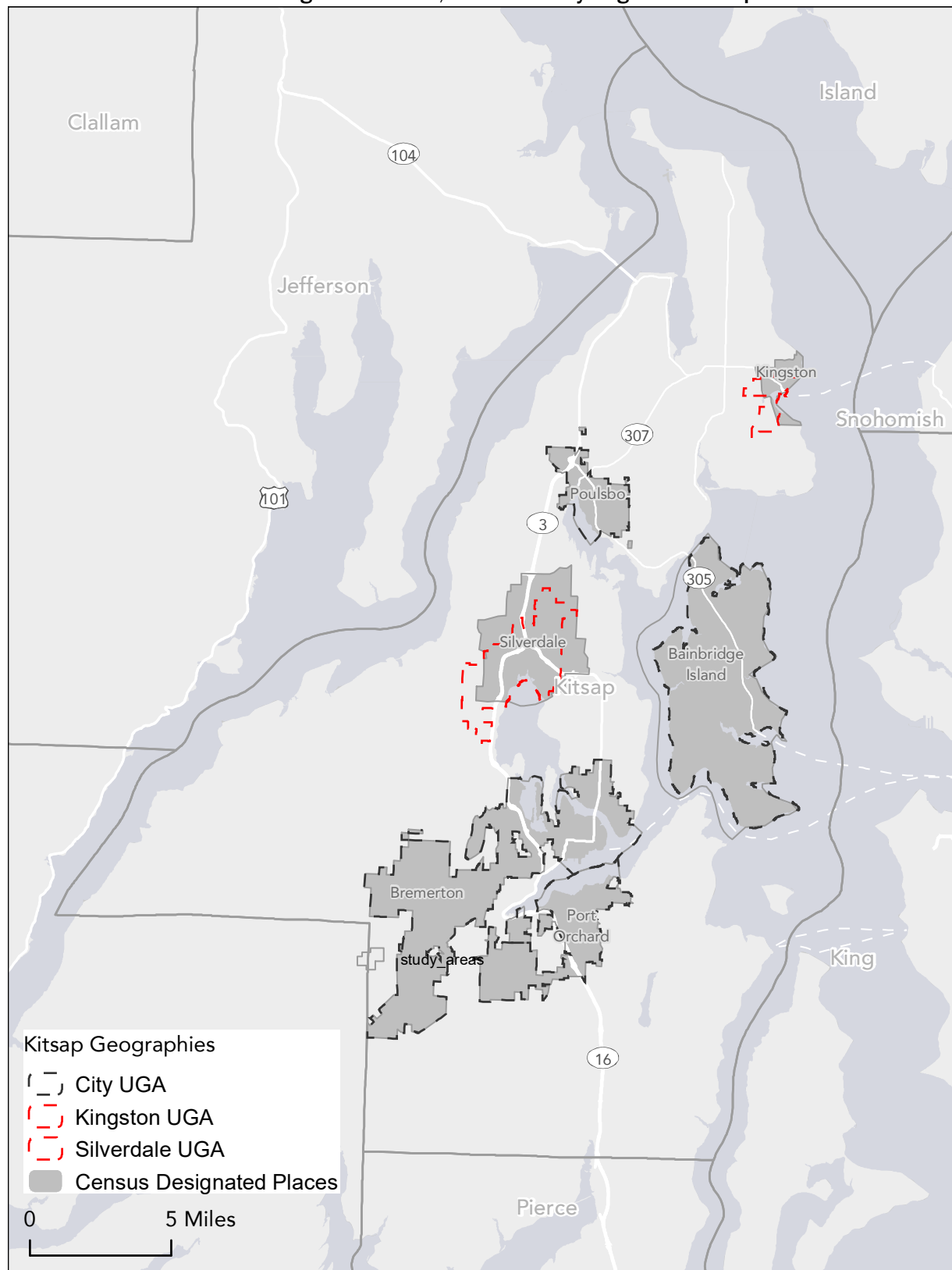
Our analysis uses a variety of data sources. Because the U.S. Census Bureau is the main source of data for the appendices that support this report, we use its definitions of “Places” and “Census Designated Places” (CDPs) to analyze and display the data pertinent to this study. Places typically refer to cities, towns, villages, and boroughs, and are “a concentration of population either legally bounded as an *incorporated* place, or identified as a Census Designated Place.”¹ CDPs differ from places in that CDPs are “statistical geographic entities representing closely settled, *unincorporated* communities that are locally recognized and identified by name.”² CDPs are statistically equivalent to incorporated places and they are the Census Bureau’s best approximation for unincorporated areas across the country.

This analysis uses CDP boundaries instead of Urban Growth Areas (UGAs), which are the County’s urban planning boundaries for Kingston and Silverdale, because the Census provides more data on these areas’ population and economic characteristics. The map in Exhibit A below shows the CDP boundaries in grey, the UGA boundaries for Bainbridge Island, Bremerton, Port Orchard, and Poulsbo in black, and the UGA boundaries for Kingston and Silverdale in red. As the map demonstrates, the UGA boundaries for Bainbridge Island, Bremerton, Port Orchard, and Poulsbo are aligned with the CDPs, and the Kingston and Silverdale UGAs have meaningful overlap. As such, they are a good approximation and allow us access to more data.

¹ U.S. Census Bureau, *Place* definition. Retrieved from: <https://factfinder.census.gov/help/en/place.htm>

² U.S. Census Bureau, *Census Designated Place (CDP) Program for the 2010 Census—Proposed Criteria*, 72 Federal Register 17326-17329. April 6, 2007. Retrieved from: <https://www.govinfo.gov/content/pkg/FR-2007-04-06/pdf/E7-6465.pdf>

Exhibit A. We use Census Designated Places, Which Closely Align with Kitsap UGAs



Source: UGA boundaries come from the Kitsap County Department of Community Development. Census boundaries come from Census GIS files.

Kitsap County Inclusive vs Kitsap County Jurisdiction

In this analysis, references to “Kitsap County,” “Kitsap,” or “the County” relate to the county as a whole, inclusive of the other planning areas (cities and urban growth areas). For example, if a statistic shows the average age for Kitsap County residents alongside the average age for residents of the City of Bremerton, the ages of Bremerton residents would be included in the Kitsap County average.

Readers should assume that in-text references to “Kitsap County” or “the County” are inclusive of all other jurisdictions within the County. At times, we further clarify this point by referencing residents “across the County” or businesses “throughout the County,” or we will discuss “Kitsap County as a whole,” or a statistic for “the entire County.”

Housing, Finance, and Development Terms Used

Affordable Housing. Regulated affordable housing that is income or rent-restricted to ensure the housing is occupied by households earning a certain income. Regulations are set according to the types of funding used to develop the housing, such as the Low-Income Housing Tax Credit, or U.S. Housing and Urban Development (HUD) funding. Most rent-restricted affordable housing is restricted to be affordable to households earning under 60% MFI, but these restrictions vary. We refer to regulated affordable housing and rent-restricted affordable housing interchangeably in this memorandum.

Community Development Financial Institution (CDFI). Community development financial institutions (CDFIs) are regulated financial institutions that exist to expand economic prosperity and opportunity to low income communities. They do so by providing access to financing tools, products, and services for residents and businesses. They operate much like banks or credit unions by offering loans, microloans, or venture capital. Most often, CDFIs are regulated by the U.S. Treasury Department.

Community Land Trust. A land banking model where a community organization owns land and provides long-term ground leases to low-income households to purchase the homes on the land, agreeing to purchase prices, resale prices, equity capture, and other terms. This model allows low-income households to become homeowners and capture a portion of the growth in home value as equity, but ensures that the home remains affordable for future homebuyers.

Cost Burdened. We use the term “cost burdening” to refer to households who pay more than 30 percent of their income on housing costs. We use the term “severe cost burdening” for households paying more than 50 percent of their income on housing. These terms come from HUD, and include mortgage payments and interest, or rent, utilities, and insurance.

Development Capital Stack. The mix of funding sources either in a fund or used to pay for construction of a development project. Different types of funding are “stacked” together. Each type of funding sits at a different level in the stack corresponding to risk and rate of return (lower risk corresponds with lower return and vice-versa).

Development Feasibility. A new development project needs to be financially feasible, demonstrating that the revenues generated from rents are sufficient to cover operations, debt servicing, and capital reserves. A project's development team will create a pro forma to determine feasibility and adjust the number of units, size, rents, and construction costs until the project revenues match expected operating costs (often referred to as "penciling out"). Affordable housing funders need to understand financial feasibility before they will award a project funding.

Development Phases. The typical phases are predevelopment, construction, and operation. Predevelopment can be split into early-stage predevelopment (project visioning, design, and concept planning) and late-stage predevelopment (securing project funding, securing sites, permits, and entitlements such as zoning or rezoning). Early-stage predevelopment projects often end up infeasible and cannot carry debt.

Housing Affordability. "Housing that is affordable" refers to any type of housing, regulated or not, that costs less than 30% of a household's pre-tax income. This definition is a generally accepted definition of affordability.

Land Banking. See Community Land Trust.

Low Cost Market Rentals. We refer to housing that is affordable to low income households but not regulated or restricted by a funding source, as "low cost market rentals." These housing units are often affordable by nature of their location, condition, age, or the amenities offered nearby or at the property.

Median Family Income (MFI). The U.S. Housing and Urban Development (HUD) produces an area median family income each year to measure affordability thresholds against. Affordable housing deals, loans, and other HUD requirements will be assigned to a percentage of the MFI (see sidebar).³

Kitsap County MFI

According to HUD, Kitsap County's MFI was \$77,119 in 2017.

- 30% of MFI is about \$23,135
 - 50% of MFI is about \$38,559
 - 60% of MFI is about \$46,271
 - 80% of MFI is about \$61,695
 - 100% of MFI is \$77,119
 - 120% of MFI is about \$92,542
-

"Missing-Middle" Housing.⁴ Missing middle housing is a term coined by Opticos Design to refer to medium-density housing like duplexes, triplexes, townhouses, courtyard style apartments, cottage clusters, or accessory dwelling units. These types of housing developments were largely outlawed in the post-war period in favor of single-family housing units. Recent efforts call for relegalizing missing middle housing to increase density and affordability in highly walkable, opportunistic neighborhoods.

³ HUD releases MFI data each year. However most of the data used in this study is through 2017, so we refer to the 2017 HUD MFI for consistency.

⁴ Opticos Design. 2019. "Missing-Middle Housing." Available from: opticosdesign.com/missing-middle-housing/

Mission-Based Developers. Refers to public or non-profit organizations working to provide affordable housing and services. These developers may sacrifice financial return for the positive social impact of providing affordable housing.

Multi-Family Tax Exemption (MFTE). Washington state law (RCW 84.14) allows for cities to exempt multifamily housing developments from property taxes in certain areas for a period of eight or 12 years in exchange for affordability restrictions on some of the units. This exemption reduces the costs of operating (and therefore developing) multi-family housing and helps to increase the supply of market rate and affordable housing.

Net Operating Income (NOI). In a new development proforma, NOI is equal to revenues less operating expenses. The amount of permanent financing that can be obtained is determined by the NOI.

Permanent Debt / Permanent Financing / Take-Out Financing. A long-term loan (maturity of 15-30 years) that is obtained after completion of construction. It is used to repay the short-term construction loan.

Real Estate Investment Trust (REIT). A financing vehicle that generates returns to investors by buying and operating workforce or moderately-affordable housing to generate quarterly cash flow. REITs are stand-alone companies or investment entities that own, and in most case operate, income-producing real estate. REITs generate stable, moderately-low risk real estate-investments for private equity, much like private investors invest in mutual funds. They are used broadly throughout most major development markets.

Return On Investment. Measure of profitability: net income as a percent of the equity or funding that went into the project. Banks, institutional investors, and for-profit developers will not build a project if they cannot guarantee a sufficient return on investment.

Revolving Loan Fund. A pool of money from which loans are issued to eligible recipients for specific uses. In the case of affordable housing revolving loan funds, the loans have lower interest rates and more generous terms compared to market loans. When the loans are repaid, new loans can be issued.

Severely Cost Burdened. See Cost Burdened.

Transit-Oriented Development (TOD / ETOD). Development located within walking distance (usually $\frac{1}{4}$ or $\frac{1}{2}$ mile) of a designated transit network or high-capacity transit stop. ETOD stands for equitable TOD, which approaches TOD with an equity lens to ensure that all communities, particularly minority, low-income or historically marginalized communities, benefit from transit investments and transit-related development.

Unregulated or Unrestricted Housing. See Low Cost Market Rentals.

Workforce Housing. The term “workforce housing” is often used to describe housing units that are affordable to households earning more than 60% MFI. These can be regulated or unregulated.

Zoning / Rezoning. Regulations are often statewide mandates that are implemented at a local government on the allowable land uses and density on a parcel of land. Landowners can apply to their local government to change the zoning of their parcel of land (whether a specific use and/or the density).

I. Opportunities, Challenges, and Key Findings

This section summarizes the opportunities and challenges facing housing development in and across Kitsap County, and includes key findings from the data analyzed in the Housing Inventory and Needs Analysis. More information, including comprehensive data, charts, and graphs can be found in the three supporting appendices, the Housing Landscape Overview (Appendix A), the Housing Inventory (Appendix B), and the Housing Needs Analysis (Appendix C).

Summary Goals

These opportunities, challenges, and key findings form the basis of the 10 high priority recommendations advanced in Part II and III. In general, they fall into three major categories of goals for housing:

- A. **Help people stay in affordable housing.** This includes opportunities and challenges to preserve existing regulated housing, preserve unregulated housing, improve affordability (or reduce costs) for tenants, and enhance tenant protections. This goal focuses on affordable housing, workforce housing, and low-income homeownership opportunities.
- B. **Encourage the development of more affordable housing.** This includes opportunities and challenges relating to expanding partnerships, improving local affordable housing development capacity, boosting existing programs and resources, and by reducing development costs to encourage supply. This goal focuses on rent restricted affordable housing and to a lesser extent, workforce housing.
- C. **Expand housing options and grow housing supply to address existing shortages and future growth.** This includes opportunities and challenges relating to development costs, zoning changes that limit density, and allowing more housing choices for new construction to meet the varying needs of Kitsap residents. This goal focuses on multifamily housing and alternative housing types, with the understanding that more supply can help relieve price pressure in a tight market.

Opportunities and Challenges

The following opportunities and challenges are affecting the development of housing across Kitsap County. Not all opportunities and challenges are present in every jurisdiction, and many do not apply to single-family housing development, the development of which remains relatively strong in Kitsap and its jurisdictions.

More information:

For more information about Kitsap's housing inventory, including recent production trends, see Appendix B: Housing Inventory.

Rather, these opportunities and challenges primarily relate to the development that is not occurring in the county: higher-density multifamily housing, alternative housing types (such as accessory dwelling units, “missing-middle housing” or townhomes), and rent-restricted affordable housing options.

It is important to note that local context matters greatly as local governments contemplate both the relevance and implementation of these goals. They will need to review zoning, Growth Management Act law, relevant case law, and other applicable regulations as necessary to determine which opportunities and recommendations (in Section II) are implementable at the local level.

Exhibit 2. Opportunities and Strengths for Residential Development in Kitsap County

Goal	Opportunity
Stay in Affordable Housing	Good partnerships exist between community agencies helping vulnerable residents at risk of housing instability
	Existing programs like weatherization and minor home repair and housing rehabilitation help residents stay in their homes
	Housing Resources Bainbridge's Community Land Trust opens up home ownership opportunities for low-income households
Encourage the development of more affordable housing	Good partnerships exist between community agencies helping vulnerable residents at risk of housing instability
	Kitsap County has sufficient land available for housing development within its existing urban growth boundaries
	Kitsap County has relatively lower land costs compared to elsewhere in the region, helping to improve affordable housing development feasibility
	Key opportunity sites exist along major corridors and in growing communities
	Opportunity zones present investment opportunities that can aid development feasibility
	Bremerton's infill toolkit is seen as a best practice and helpful guide for high density development
Grow housing supply and options	Spillover demand from economic growth in Seattle and the underproduction of housing in Kitsap causes rent growth and low vacancy which helps development feasibility of market rate multifamily housing
	Kitsap County has sufficient land available for housing development within its existing urban growth boundaries
	Kitsap County has relatively lower land costs compared to elsewhere in the region, helping to improve affordable housing development feasibility
	Kitsap County and its jurisdictions have planning documents that are generally supportive of housing development
	Opportunity zones present investment opportunities that can aid development feasibility
	Bremerton's infill toolkit is seen as a best practice and helpful guide for development
	Leadership is open to conversations about improving housing development
	The online permitting tool has been a benefit for improving permitting timelines and helping development move faster, thereby reducing costs
	Key opportunity sites exist along major corridors and in growing communities

Exhibit 3. Challenges and Risks for Residential Development in Kitsap County

Goal	Challenge/Risk
Stay in Affordable Housing	Spillover demand from economic growth in Seattle and the underproduction of housing in Kitsap causes rent growth, low vacancy, and high displacement risk for Kitsap residents
	High housing prices lock low-income residents out of homeownership and wealth building opportunities
	Expensive home repairs can prevent people from remaining in their homes as needs change
	Many mobile homes are sitting on valuable land and could be at risk of displacement if land prices create pressure to redevelop
	Outside of the government and healthcare sectors, there are few high-paying private sector jobs in Kitsap County, which can limit income growth and upward economic mobility for residents
	Housing near ferries is largely single family, limiting the ability for renter households (who are often lower income) to access high-paying jobs throughout the region
	Access to transit is limited and reduces access to high paying jobs throughout the region
Encourage the development of more affordable housing	Kitsap County jurisdictions lack sufficient funding to leverage for affordable housing funding applications
	Affordable housing developers are generally operating at capacity and lack training or staff to increase development capacity
	Construction costs are just as high in Kitsap County as elsewhere, making development of affordable housing difficult
	Few development opportunities exist on larger lots, which are attractive to high density development. Kitsap County has largely already been divided into parcels
	Many unincorporated areas lack infrastructure and the costs of mitigation make affordable housing development prohibitive
	Zoning can be a barrier to affordable housing development by disallowing higher density development
	Jurisdictions in Kitsap County do not offer many zoning incentives to encourage affordable housing
	NIMBYs can stall or delay affordable housing development
	Remaining infill lots are generally difficult and costly to develop compared to greenfield development
	Parking shortages can drive up the cost of new housing development by requiring off-street parking stalls
Grow housing supply and options	Construction costs are just as high in Kitsap County as elsewhere, making development of higher density housing difficult
	Few development opportunities exist on larger lots, which are attractive to high density development. Kitsap County has largely already been divided into parcels
	Many unincorporated areas lack infrastructure and the costs of mitigation make higher density housing development prohibitive
	Zoning presents a barrier to development by disallowing higher density development, disallowing secondary units in high-demand areas or along transit lines, or by requiring lots to be built to the maximum size or subdivided
	Jurisdictions in Kitsap County are not offering many zoning incentives to encourage the types of housing needed
	Remaining infill lots are generally difficult and costly to develop compared to greenfield development
	NIMBYs can stall or delay multifamily or higher density housing
	There are few good examples of alternative housing types (e.g. ADUs or “missing middle” housing) for developers new to Kitsap County
	Moratoriums on new development are not helpful for achieving housing needs
	There are many second homes and vacation homes in Kitsap County, reducing the overall supply of housing and buildable land
	The presence of Naval Base Kitsap increases housing demand without providing tools, funding, or incentives for housing or parking in the area

Key Findings

In addition to the opportunities and challenges present in Kitsap County and its jurisdictions outlined above, the following key findings help to shape the recommendations offered in Section II and III. These findings come from data and analysis in the Housing Inventory and Needs Analysis.

Kitsap needs 25,150 new housing units by 2036...

Kitsap County is expected to need an additional 25,147 total housing units over the next 17 years, or approximately 1,480 per year. As currently zoned, the majority of these housing units are expected to be single-family detached, similar to current development trends.

Jurisdictions across Kitsap County will need to more than triple their annual rates of net housing production in the 2010-2017 time period (515 units per year) to reach the rate of production needed to accommodate these new housing units by 2036.

And is already behind housing production.

Jurisdictions across the county have not been building enough housing to meet the needs of its residents. Over the 2010 to 2017 time period, it only built 42 new housing units for every 100 new households formed.

Over that timeframe, fewer than 3,800 housing units have been built, and when accounting for demolition or obsolescence of units, the net new units is about 3,600.

Job growth is incredibly strong...

Kitsap is seeing strong job growth, in line with the strong national and regional economies. In 2018, total covered employment reached almost 90,000 jobs. The County passed its pre-recession job peak of 84,400 jobs back in 2015. Since the recession, the fastest growing sectors include management jobs, manufacturing, construction and transportation/warehousing jobs, and accommodation/food service jobs. That the fastest growing sectors have moderate to high wages is a sign for continued purchasing power for future housing demand.

And Kitsap is gaining a lot of high income households...

Due to this strong economic growth and spillover effects from the Seattle region, Kitsap County appears to be gaining households at higher income levels (earning more than \$80,000) since 2010.

But it lacks sufficient housing for these households.

Kitsap has a deficit of rental housing appropriately priced for higher-income households. In the 2010-2017 time period, Kitsap had about 7,000 households earning more than the median family income (\$77,119 for a family of four) but only 1,800 units that are “affordably priced” for those households. This means these higher income renter households are competing for available housing stock with lower-income households, putting further pressure on the availability of housing for low-income households.

Kitsap is also gaining low income households...

In the 2010-2017 time period, Kitsap also gained households at the lowest income levels (earning under \$20,000 per year). Trends for households earning between \$20,000 and \$80,000 were mixed.

And has a gap in housing inventory for these households, too.

However, as of 2013-2017, Kitsap County had a shortage of almost 5,800 units of rental housing affordable to its extremely low-income renter households (those earning less than 30 percent of the median family income or about \$23,135 for a family of four). This lack of housing plus increased competition from higher-income households puts many renter households at risk of rent increases and displacement.

Rent-restricted affordable housing is scarce and difficult to build.

Rent restricted affordable housing is scarce in Kitsap County and is concentrated in a few locations around the County. Bremerton has the most affordable housing and also has the most deeply affordable housing: about 66 percent of all units restricted below 30% MFI are located in Bremerton, likely due to the presence of the Bremerton Housing Authority (housing authorities often operate deeply affordable units) and the presence of extremely low income households needing housing.

And displacement risks are high for low income mobile homeowners, too.

Kitsap County has many mobile homes that are not located in mobile home communities, but are a home located on a unique, often large parcel. The average land value for these mobile homes can be pretty high in some areas, reaching up to \$240,000 on Bainbridge Island. Rising land values can create pressure to redevelop, which puts these residents at risk of displacement.

Limited employment opportunities prevent earnings growth and upward economic mobility...

Outside of the government and healthcare sectors, Kitsap has limited employment options with a high number of residents either entering or leaving the County for employment. A high share of Kitsap's workers do not live in the county, which is an opportunity when planning for future housing growth. In 2017, more than 46,300 people commuted out of Kitsap County for work, 23,750 people commuted into the county, and about 43,300 people stayed put (work and live in the county).

And housing near ferries is largely single-family.

With multiple ferry routes to Seattle and other Puget Sound cities, households living near a ferry terminal gain immense access to employment, healthcare, higher education, recreation, and amenities in other areas of the Puget Sound. Approximately 1,550 households on Bainbridge live within one mile of a ferry terminal, about 2,110 households live near a ferry in Bremerton, and so do about 1,180 households in Kingston and Southworth combined. In Bremerton, this figure includes 407 households in multi-family housing.

This locks lower-income households out from access to employment opportunities.

Because of the prevalence of single-family housing near ferries, and because homeownership is out of reach for most low-income, minority, or marginalized households, these communities are also locked out of important access to jobs, opportunity, amenities, and services in the region.

Economic development is important to grow the local economy, and it should include housing considerations.

For low-income households that cannot travel outside the region for higher-paying jobs, economic development within the County is critically important. However, these efforts should include considerations relating to housing provision, especially when a large number of new jobs are created. Job creation absent housing creation will not solve the economic insecurity that many Kitsap households face, and can exacerbate issues around traffic congestion, emissions, and cost burdening.

Kitsap County is aging...

In like with national trends, Kitsap County is aging and seeing older households account for a larger share of the total population. This is most pronounced on Bainbridge Island, in Port Orchard, and in Kingston. Bainbridge saw a seven percentage point increase in the number of residents over age 44 between the year 2000 and the years 2013-2017, while Port Orchard saw a 10 percentage point increase over that time. In Kingston, the share of residents over age 65 grew by 11 percentage points, while the share of residents under age 20 declined in the same timeframe.

And Kitsap County is diversifying.

The Hispanic or Latinx population almost doubled from four percent of Kitsap County's total population in 2000, to seven percent of the population in the 2013-2017 period. Bremerton, Port Orchard, and Poulsbo are more ethnically diverse than the Kitsap County average, with the Hispanic/Latinx population making up nine percent, ten percent, and 12 percent of residents, respectively. Bainbridge Island has the lowest share of Hispanic/Latinx residents, although the proportion doubled across the 2000 to 2013-2017 period. Port Orchard's Hispanic/Latinx population also doubled over the analysis period.

Both of these trends will shift the types of housing needed and demanded in the future.

Due to Kitsap's increasing diversity, the future housing stock consisting of primarily single-family homes could be mismatched with the housing needs of non-white households (for example, larger households who have intergenerational household members, extended family members, or more children). This coupled with Kitsap's growing baby-boomer population looking to "age in place," could mean that competition for housing may continue to put upward pressure on housing prices.

Jurisdictions in Kitsap County need to make changes to meet housing needs...

Kitsap County jurisdictions will need to almost triple their annual housing production to accommodate the expected 25,150 new units in the next 17 years. Continued spillover demand from the Seattle region and strong local economic growth will likely increase the number of high-income and low-income residents seeking housing in the County.

Or continued rising prices, rents, and displacement risk are likely to worsen.

These trends, coupled with the gap in housing affordable to both of these income brackets, and compounded by structural difficulties in producing rent-restricted housing in Kitsap, mean that jurisdictions will need to implement meaningful changes where possible to catch up and meet production needs. Rising prices, rents, displacement, and households falling into homelessness are likely to continue if jurisdictions cannot increase housing production at all levels.

Housing Development is Multi-faceted and Dynamic

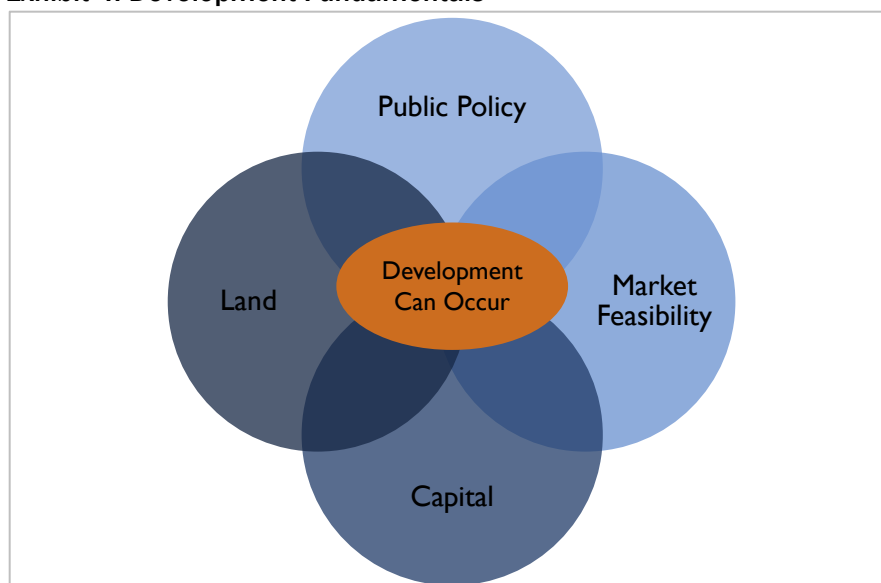
Housing development is an incredibly complex and lengthy process. The private sector produces the majority of all new housing development, and this market is governed by economic fundamentals of supply and demand, which is influenced by government regulation. However, many regulations are set at the state level (such as Growth Management Act requirements or environmental review processes). These factors limit local governments' ability to influence housing development.

More information:

For more information about Kitsap's housing market trends, and factors influencing future demand, see Appendix C: Housing Needs Analysis.

Private sector development occurs at the intersection of land availability, public policies, market feasibility, and capital funding. In a similar way, publicly supported rent/income controlled housing is subject to the same factors. Housing development relies on inputs set by numerous interrelated markets and players – from the cost of land to the cost of labor and materials to the price of rents – each input to development is its own market with supply and demand factors constantly in flux.

Exhibit 4. Development Fundamentals



Source: ECONorthwest.

- On a **parcel of land**, for-profit (which are the majority) landowners and property developers will evaluate a site for the economically highest and best use allowed, be that office, residential, commercial, or vacant land, depending on the parcel's unique characteristics.
- **Public policies**, like land use restrictions or zoning, dictate what types of development can occur and where, usually for aesthetic, health, safety, or economic reasons. A single policy can have many different impacts; adding new policies and removing existing regulations is a complex process with a lot of influence across many sectors.
- **Market feasibility** is a robust process that assesses the demand for development, comparing the expected revenues against the investment costs (e.g. labor and materials), for the desired types of development. If a development project is not feasible, it will not get built.
- **Capital** is necessary to pay for the costs of development and influences market feasibility due to the expected return on investment. Capital seeking return on investment can flow to other sectors – stocks, bonds, etc. – when development cannot meet return requirements.

Development occurs when all these factors align: the land is available and properly zoned, the regulations allow the development, the market says it is feasible, and the capital can be deployed for an investment return. Influencing where development occurs and what is built is challenging, takes time, and requires input from numerous players (government, the general public, impacted neighbors, and the development community).

Recommended Actions to Address the Key Issues

The 10 high-priority recommendations advanced in the next section can help Kitsap County and its jurisdictions implement changes where possible – to funding structures, zoning patterns, or incentive programs – to increase housing production to meet future housing needs. While we cannot determine that the County will meet its 25,000 housing unit need if all or some of these recommendations are taken, we can point to the trends that will continue if housing production does not increase and housing demand continues: rising prices, rents, and displacement, culminating in more cost burdening, more housing instability, and more households falling into homelessness.

Implementing these changes will require involvement from many different partners – including for profit housing providers, non-profit developers, the different jurisdictions, and the community at large. Importantly, further review of zoning, Growth Management Act case law, and other applicable regulations will be necessary to determine which recommendations can be implementable at the local level. However, no single strategy will solve housing affordability challenges for Kitsap's residents. The recommendations below are for the City of Bremerton and Kitsap County to consider as a starting point. They are not exhaustive of the possible improvements, and can be mixed together or selected individually as the City, the County, and the general public see fit.

II. Recommended Actions

The key findings and discussions of housing opportunities and barriers generated a long list of potential recommendations for the jurisdictions in Kitsap County to consider. This section steps through 10 high priority recommendations that, if implemented, could have meaningful impacts on housing supply and affordability, and another 33 recommendations that are lower priority but should be included as part of the City's and County's toolbox when considering affordable housing and development solutions.

Many Actions will Be Needed to Meet Housing Needs

No single change will fix the affordable housing crisis in the region, and many strategies can be deployed at different levels (e.g., affecting a property, a neighborhood, or working across the market) and in different sectors (e.g., for-profit housing, affordable housing, multifamily, or single family).

These 10 high-priority recommendations and 33 additional recommended tools and strategies could be implemented in any combination to make a meaningful impact on the development of more housing and less expensive housing across the County.

We cannot determine that the County will meet its 25,000 new housing unit need if all or some of these recommendations are taken. But if meaningful action is not taken to increase the rate of housing production, and the County continues to see population growth and housing demand, prices will continue to rise, displacement pressures will continue to increase, and vulnerable households will continue to fall into homelessness.

Meaningful Action will Include Many Players

Many factors affecting housing production are out of the control of public agencies – such as rent and home prices, costs of labor and materials, and population growth. Many partners and housing providers will ultimately be involved in spurring new housing development. While the public sector can play a lead role in setting the stage for change, implementing these recommended actions will require ongoing coordination with many departments, jurisdictions, developers, and the general public.

While these recommendations have been created to help the City of Bremerton and Kitsap County advance housing solutions, there is no one-size-fits all approach. Rather, this list is a starting point for considering different tools that can be mixed together or selected individually depending on circumstances. These recommendations are not exhaustive of the possible improvements that might be identified and should be considered a menu of preliminary ideas to be considered.

It is also important to note that further review of zoning, Growth Management Act case law, and other applicable regulations are necessary to determine which recommendations can be implementable at the local level.

Actions Toward Three Goals

These 10 high-priority recommendations are grouped by the high-level goals they can help to achieve. These goals summarize the development and housing challenges identified in prior tasks and the paths to creating more affordable housing options for Kitsap County residents.

- A. **Help people stay in affordable housing**, such as preserving existing regulated housing, preserving unregulated housing, reducing costs for tenants, and enhancing tenant protections. This includes workforce housing and low-income homeownership opportunities.
- B. **Encourage development of more affordable housing** by expanding partnerships, local development capacity, boosting funding, and reducing development costs.
- C. **Expand housing options and grow housing supply to address existing shortages and future growth** by reducing costs, supporting zoning changes to increase residential capacity, walkability, and lower price point development, and allowing more housing choices for new construction to meet the varying needs of Kitsap residents.

Exhibit 5. Primary Recommendations Assessed

Recommendation	Goal Achieved		
	Create More Affordable & Workforce Housing	Preserve Affordability	Increase Housing Options & Supply
1. Create a Preservation & Anti-Discrimination Strategy		✓	
2. Update Comprehensive Land Strategy	✓	✓	✓
3. Create a Revolving Loan Fund	✓	✓	
4. Create a Real Estate Investment Fund	✓	✓	
5. Establish Additional Affordable Housing Funding Sources	✓	✓	
6. Pool Existing Resources	✓	✓	
7. Expand Community Land Trust	✓	✓	
8. Encourage “Missing Middle” Housing	✓		✓
9. Review and Revise Land Use Barriers	✓		✓
10. Review Up-Zoning Urban Land For Multifamily Housing	✓		✓

10 High-Priority Action Sheets

The 10 high-priority recommendations are assessed via “action sheets” that allow for a quick snapshot of each recommendation, and allow the City and County to compare specific

recommendations with one another. These actions sheets can be monitored, updated, and edited as recommendations are addressed or as market conditions change. Each action sheet provides a description of the recommendation and evaluates the following considerations:

- **The primary goal** the recommendation is helping to achieve (A, B, or C above),
- **The development barrier** each recommendation helps to overcome,
- The **sector** most likely to lead the action,
- The **potential scale** (works at market level, neighborhood level, or property by property),
- The potential **impact on housing affordability** (high, medium, or low),
- **Potential partners** to work with,
- Applicable **locations or sites**,
- **Critical considerations** about sources of funding, timing, needed analysis, political will, neighborhood opposition, and immediate steps to move forward, and
- Relevant **resources or links** from other communities working on the same issue.

1 Create a Preservation & Anti-Displacement Strategy

Primary Goal		Sector
Preserve Affordability		Public
Housing Barriers Overcome		
Preserves aging or expiring restricted units, prevents displacement.		
Description		
<p>A county-wide, comprehensive preservation and anti-displacement strategy would work on expanding housing affordability in numerous ways. This could include any of the following facets:</p> <ul style="list-style-type: none">▪ Monitoring regulated affordable housing properties that are nearing their affordability expiration dates, and working with the property owner to recapitalize and rehabilitate the property with new funding. Create a database and mapping system to monitor and plan for upcoming expirations.▪ Setting up a process to monitor unregulated affordable rental properties and mobile home parks that might be at risk of being sold to private investors and seeing rents/leases increase. Establish criteria to flag properties at risk, such as: low-rents, deferred maintenance, under 20 units, non-institutional owners (aka., “mom and pop” owners), located in amenity rich areas, near recent redevelopments, or on high cost land.<ul style="list-style-type: none">○ This could be done in conjunction with Action 3; the use of low-interest loans from a revolving loan fund could purchase these properties in partnership with a local affordable housing provider, to maintain affordability and habitability for years.○ This strategy could also establish procedures or guidelines to help the residents at these properties to establish a co-operative ownership structure, thereby preventing future displacement. This can be a highly effective model for preventing mobile home parks from being purchased and redeveloped.▪ Evaluate communities and neighborhoods across the county that may be especially vulnerable to displacement as Kitsap’s housing market continues to rise. Many of the tenants living in unregulated affordable properties will be at risk if their building is purchased and rents rise. Many risk and screening tools exist that can be applied to communities. Special attention should be paid to historically marginalized communities like communities of color, immigrants, or non-English speaking communities.▪ Establish, update, or strengthen tenant protections and resources, such as policies relating to just-cause evictions, low-barrier application screening, fair-housing and anti-discrimination policies, and anti-price gouging when military personnel arrive with Basic Housing Allowances. Ensure that all new housing resources for households experiencing a housing crisis are coordinated with the countywide one-stop housing resource center, the Housing Solutions Center.		
Scalability	A preservation strategy could be scaled at the market level.	Critical Considerations
Potential Affordability Impact	High – potential to maintain rent restricted affordability for low-income households and create the opportunity to preserve affordability in at risk properties.	
Potential Partnerships	Local affordable housing providers, investment companies, mission-based lenders, Community Development Financial Institutions (CDFIs), philanthropic organizations, or foundations.	
		<ul style="list-style-type: none">▪ This is a Medium-term opportunity since funding and an operator may need to be identified, and a plan needs to be put in place. However, discussions could start immediately with the following next steps:<ul style="list-style-type: none">○ Develop a community engagement plan to meet with and understand the housing challenges of communities at risk of displacement,○ Seek out national or state funding sources to staff this effort and create a plan, and○ Identify the departments to house, manage, and monitor a database or map of properties at risk.▪ The Multi-Family Tax Exemption could help preserve unregulated affordable properties in targeted areas such as the City of Bremerton. This tool gives property owners property tax exemptions typically for 8-10 years in exchange for rent restrictions. Under current regulations, this tool is available in Kitsap cities, not the County.

Applicable Locations	Countywide.	<ul style="list-style-type: none"> ▪ Neither a preservation strategy nor an anti-discrimination strategy will likely face political or neighborhood opposition. ▪ A process to monitor private market rentals may face headwinds from a landlord association. Creating these strategies will require significant public engagement and outreach to truly understand the housing and affordability challenges of the communities most at risk.
Relevant Resources	<ul style="list-style-type: none"> ▪ Oregon Housing Preservation Program: www.PreserveOregonHousing.org ▪ Urban Displacement Project's displacement risk factor: www.UrbanDisplacement.org ▪ The Tenants Union of Washington State: www.TenantsUnion.org ▪ CASA of Oregon Manufactured Homeowner Assistance: casaoforegon.org/for-individual/manufactured-housing-cooperative-development/ ▪ Oregon Housing & Community Services Manufactured Communities Resource Center: www.oregon.gov/ohcs/Pages/manufactured-dwelling-park-services-oregon.aspx ▪ Tenant information at Housing Resources Bainbridge: www.housingresourcesbi.org/programs/tenant-resources/ ▪ Example jurisdictions using MFTE: Kirkland, Bellingham, Tacoma, Spokane, Yakima, and Moses Lake (limited to cities with 15,000 persons or more) 	

2 Review and Update the Comprehensive Land Strategy

Primary Goal		Sector
Create More Affordable & Workforce Housing; Preserve Affordability; Increase Housing Supply		Public
Housing Barriers Overcome		
Prohibitive costs of land, lack of infrastructure on suitable land, small parcel sizes needing reaggregation.		
Description		
<p>Review and update Countywide Planning Policies and Comprehensive Plans to include any of the following:</p> <ul style="list-style-type: none"> ▪ A surplus public land database and strategy, like Sound Transit's 80-80-80 policy. This policy requires 80% of "surplus land" not used for the light-rail expansion (often temporarily used for construction staging) be used for affordable housing developers, who must reserve 80% of their units for households making less than 80% of Area Median Income (AMI). ▪ A land banking or land acquisition strategy that sets criteria for purchasing land before it appreciates in value, holding it either a short or long period of time, and conveying that land to developers building affordable housing. This strategy can take several forms, from nonprofit entities to city-led programs to cities donating, selling, or leasing publicly-owned land for the development of affordable housing. Criteria on site characteristics, timeline, price per acre, and other considerations should be determined. ▪ A funding and process mechanism for overcoming development barriers in priority areas. Many developers stressed that areas suitable for residential development lack necessary infrastructure, and the cost of installing it makes the deal prohibitive. The jurisdictions participating in this land strategy could source and commit funding to pay a share of these infrastructure costs, in exchange for affordability covenants or priority development types (e.g., larger apartments, live-work studios, or small-scale community centers). Criteria – such as eligible developers, priority locations/development types, and requirements in exchange for funds – would need to be established <i>with developers</i> to ensure they would work in a deal structure. ▪ A process should be created to help developers overcome the site development barriers such as challenges with small parcels needing to be aggregated to make deals work (e.g. Downtown Kingston area has these issues). This was another development barrier discussed by developers in this research and in prior outreach. The land strategy could include commitments from the jurisdictions to streamline, prioritize, or work with developers facing this barrier to ensure that residential housing can get built. ▪ A policy or plan to work with landowners who may have excess land that could be purchased for affordable housing development (e.g. Church parking lots). These deals could provide owners with needed funds and secure well-located land for development. 		
Scalability	Land strategies can be scaled across the market to seize opportunities as they arise.	Critical Considerations
Potential Affordability Impact	High – reducing land costs can greatly aid feasibility.	
Potential Partnerships	Housing Kitsap, Bremerton Housing Authority, developers (for profit and nonprofit), land trusts, and philanthropic foundations.	
Applicable Locations	Countywide.	
		<ul style="list-style-type: none"> ▪ Near term opportunity: acquiring the land sooner will increase positive impact. ▪ This strategy will need funding. ▪ This strategy would need buy-in and commitment from many participating jurisdictions in the County. However, discussions and negotiations could begin immediately. ▪ Immediate next steps could include: <ul style="list-style-type: none"> ○ Getting this idea on the next KRCC agenda to gauge interest ○ Meeting with affected county and jurisdictional departments to discuss this plan ○ Identify barriers and departmental hurdles, and what it would take to overcome them ○ Seek out national or state funding sources ○ Map out planned capital improvement projects and align with potential residential developments in the pipeline

Relevant Resources	<p>Sound Transit’s ETOD policy: www.soundtransit.org/get-to-know-us/news-events/news-releases/board-adopts-policy-promoting-equitable-development-near</p>	<ul style="list-style-type: none"> ○ Coordinate with local developers to understand where the highest priority areas are given rents and development interest. ▪ Analysis needs: funding amounts and sources, leverage opportunities, target geographies and development types, criteria in exchange for funding, decisions on land discounts, and when selling (at market rates) would be more beneficial. ▪ Siting affordable housing may face some neighborhood opposition.
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3 Create a Revolving Loan Fund

Primary Goal		Sector
Create More Affordable & Workforce Housing; Preserve Affordability		Public/Non-profit/Private Partnerships
Housing Barriers Overcome		
Reduces cost of capital for affordable housing development, deploys capital at scale and quickly in a fast market.		
Description		
<p>An affordable housing revolving loan fund is a pool of money that offers low-interest loans to eligible recipients for the development of affordable housing. Revolving loan funds can aid the feasibility of affordable housing development by offering below-market interest rates and generous loan terms compared to market loans, and can be used to fill funding gaps in a development deal (a major hurdle for creating new affordable housing).</p> <p>A revolving loan fund is seeded with capital from numerous investors: public funders, philanthropic funders, banks, financial institutions, or other investors. These investors are often called impact investors because they are willing to have lower rates of return on investment (compared to other investment funds), for a positive social impact (e.g. affordable housing).</p> <p>The below-market rates, loan types, and loan terms offered for affordable housing development will depend on the capital sources and the fund investors’ return requirements. These lower rates of return are passed on to developers as below-market interest rate loans, which reduce the cost of capital and help improve project feasibility, thereby increasing the supply of affordable housing units.</p> <p>Revolving loan funds are generally tailored to meet the local affordable housing development barriers and bottlenecks. Loans have specific purposes, such as acquisition for site control, predevelopment financing when a project is in design and concept, bridge financing before funding is awarded, or construction financing. They are repaid when the property secures its permanent loan at the end of construction. Funds can also be used for preservation deals, to preserve restrictions, or keep add rent restrictions to an unregulated property (see discussion in Action 1).</p> <p>Funds are generally short term (1-2 years for predevelopment, 3-5 years for construction), and they revolve: when loans are repaid, new loans can be issued. Investors commit capital according to the fund agreement, and are repaid after a specified period of time.</p>		
Scalability	A revolving loan fund could be scaled at the market level, but acts property-by-property.	Critical Considerations
Potential Affordability Impact	High – revolving loan fund can greatly increase the supply of affordable housing units.	
Potential Partnerships	Socially Responsible Investors (SRIs), Credit Unions, Banks, Foundations, large affordable housing nonprofits, or other philanthropic organizations focused on affordable housing or community development. This could be an effort across the entire Olympic Peninsula. Craft3 CDFI could be an investor.	
		<ul style="list-style-type: none">▪ This is a medium term opportunity since a lot of groundwork needs to be done to understand interest and feasibility of the fund, as well as the major development barriers it would overcome.▪ However, negotiations and discussions could start immediately. Immediate steps include:<ul style="list-style-type: none">○ Committing and training staff on how to stand up a fund and guide the capital campaign,○ Gauge early interest with likely participants,○ Seek out national or state funding sources to pair with local funds understanding leverage points, and○ Meet with local affordable housing developers to understand the loans most likely to unlock development potential in Kitsap.

Applicable Locations	Countywide	<ul style="list-style-type: none"> ▪ After doing the groundwork, a formal plan will need to be put in place to understand how development needs can be met with investment needs. Negotiations and additional analysis about capital needs and investment terms will follow. ▪ A capital campaign would be necessary to find seed funding from banks, investment companies, philanthropies, national foundations, and government agencies. ▪ This loan fund will not likely face political or neighborhood opposition.
Relevant Resources	<ul style="list-style-type: none"> ▪ Seattle REDI Fund: www.EnterpriseCommunity.org/financing-and-development/community-loan-fund/redi-fund ▪ Oregon Network for Affordable Housing Preservation Fund: Noah-Housing.org ▪ Metro Vancouver TOAH Fund: www.MetroVancouver.org/services/regional-planning/housing-affordability/transit-oriented/Pages/default.aspx 	

4 Create a Real Estate Investment Trust

Primary Goal		Sector
Create More Affordable & Workforce Housing; Preserve Affordability		Private and Non-profit
Housing Barriers Overcome		
Preserves aging or expiring restricted units, prevents displacement, deploys capital at scale and quickly in a fast market.		
Description		
<p>Similar to a Revolving Loan Fund (see Action 3), a real estate investment trust (REIT) is a financing vehicle that generates returns by investing in workforce or moderately affordable housing. REITs are stand-alone companies or investment entities that own, and in most case operate, income-producing real estate. REITs generate stable, moderately-low risk real estate-investments for private equity, much like private investors invest in mutual funds. They are used broadly throughout most major development markets.</p> <p>A REIT would bring investors into a fund that purchases and rehabilitates unrestricted affordable housing, operates it with moderate affordability restrictions (via deed restrictions), and provides a competitive but less-than-market-rate return to investors in the form of a quarterly cash flow. Investors would need to be either mission-oriented or willing to sacrifice some financial return in exchange for lower risk. Funds come from public sector partners, national philanthropic partners, local banks or investment firms, and CDFIs.</p> <p>A REIT is a market-based investment tool with a dual focus on generating competitive returns and preserving moderately affordable housing. Because it needs to generate returns for investors, it must invest in income-producing properties, so it cannot invest in deeply affordable housing (e.g. aimed at households earning less than 50% AMI).</p> <p>As a non-governmental entity, REITs can act quickly in a tight housing market and can be a partner with local jurisdictions focused on preserving unregulated affordable housing. It can be a key partner in a preservation strategy (see Action 1).</p>		
Scalability	A REIT could be scaled at the market level, but acts property-by-property.	Critical Considerations
Potential Affordability Impact	Medium – to be effective, the REIT must be mission-based and willing to receive lower than market returns	
Potential Partnerships	Socially Responsible Investors (SRIs), Credit Unions, Banks, Foundations, large affordable housing nonprofits, or other philanthropic organizations focused on affordable housing or community development.	
Applicable Locations	Countywide	
Relevant Resources	<ul style="list-style-type: none"> National Association of REITs: www.reit.com/news/reit-magazine/may-june-2019/social-purpose-reits-tackle-affordable-housing-challenges Chan, Xiang Ying Estelle. 2016. "Real Estate Investment Trusts as an alternative source of capital for housing development." hdl.handle.net/1721.1/107862 Clinton Foundation: www.clintonfoundation.org/clinton-global-initiative/commitments/social-purpose-reit-preserve-affordable-housing The Meyer Memorial Trust (www.mmt.org) is negotiating with Gerding Edlen (www.GerdingEdlen.com) development company to develop a REIT focused on workforce housing in the Portland region. 	
		<ul style="list-style-type: none"> This is a medium-term opportunity since the city/county would likely play a supportive role and will need to determine a funding source for this type of program. Next steps include: <ul style="list-style-type: none"> Discussions with major real estate investors across the Puget sound to gauge interest and feasibility in Kitsap County, Discussions of what role the City and County can play to help get a REIT formed, Analyze the amount of capital necessary for the REIT to achieve scale. Analyze the market to understand how many properties (and what size) could be investments. Aspects of this may face some political opposition.

5 Establish Additional Regional Affordable Housing Funding Sources

Primary Goal		Sector
Create More Affordable & Workforce Housing; Preserve Affordability		Public
Housing Barriers Overcome		
Lack of funding for affordable housing developments, reduces cost of development for affordable housing.		
Description		
<p>Kitsap County and its jurisdictions could implement various different local options to increase funding for affordable housing. In addition, the Washington State legislature is very focused on housing affordability and may add more options in the near term. So long as voters approve the uses, these taxing measures can be designed for a wide array of uses. According to the Municipal Research and Services Center (MRSC), the following local taxing measures for affordable housing could be considered. A sales tax redirect for affordable housing, allowed under HB1406, is already underway in Kitsap County.</p> <ol style="list-style-type: none">1) A property tax levy (RCW 84.52.105) – allows jurisdictions to place an additional tax up to \$0.50 per thousand dollars assessed for up to ten years. Funds must go toward financing affordable housing for households earning below 50% MFI.2) A sales tax levy (RCW 82.14.530) – allows jurisdictions to place a sales tax up to 0.1%. At least 60% of funds must go toward constructing affordable housing, mental/behavioral health-related facilities, or funding the operations and maintenance costs of affordable housing and facilities where housing-related programs are provided. At least 40% of funds must go toward mental / behavioral health treatment programs and services or housing-related services.3) A real estate excise tax (REET) (RCW 82.46.035) – allows a portion of city REET funds to be used for affordable housing projects and the planning, acquisition, rehabilitation, repair, replacement, construction, or improvement of facilities for people experiencing homelessness. These projects must be listed in city's the capital facilities plan.		
Scalability	A housing levy could be scaled at the market level, but acts property-by-property.	Critical Considerations
Potential Affordability Impact	High – could meaningfully increase funding available for affordable housing.	
Potential Partnerships	Nearby cities (could be paired with a regional bond to cover both capital and support costs) or Kitsap County (if the County is interested in issuing a levy). Housing Authorities and affordable housing service providers would be implementation partners.	
Applicable Locations	Countywide	
Relevant Resources	<ul style="list-style-type: none">▪ Seattle Housing Levy: www.seattle.gov/housing/levy▪ MRSC tax information: mrsc.org/Home/Explore-Topics/Planning/Specific-Planning-Subjects-Plan-Elements/Affordable-Housing-Ordinances-Flexible-Provisions.aspx▪ MRSC REET information: mrsc.org/Home/Explore-Topics/Finance/Revenues/Real-Estate-Excise-Tax.aspx	

6 Continue to Pool Together County and Cities Affordable Housing Resources

Primary Goal		Sector
Create More Affordable & Workforce Housing; Preserve Affordability		Public
Housing Barriers Overcome		
Lack of funding for affordable housing developments, Kitsap's uncompetitive experience with state or federal funding applications.		
Description		
<p>Departments that fund the development of affordable housing and homeless services could continue to pool affordable housing funds into larger loans or grants and deploy them less frequently, with the goal of increasing leveraging opportunities for state and federal sources and providing increased stability and predictability for developers. New funds that come online in the next few years (federal or state), so future affordable funding that is raised should be pooled to maximize the impact and leverage additional non-local dollars.</p> <p>The uses of these funds could vary from the development of rent-restricted affordable housing, to preservation deals (both restricted and unrestricted – see Action 1 for a description of unrestricted preservation), to offering loans or grants to funding services at existing developments, to building new homeless shelters or resource centers. Most commonly used for rent-regulated properties, this funding could be extended to unregulated properties in exchange for affordability restrictions. Opening up public funding to private, for-profit landlords brings many new questions to the model.</p> <p>Depending on legislated allowable uses, these funds could be used in the form of low-interest loans, deferred payment, interest-only loans, or grants to help bridge funds for acquisition-rehab projects, to help cover the cost of capital repairs, or to cover costs associated with a project's recapitalization (work done at the end of affordability periods to renew contracts and re-start affordability restrictions).</p>		
Scalability	Resources could be scaled at the market level, but would act property-by-property.	Critical Considerations
Potential Affordability Impact	High – this would meaningfully impact affordability at regulated properties.	
Potential Partnerships	Local development community, especially affordable housing developers. Consider partnering with large local employers to gauge their willingness to contribute.	
Applicable Locations	Countywide.	
Relevant Resources	N/A	
		<ul style="list-style-type: none"> ▪ This is a medium-term opportunity since funding and the lead entities need to be identified, and a plan needs to be put in place. ▪ Beginning steps could include: <ul style="list-style-type: none"> ○ Internal department discussions to understand how much funding could be pooled, ○ Research into past funding applications as well as discussions developers to understand how much funding would make developments more competitive, ○ Discussions with state agencies and funders to understand how to make Kitsap applications more competitive, ○ Research and analysis into whether funders would allow this pooling, and if appeals could be made, ○ Discussions of which departments would manage and deploy the funding, as well as how to set up criteria and guidelines to ensure each department/jurisdiction's goals are adequately being addressed. ▪ This will not likely face political or neighborhood opposition, but it could be difficult to negotiate with internal departments that want to hold onto scarce resources.

7 Expand Community Land Trust Countywide

Primary Goal		Sector
Create More Affordable & Workforce Housing; Preserve Affordability		Non-profits
Housing Barriers Overcome		
Few homeownership opportunities for low-income households, rising home prices locking households out of homeownership and wealth-generating opportunities.		
Description		
<p>This effort would work with the community land trust (CLT) operating on Bainbridge Island (through Housing Resources Bainbridge) to expand the CLT county-wide.</p> <p>A model, similar to land banking, where a community organization owns land and provides long-term ground leases to low-income households to purchase the homes on the land, agreeing to purchase prices, resale prices, equity capture, and other terms. This model allows low-income households to become homeowners and capture some equity as the home appreciates, but ensures that the home remains affordable for future homebuyers. CLTs may also lease land to affordable housing developers for the development of rental housing or to develop and manage mixed-income or workforce rental housing. This effort would expand marketing and awareness of existing low-income homebuyer programs as the CLT is established.</p>		
Scalability	CLTs can be scaled at the market level, but would act property-by-property.	Critical Considerations
Potential Affordability Impact	High – a CLT has the potential to greatly improve affordability for the households that participate.	
Potential Partnerships	Housing Resources Bainbridge and other local nonprofits offering homeownership opportunities.	
Applicable Locations	Countywide.	
Relevant Resources	<ul style="list-style-type: none"> National Community Land Trust Network: GroundedSolutions.org Northwest Community Land Trust Coalition: www.nwcltc.org Washington Association of Land Trusts: WALandTrusts.org 	
		<ul style="list-style-type: none"> This is a near-term opportunity since a CLT already exists to help achieve efficiencies. Groundwork has been done. Next steps are to identify funding, identify lead partner, perform key analysis, and develop a plan. <ul style="list-style-type: none"> Analysis needs: how many low-income households could be served, what purchase price would be affordable to those households, how much funding could be raised, and how the home equity gain would be split. The plan will need to consider criteria for purchasing a home to be included in the CLT, such as price, condition, size, location, and proximity to transit or other amenities. Create a community engagement plan to understand incomes needed and appropriate home equity sharing A CLT will not likely face as much political or neighborhood opposition as other types of affordable housing developments. Funding could come from HUD's Neighborhood Stabilization Program which focuses on stabilizing communities that have struggled with high rates of foreclosure and abandonment.

8 Encourage “Missing Middle” Housing

Primary Goal		Sector
Create More Affordable & Workforce Housing; Increase Housing Supply		Public
Housing Barriers Overcome		
Overcome zoning barriers (illegality) of diverse and dense housing types, increase development feasibility via reduced costs.		
Description		
<p>Encouraging certain types of moderately-dense housing, such as cottage clusters, internal division of larger homes, duplexes, and accessory dwelling units, can help to increase housing supply and choice in appropriate neighborhoods. In theory, these units can be more affordable than other units because they are smaller. This would not guarantee affordability, but would expand opportunities for unregulated housing types that may be lower cost than single family detached housing.</p> <p>Planning for this type of housing often starts with a review of zoning codes and development standards, and adjusting them to legalize this type of housing where appropriate. In many cities, these types of moderately-dense housing are illegal in urban areas zoned for single-family dwellings.</p> <p>Beyond legalizing this type of housing, jurisdictions may also need to remove barriers that effectively prevent them from being developed (even if legal) in appropriate areas. These changes could include any the following concepts, implemented in combination or separately. This is not an exhaustive list, but is meant as a starting point for incremental changes:</p> <ul style="list-style-type: none"> ▪ Lower impact fee and utility hookup charges for internal conversions if no net-new square footage is added to a property. ▪ Allowing property owners to finance impact fees and utility hookup charges, thereby spreading the upfront costs over time. ▪ Reduce or waive off-street parking requirements for “missing middle” housing, particularly for internal conversions if no net-new square footage is added to a property. ▪ Having pre-approved designs for ADUs or “missing middle” housing types that homeowners can choose from thereby reducing the complexity, time, and cost for development. Consider by-right development standards for ADUs in areas that are already medium density, walkable, and desirable communities. <p>Beyond removing barriers, jurisdictions can actively encourage this type of housing development via zoning and financial incentives. These may include:</p> <ul style="list-style-type: none"> ▪ Density bonuses for new construction of a “missing middle” property type. ▪ Streamlined or prioritized permit and design review for “missing middle” properties in high-opportunity areas. 		
Scalability	These changes can be scaled and implemented at the neighborhood level.	Critical Considerations
Potential Affordability Impact	Medium – legalizing middle housing can increase the supply of housing but does not guarantee affordability.	
Potential Partnerships	N/A	
Applicable Locations	Countywide.	
Relevant Resources	<ul style="list-style-type: none"> ▪ Portland Residential Infill Project: www.portlandoregon.gov/bps/67730 ▪ Beaverton Housing Options Project: www.beavertonoregon.gov/2197/Housing-Options-Project 	
		<ul style="list-style-type: none"> ▪ This is a medium term opportunity since it would require zoning updates and approval. ▪ Identify the zones seeing change, the types of units allowed, the size, scale, and development standards of those units. ▪ HB1923 sets out example zoning changes, parameters, goals, and also protection from legal appeals for communities that change zoning designation in favor of higher density housing. ▪ A public engagement plan to reduce fears about neighborhood change, upzoning, and density would be helpful to reduce political or neighborhood opposition. This should include conversations on how added density can be designed to blend into communities.

	<ul style="list-style-type: none"> ▪ Seattle Neighborhoods For All: www.seattle.gov/Documents/Departments/SeattlePlanningCommission/SPCN NeighborhoodsForAll-ExecSummary.pdf ▪ Seattle ADU By-Right Development: www.sightline.org/2019/07/01/seattle-approves-best-backyard-cottages-rules-united-states/ ▪ Lincoln Institute of Land Policy Density Catalog www.hcccpc.org/wp-content/uploads/2013/02/Density-Catalog-CD.pdf ▪ Missing Middle Housing: missingmiddlehousing.com/ 	<ul style="list-style-type: none"> ▪ Analysis needs include: development costs, the number of units likely to be developed, the likely potential rents, and the locations where rents make development feasible.
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9 Review and Revise Land Use and Development Regulations

Primary Goal		Sector
Create More Affordable & Workforce Housing; Increase Housing Supply		Public
Housing Barriers Overcome		
Overcome zoning barriers (illegality) of diverse and dense housing types, increase development feasibility via reduced costs, increase density and walkability.		
Description		
<p>The jurisdictions in Kitsap County should routinely systemically review or audit their major land use and development considerations to see if they present barriers to new residential development or to affordability (by driving up costs). Jurisdictions should work with the development community regularly to understand where and how barriers to development exist. Jurisdictions should work to reduce these barriers and implement cost reduction strategies to maximize the private sector's ability to create housing that is affordable and create a more favorable environment to build housing for all incomes. Priority should be given to barriers preventing regulated affordable development.</p> <p>Factors that should be reviewed include:</p> <ul style="list-style-type: none"> ▪ Requirements for new multi-family housing along transit lines, near employment centers, or by ferries, ▪ Zoning requirements (height, setbacks, density, parking) that add costs, time, or complexity to development, ▪ Planning or permitting timelines (which add costs), ▪ Density bonus programs such as inclusionary zoning or vertical housing bonuses in appropriate areas (which will require careful study and calibration), ▪ The uptake and potential improvements or expansion to the MFTE program, and / or ▪ Zoning, permitting, or funding preferences for rent-restricted affordable housing developments. <p>Jurisdictions in Kitsap County should follow the City of Bremerton's lead in establishing Infill Development Toolkits, and take every effort to reduce review and processing times for housing development. This would allow regulated affordable housing projects to move from design to building permit quicker, thereby reducing carrying and financing costs and delivering affordable units sooner. These steps could include:</p> <ul style="list-style-type: none"> ▪ Formally adopting shortened review timelines for affordable housing applications ▪ Limiting public comment and appeals for affordable housing projects, ▪ Scheduling pre-application conferences, hearings, meetings with staff, and / or ▪ Appointing staff or an ombudsman to serve as a liaison for affordable housing projects during the development review process. This would allow regulated affordable housing projects to get more quickly from design to building permit, reducing carrying / financing costs and delivering affordable units sooner. 		
Scalability	Impact would be at the market level.	Critical Considerations
Potential Affordability Impact	Medium – land use changes would promote but not guarantee affordability.	<ul style="list-style-type: none"> ▪ This is a medium-term opportunity since it will require multiple stages including review, proposed changes, and / or voting. ▪ Immediate steps include: <ul style="list-style-type: none"> ○ Identify example projects to be evaluated for the permitting steps, ○ Analyze costs, timeline, and challenges required to develop affordable housing. ○ Work with development community to identify steps in the process where surprises and unnecessary barriers occur. ○ Identify departments and staff who would lead this effort, or
Potential Partnerships	Local development community, especially affordable housing developers.	
Applicable Locations	Countywide.	

Relevant Resources	<ul style="list-style-type: none"> ▪ Oregon City Code Audit: www.orcity.org/sites/default/files/fileattachments/planning/page/11252/codeaudit_publicdraft171017.pdf ▪ Smart Growth America Code and Zoning Audit: www.smartgrowthamerica.org/app/legacy/documents/zoningaudit.pdf <ul style="list-style-type: none"> ○ Meet with affected jurisdictions and outline concerns and procedural barriers as well as how those could be overcome. ▪ Consider a public education campaign or plan to demonstrate how much delays in planning costs developers and thus translates into higher prices/rents. ▪ HB1923 sets out example zoning changes, parameters, goals, and also protection from legal appeals for communities that change zoning designation in favor of higher density housing. ▪ This could face political or neighborhood opposition, depending on findings (e.g., change to zoning, affordable housing site preferences, etc.). ▪ The plan could consider a cost-benefit analysis of additional staff.
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10 Review Up-Zoning Urban Land For Transit-Oriented Development

Primary Goal		Sector
Create More Affordable & Workforce Housing; Increase Housing Supply		Public
Housing Barriers Overcome		
Overcome zoning barriers (illegality) of diverse and dense housing types, increase development feasibility via reduced costs, increase density and walkability.		
Description		
<p>Up-zoning appropriate areas to allow multifamily and transit-oriented development could be a meaningful approach for Kitsap's jurisdictions to increase housing production and meet their future housing needs.</p> <p>Up-zoning appropriate areas near transit should be reviewed during the next round of comprehensive plan updates. As the region continues to grow, it will need to accommodate new residents and will need significant new housing. Allowing more housing near transit can help meet these goals while simultaneously easing many other issues like cost burdening, traffic congestion, and emissions. Jurisdictions should also work to ensure that infrastructure investments are made to accommodate more and denser housing types. Understandably, the ability to up-zone land near the transit hubs will vary according to each jurisdiction, neighborhood density, and transit type. This type of up-zoning will look different across the county.</p> <p>Because land prices are higher near transit hubs (including ferries), up-zoning these areas will not create new multifamily units affordable to Kitsap's lowest-income households (those earning under 30% MFI). However, increasing the overall supply of housing can help to relieve the price pressure on the market stemming from growing demand. With the right combination of development incentives, tax exemptions, and financial support it could be possible to provide workforce housing (affordable to middle-income earners) or a few units of regulated affordable housing. Providing many units of regulated affordable housing would require meaningful development incentives and or government rental subsidies.</p> <p>Land Near Ferries</p> <p>Recognizing that Kitsap's ferries offer unparalleled access to economic, educational, and job opportunities throughout Puget Sound, jurisdictions should consider up-zoning the land within one mile of ferry terminals (walking distance) to encourage multifamily housing and regulated affordable housing. Doing so could greatly expand access to opportunity by allowing more people (in denser housing) to live near ferries, and could boost economic opportunities for lower-income households.</p> <p>Currently, the vast majority of housing within one mile of ferry terminals is single-family, which is the opposite of transit-oriented development (TOD) planning, and especially <i>equitable</i> transit-oriented development (eTOD) planning. Because renters are most often lower income than homeowners, current zoning results in higher barriers to economic, education, and job opportunities throughout Puget Sound.</p> <p>Land Near Transit Hubs</p> <p>In addition, land near transit hubs, park-and-rides, and high-occupancy buses should also be reviewed for up-zoning potential. Developing more housing near these areas can allow Kitsap residents to access jobs throughout the county without the burden of paying for gas and parking, or spending hours in the car.</p>		
Scalability	Changes should be scaled and tailored to each neighborhood.	Critical Considerations
Potential Affordability Impact	Low – up-zoning has the potential to greatly increase density and supply, with small effects on affordability. Doing so near transit increases walkability.	<ul style="list-style-type: none"> ▪ This is a medium term opportunity since it would require zoning updates and approval. ▪ Groundwork associated with examining the current zoning and where there are opportunities for up-zoning should be done before the next comprehensive plan update.

Potential Partnerships	Jurisdictions with ferry service, Kitsap Transit, state and federal transit agencies, local development community, affordable housing developers, and nearby residents.	<ul style="list-style-type: none">▪ Discussions would be needed around the neighborhoods seeing change, the new size and scale development, parking, setback and other design standards, and potential transit ridership.▪ Analysis needs include: the cost of infrastructure, population forecasts for cities with ferry terminals, the number of units needed and the potential rents, and the environmental benefits associated with TOD.▪ This will likely face neighborhood opposition and will thus require a robust community outreach plan.
Applicable Locations	Countywide, focus on Kingston, and Southworth.	
Relevant Resources	<ul style="list-style-type: none">▪ Puget Sound Regional Council TOD Guidelines: www.psrc.org/sites/default/files/transit_oriented_development.pdf▪ Puget Sound Regional Council Growing Transit Communities Strategy: www.psrc.org/growing-transit-communities▪ Poverty & Race Research Action Council eTOD: prrac.org/pdf/EquitableTOD.pdf	

Additional Recommendations

An additional 33 recommendations are listed below that did not rise to the same priority level as the 10 recommendations listed above. However, these strategies can be included as part of the City's and County's toolbox when working toward affordable housing solutions. Each recommendation would need to be implemented in an area, neighborhood, or urban place that is appropriate for the action being suggested.

These recommendations are grouped toward the three goals (help people stay in affordable housing, encourage development of more affordable housing, and expand housing options and grow housing supply to address existing shortages and future growth) and are arranged according to the ease of implementation:

1. **Expand or Enhance Current Programs.** These actions are listed first as they expand or enhance programs and efforts that are already being done to encourage housing supply and affordability. Aside from finding more funding (when needed), the implementation of these actions might
2. **New, Straightforward Recommendations.** These actions are listed second, given that the City and County could reasonably achieve them without major staff, funding, or political obstacles to overcome. However, they will take more planning and effort than the actions listed in Group 1.
3. **New, Complex Recommendations.** These are actions that would require substantially more effort, staff, or funding, or that would require overcoming major obstacles from political will or neighborhood opposition.

1) Expand or Enhance Current Programs	
A) Help People Stay in Affordable Housing	
1	Expand marketing and awareness of existing assistance programs and services.
2	Expand rehabilitation, repair, and weatherization programs for existing, unsubsidized affordable housing in exchange for affordability restrictions.
3	Work with public and private sector partners to expand utility assistance programs offered via Kitsap Community Resources' Utility Assistance program.
4	Consider rate relief, utility tax relief, and property tax relief programs for income-eligible residents.
5	Work with developers building multi-family housing in transit-rich areas to provide transit passes in conjunction with the reduced fare Kitsap Transit ORCA card.
6	Expand resources to improve the livability of existing owner-occupied homes and mobile homes through Housing Kitsap's Home Rehabilitation Program.
B) Encourage Development of More Affordable Housing	
7	Advocate for changes or expansion to state legislation that would bring more affordable housing units or funding to Kitsap County.
8	Expand Bremerton's Abandoned Property registration which details vacant homes, ownership, and contact information of the responsible party, and requires that properties be properly maintained by the owners, lenders or other responsible persons.
9	Establish relationships with nonprofit and affordable housing developers around the region who are not yet building in Kitsap County.
10	Formalize and enhance existing relationships with affordable housing providers. Increase communication and data sharing to unlock potential solutions.

11	Work with affordable housing partners and developers to explore innovative, low-cost opportunities to serve persons exiting homelessness.
12	Identify sources and expand assistance for predevelopment, gap financing, or operating subsidies for affordable housing.
13	Identify and expand funding for services for permanent supportive housing.
C) Expand Housing Options and Grow Housing Supply to Address Existing Shortages and Future Growth	
14	Coordinate future planning within UGAs for annexation into the City of Bremerton.
2) New Straightforward Actions	
A) Help People Stay in Affordable Housing	
15	Consider requiring energy efficiency in the design and construction of regulated affordable properties to reduce energy and utility costs for residents by including these elements as design criteria in county-funded grants or loans.
16	Consider working with developers to subsidize transit passes for income-eligible populations, in exchange for reduced parking at a new development that is located in an area well-served by transit.
17	Explore the feasibility of creating a rental licensing and inspection program to monitor habitability standards, track inventories, and monitor potential multi-family property sales for preservation opportunities. Program should maintain tenant confidentiality of complaints to avoid retaliation.
18	Consider establishing good landlord incentives, such as landlord training programs, crime reduction programs, and financial incentives (e.g. exemptions from fees). Consider use in conjunction with rental registration or inspection programs.
B) Encourage Development of More Affordable Housing	
19	Consider a risk mitigation pool offering landlords damage insurance in exchange for renting to low-income households.
20	Work with developers to understand opportunities to include affordable housing units in developments occurring in Opportunity Zones or Enterprise Zones. Advocate for or implement changes to these programs to enhance their effectiveness.
21	Consider Community Revitalization Financing to create tax increment areas and reinvest in neighborhoods with increased private investment and market pressure. Dedicate areas that have planned or existing high-capacity transit.
22	Explore innovative development models and build relationships with developers who create low- to moderate-income housing without highly competitive federal subsidies.
C) Expand Housing Options and Grow Housing Supply to Address Existing Shortages and Future Growth	
23	Explore SEPA categorical exemptions and flexible exemptions for small and medium scale multi-family housing that can help a jurisdiction accommodate its needs. "Flexible thresholds" must be designated through ordinance or resolution by the city or county.
24	Advocate for amendments to state condominium statutes to rekindle interest in condominium development.
25	Establish incentives for the development or conversion of cooperative housing models.
26	Consider an adaptive reuse ordinance encouraging smaller scale multifamily housing, workforce housing, or live-work housing in vacant retail storefronts.
27	Consider code or zoning changes that allow for low-cost development opportunities to serve persons exiting homelessness.
28	Establish Vertical Housing Development Zones/Overlays in areas along transit or near ferries to encourage higher density or mixed-use housing.
3) New Complex Actions	
B) Encourage Development of More Affordable Housing	
29	Consider a pilot program offering incentives in the development of ADUs (grants, fee waivers, etc.) in exchange for renting to homeless or low-income households.
30	Create partnerships with large private employers, financial institutions, philanthropy, or others to fund affordable housing.
31	Evaluate a tax on vacant homes, or vacation rentals to fund affordable housing.
C) Expand Housing Options and Grow Housing Supply to Address Existing Shortages and Future Growth	
32	Advocate to the Federal Government for more military housing development or parking in urban areas near military bases.
33	Consider establishing a design or development competition for specific parcel that needs a creative solution for smaller scale multifamily, and pair it with development incentives, publicity, or funding.

III. Implementation

The recommendations profiled in the action sheets in Part II offer some implementation steps and critical considerations needed to move forward. Recommendations were considered near-term if substantial progress can be made in one year, and were prioritized as medium-term if substantial progress would take 2-3 years.

Because these recommendations are aimed at larger scale improvements in housing supply, affordable development, and overall affordability (as shown in Exhibit 7 on the following pages), the majority of them are medium term actions. Larger changes such as these require more participation, ongoing community engagement, and thus take longer to achieve.

Exhibit 6. Near and Medium Term Recommendations and Immediate Steps

Recommendation	Public	Non-Profit	Private	Immediate Steps
1. Create a Preservation & Anti-Discrimination Strategy	✓			<ul style="list-style-type: none"> ▪ Create a community engagement plan ▪ Seek out funding ▪ Identify departments to manage, monitor preservation database
2. Update Comprehensive Land Strategy	✓			<ul style="list-style-type: none"> ▪ Discuss at KRCC with affected/participating jurisdictions and departments ▪ Identify barriers to participation and how to overcome them ▪ Seek out funding ▪ Match infrastructure needs to planned capital improvement projects
3. Create a Revolving Loan Fund	✓	✓	✓	<ul style="list-style-type: none"> ▪ Committing and training staff on how to stand up a fund and guide the capital campaign ▪ Gauge early interest with banks, CDFIs, foundations, or other likely participants ▪ Seek funding ▪ Meet with developers to understand what loan products can unlock development
4. Create a Real Estate Investment Fund		✓	✓	<ul style="list-style-type: none"> ▪ Start discussions with real estate investors to gauge interest and feasibility ▪ Discuss roles City and County can play ▪ Analyze needed capital to achieve scale ▪ Understand how many properties (and what size) could be investments
5. Establish Additional Affordable Housing Funding Sources	✓			<ul style="list-style-type: none"> ▪ Establish coalition of supporters ▪ Create staffing and funding plan to lead a campaign ▪ Early analysis to understand needed revenue and potential uses ▪ Early polling to understand appetite for taxes, rates and certain uses with the public.

Recommendation	Public	Non-Profit	Private	Immediate Steps
6. Pool Existing Resources	✓			<ul style="list-style-type: none"> Internal discussions to understand how much funding could be pooled Research into why past applications were uncompetitive, including discussions developers and state agencies / funders Research and analysis into whether funders would allow this pooling, and if appeals could be made, Discuss which departments would manage and deploy the funding, how to ensure different goals are met
7. Expand Community Land Trust		✓		<ul style="list-style-type: none"> Identify funding sources and needs Identify lead partnership and ways to scale Create a community engagement plan Establish criteria for participation, property acquisition
8. Encourage “Missing Middle” Housing	✓			<ul style="list-style-type: none"> Create a community engagement plan Identify the zones seeing change, the types of units allowed, the size, scale, and development standards of those units
9. Review and Revise Land Use Barriers	✓			<ul style="list-style-type: none"> Identify example projects to be evaluated for the permitting steps and places where surprises and unnecessary barriers occur Analyze costs, timeline, and challenges required to develop affordable housing Identify departments and staff who would lead this effort, or Get on the agenda and pursue this as a collaborative process via KRCC meetings. Meet with affected jurisdictions and outline concerns and procedural barriers as well as how those could be overcome
10. Review Up-Zoning Urban Land For Multifamily Housing	✓			<ul style="list-style-type: none"> Create a community engagement plan Identify neighborhoods to see change, new size and scale of development, parking, setback and other design standards, Analyze potential transit ridership increases Analyze infrastructure costs, population forecasts for cities with ferry terminals, the number of units needed and the potential rents, and the environmental benefits associated with TOD.

Exhibit 7 summarizes the potential scale and potential impact to affordability that each of the 10 priority recommendations could achieve. The table below is a legend for Exhibit 7: the shading of green, yellow, and orange to indicate the greatest impact and achievability.

Potential Scale		Potential Impact on Affordability	
Market	Impacts the greatest number of households	High	Greatly reduces costs or improves/extends affordability
Neighborhood	Impacts fewer households, but still has good scale across a community	Medium	Has a moderate effect on affordability
Property	Impacts only those households living in the property affected.	Low	Has a very low effect on affordability (impact is due to effects of market supply on overall prices)

Exhibit 7. Potential Scale and Impact on Affordability

Recommendation	Potential Scale	Potential Impact on Affordability
1. Create a Preservation & Anti-Discrimination Strategy	Market	High
2. Update Comprehensive Land Strategy	Market	High
3. Create a Revolving Loan Fund	Property	High
4. Create a Real Estate Investment Fund	Property	Medium
5. Establish Additional Affordable Housing Funding Sources	Property	High
6. Pool Existing Resources	Property	High
7. Expand Community Land Trust	Property	High
8. Encourage “Missing Middle” Housing	Neighborhood	Medium
9. Review and Revise Land Use Barriers	Market	Medium
10. Review Up-Zoning Urban Land For Multifamily Housing	Neighborhood	Low

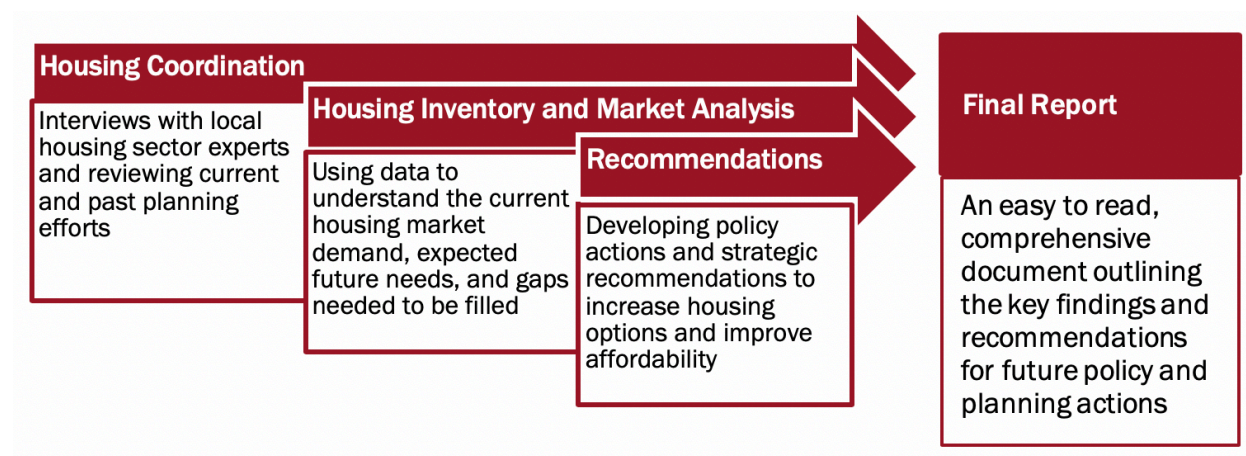
The City of Bremerton and Kitsap County can further prioritize those recommendations that have high impacts on affordability and work at the market level thereby impacting many households.

IV. Methods & Data Summary

Methods

To prepare this recommendations report and the technical appendices that support the strategies, ECONorthwest took the following approach:

- July-September 2019: interviews and survey of housing information in key planning documents (Appendix A: Housing Landscape)
- September-December 2019: Created the housing inventory and performed the housing needs analysis (Appendix B: Housing Inventory, and Appendix C: Housing Needs Analysis).
- November-December 2019: Created recommendations based on the key findings from the prior steps
- December 2019-January 2020: Created recommendations report



Data Summary

This analysis uses data from multiple sources, focusing on those that are well-recognized and reliable. One of the key sources for housing and household data is the U.S. Census. This memorandum primarily uses data from two Census sources:

- The **Decennial Census**, which is completed every ten years and is a survey of all households in the U.S. The Decennial Census is considered the best available data for information such as demographics (e.g., number of people, age distribution, or ethnic or racial composition), household characteristics (e.g., household size and composition), and housing occupancy characteristics. As of 2010, the Decennial Census does not collect more detailed household information, such as income, housing costs, housing characteristics, and other important household information. Decennial Census data is available for 2000 and 2010.

- The **American Community Survey (ACS)**, which is completed every year and is a *sample* of households in the U.S. From 2013 to 2017, the ACS sampled an average of 3.5 million households per year, or about 2.9% of the households in the nation. The ACS collects detailed information about households, including demographics (e.g., number of people, age distribution, ethnic or racial composition, country of origin, language spoken at home, and educational attainment), household characteristics (e.g., household size and composition), housing characteristics (e.g., type of housing unit, year unit built, or number of bedrooms), housing costs (e.g., rent, mortgage, utility, and insurance), housing value, income, and other characteristics.
- **Kitsap County Assessor**, which provides descriptive data on the housing stock in the County as well as recent sales data.
- **Kitsap Economic Development Alliance**, which provides data and insights on Kitsap County's workforce, such as the County's largest employers.
- **Permits**, provide the active building permits within the last 5 years for each jurisdiction in Kitsap County including: Kitsap County Department of Community Development; Bainbridge Island Building Department; Bremerton Department of Community Development; Poulsbo Building Department; Port Orchard Department of Community Development.
- **Housing Kitsap and the Bremerton Housing Authority**, which provides data on the housing stock and rental prices for publicly subsidized housing in the County.
- **Washington State Housing Finance Commission**, which is the state agency responsible for funding and monitoring Washington's regulated affordable housing stock. The Commission provided data through a public information request, detailing past and current regulated affordable housing properties that had received low-income housing tax credit financing from the Commission.
- The Longitudinal Employer-Household Dynamics (LEHD) **Origin Destination Employment Statistics (LODES)**, which we access via the Census's mapping tool, OnTheMap, is a dataset that shows where workers are employed and where those workers also live.
- The Bureau of Labor Statistics' **Quarterly Census of Employment and Wages (QCEW)**, which provides employment and average annual pay estimates of covered jobs, and their **Local Area Unemployment Statistics (LAUS)**, which provides monthly unemployment and labor force statistics for states, metropolitan areas, counties, and cities 25,000 persons or larger.
- The **Washington Office of Financial Management (OFM)**, which provides research and data related to Washington state's demographics, economy, labor force, population projections, and more.
- **Zillow**, which provides economic data such as median home sale prices, monthly home sales, rent indices, and many other statistics for the U.S., metropolitan areas, as well as populous counties and cities.

- **CoStar**, which provides data on multi-family units development over years.
- **PSRC**, which provided data for 1) Affordable Housing Units managed in the Puget Sound Metro and 2) completed building permits up to 2017.

This memorandum uses data from the 2013-2017 ACS for Kitsap County. Where information is available and relevant, we report information from the 2000 and 2010 Decennial Census. Among other data points, this memorandum includes population, income, and housing price data from the Washington Office of Financial Management, the United States Department of Housing and Urban Development, the U.S. Bureau of Labor Statistics, and Zillow.

It is worth commenting on the methods used for the American Community Survey.⁵ The American Community Survey (ACS) is a national survey that uses continuous measurement methods. It uses a sample of about 3.54 million households to produce annually updated estimates for the same small areas (census tracts and block groups) formerly surveyed via the decennial census long-form sample. It is also important to keep in mind that all ACS data are estimates that are subject to sample variability. This variability is referred to as “sampling error” and is expressed as a band or “margin of error” (MOE) around the estimate.

This memorandum uses Census and ACS data because, despite the inherent methodological limits, they represent the most thorough and accurate data available to assess housing needs. We consider these limitations in making interpretations of the data and have strived not to draw conclusions beyond the quality of the data.

The foundation of the housing needs analysis is the population forecast for Kitsap from the OFM forecasting and research. Vacancy rate and household size come from the American Community Survey (ACS).

Assumptions/Caveats

- **HUD Median Family Income & adjusting for household size.** In several exhibits we look at the share of housing units affordable to different MFI levels that are occupied by renter households in those MFI levels. A limit to this method is that we are not able to adjust the data to account for household size. The HUD MFI is designated for a family of four. Clearly, not all households in Kitsap County are families of four, and not all units are appropriately sized for a family of four. In addition, HUD income limits are adjusted for household size, and the rents that would be affordable would thus vary by household size. In these ways, this matching exercise is rough and theoretical.
- **U.S. Census Bureau ACS Public Use MicroSample (PUMS).** PUMS are microdata, or person-level responses to the ACS questionnaire. Each record (or row) describes one person’s responses to the questionnaire and these are numerically codified for statistical analysis. Every individual is assigned a statistical weight, which indicates how many

⁵ A thorough description of the ACS can be found in the Census Bureau’s publication “What Local Governments Need to Know.” <https://www.census.gov/library/publications/2009/acs/state-and-local.html>

persons in the population are represented by the sampled response. We make use of these weights to create accurate estimates of populations and their characteristics in Kitsap County.

- **U.S. Bureau of Labor Statistics' Quarterly Census of Employment and Wages (QCEW).** It's important to note that QCEW data are limited to workers that are covered by State Unemployment Insurance (UI) laws and the Unemployment Compensation for Federal Employees (UCFE). This means that QCEW data do not account for every job worked. Important employment exclusions include proprietors, self-employed workers, the majority of agricultural workers on small farms, railroad employees, unpaid family workers, some domestic workers, and some state and local government workers.
- The Census Bureau's **OnTheMap** tool uses data from several sources, including Unemployment Insurance (UI) wage records, the Office of Personnel Management (OPM), and the QCEW. It's important to note that OnTheMap is a synthetic dataset, meaning statistical noise is injected into the original dataset to protect employer confidentiality. This is worth noting because it explains, in part, why employment numbers provided in the OnTheMap tool do not line up exactly with QCEW employment estimates.

V. Appendices

The following technical appendices provide critical supporting information, data, and analysis and accompany this analysis. The technical appendices can be found online at www.KitsapGov.com or at www.BremertonWa.gov.

- A. **Housing Landscape Overview** describes the housing landscape, partnerships, and planning environment in Kitsap County and its jurisdictions. The purpose of this appendix is to set a contextual foundation to better understand the remaining appendices and final report. This appendix relies on interviews with local housing providers, key public sector staff, and the planning documents that govern housing and development in the region. This assessment primarily focuses on the opportunities and barriers for development that is not occurring in the County. As the development market for single-family homes is strong in Kitsap County, this type of housing was not the focus of our research.
- B. **Housing Inventory** evaluates the current housing inventory, offering a detailed look at the housing in Kitsap County and its jurisdictions, segmented by type, location, price, tenure, and size, among other characteristics. This inventory evaluates the following aspects of housing in Kitsap County:
 - i) Physical Characteristics of Housing
 - ii) Housing Tenure Characteristics
 - iii) Housing Costs
 - iv) Housing Affordability
 - v) Access to Transit and Employment Centers
 - vi) Recent Supply Trends
- C. **Housing Needs Analysis** provides a needs assessment for housing in Kitsap County and its major jurisdictions by examining the drivers of housing supply, drivers of housing demand, gaps in housing supply, and the future needs for housing of all types and price points across the county over the next 17 years.

DATE: March 2020
TO: Kitsap County
City of Bremerton
FROM: ECONorthwest
SUBJECT: KITSAP-BREMERTON AFFORDABLE HOUSING INVENTORY AND MARKET ANALYSIS –
APPENDIX A: HOUSING LANDSCAPE OVERVIEW

Background and Purpose

As part of the *Affordable Housing Inventory and Market Analysis* for Kitsap County and the City of Bremerton, this technical memorandum describes the housing landscape, partnerships, and planning environment in Kitsap County and several of its jurisdictions. This landscape sets a contextual foundation to better understand other aspects of this project, including the assessment of the current housing inventory (Appendix B Housing Inventory) and a housing needs assessment over the next 17 years (Appendix C Housing Needs Assessment).

The findings herein support policy recommendations offered in the *Affordable Housing Inventory and Market Analysis* for the City and County to consider as they continue working to provide housing for all Kitsap residents. This memo is an appendix to the final report.

To prepare this landscape overview, we conducted 11 interviews with local housing providers, surveyed key public sector staff, and reviewed the planning documents that govern housing and development in the region. With this research, we evaluated the housing market and development considerations that are working well, those that need new policies, partnerships or regulatory improvements, and those that require new solutions to emerging issues.

Importantly, this assessment focuses on opportunities and barriers for development that is not occurring in the County. As the development market for single-family homes is strong in Kitsap County, this type of housing was not the focus of our research. Instead, this assessment focuses on the development opportunities and barriers preventing the development of higher-density multifamily housing, alternative housing types (such as accessory dwelling units, missing-middle housing or townhomes) and rent-restricted affordable housing options.

This memorandum is broken down into the following sections:

1. Key housing organizations and agencies,
2. Overview of current planning documents,
3. Key findings evaluating what is working, what needs improvement, and where new solutions are needed for emerging issues, and
4. Interviewees and interview questions.

References Used

This section steps through references to different planning jurisdictions and key terms used.

Kitsap County Inclusive vs Kitsap County Jurisdiction

In this memorandum, references to “Kitsap County,” “Kitsap,” or “the County” relate to the county as a whole, inclusive of its cities and urban growth areas. Readers should assume that in-text references to “Kitsap County” or “the County” are inclusive of all other jurisdictions within the County.

Housing, Finance, and Development Terms

Affordable Housing. Regulated affordable housing that is income- or rent-restricted to ensure the housing is occupied by households earning a certain income. Regulations are set according to the types of funding used to develop the housing, such as the Low-Income Housing Tax Credit, or U.S. Housing and Urban Development (HUD) funding. Most rent-restricted affordable housing is restricted to be affordable to households earning under 60% MFI, but these restrictions vary. We refer to regulated affordable housing and rent-restricted affordable housing interchangeably in this memorandum.

Community Land Trust. A land banking model where a community organization owns land and provides long-term ground leases to low-income households to purchase the homes on the land, agreeing to purchase prices, resale prices, equity capture, and other terms. This model allows low-income households to become homeowners and capture a portion of the growth in home value as equity, but ensures that the home remains affordable for future homebuyers.

Development Feasibility. A new development project needs to be financially feasible, demonstrating that the revenues generated from rents are sufficient to cover operations, debt servicing, and capital reserves. A project’s development team will create a pro forma to determine feasibility and adjust the number of units, size, rents, and construction costs until the project revenues match expected operating costs (often referred to as “penciling out”). Affordable housing funders need to understand financial feasibility before they will award a project funding.

Housing Affordability. “Housing that is affordable” refers to any type of housing, regulated or not, that costs less than 30% of a household’s pre-tax income. This definition is a generally accepted definition of affordability.

Land Banking. See Community Land Trust.

Low Cost Market Rentals. We refer to housing that is affordable to low income households but not regulated or restricted by a funding source, as “low cost market rentals.” These housing units are often affordable by nature of their location, condition, age, or the amenities offered nearby or at the property.

Median Family Income (MFI). The U.S. Housing and Urban Development (HUD) produces an area median family income each year to measure affordability thresholds against. Affordable housing deals, loans, and other HUD requirements will be assigned to a percentage of the MFI (see sidebar).¹

Kitsap County MFI

According to HUD, Kitsap County's MFI was \$77,119 in 2017.

- 30% of MFI is about \$23,135
 - 50% of MFI is about \$38,559
 - 60% of MFI is about \$46,271
 - 80% of MFI is about \$61,695
 - 100% of MFI is \$77,119
 - 120% of MFI is about \$92,542
-

“Missing-Middle” Housing.² Missing middle housing is a term coined by Opticos Design to refer to medium-density housing like duplexes, triplexes, townhouses, courtyard style apartments, cottage clusters, or accessory dwelling units. These types of housing developments were largely outlawed in the post-war period in favor of single-family housing units. Recent efforts call for relegalizing missing middle housing to increase density and affordability in highly walkable, opportunistic neighborhoods.

Mission-Based Developers. Refers to public or non-profit organizations working to provide affordable housing and services. These developers may sacrifice financial return for the positive social impact of providing affordable housing.

Multi-Family Tax Exemption (MFTE). Washington state law (RCW 84.14) allows for cities to exempt multifamily housing developments from property taxes in certain areas for a period of eight or 12 years in exchange for affordability restrictions on some of the units. This exemption reduces the costs of operating (and therefore developing) multi-family housing and helps to increase the supply of market rate and affordable housing.

Net Operating Income (NOI). In a new development proforma, NOI is equal to revenues less operating expenses. The amount of permanent financing that can be obtained is determined by the NOI.

Permanent Debt / Permanent Financing / Take-Out Financing. A long-term loan (maturity of 15-30 years) that is obtained after completion of construction. It is used to repay the short-term construction loan.

Real Estate Investment Trust (REIT). A financing vehicle that generates returns to investors by buying and operating workforce or moderately-affordable housing to generate quarterly cash flow. REITs are stand-alone companies or investment entities that own, and in most case operate, income-producing real estate. REITs generate stable, moderately-low risk real estate-investments for private equity, much like private investors invest in mutual funds. They are used broadly throughout most major development markets.

¹ HUD releases MFI data each year. However most of the data used in this study is through 2017, so we refer to the 2017 HUD MFI for consistency.

² Opticos Design. 2019. “Missing-Middle Housing.” Available from: opticosdesign.com/missing-middle-housing/

Return On Investment. Measure of profitability: net income as a percent of the equity or funding that went into the project. Banks, institutional investors, and for-profit developers will not build a project if they cannot guarantee a sufficient return on investment.

Revolving Loan Fund. A pool of money from which loans are issued to eligible recipients for specific uses. In the case of affordable housing revolving loan funds, the loans have lower interest rates and more generous terms compared to market loans. When the loans are repaid, new loans can be issued.

Transit-Oriented Development (TOD / ETOD). Development located within walking distance (usually $\frac{1}{4}$ or $\frac{1}{2}$ mile) of a designated transit network or high-capacity transit stop. ETOD stands for equitable TOD, which approaches TOD with an equity lens to ensure that all communities, particularly minority, low-income or historically marginalized communities, benefit from transit investments and transit-related development.

Unregulated or Unrestricted Housing. See Low Cost Market Rentals.

Workforce Housing. The term “workforce housing” is often used to describe housing units that are affordable to households earning more than 60% MFI. These can be regulated or unregulated.

Zoning / Rezoning. Regulations are often statewide mandates that are implemented at a local government on the allowable land uses and density on a parcel of land. Landowners can apply to their local government to change the zoning of their parcel of land (whether a specific use and/or the density).

Part I. Key Housing Organizations and Agencies

Kitsap County and the City of Bremerton, like many municipalities, must work with private for-profit and nonprofit developers and builders in order to supply housing to its residents.

ECONorthwest interviewed several regional developers, and many of them mentioned other builders and developers who work on quality single-family and multifamily housing. Several of these organizations are local to Kitsap County, while others are regional or national developers who could be future partners for development in the area. Exhibit 1 below, while not exhaustive, lists the prominent developers mentioned in our stakeholder interviews.

Exhibit 1. Kitsap County Housing Organizations by Type and Primary Region

	Organization	Description	Development Type	Primary Region
Market-Rate Developers	Olympic Property Group	Real estate developer and manager	Master Planned Communities, Single-Family, Mixed-Use	Kitsap
	Chinook Contractors	Local contractor	Multifamily, Single-Family, Ownership	Kitsap
	Central Highland Homes	Local homebuilder	Single-Family, Townhomes, Ownership	Kitsap
	Neiman Taber Architects	Architecture and development firm	Multifamily, Single-Family, Rental, Ownership	Seattle area
	Sound West Group	Real estate developer	Multifamily, Single-Family, Commercial, Rental, Ownership	Seattle area
	Urban Renaissance Group	Real estate investment, development, and manager	Commercial	West Coast
	Madison Development Group	Real estate developer	Multifamily, Commercial, Mixed Use	West Coast
	Clark Construction	General contractor	Multifamily, Rental, Ownership	National
Affordable Developers	Housing Kitsap	Public housing authority	Multifamily, Rental, Public, Supportive	Kitsap
	Housing Resources Bainbridge	Nonprofit affordable housing developer and manager, community land trust	Multifamily, Single-Family, Supportive, Rental, Ownership	Kitsap
	Habitat for Humanity, Kitsap	Real estate developer	Single Family, Homeownership	Kitsap
	Community Frameworks	Nonprofit affordable housing developer	Multifamily, Single-Family, Supportive, Rental, Ownership	Washington
	Low-Income Housing Institute	High-capacity regional nonprofit affordable developer and manager	Multifamily, Supportive, Rental	Washington
	Beacon Development Group	Affordable housing consulting firm	Multifamily, Supportive, Rental	West Coast
	Shelter Resources, Inc.	Affordable housing developer	Multifamily, Supportive, Rental	West Coast
	NDC	Community developer, funder, advisor	Multifamily, Single-Family, Supportive, Rental, Ownership	National

Various public agencies also play important roles in the housing development landscape, including but not limited to, the Planning, Building, Community Development, and Public Works departments of all of the cities in the County, in particular Bremerton and Bainbridge Island; the Planning, Building, and Community Development departments of Kitsap County overseeing housing for the many unincorporated areas; and Kitsap Transit, which provides public transit service for the entire County, including ferry service to Seattle.

Roles and Responsibilities in Housing Provision

Development and investment in housing can come from a number of areas: the public sector plays important roles in regulating, processing, and investing in housing; the private development sector is the engine behind housing production; nonprofits and philanthropy often assist in housing the most vulnerable residents; the business sector is critical for economic growth, jobs, and the incomes to support housing; and communities themselves play an important role in making people feel welcome.

Housing development relies on inputs set by numerous interrelated markets and players – from the cost of land to the cost of labor and materials to the price of rents. Each input to development is its own market with supply and demand factors constantly in flux, which make development complex and difficult to replicate across locations, markets, and phases of the economic cycle.

Private Sector

Private sector development is the driving force behind nearly all housing development—market rate and affordable housing—and includes both for-profit developers and non-profit developers.³ The private sector relies on inputs from multiple interrelated markets—capital markets, land markets, construction and labor markets, and home sales or rental markets—to reach feasibility. Housing projects of all types follow a similar development trajectory: working through design and feasibility, entitlements and permitting, securing financing, constructing the building(s), and then either selling or continuing to operate a development as a rental property.

Market-Rate Housing

Market-rate housing developers assess the financial feasibility of new housing development with the market conditions and regulatory constraints of the region and specific site in mind. They use this information to decide on the amount, type, and pricing of housing development that they expect they can fund and subsequently rent or sell.

For-profit developers will not build in areas where rents or home prices are insufficient to cover the costs of construction and the required return on investment. Different types of housing have different costs, risks, and return requirements, making some types of housing more suitable to build than others. The larger and more complex a housing development—such as a multifamily property with strict design requirements, neighborhood opposition, on an infill site on a steep slope—the longer and more costly it is to develop. Some combination of any of these issues may be impacting development in Kitsap County.

³ Public housing, which is owned and or operated by the Federal government, is declining in total number of units and in funding. See: Center on Budget and Policy Priorities (CBPP). 2019. “Policy Basics: Public Housing.” Available from: www.cbpp.org/research/policy-basics-public-housing

Interviewees mentioned that many of the locations most suitable to larger residential development have already been used, leaving the hardest to develop left. Some developers mentioned that this made greenfield areas in Silverdale or unincorporated areas more attractive to development. However, some of these greenfield sites may have lower rents, or lack infrastructure like sewer, water, or roadways. Because developments are required to install this infrastructure, this can increase costs beyond what the market rents and prices can bear prohibiting development from occurring.

The City of Bremerton’s Infill Toolkit offers guidance for policymakers and the planning department about infill development challenges. It identifies codes that may be barriers to development, that should be evaluated or revised to make infill easier.

Affordable Housing

The development of new, multifamily rent-restricted affordable housing is generally a long and complex process. While it is subject to many of the same development conditions as market-rate development, it has the added complexity due to lower rents requiring additional, lower-cost funding. This often entails submitting funding applications to compete for cash from a variety of programs and funds and more complicated asset management tasks, as regulatory agencies require compliance reporting to ensure affordability agreements stay in place.

Affordable housing can be built by non-profit entities, for-profit entities, and to a lesser extent the public sector, depending on the program and source of funding. Most affordable housing development today is built by private sector developers. According to data from the Washington State Housing Finance Commission and our interviews, the agencies overseeing affordable housing development and management in Kitsap County include the following. More details about this housing, including incomes served, is provided in the housing inventory in Appendix B.

- The Bremerton Housing Authority
- Housing Kitsap
- Catholic Housing Services
- The Low Income Housing Institute
- Habitat for Humanity
- Housing Resources Bainbridge
- Martha & Mary
- Shelter Resources
- Pinnacle Realty Management
- Spokane Housing Ventures
- Olympic Management Company
- Allied Residential
- Ad-West Realty Services
- Lund Pointe Apartments
- Preservation Partners Group
- Cambridge Management
- Bonaventure Senior Living
- HumanGood

City of Bremerton Infill Toolkit

“Infill development is an important smart growth strategy for regional equity. Infill development is not, however, always a developer’s first choice. Challenges associated with infill include small, scattered nature of many infill parcels, complex title issues, outdated infrastructure serving the infill site, and environmental contamination. For these reasons, urban infill is often bypassed by developers for cheap, readily available suburban land that is often referred to as ‘greenfield development’.”

- Sage Apartment Communities
- Cascade Management, and
- FPI Management.

Affordable Housing and Community Development Services

Another important component of the affordable housing sector in Kitsap County is service provision for extremely low-income households, seniors, people with disabling conditions, people with mental or physical health needs, and people experiencing homelessness. Important players in service provision include the local jurisdictions, particularly the City of Bremerton and Kitsap County, and the following providers:⁴

- Kitsap Community Resources
- St. Vincent de Paul of Bremerton
- West Sound Treatment Center
- Catholic Community Services/Benedict House
- Agape Unlimited
- North Kitsap Fishline
- The Salvation Army
- Kitsap Recovery Center
- Hope in Christ Ministries/Coffee Oasis
- Kitsap Mental Health Services
- YWCA/Alive
- Kitsap Rescue Mission
- Helpline House
- Georgia House
- Scarlet Road
- Kitsap Sexual Assault Center

Public Sector

The public sector plays a critical role in determining what types of development occur and where. Public planning processes dictate where development and growth will occur, and zoning separates development uses to create distinct neighborhoods and public places. In addition, the public sector can offer critically needed capital or funding boosts to private investment where the market is not delivering the desired development. By designating certain areas for financial or developmental benefits – such as Federal Opportunity Zones, Bremerton’s Community Empowerment Zone, or its Historically Underutilized Business Zone – the public sector can influence and steer capital to areas that might otherwise be overlooked.

Market-Rate Housing

The public sector plays important roles in market-rate housing production as a regulator, processor, guide, and occasionally an investor. Public sector collaboration and cooperation in the zoning, planning, entitlements, and permitting phases of predevelopment are the first essential step for any housing development project. The public sector also participates in the development process through environmental review and coordination with transit agencies and public works departments.

⁴ List available from Kitsap Community Resources: <https://www.kcr.org/housing/>

Clear messaging on zoning and public housing goals, consistent review of permits and development applications, and timely processing through entitlements are all critically important for the public sector to encourage private sector housing development. In Kitsap County and the local jurisdictions, interviewees mentioned that public messaging can be inconsistent across departments and City Councils, but the governing planning documents and the online permitting processes were all seen as favorable for development. Both staff and interviewees also mentioned that there are not a lot of development incentives for new construction which is an area that the public sector could improve.

Affordable Housing

The public sector is critically important in the provision of housing for low-income households. Because this housing is developed with the intention of affordable rents, these projects are more difficult to get through feasibility, often facing large funding gaps that must be filled with investment dollars that are willing to accept low or no return. Here, the public sector offers developers (both private and non-profit) important guidance, technical assistance, review (such as permitting, environmental, and design), and funding for development.

- In affordable rental housing, rents are restricted to be affordable for lower-income households, which means that a project needs to find lower-cost funding and operating subsidies to offset the reduction in rental revenue for operations.
- In affordable homeownership housing, homes may be part of a land bank, community land trust, or other shared equity program keeping resale prices low while still offering wealth building opportunities for low-income homebuyers. In addition, through funding for down payment assistance, mortgage assistance, or home repair assistance, and through homebuying counseling and education, the public sector can help lower-income households access homeownership opportunities.

Locally, the public sector jurisdictions in Kitsap County do not have meaningful funding for affordable housing development or subsidies. However, these jurisdictions play important roles in collaborating and advocating for federal and state funding to house low-income residents.

Current Partnerships

Given the long and complex process to develop new housing, strong partnerships are essential in bridging gaps, overcoming barriers to development, and overseeing the development process. Key stakeholders were asked interview questions about the strong development partnerships in the county. Most interviewees suggested that the public sector was a good partner, and most of the public sector staff noted that good partnerships exist amongst the nonprofit sector housing providers. Specifically, the partnerships between Kitsap Mental Health Services and Housing Resources Bainbridge, and the Housing and Homeless Coalition were called out as strong partnerships in the area. The potential for new or stronger partnerships is explored further in the Recommendations section on page 31.

Part II. Current Planning Documents

In addition to the key stakeholders, long-term planning documents influence housing production and provision in Kitsap County. A hierarchy of planning documents, from the State Growth Management Act down to municipal comprehensive plans, lay out parameters for where and how housing should develop in the area. Most of these documents support housing development at a broad level, with broad policy dictums that recognize the lack of affordable housing choices for residents and encourage denser, transit-oriented development to further environmental and livability goals.

Comprehensive Plans

Jurisdictions are required to prepare comprehensive plans under the Growth Management Act of Washington State. These must be reviewed and updated at minimum every eight years.

These documents govern housing production and provision by establishing the development zones, regulating the types and characteristics of housing allowed and where, by creating programs and incentives to influence the market, and offer long-term guidance and parameters for growth and development over the next five to twenty years.

Exhibit 2 below demonstrates these plans and policies and their influence on future housing development in Kitsap County. Most of these plans are updated every five years, with the next round to be finalized in 2021, so now is the time to start determining possible changes to make to better accommodate the current goals at the City and County levels.

Exhibit 2. Overview of Current Planning Documents Impacting Housing Development

Planning Document	Year	Lead Agency	Goals	Implications for this study
Vision 2050	2019	Puget Sound Regional Council	Long-range regional growth strategy	Comment period on plan update 7/19/19-9/16/19 for adoption in spring 2020. Highlights the need for local action to address housing challenges, in particular affordability and density.
Assessment of Bremerton's Affordable Housing Policies & Regulations	2018	City of Bremerton	Assists the City in addressing affordable housing needs	Defines key terms, evaluates affordable housing comp plan goals, identifies strategies for increasing affordable housing, offers an "infill toolkit" for new development
City of Bainbridge Island Comp. Plan	2017	Bainbridge Island	Guide development of the City in compliance with the GMA and PSRC	Outlines the City's vision, guiding principles, and associated goals and policies to help direct efforts to manage GMA requirements related to land capacity, urban services, and capital facilities
City of Poulsbo Comprehensive Plan	2016	City of Poulsbo	Guide development of the City in compliance with the GMA and PSRC	Reflects the community's desires, needs, and aspirations and compiles them into a list of guiding principles, goals, policies, and strategies in coordination with GMA requirements
City of Bremerton Comp. Plan	2016	City of Bremerton	Guide development of the City in compliance with the GMA and PSRC	Identifies designated centers for development, specifies housing needs for current and future residents of varying demographics and incomes
Kitsap County Comp. Plan	2016	Kitsap County	Establish 20-year vision for County growth	Reduces size of Silverdale and Port Orchard UGAs slightly, increases size of Kingston and Central Kitsap UGAs, upzones near Silverdale, downzones near Bangor
Final Supplemental Environmental Impact Statement for Comp. Plan Update	2016	Kitsap County	Address possible impacts of Comprehensive Plan, in accordance with SEPA	Same as Comprehensive Plan
Capital Facilities Plan	2016	Kitsap County	Identify capital improvements necessary to comply with GMA growth plans	Water, sewer, and transportation service investments proposed through 2021 (5-year outlook) and 2036 (20-year outlook). Assumes Silverdale will incorporate in 2026
HOME Consortium Comp. Plan	2016-2020	Kitsap County and City of Bremerton	Guide HOME and CDBG funding decisions in building affordable housing and economic opportunity	Demonstrates priorities of two small but reliable sources of affordable housing funds in the area
2015-2020 Transit Development Plan	2015	Kitsap Transit	Plan transit improvements	Expansion of transit lines, ferry service, non-motorized vehicle paths and facilities
Growth Management Act	1990	State of Washington	Concentrate urban growth, reduce sprawl, plan for transportation and affordable housing	UGBs are very large, which means that buildable land is not a large issue, though transit accessibility is.

Kitsap County Comprehensive Plan

The Kitsap County Comprehensive Plan was adopted in 2016 to describe “the 20-year vision for unincorporated Kitsap County and how that vision will be achieved.” The Comprehensive Planning process is mandated by the Growth Management Act of Washington State. The plan covers many aspects of life including land use, transportation, economic development, housing and human services, environment, utilities, capital facilities, open space, and parks and

recreation. Chapter one, *Land Use* and Chapter four, *Housing and Human Services*, were the most relevant chapter for our assessment.

Chapter 1 Land Use:

- Land Use Goal 1. Focus current and future planning on infill and redevelopment of existing Urban Growth Areas.
- Land Use Goal 2. Promote health in the built environment.
- Land Use Goal 3. Support more dense residential areas with access to transportation, urban amenities, goods and services, physical activity and healthy foods.
- Land Use Goal 4. Coordinate with other jurisdictions, tribal governments, agencies, special districts, and property owners to ensure coordinated and compatible land use planning and utilize Urban Growth Area Management Agreements with cities, as feasible.
- Land Use Goal 5. Encourage urban-rural distinction with cities. Facilitate and encourage incorporation or annexation with associated cities of urban areas over the 20-year planning period and ensure compatibility of development with future planned uses within the unincorporated Urban Growth Area consistent with the Urban Growth Area Management Agreement process called for in the Countywide Planning Policies.
- Land Use Goal 6. Direct development to designated Urban Growth Areas consistent with projected population growth, Growth Management Act and Countywide Planning Policies while considering development patterns that reduce sprawl, use urban land more efficiently, and that incorporate feasible, innovative and sustainable practices.
- Land Use Goal 13. Protect Kitsap County's unique rural character.

Chapter 4 Housing and Human Services:

- Housing and Human Services Goal 1. Make homelessness rare, brief, and one-time in Kitsap County.
- Housing and Human Services Goal 2. Increase affordable housing units and ensure that a broad range of housing types are available.
- Housing and Human Services Goal 3. Preserve existing affordable housing inventory.
- Housing and Human Services Goal 4. Ensure that all people have fair and equal access to housing and services.
- Housing and Human Services Goal 6. Integrate affordable housing and human services planning with transportation, workforce development, and economic development efforts.

Kitsap County's Comprehensive Plan outlines flexible development standards and diverse housing stock as essential to its vision, as a way to reach both housing and environmental goals. Furthermore, the County recommends analyzing and implementing new funding opportunities and sources to support the development of affordable housing.

City of Bremerton Comprehensive Plan

The City of Bremerton's Comprehensive Plan, also adopted in 2016, sits atop the local planning hierarchy and "guides virtually all decisions made by City government and, in many cases, by local organizations and individual citizens." The Comprehensive Plan sets out the City's vision, values, and goals, and creates a framework to ensure that decisions, funding, and actions are aligned with those goals. The most relevant sections for this analysis were the *Housing Element* and the *Land Use Element*.

Housing Element:

- H1. Protect and enhance Bremerton's existing quality housing stock.
- H2. Encourage the development of a variety of new housing options and densities to meet the changing needs of Bremerton's residents.
- H3. Support access to quality and affordable housing for all Bremerton residents.
- H4. Implement and coordinate strategies that promote public and private efforts to facilitate improvements to the housing stock.

Land Use Element:

- LU1. Plan for Bremerton's population and employment growth.
- LU2. Encourage economic development within the City.
- LU4. Promote community health by allowing opportunities for healthy lifestyle choices.

The Land Use Element also describes the City's *Designated Centers* (as required by PSRC), which are to be generally mixed-use, well-designed, moderate- to high-density at their cores, and transitioning to single-family housing. These include:

1. Downtown regional growth center
2. District centers: Wheaton/Riddell, Wheaton/Sheridan, Charleston
3. Manette Neighborhood Center
4. Eastside Employment Center
5. Manufacturing/industrial center: Puget Sound Industrial Center-Bremerton

In addition to its comprehensive plan, the City of Bremerton also created an Infill Toolkit, most recently updated in December 2018, that outlines solutions to many of its particular challenges. These tools are primarily intended to further the City's Comprehensive Plan goals surrounding to preserve the existing housing stock and promote development of new housing. The Toolkit suggests amendments to the Comprehensive Plan, including revision density requirements in General Commercial zones, revising Medium Density Residential to meet Kitsap County's density requirements, and allowing duplexes and townhomes in Low Density Residential while maintaining current density. Stakeholder interviews confirm the recommendations of the Infill Toolkit should be adopted by the City, particularly around increasing density.

Bainbridge Island Comprehensive Plan

Bainbridge Island's Comprehensive Plan was adopted in 2017. Guided by the project, "Navigate Bainbridge", this plan involved an extensive public outreach program that engaged the community through several face-to-face events. The plan outlines the City's vision, guiding principles, and associated goals and policies. These elements help direct the City's efforts to manage GMA requirements related to land capacity, urban services, and capital facilities.

The most relevant sections for this analysis were the *Housing Element* and the *Land Use Element*. The Housing Element describes the City's vision for Bainbridge Island in the year 2036 as one in which the island provides a broad diversity of housing, where residential land use outside of designated centers is at low densities and constitutes 90% of the Island's area. The Land Use Element identifies four Designated Centers (see sidebar) meant to provide cultural amenities, employment and housing opportunities, and efficient public services, utilities, and infrastructure with a focus on creating residential, commercial, and industrial growth.

Bainbridge Island Comprehensive Plan Land Use Element Designated Centers:

1. Island Center
 2. Lynwood Center
 3. Rolling Bay
 4. Winslow
-

Housing Element:

- Goal HO-1: Make steady progress toward several aspirational targets for increasing the diversity of housing types and the supply of affordable housing.
- Goal HO-2: Beginning in 2019, prepare biennial reports on the status of housing on Bainbridge Island.
- Goal HO-3: Promote and maintain a variety of housing types that meet the needs of present and future Bainbridge Island residents at all economic segments and encourage more socio-economic diversity.
- Goal HO-4: Increase the supply of permanently affordable multifamily housing each year through the year 2036.
- Goal HO-5: Maintain the existing stock of affordable and rent-assisted housing, in partnership with community non-profit organizations and local and regional public and private entities.
- Goal HO-6: Facilitate the provision of diverse affordable housing stock in all geographic areas of the community.
- Goal HO-7: Promote and facilitate the provision of rental and for-purchase housing that is affordable to income-qualified households with a variety of income levels.
- Goal HO-8: Facilitate the siting and development of housing opportunities for special needs populations.
- Goal HO-9: Explore the usage of the City's bonding capacity and pursue other resources to support the creation of affordable housing.

Land Use Element:

- Goal LU-5: Focus urban development in designated Centers—residential, commercial, and industrial growth
- Goal LU-9: Encourage the development of the Neighborhood Centers at Rolling Bay, Lynwood Center, and Island Center as areas with small-scale commercial, mixed use and residential development outside Winslow.
- Goal LU-14: Develop context-sensitive regulations for residential development in areas designated R-2, R-1 or R-4, in order to limit clearing, soil disturbance, promote low impact development and reconcile development and conservation.

City of Poulsbo Comprehensive Plan

Poulsbo’s Comprehensive Plan, adopted in 2016, is described as a reflection of the community’s desires, needs, and aspirations. The Plan compiles these community needs into a list of guiding principles, goals, policies, and strategies that were developed within the framework of the GMA. Key community goals identified within the Plan are related to land use, community character, transportation, the natural environment, capital facilities, housing, economic development, and parks, recreation, and open space.

The most relevant sections for this analysis were the *Housing Element* and the *Land Use Element*. Key community goals within the Housing Element include achieving a mix of housing types and densities while maintaining healthy neighborhoods. A Land Use Element community goal advocates for residential development that complements the built environment and the city’s neighborhoods.

Housing Element:

- Goal HS-1: Provide enough housing to meet the needs of the existing and projected population.
- Goal HS-2: Strengthen and preserve the City’s existing neighborhoods and housing stock.
- Goal HS-3: Promote a variety of housing types that meet changing population needs and preferences.
- Goal HS-4: Promote and facilitate the provision of affordable housing in all areas and zoning districts of the city.

Land Use Element:

- Goal LU-1: Provide orderly growth that enhances and respects the City’s character, natural and small city setting, while accommodating the population growth allocated to the City by Kitsap Regional Coordinating Council.
- Goal LU-2: Provide residential land use designations that encourage a variety of housing types and densities throughout the city.

Part III. Key Findings

Taken together, the interviews with stakeholders, past County conversations with developers, the review of current planning documents, and an in-person workshop with City and County officials highlighted different aspects of development that are working well, areas that need improvement, and emerging issues that need new solutions.

In each section—what is working well, what needs improvement, and emerging issues—we categorize the development consideration as either (a) conditions of the market, (b) partnerships and collaborations, (c) policies and programs (including zoning and regulations), or (d) planning documents. Although most development considerations require partnerships and cross-sector collaboration, we use this category to specifically focus on those areas where new partnerships are needed or where partnerships could be strengthened to improve housing overall development.

What is Working Well

The items listed here are already in place and working well to address the housing challenges in the County. Development has been increasing in many years, buoyed by the strong regional economy, low unemployment, rising costs of housing (rent and home prices), as well as generally supportive local governments.

Market Conditions

- **Land availability.** Kitsap County has sufficient land available for housing development within its existing urban growth boundaries. Stakeholders interviewed suggested that land itself was not typically a barrier to production.
- **Opportunity Areas.** Stakeholders mentioned several opportunity areas that could potentially see multifamily development in and around Kitsap County, including:
 - In Bremerton along major corridors, near the Wheaton Way Transit Center, and through the adaptive reuse of shopping centers
 - In Silverdale (in areas expected to be annexed in the next 10 years)
 - Tracyton
 - Southworth
 - Gorst (if and when a bridge is built)
 - Olalla
 - Manchester

Partnerships and Collaborations

- **Strong government relationships.** Several stakeholders expressed that leadership across the County and cities were open to conversations about how to improve the development process and incentivize new housing construction. Though they may not all agree, the lanes of communication are open and being used.

Policies and Programs

- **Online permitting process.** Stakeholders expressed that the online permitting option in Kitsap County and the City of Bremerton has helped to smooth this process. Expanding this digital option to the rest of the jurisdictions within the County would help reduce friction during permit submittal.
- **Multifamily tax exemption (MFTE).** While the 12-year option, which includes affordable housing units, is seldom used, the 8-year MFTE has incentivized denser market-rate housing in certain areas, including two developments in downtown Bremerton.
- **Opportunity Zones.** Kitsap County has three Opportunity Zones – one in downtown Bremerton and two in Port Orchard. These designations present development opportunities, and appear to already be incentivizing some new development. Sound West Group is currently working on Marina Square, a new mixed-use development in downtown Bremerton that will include a hotel, multi-family housing, and ground-floor retail.
- **Efforts to streamline planning documents.** These efforts are also supportive of housing production and development. The City of Bremerton’s Housing Infill Toolkit is a great example of evaluating planning documents to reduce barriers to development.

Planning Documents

Exhibit 3 and Exhibit 4 below list the types of comprehensive plan goals and policies that are considered supportive and encouraging to new housing development of all types and affordability levels. Since many of Kitsap’s jurisdictions have similar goals and policies, we do not specify which plans and goals these came from.

Land use goals and policies are written with a wider lens than just housing production – as they influence land use patterns, growth, and protection of rural areas or wetlands. However, because they do influence housing as well, we include them in our assessments of what is supportive of housing. It is important to note, however, that these goals and policies can look supportive on paper and in theory, their actual implementation and impact on development can vary, according to interviews.

Exhibit 3. Example Housing Goals and Policies Supportive of Housing Development

Goal	Policy	Rationale
Make homelessness rare, brief, and one-time.	Expand public resources to create a mix of housing alternatives and services for people experiencing homelessness.	Incentives can help to increase development feasibility.
	Remove regulatory barriers to alternative housing models for people experiencing homelessness.	Removing regulatory barriers can help to increase development flexibility and improve feasibility.
	Create additional permanent supportive housing units and expand service options.	Funding and incentives for PSH units can help to increase development feasibility.
Increase affordable housing units and ensure that a broad range of housing types are available.	Incentivize and provide flexibility for development of affordable and special needs housing.	Incentives and development flexibility can help to improve feasibility.
	Analyze and implement new funding opportunities and sources to support the development of additional affordable housing.	Funding and incentives for affordable housing can help to increase development feasibility.
	Wherever possible and appropriate utilize unused properties for affordable housing.	Donated or low cost land or properties for affordable housing can help to increase development feasibility.
	Eliminate unnecessary regulatory impediments to the development of affordable housing.	Removing regulatory barriers can help to increase development flexibility and improve feasibility.
	Maintain an innovative housing program and clarify or adopt new flexible permit processes in appropriate areas.	Flexibility in housing regulations (e.g. permitting) can help the housing market provide innovative or low-cost options.
	Understand staffing needs to assist and advise on options for affordable housing, financing strategies and funding sources.	More staff can help reduce complexity and speed processing time for affordable housing development entitlements.
	Expand partnerships with non-profits, churches, developers, funders, elected officials and the community to assist in meeting affordable housing goals.	Cooperation and agreement between public sector and private sector actors can reduce barriers preventing more affordable housing development.
	Partner with the for-profit sector to create affordable housing through the targeted use of the multifamily property tax exemptions in designated areas.	Incentives can help to increase development feasibility.
	Support alternative ownership models such as shared or limited-equity housing, lease-purchase options, cohousing, land trusts, and cooperatives.	Flexibility in housing options helps provide a variety of housing for different household needs; support (funding and or regulatory incentives) can help to improve development feasibility for affordable housing.

Goal	Policy	Rationale
	Pursue effective strategies to reduce the land cost component of affordable housing.	Low cost land or properties for affordable housing can help to increase development feasibility.
	Exempt low-income housing developments from impact and administrative development fees.	Lower construction costs can help to improve development feasibility for affordable housing.
	Encourage alternative affordable housing options such as rooms for rent and boarding houses - which benefit those on a fixed income with those of low income, thereby strengthening the sense of community.	Flexibility in housing options helps provide a variety of housing for different household needs; support (funding and or regulatory incentives) can help to improve development feasibility for affordable housing.
Preserve existing affordable housing inventory.	Encourage the rehabilitation of deteriorating housing.	Funding and regulatory incentives for rehabilitation can improve development feasibility; rehabilitation can be more expensive than new construction.
	Preserve existing subsidized housing units with expired affordability restrictions at risk.	Preventing the loss of existing funding and units reduces the need to develop new units, saving cost and adding to the housing stock.
	Encourage preservation manufactured homes and parks; continue to permit them.	Flexibility in housing options helps provide a variety of housing for different household needs.
Protect and enhance existing quality housing stock.	Work to replace substandard structures of existing housing units (rehabilitation, maintenance, or replacement).	Support (funding and or regulatory incentives) for rehabilitation can help to improve development feasibility; rehabilitation can be more expensive than new construction.
	Promote, and incentivize, private commitments to improve existing housing stock, particularly for low-income households.	Funding and incentives for rehabilitation can help to improve development feasibility; rehabilitation can be more expensive than new construction.
	Enhance livability in neighborhoods by maintaining and upgrading services and infrastructure.	Installation of infrastructure (utilities) can help increase land capacity suitable for development and reduce development costs.
	Partner with grant programs and funding sources to encourage removal or abatement of blighting influences in and around residential areas.	Funding for rehabilitation or redevelopment can help to improve development feasibility; rehabilitation can be more expensive than new construction.
Ensure fair and equal access to housing and services.	Remove regulatory barriers that limits access to or the provision of a diverse affordable housing supply.	Removing regulatory barriers can help to increase development flexibility and improve feasibility.
	Identify and remove impediments to creating housing for harder to house populations.	Removing regulatory barriers can help to increase development flexibility and improve feasibility.
Integrate affordable housing and human services planning with other planning efforts.	Ensure coordination and consistency policies, planning efforts and documents such as transportation, workforce development, and economic development.	Consistency between planning documents can reduce complexity and speed processing time for development entitlements thereby reducing costs.

Goal	Policy	Rationale
	Cooperate with other jurisdictions and entities to plan and develop housing and human services.	Consistency between planning documents can reduce complexity and speed processing time for development entitlements thereby reducing costs.
	Promote housing preservation and development in areas that are already well-served, and have adequate infrastructure to support alternative modes of transportation.	Development near transit could reduce parking requirements and reduce development costs.
Encourage more multifamily housing and denser housing	Increase the efficiency of the review process and revise development standards to encourage these areas to develop into walkable, transit-served, mid-rise, mixed-use areas with affordable housing.	Reduced processing time for development entitlements and revised zoning standards can increase development feasibility and flexibility.
	Support infill development and increased densities.	Support (funding and or regulatory incentives) for infill development can help to improve feasibility; infill development is often more expensive than greenfield development.
	Allow accessory dwelling units in appropriate residential zones with reasonable flexibility regarding development standards.	Removing regulatory barriers can help to increase development flexibility and improve feasibility.
	Remove barriers to developing new multifamily housing (as well as affordable multifamily housing).	Removing regulatory barriers can help to increase development flexibility and improve feasibility.
	Consider programs that other communities are doing to discourage the development of sprawling, large single-family homes.	Zoning regulations that favor smaller housing development can encourage more supply.
	Promote home ownership by encouraging alternatives to conventional detached single-family housing.	Flexibility in housing options helps provide a variety of housing for different household needs. Support (funding and or regulatory incentives) for alternative housing development options increases development flexibility and can help to improve feasibility.
Encourage a variety of new housing options and densities.	Support private sector efforts to provide a full range of housing options.	Support (funding and or regulatory incentives) for alternative housing development options increases development flexibility and can help to improve feasibility.
	Enhance livability by upgrading infrastructure.	Installation of infrastructure (utilities) can help increase land capacity suitable for development and reduce development costs.

Goal	Policy	Rationale
	Support the production of new housing for all incomes, ages, and family types via non-traditional housing types (e.g. townhomes, carriage units, accessory dwelling units, and duplexes) as appropriate.	Support (zoning and or regulatory incentives) for the development of alternative housing types can help to increase development flexibility and improve feasibility. Support for infill development can help to improve feasibility as infill can be more expensive than new construction.
	Develop standards to encourage development of small to mid-size single-family housing units.	Adjusting regulations governing mid-sized single-family housing can help to increase development flexibility and improve feasibility.
	Encourage and allow innovative zoning regulations to increase housing variety and choice.	Removing zoning regulation barriers can help to increase development flexibility and improve feasibility.
	Promote mixed income neighborhoods and socioeconomic integration by allowing a variety of housing types and sizes in new development projects.	Flexibility in housing options helps provide a variety of housing for different household needs.

Exhibit 4. Example Land Use Goals and Policies Supportive of Housing Development

Goal	Policy	Rationale
Focus current and future planning on infill and redevelopment of existing Urban Growth Areas.	Support infill development and redevelopment in existing developed areas within UGAs.	Support (funding and or regulatory incentives) can help to improve feasibility on infill development which is often more expensive than greenfield development.
	Examine incentives for infill development.	Incentives can help to improve feasibility on infill development which is often more expensive than greenfield development.
	Encourage mixed use, high density uses, and Transit Oriented Development to reduce vehicle miles traveled.	Mixed-use and higher density development can help to improve feasibility.
	Confirm public services and necessary capital facilities are provided through the development review process according to applicable laws.	Consistency between planning documents and programs can reduce complexity and speed processing time for development entitlements thereby reducing costs.
Encourage economic development.	Pre-qualify key areas and sites for environmental permitting through such tools as subarea plans and related programmatic Environmental Impact Statement's.	Pre-qualifying areas or sites for development can reduce complexity and speed processing time for development entitlements thereby reducing costs.
	Zone complementary uses near one another so people can work or shop close to where they live; provide for the most efficient use of land.	Higher density development can help to improve feasibility and additional zoned capacity for housing development can encourage more supply.
Promote health in the built environment.	Review requirements on new development to connect to existing infrastructure.	Installing infrastructure can be very costly. Additional flexibility in these regulations can help to improve feasibility.
	Improve walkability and multimodal transportation options and provide networks to link neighborhoods; orient development toward the pedestrian.	Encouraging walkability by increasing density or reducing parking requirements can help to improve development feasibility or reduce development costs.
Support residential density via access to transportation, amenities, retail, outdoor recreation, and healthy foods.	Promote housing preservation and development in areas that are already well-served (e.g., schools, transit, retail), and have adequate infrastructure.	Higher density development can help to improve feasibility. Development near transit could reduce parking requirements and reduce development costs.
	Implement parking ratios that reflect the least amount of spaces required where transportation options are available.	Development near transit and reduced parking requirements can help to increase density, improve feasibility, and reduce development costs.
	Provide incentives and allow flexibility to encourage development, including alternative parking options like payment in lieu of parking spaces.	Incentives for development near transit and reduced parking requirements can help to increase density, improve feasibility, and reduce development costs.

Goal	Policy	Rationale
	Utilize neighborhood plans to identify smaller geographic areas within the city limits and provide site specific and intensive land use and design planning.	Higher density development can help to improve feasibility.
	Provide for advanced utility planning to offer upgraded, ready-to-serve services for development designed to achieve maximum density.	Higher density development can help to improve feasibility. Installation of infrastructure (utilities) can help increase land capacity suitable for development and reduce development costs.
	Consider transfer of development rights to achieve commercial and residential density within designated areas.	Higher density development can help to improve feasibility and additional zoned capacity for housing development can encourage more supply.
	Support transit-oriented development by zoning higher density residential development within walking distances of transit facilities.	Development near transit could reduce parking requirements and reduce development costs.
Encourage urban-rural distinction with cities and within unincorporated Urban Growth Areas.	Establish a planning process to improve consistency between existing plans, zoning and development regulations.	Consistency between planning documents can reduce complexity and speed processing time for development entitlements.

Areas Needing Improvement

Stakeholders and our review of the planning documents also identified development considerations that need improvements to improve housing development, and particularly housing development for affordable housing. These aspects are not new to Kitsap—they are policies, programs, or zoning that could be improved, leveraged, or expanded to fully address the housing challenges in the County. The recommendations in Part III work to address many of these barriers.

Market Conditions

- **Second homes.** Anecdotally, stakeholders cited that the proliferation of second homes and retirement homes that affect the housing market in the area. These homeowners are likely higher income and may tend put their house on the short-term rental market for tourists, on sites such as Airbnb, instead of providing long-term rentals for local residents. While this is not a new phenomenon, it has grown in urgency and impact to the local housing market.
- **Infrastructure.** Sewer and water service are limited throughout the County, which impacts multifamily development. While single-family housing construction can easily provide well and septic access, a lack of central infrastructure is a barrier to high-density housing options.
- **Access to transit.** Kitsap County’s natural geography means that access to buses and ferries is spotty, at best. The transit system currently best serves commuters who are

traveling in and out of the County, as opposed to local workers. This is likely to be an ongoing issue, but ongoing coordination with Kitsap Transit can help mitigate this fundamental challenge.

- **Low-paying jobs.** At the root of many of the housing issue in Kitsap is the challenging local economy. Although the shipyard pays fairly high wages, there fundamentally are not enough jobs that pay well enough to afford housing prices in the region. The proliferation of employment in the public sector means that the area should weather recessions better than other elsewhere, but they also do not experience the economic highs of the private market. Housing and economic development efforts must be seen as working in tandem.

Partnerships and Collaborations

- **Public messaging.** Some stakeholders expressed concern that inconsistent messaging by public officials on the need for more housing, including at higher densities and affordable prices, is undermining City and County efforts to build support among constituents for development-friendly policies and programs. Council members and citizens alike have expressed NIMBY-like concerns about new development affecting “neighborhood character,” including opposition to abolishing parking minimums and allowing less expensive housing options, such as manufactured housing.
- **NIMBYs.** Current residents who speak out to prevent new or certain types of development, known as NIMBYs (an acronym for not-in-my-backyard), can have significant impacts on housing development by increasing the perceived or real riskiness of a project. They may have negative stereotypes of people who live in subsidized housing or aesthetic concerns about what higher density development looks like and how it could affect their neighborhood character. These constituents often protest proposed regulatory changes that would allow for more housing, such as upzoning and abolishing parking minimums.
- **Lack of funding or subsidies.** Many developers, particularly on the affordable side, cited a simple lack of funds for low-income housing development. Existing local funds, such as HOME or CDBG, are too small to make a project feasible. State low-income housing tax credit funds are prioritized for high-needs populations, and as such are very difficult to obtain for general low-income or workforce housing. Additional funding sources are critical to fill this need.
- **Local developer capacity.** Affordable housing developers in the area mentioned the need for training and staff – they do not have sufficient capacity to engage in the development process, both in terms of staff time and knowledge, and also in terms of available funding.
- **Impact of the military.** The presence of Naval Base Kitsap creates housing challenges, particularly for the City of Bremerton, on several fronts. The military does not provide any housing for its personnel. Instead, it subsidizes housing costs through the Basic Allowance for Housing (BAH), which is often higher than other renters can afford, making military employees attractive tenants. However, due to security concerns, the

City does not get any warning when a carrier will dock, which means that they cannot predict or prepare for the arrival of more than 5,000 crew members and their families into the local housing market for a period of two to three years. Policies and Programs

- **Kitsap Transit vision map:** This map and the associated plans for corridor improvement outline future service provision in the County and provides an opportunity to align future development with transit. This document has a lot of potential and could be catalytic for planning and incentivizing for transit-oriented development. If paired with incentives, appropriate zoning, and supportive policies and practices, this vision map could generate meaningful interest in housing production.
- **Transfer of development rights (TDR).** The existing TDR program in Bainbridge Island is one of the few ways for developers to build densely, but there are very few TDRs available for purchase. The current economics of the program do not seem to be functioning and may need better calibration to adequately incentivize development use.
- **Zoning and allowable density.** Across the board, stakeholders consistently expressed that low allowable density in residential zones, specifically widespread single-family housing zones, was a fundamental barrier to financial feasibility of new housing construction.
- **Efficiency housing types:** Development of SROs (single-room occupancy units) or SEDUs (small efficiency dwelling units) could fill a gap in housing need for less expensive housing with little upkeep necessary, particularly for older adults on a fixed income. The code is currently silent on the permissibility of these types of units, which could be an opportunity to pursue. The Infill Toolkit also recommends allowing cottage housing, developments that are often oriented around common spaces, but zoning may still be prohibitive or restrict the density needed to get a project to pencil.
- **Infill challenges.** In the City of Bremerton specifically, the remaining infill lots are the most difficult to develop because of slopes, wetlands, and other environmental challenges. Developers may prefer to build on green lots in areas such as Silverdale if there are too many challenges to infill.
- **Parking.** The City of Bremerton has a severe parking shortage, which makes new development politically difficult, and particularly any suggestions of decreasing parking minimums to improve feasibility. In addition, parking requirements at multifamily developments add significant costs, limiting feasibility and requiring higher rents to cover costs.
- **Parcelization.** There are very few development opportunities on larger lots, which are attractive to developers, because Kitsap County has already been divided into parcels.
- **Lengthy permitting process.** Though stakeholders did not perceive that Kitsap County or the City of Bremerton were any worse than other jurisdictions in the region in terms of time to permit, they certainly are no better. Time is money in real estate development, so anything that makes the permit process take longer, including insufficient plan check staff, slow turnaround times, and confusing or conflicting comments, will add to the risk and costs of a potential project.

- **Public land for low-income housing:** Providing publicly-owned land to developers, particularly of affordable housing, at below-market rates would be a significant incentive for development.
- **Lack of development incentives.** Development incentives are particularly powerful at encouraging builders to fulfill specific needs the local jurisdiction has identified. Without programs such as density bonuses or incentive zoning, housing developers may be financially constrained to building primarily luxury units.
- **Housing Bill 1406:** New funding for affordable housing under this state bill, passed in early 2019, will provide some money for new development, but questions remain on how to fill out the rest of the funding stack and how to agree where new development funded under the bill will occur.

Planning Documents

Exhibit 6 and Exhibit 4 below list the types of comprehensive plan goals and policies that could be prohibiting or used against new housing development. Since many of Kitsap's jurisdictions have similar goals and policies, we do not specify which plans and goals these came from.

Land use goals and policies are written with a wider lens than just housing production – as they influence land use patterns, growth, and protection of rural areas or wetlands. However, because they do influence housing as well, we include them in our assessments of what may be hindering housing development. It is important to note, however, that these goals and policies can look supportive on paper and in theory, their actual implementation and impact on development can vary, according to interviews.

Exhibit 5. Example Housing Goals and Policies that Could Hinder Housing Development

Goal	Policy	Rationale
Ensure that all people have fair and equal access to housing and services.	Disperse affordable housing opportunities throughout the area.	Dispersing affordable housing can increase development costs and or reduce feasibility (affordable housing development often needs low cost land, which is not always dispersed throughout a region). Requirements to disperse affordable housing could also be used to block or delay new construction.
Protect and enhance existing housing stock.	Promote preservation of structures in good repair, including establishing incentives that encourage private property owner's efforts to preserve homes having historical and or architectural significance.	Historic preservation regulations can limit land suitable for development, and can increase total development costs. Historic or cultural preservation can also be used to block or delay new construction.
	Encourage the maintenance, restoration, and rehabilitation of locally significant residences in which these residences are retained instead of redeveloped.	Historic preservation regulations can limit land suitable for development, and can increase total development costs. Historic or cultural preservation can also be used to block or delay new construction.
Encourage a variety of new housing options and densities.	Encourage new development to blend with positive characteristics of surrounding neighborhoods.	Development and design standards can reduce flexibility in new housing development, can increase costs, and can potentially be used to block new construction.
	Promote a sense of community, or gathering places, within new neighborhoods by creating spaces where residents can interact.	Requiring amenities in new developments can also increase development costs and reduce feasibility.

Exhibit 6. Example Land Use Goals and Policies that Could Hinder Housing Development

Goal	Policy	Rationale
Focus current and future planning on infill and redevelopment of existing UGAs.	Establish specific development standards for medium- and high-density developments to ensure compatibility adjacent to existing low-density neighborhoods.	Development standards can reduce flexibility in new housing development, can increase costs, and can potentially be used to block new construction.
	Require connection to a public sewer system for new or extensively remodeled development in UGAs.	Requiring development to pay for installation or upgrades to public sewers can increase development costs and reduce feasibility.
Promote health in the built environment.	Through development standards, encourage urban amenities such as open space, plazas, and pedestrian features in areas of more intensive development within UGAs	Development standards can reduce flexibility in new housing development, can increase costs, and can potentially be used to block or delay new construction. Requiring amenities in new developments can also increase development costs and reduce feasibility.
Plan for population and employment growth.	Preserve and protect features of historic, archaeological, cultural, scientific and educational value or significance.	Historic preservation regulations can limit land suitable for development, and can increase total development costs. Historic or cultural preservation can also be used to block or delay new construction.
	Development regulations should encourage and/or requiring architectural features that are of a scale and type appropriate for pedestrians and the existing neighborhood.	Development and design standards can reduce flexibility in new housing development, can increase costs, and can potentially be used to block new construction.
	Development projects should provide amenities such as street furniture, street trees, small public spaces and plazas, etc.	Development and design standards can reduce flexibility in new housing development, can increase costs, and can potentially be used to block new construction.
	Consider the existing built environment when creating development regulations.	Development and design standards can reduce flexibility in new housing development, can increase costs, and can potentially be used to block new construction.
	Maintain the natural and scenic qualities of the area by limiting residential density.	This reduces housing development.

Emerging Issues for Kitsap County

The items listed here are relatively new challenges facing Kitsap County—largely due to the robust Puget Sound economy and housing market in the past decade—that either require new policies and programs, or require existing policies and programs to stretch to properly address.

Market Conditions

- **Rent growth.** Rising rents are a double-edged sword, as they put additional housing cost burden on existing residents, but they also allow developers to leverage more debt to construct new housing. Market rate developers see rents as a positive indication of market support and development feasibility, so the public sector can put policies and programs in place that harness this supply for future needs and to reach lower income households.
- **Low vacancy and turnover rates.** Extremely low vacancy rates, under 2%, restrict residents' ability to right-size their homes. Those who would like to move to a different area of the County or downsize to a smaller home cannot because they are unable to find other options, for rent or purchase, within their budget. Market rate developers see low vacancy rates as a positive indication of market demand, so the public sector can put policies and programs in place that harness this development for future needs and to reach lower income households.
- **High housing prices.** Homeowners who would like to downsize or move are staying in their homes because area rents are higher than their current mortgages. Housing prices are so high that to get any meaningful equity out of their current homes they would have to sell and move to cheaper areas in the region.
- **Expensive home repairs.** Many existing single-family homes are in varying states of disrepair because of the high costs of renovation. This is particularly difficult for lower-income households, who may have less home equity to pay for repairs.
- **Demand from Seattle and King County.** Stakeholders were mixed on their feelings toward newcomers from Seattle, as well as on the magnitude of their impact. Several expressed an acceptance of being a bedroom community to Seattle, citing the reality of a lack of economic opportunity in Kitsap. Others were concerned that these higher-earners will compete with locals, who have lower incomes on average, for the limited housing stock. A few emphasized that despite common fears, Kitsap County actually has fewer residents who commute out of the county for work than places like Pierce County.

Partnerships and Collaborations

- **Displacement and homelessness.** Displacement pressures are very real for low-income households who are facing steep competition for housing from new residents. For extremely low-income households, displacement in a very tight housing market with low vacancy and rising rents, can mean homelessness. This is particularly a concern for aging baby boomers and those that have mental and physical health problems. Preventing displacement and eviction is thus a high priority in solving the homelessness crisis and largely needs public, private, and nonprofit collaborations.

Policies and Programs

- **Prior local examples.** Recent new housing developments have drawn criticism from constituents based on issues such as traffic and light pollution, which makes it more difficult to move new proposals forward. However, good examples of successful housing projects in the area are critical as a signal to developers that Kitsap's market is

appropriate and can support this development. This is especially important for innovative housing types, such as alternative housing types, infill and redevelopment, or ADUS or “missing-middle” type housing. If the public sector can help encourage the first few examples of the types of development it wants to see, this will help build momentum for other builders.

- **Inclusionary zoning.** The City of Bremerton considers its development incentives as sufficient and generous, so inclusionary zoning is not high on its priority list of tools to use. The Infill Toolkit outlines that inclusionary zoning incentives such as increased maximum heights in certain zones could fit with Bremerton’s goals, but it does not suggest offering density bonuses.
- **Moratorium on development.** Bainbridge Island’s current moratorium on new housing development, as well as the short-term moratorium on new water hookups (and thus new development) in Port Orchard are both having negative effects on the development forecast. This hurts developers who have already purchased land in the affected areas, as they are losing money the longer they are forced to sit on a purchase instead of moving forward with permitting and construction. Potential partners may also consequently view Kitsap County as being a riskier regulatory environment for future development, discouraging them from considering building housing here because of a fear of future moratoriums.
- **Maximum lot size.** In unincorporated areas, a change to the code means that developers must either build to meeting density requirements (a duplex or higher density on a single-family plot) or subdivide the lot (and pay for impact fees for each parcel). This change affects about 200 parcels, and there are no development agreements, waivers, or other tools to alleviate this pressure.
- **State funding priorities.** The current Washington State Housing Trust Fund money is segmented in a way that limits what types of housing affordable developers can build, which in turn constraints supply. In addition, low-income housing tax credits highly prioritize building homeless housing, which leaves few reliable resources for low-income housing for seniors and families.

Part IV. Stakeholder Interview Information

Interview List

- Russ Shiplet, Kitsap Building Association
- Gina Schulz, Better Properties Kitsap Real Estate
- Ed Coviello, Kitsap Transit
- Stuart Grogan, Housing Kitsap
- Phedra Elliott, Housing Resources Bainbridge
- Matt Chantry, Shelter Resources Inc.
- Ginger Segel, Community Frameworks
- Beth Boram, Beacon Development Group
- Jonathan Rose, Olympic Property Group
- Chuck DePew, NDC (National Development Council)
- Pat Callahan, Urban Renaissance Group

Interview Questions

1. Describe the housing development landscape in Kitsap County. What's working? What's not working? What policies, programs, funding sources, organizations, people are incentivizing or hindering housing development/affordable housing development in the area?
2. Where are there strong partnerships in housing provision?
3. What barriers or limitations do you face? What makes it more difficult for you to provide or support affordable housing in the area?
4. What would help you to overcome these barriers? What changes would make your job easier?
5. What types of investments would make it easier to develop housing (infrastructure, transportation, etc.)?
6. Are there specific areas within the City of Bremerton and Kitsap County where it's easier and more difficult to build or support affordable housing? Why is development happening in some areas of the city, but not in others?
7. What type of housing do you think is needed in the City of Bremerton and Kitsap County? (senior, supportive, special needs; townhomes, apartments; studios, larger units; <60% AMI, 60-80% AMI, 80-120% AMI)
8. Are there any opportunity sites you're aware of for market rate or affordable multi-family development?

9. What is your expectation of the development supply pipeline over the next five years?
What trends do you anticipate?
10. What recommendations would you have for the City/County to improve housing coordination in Kitsap? Perhaps to cover gaps in service provision or create new partnerships?

DATE: March 2020
TO: Kitsap County
City of Bremerton
FROM: ECONorthwest
SUBJECT: KITSAP-BREMERTON AFFORDABLE HOUSING INVENTORY AND MARKET ANALYSIS –
APPENDIX B: HOUSING INVENTORY

Background and Purpose

As part of the *Affordable Housing Inventory and Market Analysis* for Kitsap County and the City of Bremerton, this technical memorandum evaluates the current housing inventory, offering a detailed look at the housing in Kitsap County and its jurisdictions, segmented by type, location, price, tenure, and size, among other characteristics. This inventory evaluates the physical characteristics and the financial/economic conditions of housing in the County, and informs a housing needs assessment of the future needs for housing of all types and price points across the County over the next 17 years (Appendix C Housing Needs Assessment). This memorandum is separated into six parts:

- A. Physical Characteristics of Housing
- B. Housing Tenure Characteristics
- C. Housing Costs
- D. Housing Affordability
- E. Access to Transit and Employment Centers
- F. Recent Supply Trends

The findings herein support policy recommendations offered in the *Affordable Housing Inventory and Market Analysis* for the City and County to consider as they continue working to provide housing for all Kitsap residents. This memo is an appendix to the final report.

This assessment uses publicly available data, including from the U.S. Census Bureau, Zillow, CoStar, and the Kitsap County Assessor's data. A seventh section, Methods and Approach, describes the data used and important caveats.

References in this Analysis

Throughout this analysis, we reference and display data for different geographies across Kitsap County. This section steps through the geographic boundaries used, and nomenclature used to address different planning jurisdictions. We also include a few affordable housing terms used herein.

Cities and Census Designated Places vs. Urban Growth Areas

Our analysis uses a variety of data sources. Because the U.S. Census Bureau is the main source of data for this memorandum and Appendix B Housing Inventory, we use its definitions of

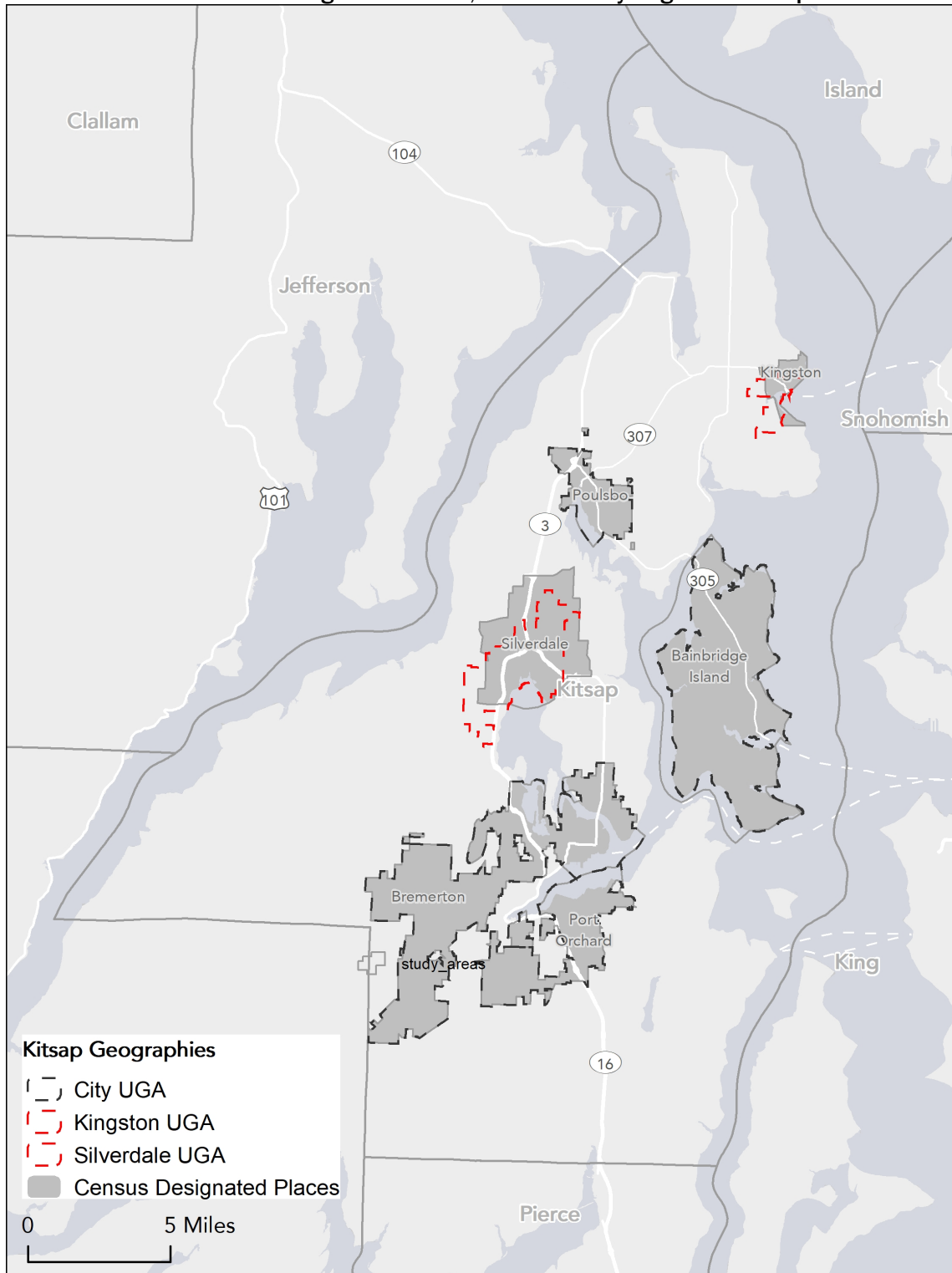
“Places” and “Census Designated Places” (CDPs) to analyze and display the data pertinent to this study. Places typically refer to cities, towns, villages, and boroughs, and are “a concentration of population either legally bounded as an *incorporated* place, or identified as a Census Designated Place.”¹ CDPs differ from places in that CDPs are “statistical geographic entities representing closely settled, *unincorporated* communities that are locally recognized and identified by name.”² CDPs are statistically equivalent to incorporated places and they are the Census Bureau’s best approximation for unincorporated areas across the country.

This analysis uses CDP boundaries instead of Urban Growth Areas (UGAs), which are the County’s urban planning boundaries for Kingston and Silverdale, because the Census provides more data on these area’s population and economic characteristics. The map in Exhibit A below shows the CDP boundaries in grey, the UGA boundaries for Bainbridge Island, Bremerton, Port Orchard, and Poulsbo in black, and the UGA boundaries for Kingston and Silverdale in red. As the map demonstrates, the UGA boundaries for Bainbridge Island, Bremerton, Port Orchard, and Poulsbo are aligned with the CDPs, and the Kingston and Silverdale UGAs have meaningful overlap. As such, they are a good approximation and allow us access to more data.

¹ U.S. Census Bureau, *Place* definition. Retrieved from: <https://factfinder.census.gov/help/en/place.htm>

² U.S. Census Bureau, *Census Designated Place (CDP) Program for the 2010 Census—Proposed Criteria*, 72 Federal Register 17326-17329. April 6, 2007. Retrieved from: <https://www.govinfo.gov/content/pkg/FR-2007-04-06/pdf/E7-6465.pdf>

Exhibit A. We use Census Designated Places, Which Closely Align with Kitsap UGAs



Source: UGA boundaries come from the Kitsap County Department of Community Development. Census boundaries come from Census GIS files.

In this analysis, references to “Kitsap County,” “Kitsap,” or “the County” relate to the county as a whole, inclusive of the other planning areas (cities and urban growth areas). For example, if a

statistic shows the average age for Kitsap County residents alongside the average age for residents of the City of Bremerton, the ages of Bremerton residents would be included in the Kitsap County average.

Recognizing the importance of providing data and analysis for the Kitsap County planning jurisdiction, we reference this geographic area as “Unincorporated Kitsap County.” This excludes the city planning jurisdictions, and includes urban growth areas. Within this Unincorporated Kitsap County jurisdiction, we often show the Kingston and Silverdale CDPs (not UGAs), and then calculate a third boundary called “all other areas.” These are mutually exclusive so the sum of the different CDPs and the “all other areas” will equal the Kitsap County total. The following exhibit demonstrates this math.

Exhibit B. Example Display of Kitsap County Geographies

Year	Kitsap County	Bainbridge Island	Bremerton	Port Orchard	Poulsbo	Unincorporated Kitsap County		
						Kingston	Silverdale	All Other Areas
Total	A	B	C	D	E	F	G	= A – B–C–D– E–F–G

We make every effort to include a note below each table and chart describing the boundaries. Readers should assume that in-text references to “Kitsap County” or “the County” are inclusive of all other jurisdictions within the County. At times, we further clarify this point by referencing residents “across the County” or businesses “throughout the County,” or we discuss “Kitsap County as a whole,” or a statistic for “the entire County.”

Affordable Housing Terms

We refer to “affordable housing” as regulated housing units that have income- or rent-restrictions to ensure the housing is occupied by households earning a certain threshold of Kitsap’s area median family income (MFI). Most rent-restricted affordable housing is restricted to be affordable to households earning under 60% MFI, but these restrictions vary.

The term “workforce housing” is often used to describe housing units that are affordable to households earning more than 60% MFI. These can be regulated or unregulated.

We refer to unregulated housing that is affordable to low income households as “low cost market rentals.” These housing units are often “affordable” by nature of their location, condition, age, or the amenities offered nearby or at the property.

“Housing that is affordable” refers to any type of housing, regulated or not, that costs less than 30% of a household’s pre-tax income. This definition is a generally accepted definition of affordability.

Kitsap County MFI

According to HUD, Kitsap County’s MFI was \$77,119 in 2017.

- 30% of MFI is about \$23,135
- 50% of MFI is about \$38,559
- 60% of MFI is about \$46,271
- 80% of MFI is about \$61,695
- 100% of MFI is \$77,119
- 120% of MFI is about \$92,542

We use the term “cost burdening” to refer to households who pay more than 30 percent of their income on housing costs. We use the term “severe cost burdening” for households paying more than 50 percent of their income on housing. These terms come from HUD, and include mortgage payments and interest, or rent, utilities, and insurance.

Summary Findings

- Fewer than 3,800 housing units have been built in Kitsap County between 2010 and 2017, and when accounting for demolition or obsolescence of units, the net new units is about 3,600. This compares to household growth of 3,264 over that same time period.
- Port Orchard and Poulsbo led in constructing new housing units since 2010. As these areas are not the biggest cities nor the fastest growing (for households), this demonstrates a commitment to development that will bring price benefits if household demand remains strong in the years to come.
- About 40 percent of Bremerton's housing stock is multifamily. As most of the City's multifamily housing is rentals, the City also has a lower homeownership rate (43 percent) than the County (67 percent), State (63 percent), and the U.S. as a whole (64 percent).
- Kitsap County has a number of small-unit condominium developments in certain locations. The cities and County could try to encourage these types of developments since they have been proven to work via feasibility at certain points in the past.
- Kitsap County has many mobile homes that are not located in mobile home communities, but are a home located on a unique, often large parcel. The average land value for these mobile homes can be pretty high in some areas, reaching up to \$240,000 on Bainbridge Island. Rising land values can create pressure to redevelop, which puts these residents at risk of displacement.
- Rent restricted affordable housing is scarce in Kitsap County and is concentrated in a few locations around the County. Bremerton has the most affordable housing and also has the most deeply affordable housing: about 66 percent of all units restricted below 30% MFI are located in Bremerton, likely due to the presence of the Bremerton Housing Authority (housing authorities often operate deeply affordable units) and the presence of extremely low income households needing housing.
- As of 2013–2017, Kitsap County had a shortage of 5,782 units of rental housing affordable to its extremely low-income renter households (those earning less than 30 percent of the median family income or about \$23,135 for a family of four). When jurisdictions look at developing the new 25,147 housing units over the next 17 years, it should work to remedy the current deficit available to lower income households.
- Kitsap also has a deficit of rental housing appropriately priced for higher-income households. In this same time period, Kitsap had about 7,000 households earning more than the median family income (\$77,119 for a family of four) but only 1,800 units that are "affordably priced" for those households. This means these higher income renter household are competing for available housing stock with lower-income households, putting further pressure on the availability of appropriately priced housing.
- The majority of homes near transit, ferries, and major employment centers is single-family stock (and predominantly for-sale housing). Because of the prevalence of this

housing type, and because homeownership is out of reach for most low-income, minority, or marginalized households, these communities are also locked out of important access to jobs, opportunity, amenities, and services in the region.

- Kitsap has limited employment options with a high number of residents either entering or leaving the County for employment. With multiple ferry routes to Seattle and other Puget Sound cities, households living near a ferry terminal gain immense access to employment, recreation, and amenities in other areas of the Puget Sound. Approximately 1,550 households on Bainbridge live within one mile of a ferry terminal, about 2,110 households live near a ferry in Bremerton, and so do about 1,180 households in Kingston and Southworth combined. In Bremerton, this figure includes 407 households in multifamily housing.

A. Physical Characteristics of Housing

Total Stock and Change Over Time

There are nearly 111,000 total housing units across the entire County as of the 2013–2017 time period³ (see Exhibit 1 below). Within the Census designated cities, Bremerton has the most housing, followed by Bainbridge Island and then Silverdale. However, the vast majority of the housing units in the County are in unincorporated Kitsap County, which lies outside of the four primary cities.⁴

Exhibit 1. The Total Housing Stock in Kitsap County Has not Grown Much Since 2010

		2000	2010	2013-2017	Difference and (%) 2000 - 2010	Difference and (%) 2010 and 2013-2017	2013-2017 percent of Total Stock
	Kitsap County	92,644	107,367	110,944	14,723 (16%)	3,577 (3%)	100%
Principle Cities	Bainbridge Island	8,517	10,584	10,340	2,067 (24%)	(244) (-2%)	9%
	Bremerton	16,631	17,273	18,541	642 (4%)	1,268 (7%)	17%
	Port Orchard	3,178	4,630	5,460	1,452 (46%)	830 (18%)	5%
	Poulsbo	2,992	4,115	4,312	1,123 (38%)	197 (5%)	4%
Uninc. Kitsap County	Kingston	773	1,092	1,057	319 (41%)	(35) (-3%)	1%
	Silverdale	6,246	8,555	9,051	2,309 (37%)	496 (6%)	8%
	All Other Areas	54,307	61,118	62,183	6,811 (13%)	1,065 (2%)	56%

Source: U.S. Census Bureau, 2000 Census Summary File 1 (100% Data), Table H003; 2010 Decennial Census Summary File 1, Table H3; 2013-2017 ACS 5-Year Estimates, Table DP04.

Notes: Data include vacant housing and show total number of units at points in time. Changes over time will account for demolition. Difference between 2000 and 2010 and 2010-2013-2017 will differ from values in Exhibit 12. Data are shown for the city boundaries of Bainbridge Island, Bremerton, Port Orchard, and Poulsbo, as well as the boundaries of the Kingston and Silverdale Census Designated Places. Data for the “All Other Areas” is equal to the Kitsap County total less the six cities shown, and is a rough approximation for the remaining Unincorporated Kitsap County area.

Across the County, net new housing slowed between the 2000–2010 period and the 2010 to 2013–2017 period in every geographic area shown in Exhibit 1. In the lead up to the housing crisis, the County saw about 14,700 net new housing units produced between 2000 and 2010 (16 percent growth), but in the seven years post–2010, net new housing units only grew by 3,600 (about three percent). If the rate of production in these seven years were extrapolated for the full decade (to compare two equal time periods), the growth rate would still only be five percent.

Port Orchard led the way in housing growth in both time periods (46 percent growth in 2000–2010 and 18 percent growth in 2010–2017), but its growth rate fell by more than half. Poulsbo also had strong growth in the 2000–2010 time period, but its growth rate fell even farther.

³ See the G. Methods and Approach section on page 53 for information on the 2013–2017 time period referenced.

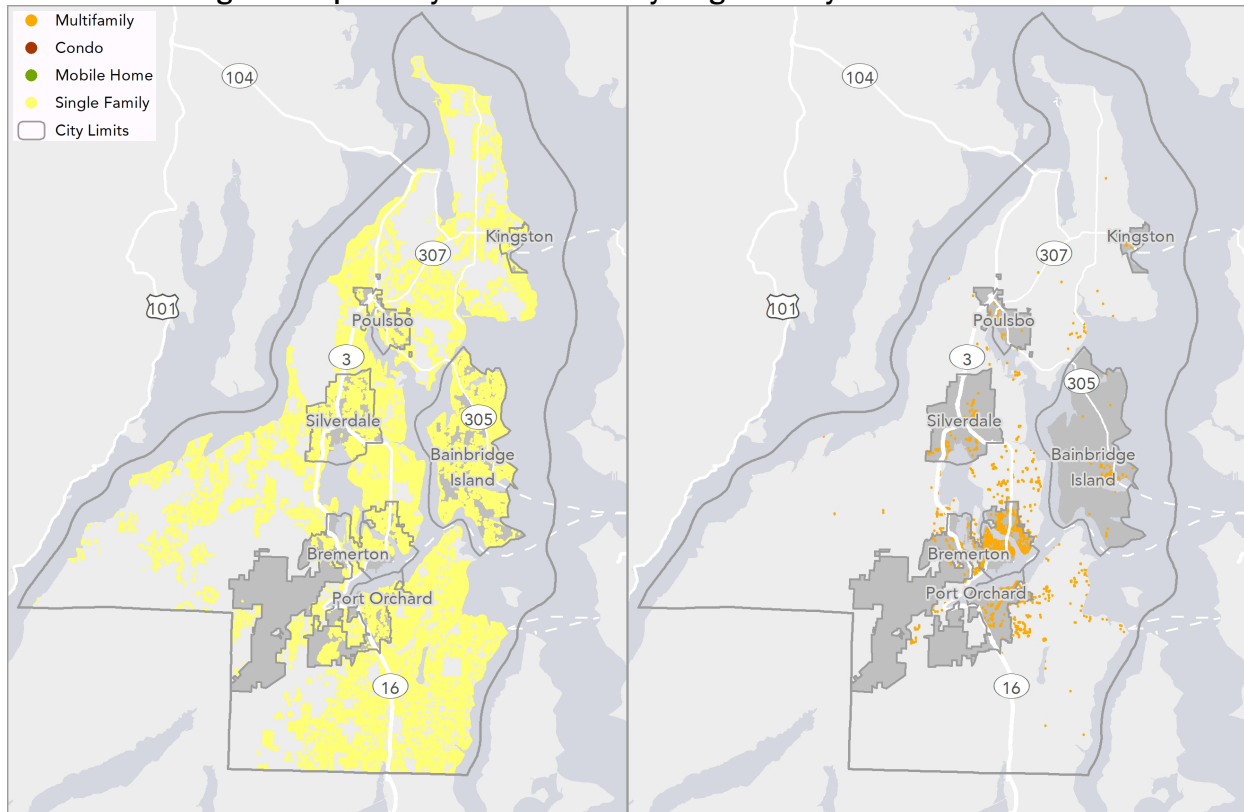
⁴ See nomenclature and geographic references on page 1.

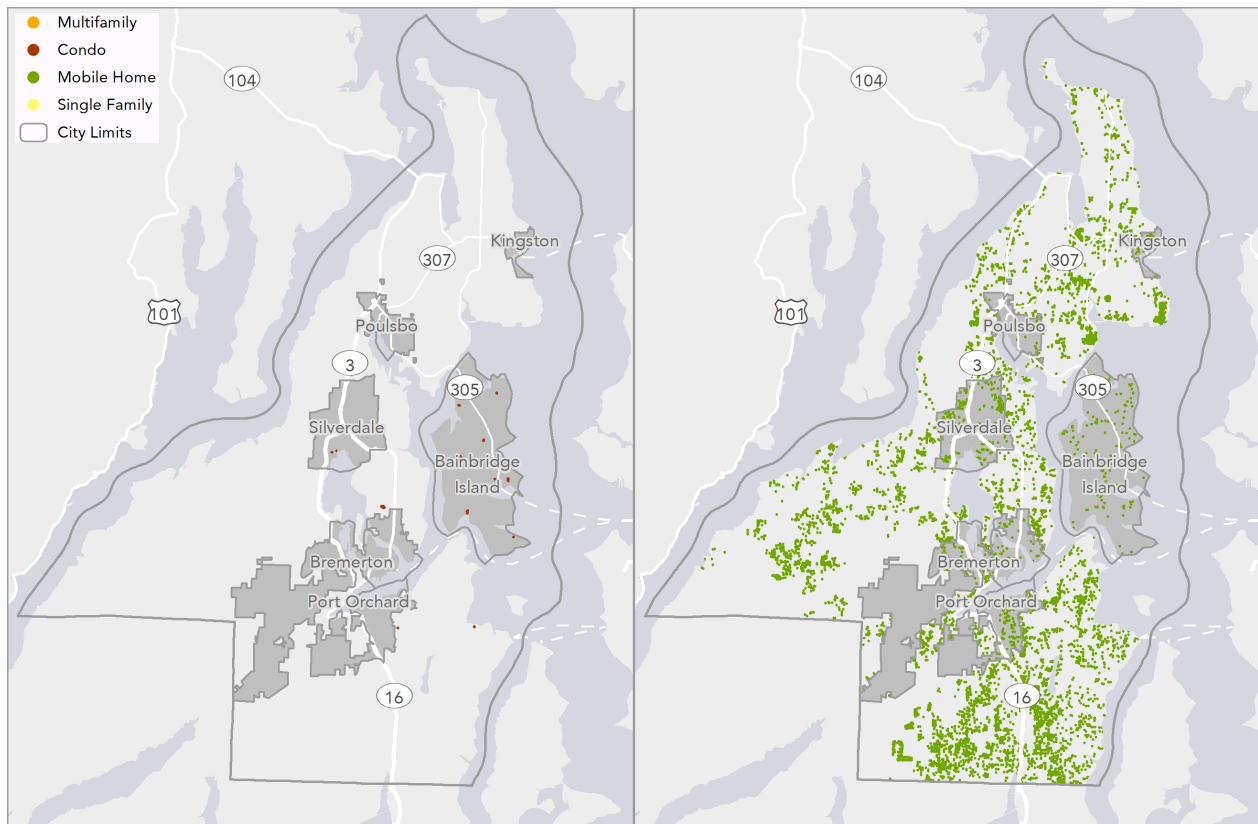
Bainbridge Island saw more demolitions in the 2010–2017 time period than new housing units. All of these declines in production are likely factors in the strong price and rent growth explored in Section C (beginning on page 26).

Housing Type

The majority of Kitsap County's total housing stock consists of single-family homes, as shown in Exhibit 2 and Exhibit 3.

Exhibit 2. Housing in Kitsap County is Predominantly Single Family





Source: Kitsap County Assessor's data, 2019.

This existing supply of housing reflects Kitsap's historic nature as a relatively rural area, past growth and demand for housing near the naval base, and also reflects current regulations governing land use and zoning as the area continues to grow. Exhibit 3 below also demonstrates the following findings about housing across Kitsap County:

- Approximately (74 percent) of the County's approximate 111,000 total housing units are single-family homes.⁵
- Bainbridge Island has the largest share of single-family housing, at about 81 percent of its total inventory.
- Multifamily housing⁶ represents about 18 percent of the County's total housing stock, but it is much higher in cities such as Bremerton (about 40 percent of its respective housing stock), Port Orchard (28 percent), and Poulsbo (27 percent).
- Very little multifamily housing is located in unincorporated Kitsap County, with the exception of Silverdale where 36 percent of its housing stock is multifamily. The share of

⁵ In this memorandum, single-family homes are the sum of single-family detached and single-family attached homes (e.g., townhomes), unless stated otherwise.

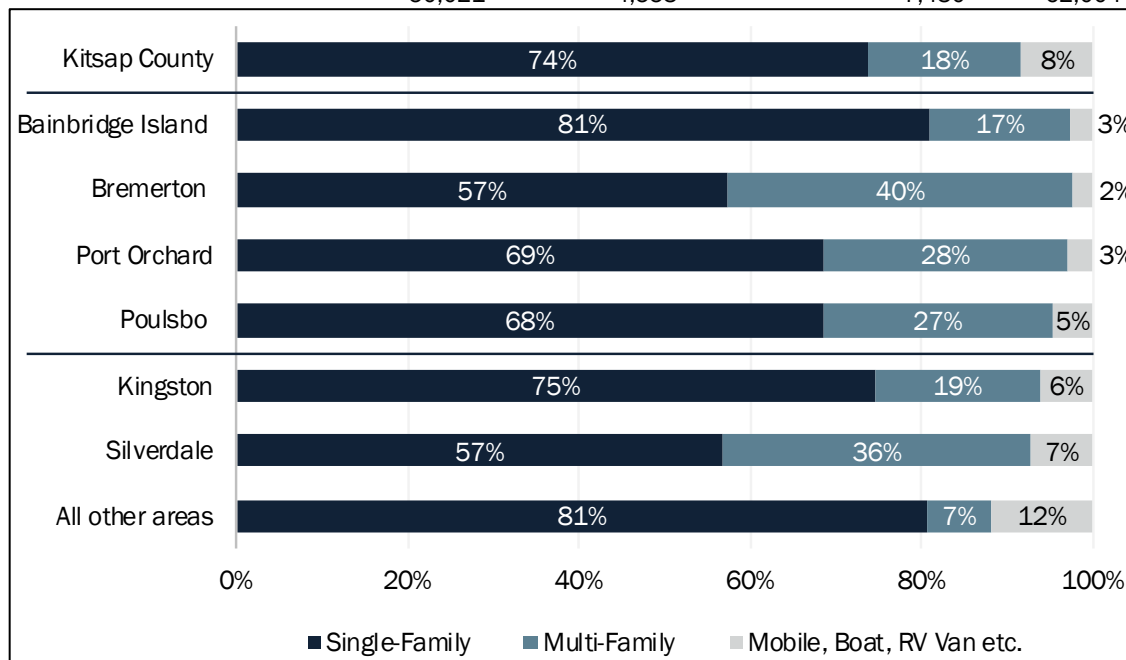
⁶ In this memorandum, multi-family refers to all housing that is two or more units, including duplexes, triplexes on through large multi-unit properties.

multifamily housing in “All Other Areas” is quite low at seven percent, which reflects Kitsap’s semi-rural nature.

- Mobile homes (as defined by the Office of Financial Management and the American Community Survey) account for about eight percent of the County’s total housing stock and they are much more likely to be located outside of principle cities.

Exhibit 3. Housing Units Across Jurisdictions Are Predominantly Single-Family, 2013-2017

		Single-family	Multi-family	Mobile, Boat, RV Van etc.	Total
Principle Cities	Kitsap County	81,736	19,963	9,245	110,944
	Bainbridge Island	8,355	1,719	266	10,340
	Bremerton	10,633	7,473	435	18,541
	Port Orchard	3,743	1,550	167	5,460
	Poulsbo	2,953	1,152	207	4,312
Uninc. Kitsap County	Kingston	788	203	66	1,057
	Silverdale	5,243	3,313	674	9,230
	All Other Areas	50,021	4,553	7,430	62,004

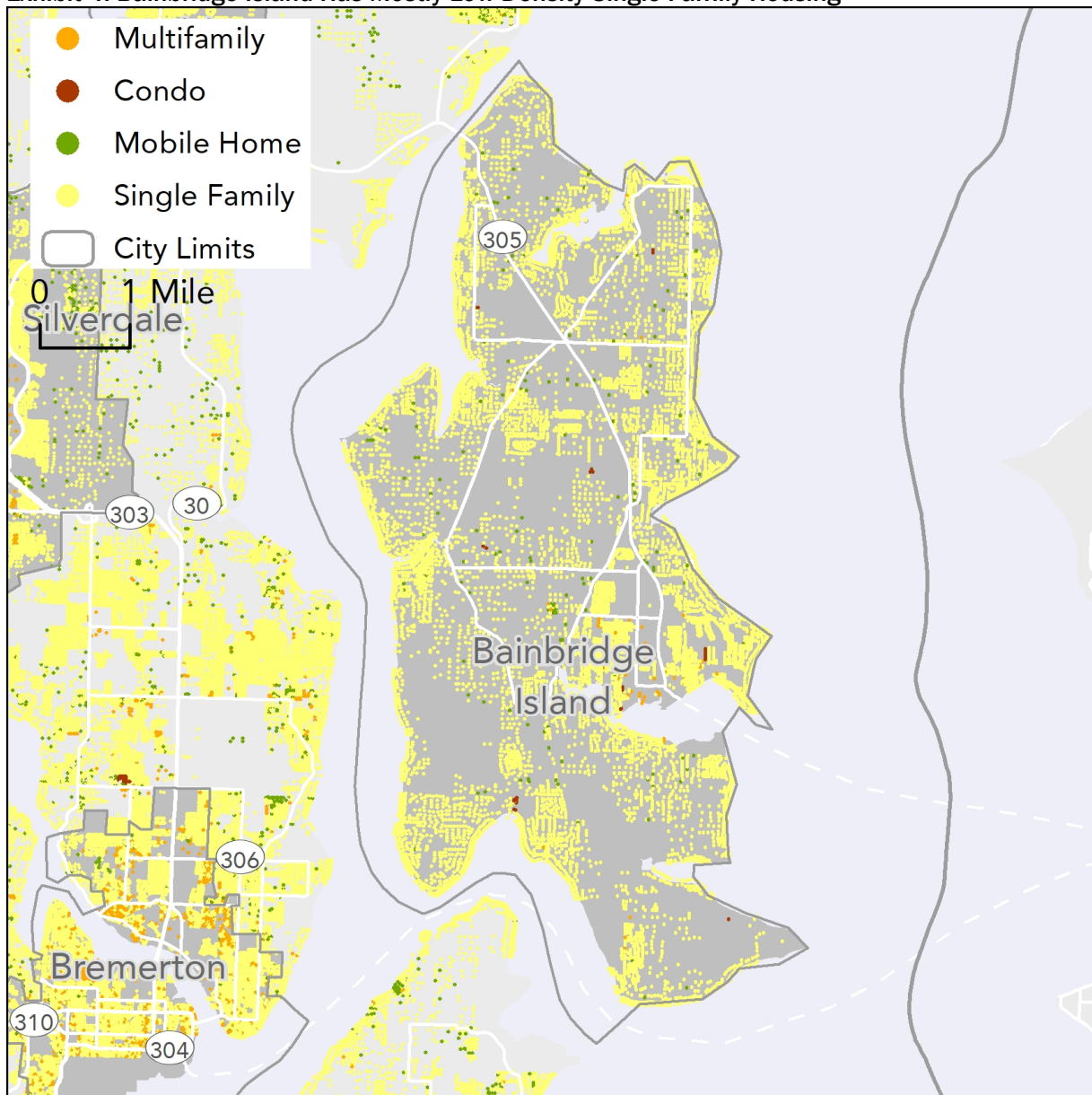


Source: U.S. Census Bureau, 2013-2017 ACS 5-Year Estimates, Table DP04.

Notes: Data includes vacant housing stock. Percent indicates the share of a location’s total housing that is each type. Data are shown for the city boundaries of Bainbridge Island, Bremerton, Port Orchard, and Poulsbo, as well as the boundaries of the Kingston and Silverdale Census Designated Places. Data for the “All Other Areas” is equal to the Kitsap County total less the six cities shown, and is a rough approximation for the remaining Unincorporated Kitsap County area.

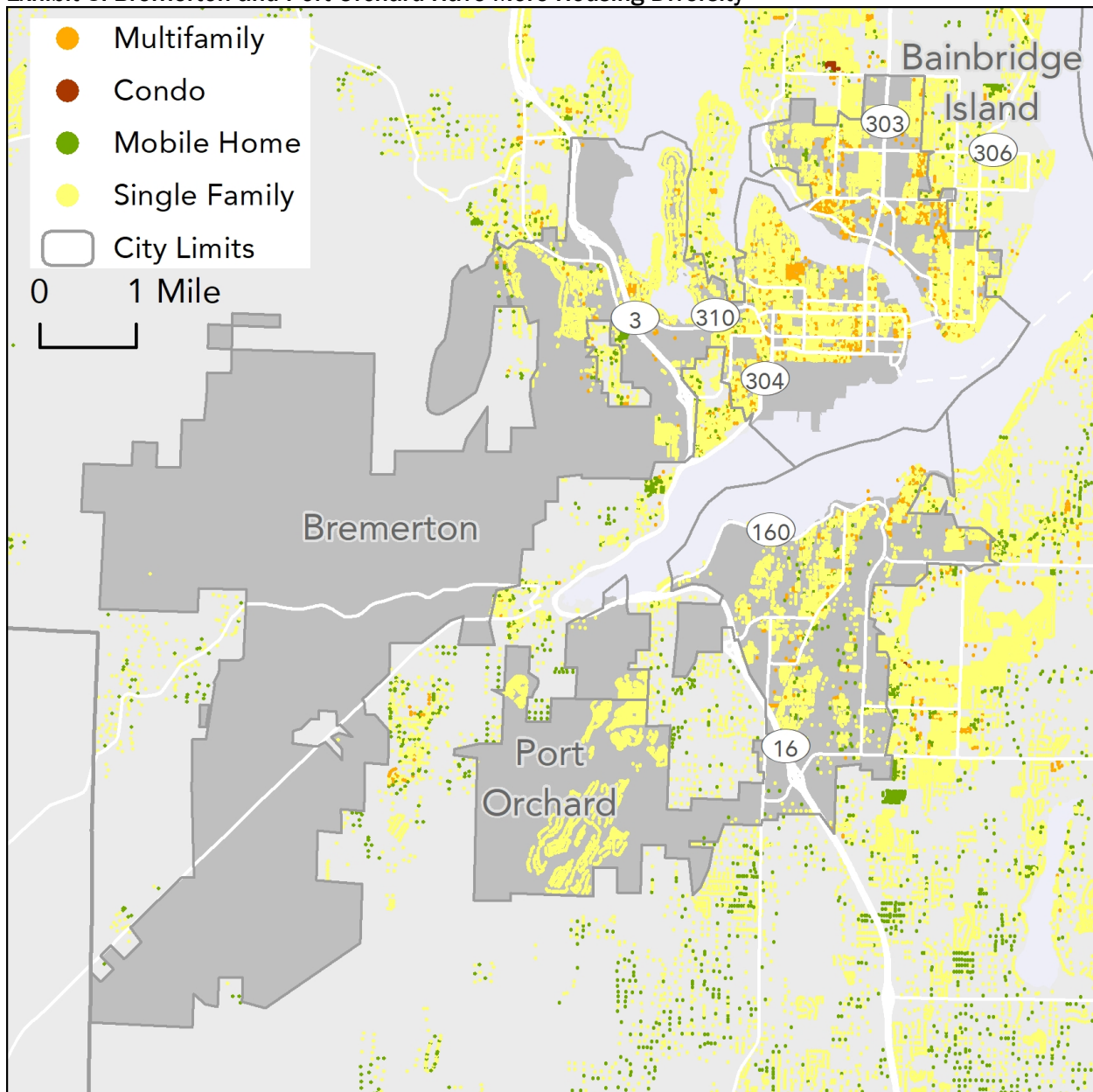
The maps in Exhibit 4 through Exhibit 8 display the predominance of single-family homes on Bainbridge Island, and in Bremerton, Port Orchard, Silverdale, Poulsbo, and Kingston. These maps are also helpful to understand where condos have been found to work with market fundamentals. For the purposes of these maps, “Multifamily” refers to two or more units of rental housing and “Condo” refers to two or more units of ownership housing.

Exhibit 4. Bainbridge Island Has Mostly Low-Density Single Family Housing



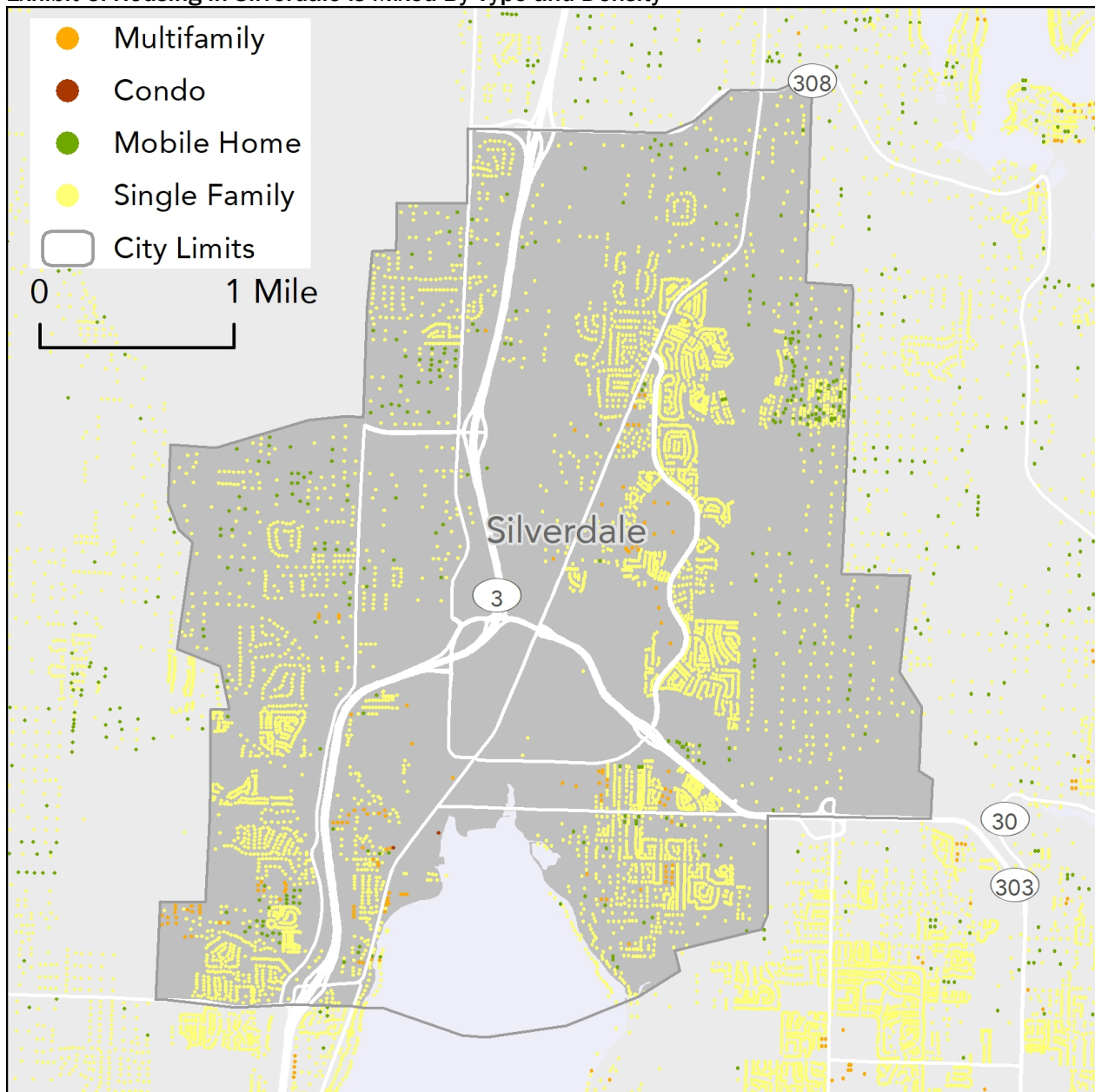
Source: Kitsap County Assessor's data, 2019.

Exhibit 5. Bremerton and Port Orchard Have More Housing Diversity



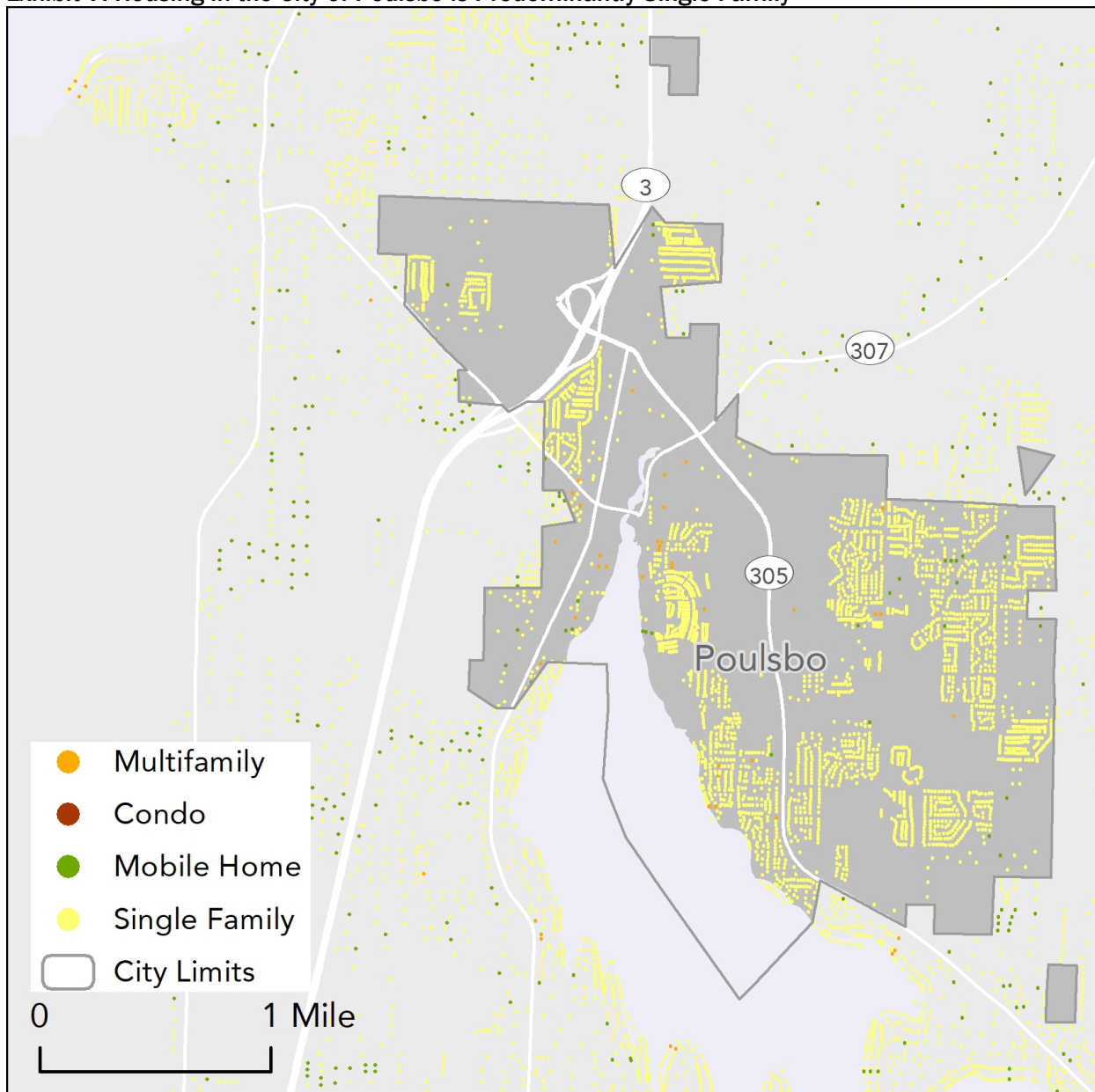
Source: Kitsap County Assessor's data, 2019.

Exhibit 6. Housing in Silverdale is Mixed By Type and Density



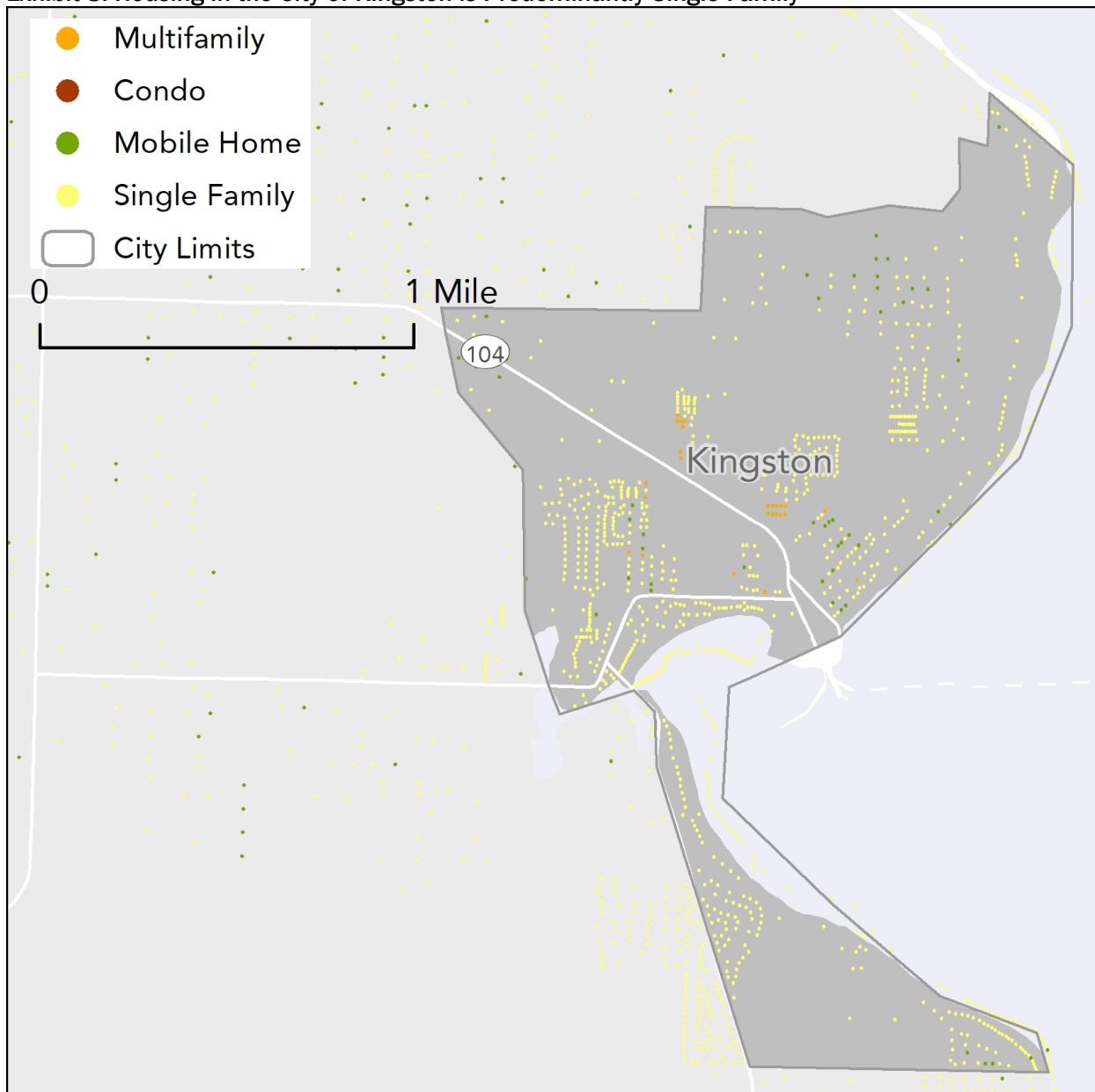
Source: Kitsap County Assessor's data, 2019.

Exhibit 7. Housing in the City of Poulsbo is Predominantly Single Family



Source: Kitsap County Assessor's data, 2019.

Exhibit 8. Housing in the City of Kingston is Predominantly Single Family

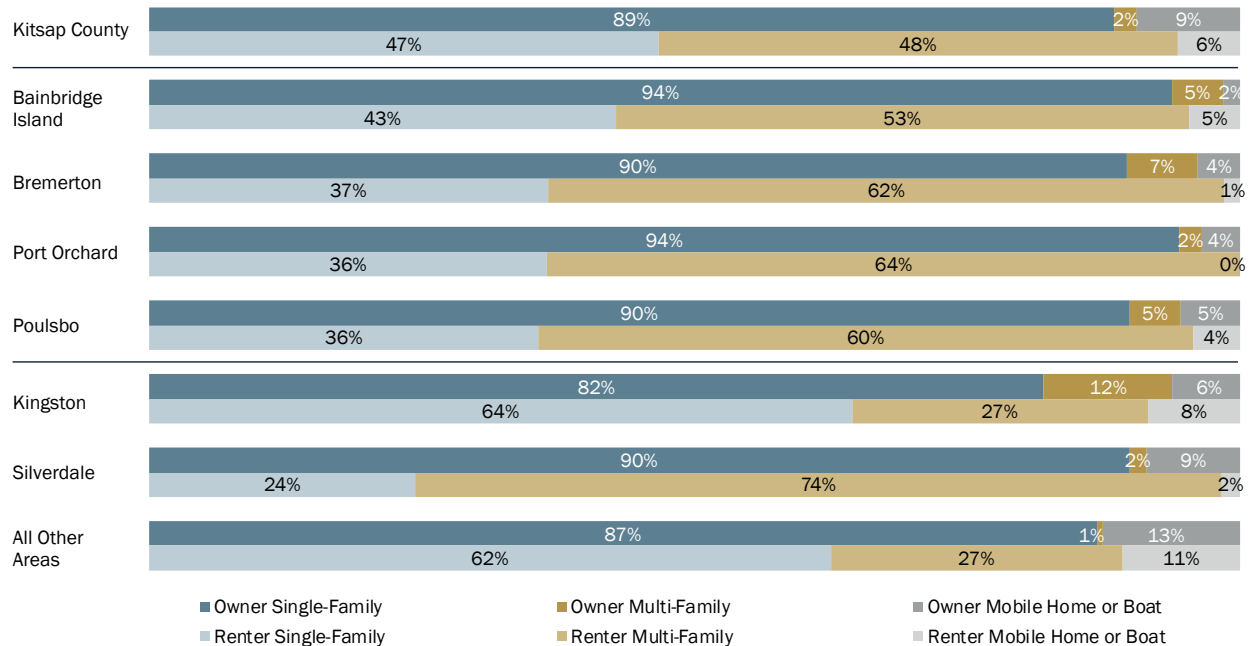


Source: Kitsap County Assessor's data, 2019.

Exhibit 9 below displays the share of each type of housing stock (renter and owner) by size for each city and the entire County. The dark bars (on top of each group) represent ownership housing stock, while the lighter bars (on bottom of each group) represent rental housing stock. In addition, the blue sections of each bar are single-family housing (both attached and detached), the yellow sections are multifamily housing (two or more units), and the grey sections are mobile homes and boats used as housing.

A few examples in reading the chart are as follows: *To compare the composition of all ownership housing, look at the dark bars for each geography. To compare just owned multifamily housing (duplexes, triplexes or condos) look at the dark yellow sections of each group.*

Exhibit 9. Kitsap has Some Single-Family Rental and Some Multifamily Ownership Stock



Source: U.S. Census Bureau, 2013-2017 ACS 5-Year Estimates, Table B25032.

Notes: Data excludes vacant housing units. Data shown for Kitsap County are the entire county, inclusive of the other areas shown. Data are shown for the city boundaries of Bainbridge Island, Bremerton, Port Orchard, and Poulsbo, as well as the boundaries of the Kingston and Silverdale Census Designated Places. Data for the "All Other Areas" is equal to the Kitsap County total less the six cities shown, and is a rough approximation for the remaining Unincorporated Kitsap County area.

This chart demonstrates a few findings:

- Nearly half (47 percent) of the single-family housing stock is renter-occupied countywide (light blue sections). Across the County's cities, the percent of single-family homes that are renter-occupied range from 28 percent in Silverdale to 43 percent on Bainbridge Island.
- Further, this chart also demonstrates that Bremerton, Bainbridge Island, Poulsbo, and Kingston have some multifamily housing that is owner-occupied (such as duplexes, triplexes, or condos—see the dark yellow sections). While these are still small shares of the overall housing stock, these condos may offer more affordable homeownership opportunities. Kingston leads with 12 percent of its overall owner-occupied housing stock as ownership multifamily, while Bremerton has seven percent, and Bainbridge Island and Poulsbo have five percent each.
- Interestingly, some areas have mobile homes (and a few boats) that are renter-occupied rather than owner-occupied (light grey bars).

Mobile Homes

Mobile homes are an important part of any county's housing stock, offering lower cost housing for many households that do not want to live in an apartment building or those that may prefer a more rural, low-density type of housing. The locations of these units are shown in the map in Exhibit 2 on page 9.

Exhibit 10 below shows the number of mobile homes in each principle city that are designated as being on "leased property" in the Assessor's data. The majority of these homes are in mobile home communities. As the table demonstrates, 893 of the 1,501 homes (about 60 percent) are located outside of principle cities and are dispersed throughout the County. Of those homes located within the major cities, Port Orchard has the lowest average mobile home value (\$18,550). Bremerton has the most homes (155) relative to all other principle cities and it also has the oldest average year built.

Exhibit 10. Mobile Homes In Communities are Lower Value and are Aging

	Location	Total Mobile Homes	Ownership	Average Building Value	Average Year Built
	Kitsap County	2,004	Leased	\$29,208	1983
Principle Cities	Bainbridge Island	49	Leased	\$34,774	1987
	Bremerton	116	Leased	\$27,929	1976
	Port Orchard	5	Kitsap Housing Authorities	-	1968
	Port Orchard	129	Leased	\$17,848	1980
	Poulsbo	120	Leased	\$28,010	1984
	Kingston	0	Leased	-	-
Uninc. Kitsap County	Silverdale	86	Leased	\$30,263	1992
	All Other Areas	1,499	Leased	\$30,235	1983

Source: Kitsap County Assessor's data, 2019.

Notes: Data are shown for the city boundaries of Bainbridge Island, Bremerton, Port Orchard, and Poulsbo, as well as the boundaries of the Kingston and Silverdale Census Designated Places. Data for the "All Other Areas" is equal to the Kitsap County total less the six cities shown, and is a rough approximation for the remaining Unincorporated Kitsap County area.

The majority of the mobile homes across Kitsap County are not in parks but are mobile units located on their own parcel in rural areas, as demonstrated in Exhibit 11 below. This table displays mobile homes where the Assessor collects taxes for the property as well as the dwelling. Mobile homes on these properties have a much higher value than those that reside in mobile home communities, as they can include manufactured homes (such as doublewide trailers). Many of these properties are rural in nature as well, which is described by the rather large average acreage per unit across the County and in areas like Bainbridge and Port Orchard.

Exhibit 11. Mobile Homes on Unique Parcels Have High Land Values

	Location	Total Mobile Homes	Average Building Value	Average Land Value	Average Year Built	Average Parcel Size
	Kitsap County	7,009	\$91,675	\$164,210	1988	1.67
Principle Cities	Bainbridge Island	180	\$62,589	\$240,376	1987	1.32
	Bremerton	355	\$70,858	\$48,320	1984	0.29
	Port Orchard	100	\$69,831	\$79,725	1988	0.85
	Poulsbo	30	\$81,089	\$124,994	1983	1.10
Uninc. Kitsap County	Kingston	26	\$81,089	\$124,994	1983	0.41
	Silverdale	157	\$94,154	\$87,819	1988	0.52
	All Other Areas	6,676	\$93,940	\$70,262	1988	1.80

Source: Kitsap County Assessor's data, 2019.

Notes: Data shown for Kitsap County are the entire county, inclusive of the other areas shown. Data are shown for the city boundaries of Bainbridge Island, Bremerton, Port Orchard, and Poulsbo, as well as the boundaries of the Kingston and Silverdale Census Designated Places. Data for the "All Other Areas" is equal to the Kitsap County total less the six cities shown, and is a rough approximation for the remaining Unincorporated Kitsap County area.

Because many of these homes are situated on large parcels, the average land value is quite high in some areas, reaching almost \$167,900 on Bainbridge Island. Because mobile homes are costly and difficult to move—with moving costs often exceeding the market value of the unit—pressure to sell or redevelop may mount as these units continue to age and as the housing market in Kitsap County continues to rise.

Age of Housing Stock

The housing stock across Kitsap County is a mix of ages, as demonstrated by Exhibit 12. Interestingly, more housing was built in Kitsap County in the 1990s than in the run up to the housing bubble in the 2000s. Almost 40 percent of the total housing stock in the County was built in the last three decades (since 1990).

Exhibit 12. Kitsap County has Built Very Little Housing Since 2010

Year	Kitsap County	Bainbridge Island	Bremerton	Port Orchard	Poulsbo	Unincorporated Kitsap County		
						Kingston	Silverdale	All Other Areas
Built 2010 or later	3,791	468	625	680	264	52	128	1,522
Built 2000s	15,382	2,188	1,145	1,073	1,049	197	1,225	8,247
Built 1990s	24,674	2,085	1,452	1,306	1,000	260	3,856	14,087
Built 1980s	18,125	1,398	1,654	460	749	219	1,975	11,185
Built 1970s	20,019	1,660	2,900	569	723	116	944	12,986
Built 1960s	7,643	662	1,862	210	98	66	408	4,144
Built 1950s	5,267	361	1,854	302	166	10	158	2,274
Built 1940s	6,805	495	3,008	351	102	29	123	2,665
Built 1939 or earlier	9,238	1,023	4,041	509	161	108	234	3,151
Total	110,944	10,340	18,541	5,460	4,312	1,057	9,051	60,261

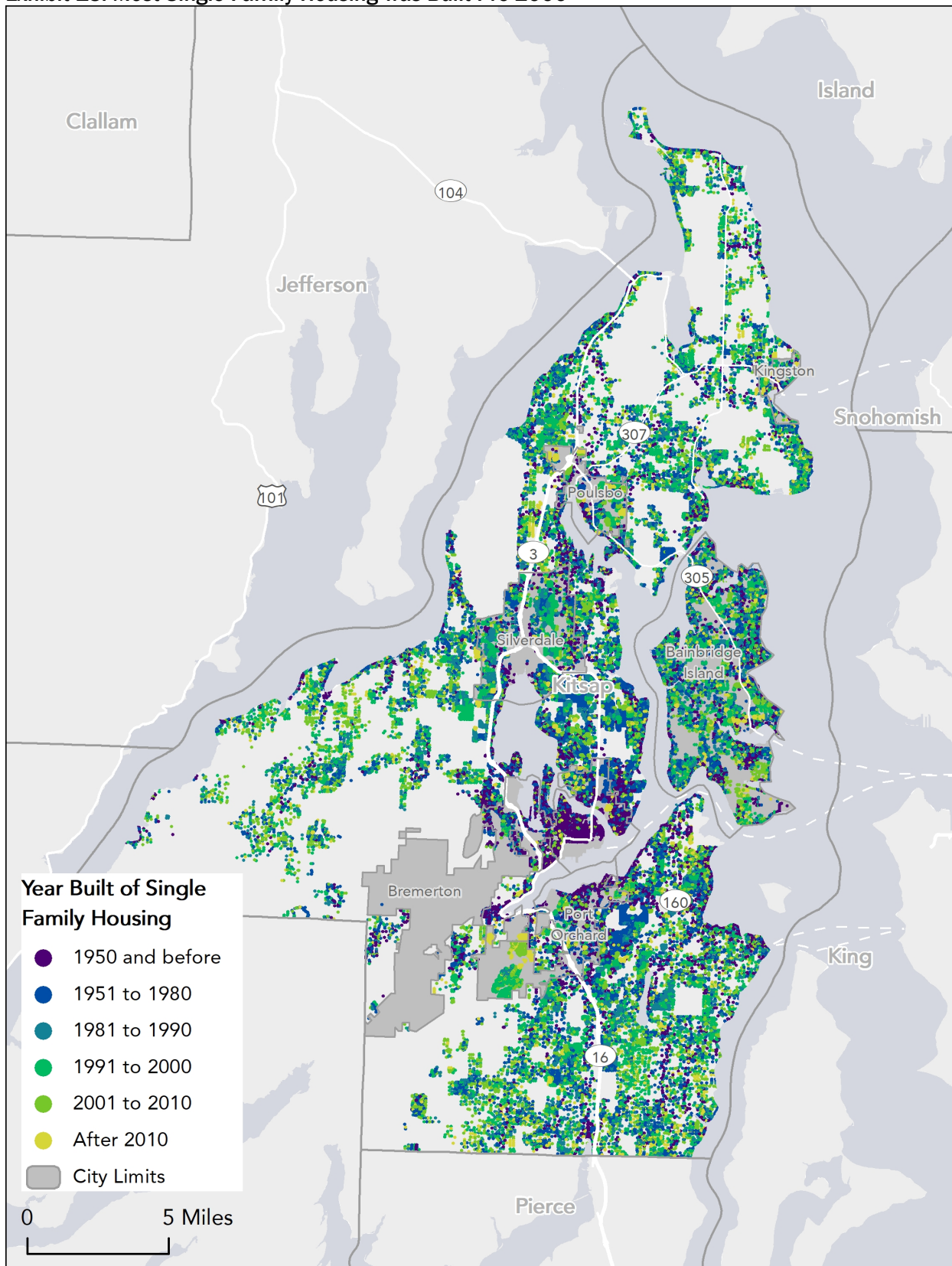
Source: U.S. Census Bureau, 2013-2017 ACS 5-Year Estimates, Table B25034.

Notes: Data show number of units built and do not account for demolition; units built 2000-2010 and post-2010 will differ from values in Exhibit 1. Data shown for Kitsap County are the entire county, inclusive of the other areas shown. Data are shown for the city boundaries of Bainbridge Island, Bremerton, Port Orchard, and Poulsbo, as well as the boundaries of the Kingston and Silverdale Census Designated Places. Data for the "All Other Areas" is equal to the Kitsap County total less the six cities shown, and is a rough approximation for the remaining Unincorporated Kitsap County area.

In addition, Kitsap County as a whole has not been building much housing this decade, particularly compared to the booming years of the 2000s. From 2010 to 2013–2017, only 3,791 new units have been built across the entire County. While the housing market has been strong since 2017 and any new units built since 2017 are not captured in this data, this is still far below the 15,382 units built in the 2000s. Since 1990, the County has averaged more than 2,000 new units per year. Of all the cities in Kitsap County, Port Orchard has seen the most unit growth since 2010. This is impressive given that it is not the largest city in the County.

Exhibit 13 below shows a map of single-family homes by age using the Kitsap County Assessor's data (the table above uses Census Data). The map clearly demonstrates Port Orchard's recent single-family developments.

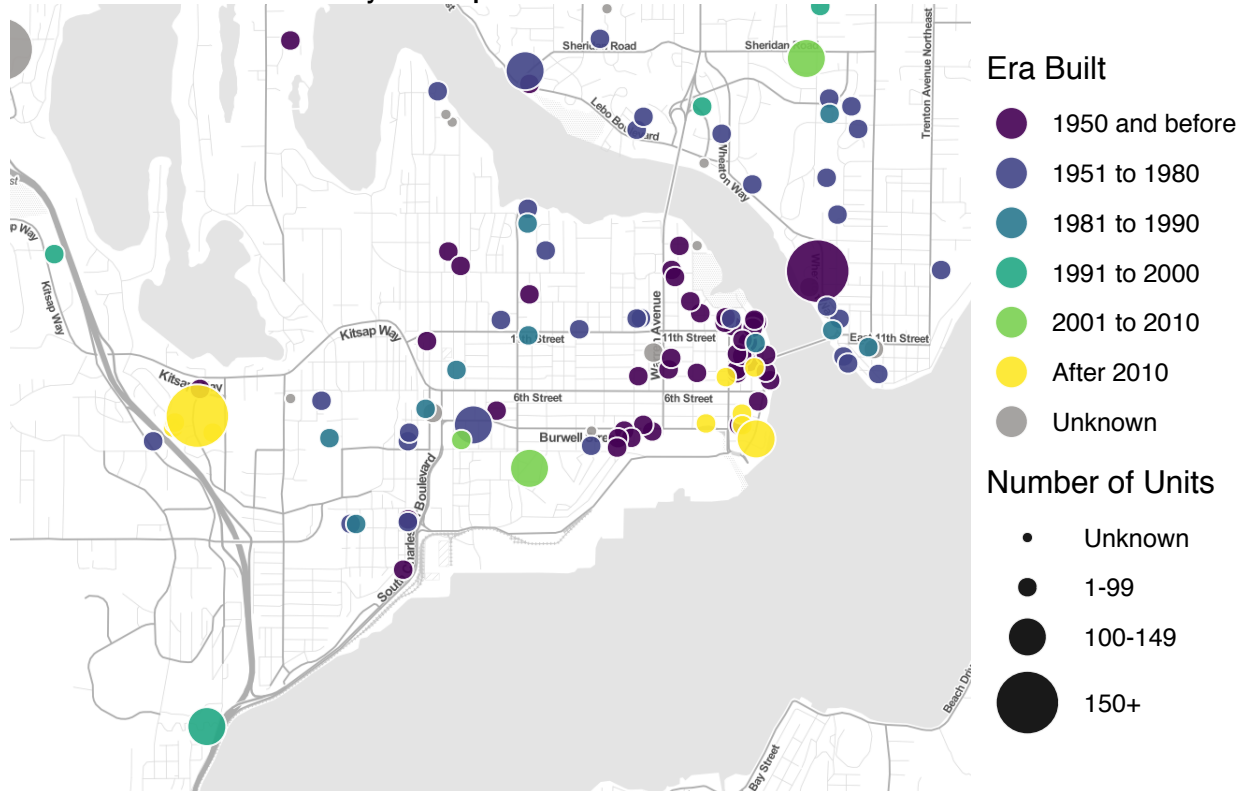
Exhibit 13. Most Single Family Housing was Built Pre-2000



Source: Kitsap County Assessor 2019.

In addition, the map in Exhibit 14 below shows multifamily properties in a portion of the City of Bremerton by era built. The increase in development downtown and the development occurring in the Bay Vista community near Highway 3 are clearly visible in yellow.

Exhibit 14. Recent Multifamily Development in Bremerton is Downtown



Source: ECONorthwest analysis of CoStar data (June 2019).

Vacancy

Overall, about 9.4 percent of the total housing stock in Kitsap County was vacant in 2013–2017. This is similar to the 9.5 percent vacancy rate in 2010, but is higher than that in 2000. The percentage of units that are vacant in Kitsap County is higher relative to Washington State’s 8.9 percent vacancy in the 2013–2017 period. Part of this increased vacancy rates in Kitsap County compared to Washington State as a whole, could be explained by the abundant rural and waterfront properties which can be used as second homes.

Exhibit 15. All Vacancy Across Cities in Kitsap County has Remained Relatively Constant

	2000	2010	2013-2017
Kitsap County	6.7%	9.5%	9.4%
Bainbridge Island	6.3%	10.5%	6.4%
Bremerton	9.2%	13.6%	10.9%
Port Orchard	8.7%	7.6%	12.5%
Poulsbo	4.9%	5.6%	4.3%
Kingston	11.4%	12.4%	13.6%
Silverdale	6.1%	8.5%	6.2%

Source: U.S. Census Bureau, 2000 Decennial Census SF1, Table QT-H1; 2010 Decennial Census SF1, Table QT-H1; 2013-2017 ACS 5-Year Estimates, Table B25002.

Note: Data shown for Kitsap County are the entire county, inclusive of the other areas shown. Data are shown for the city boundaries of Bainbridge Island, Bremerton, Port Orchard, and Poulsbo, as well as the boundaries of the Kingston and Silverdale Census Designated Places.

As Exhibit 16 demonstrates, vacancy rates vary by location and by housing type across the County. Because demand for housing is so high on Bainbridge Island, the vacancy rates are incredibly low: the vacancy rate over the 2013–2017 time period was effectively zero for rental housing and under one percent for ownership housing. Owner vacancy rates are low everywhere except for Port Orchard, which built quite a bit of housing in the past decade as shown in Exhibit 12.

Exhibit 16. Vacancy Rates Are Extremely Low on Bainbridge Island

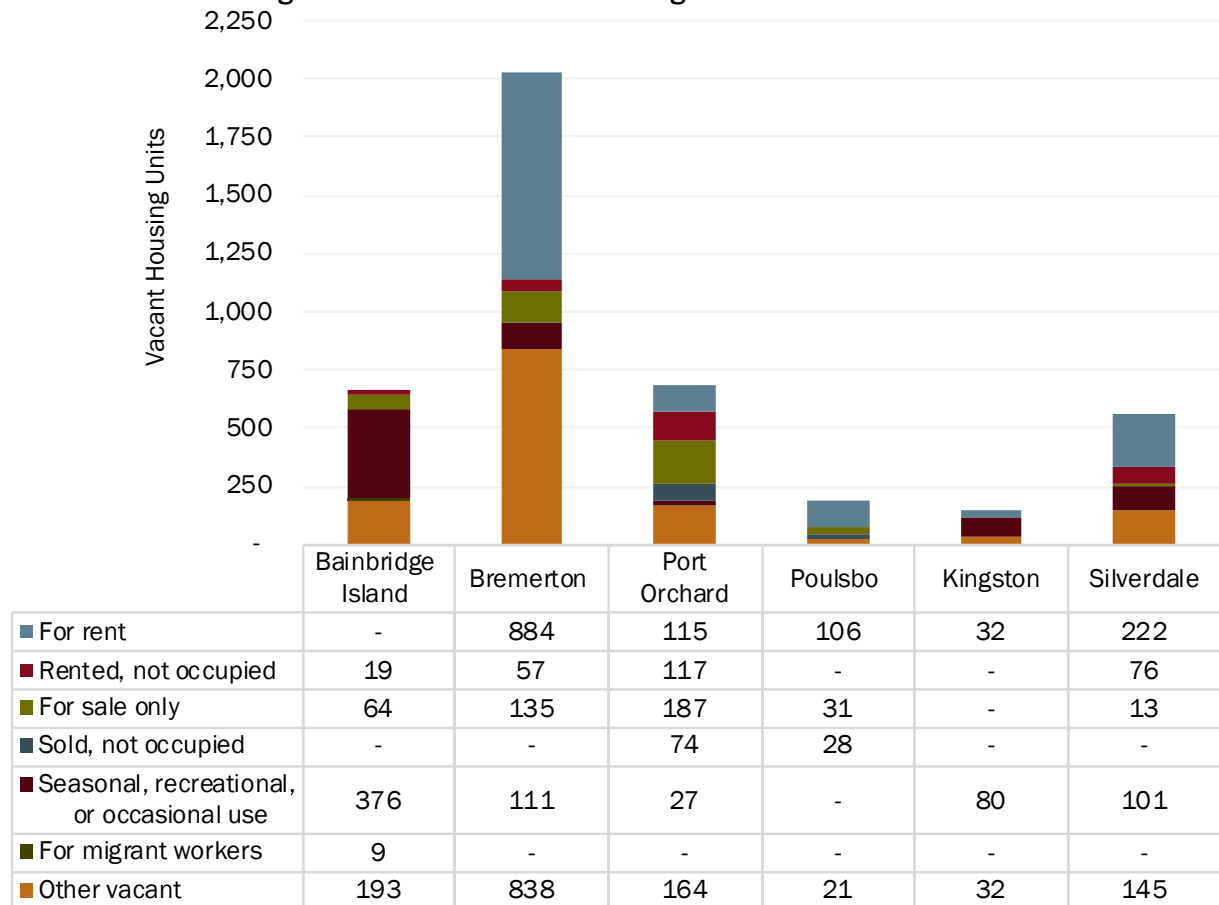
Housing Tenure	Kitsap County	Bainbridge Island	Bremerton	Port Orchard	Poulsbo	Kingston	Silverdale
Owner Vacancy Rate	1.9%	0.9%	1.9%	6.0%	1.2%	0.0%	0.3%
Renter Vacancy Rate	6.0%	0.0%	8.6%	5.3%	6.3%	7.2%	5.3%

Source: U.S. Census Bureau, 2013-2017 ACS 5-Year Estimates, Table DP04.

Notes: In calculating the vacancy rates, the Census only considers those units that are “for rent” or “for sale only.” This differs from the vacancy rates in Exhibit 15 which calculates the share of all unoccupied units. Data shown for Kitsap County are the entire county, inclusive of the other areas shown. Data are shown for the city boundaries of Bainbridge Island, Bremerton, Port Orchard, and Poulsbo, as well as the boundaries of the Kingston and Silverdale Census Designated Places.

Exhibit 17 lists the most common reason for vacancies by location. Across the County, most homes are vacant because they are rentals waiting to be occupied. In Bremerton 44 percent of all vacant housing is waiting to be rented. In Poulsbo, this is 57 percent, and in Silverdale, this is 33 percent. The second most common reason for vacancy is that homes have seasonal, recreational, and occasional uses. This is the case for 27 percent of all vacant units across the County, and 57 percent of all vacant units on Bainbridge Island.

Exhibit 17. Most Housing is Vacant Because it is Waiting to be Rented



Source: U.S. Census Bureau, 2013-2017 ACS 5-Year Estimates, Table B25004.

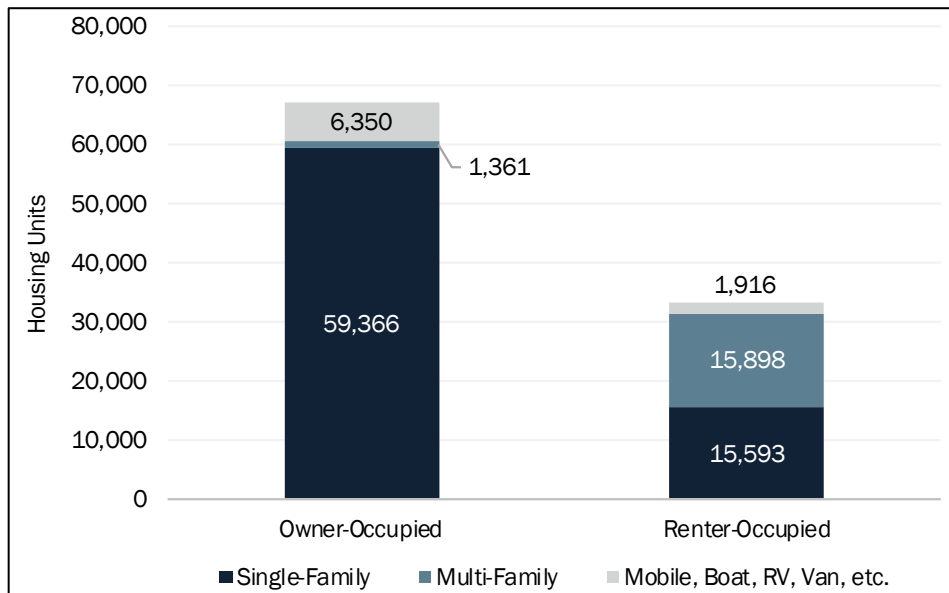
Note: "Rented not occupied" and "sold not occupied" mean the unit has a renter/buyer that has yet to move in. "For sale only" indicates the unit is on the market awaiting a buyer. Data shown for Kitsap County are the entire county, inclusive of the other areas shown. Data are shown for the city boundaries of Bainbridge Island, Bremerton, Port Orchard, and Poulsbo, as well as the boundaries of the Kingston and Silverdale Census Designated Places.

B. Housing Tenure

Exhibit 18 below demonstrates the split between ownership and rental housing, by housing type. This data excludes vacant housing. The majority of ownership housing is single-family (both attached and detached), but about 21 percent of the single-family housing stock in Kitsap County is rented. In addition, most mobile homes and other types of housing are owned—offering a more affordable housing option for some households. Kitsap County does not have many condos—multifamily housing that is owned.

Exhibit 18. Most Single-Family Housing and Mobile Homes are Owner-Occupied (2013-2017)

Kitsap County	Total	Owner-Occupied	Renter-Occupied	% Owner-Occupied
Single-Family (attached and detached)	74,959	59,366	15,593	79%
Multifamily	17,259	1,361	15,898	8%
Mobile, Boat, RV van, etc.	8,266	6,350	1,916	77%
Total Units	100,484	67,077	33,407	67%

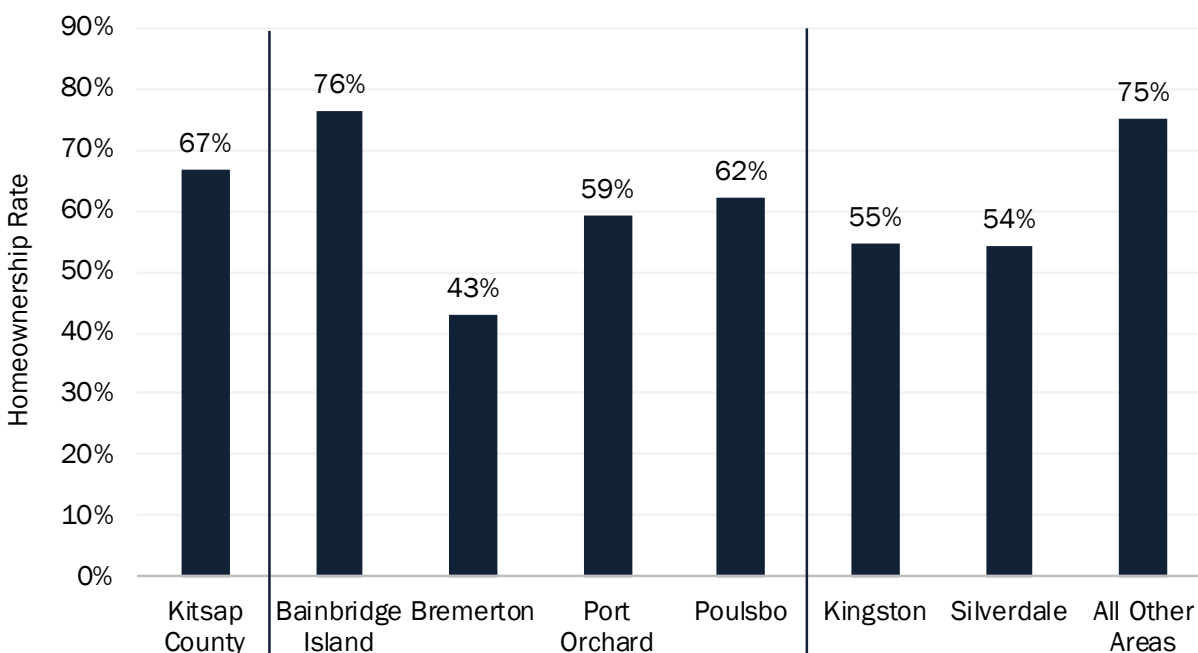


Source: U.S. Census Bureau, 2013-2017 ACS 5-Year Estimates, Table DP04.

Note: Data excludes vacant housing stock.

Exhibit 19 below demonstrates the homeownership rate for all housing types in each city and in Kitsap County as a whole. Across the entire County the homeownership rate is about 67 percent, slightly higher than that of Washington State (63 percent) and the U.S. as a whole (64 percent). However, within the largest cities, the homeownership rate varies dramatically from 76 percent on Bainbridge Island to 43 percent in Bremerton. Bremerton's lower homeownership rate is in line with the fact that it has a greater proportion of multifamily rental housing—almost 40 percent of its entire housing stock.

Exhibit 19. Homeownership Rates Vary by Location, 2013-2017



Source: U.S. Census Bureau, 2013-2017 ACS 5-Year Estimates, Table DP04.

Notes: Data shown for Kitsap County are the entire county, inclusive of the other areas shown. Data are shown for the city boundaries of Bainbridge Island, Bremerton, Port Orchard, and Poulsbo, as well as the boundaries of the Kingston and Silverdale Census Designated Places. Data for the “All Other Areas” is equal to the Kitsap County total less the six cities shown and is a rough approximation for the remaining Unincorporated Kitsap County area.

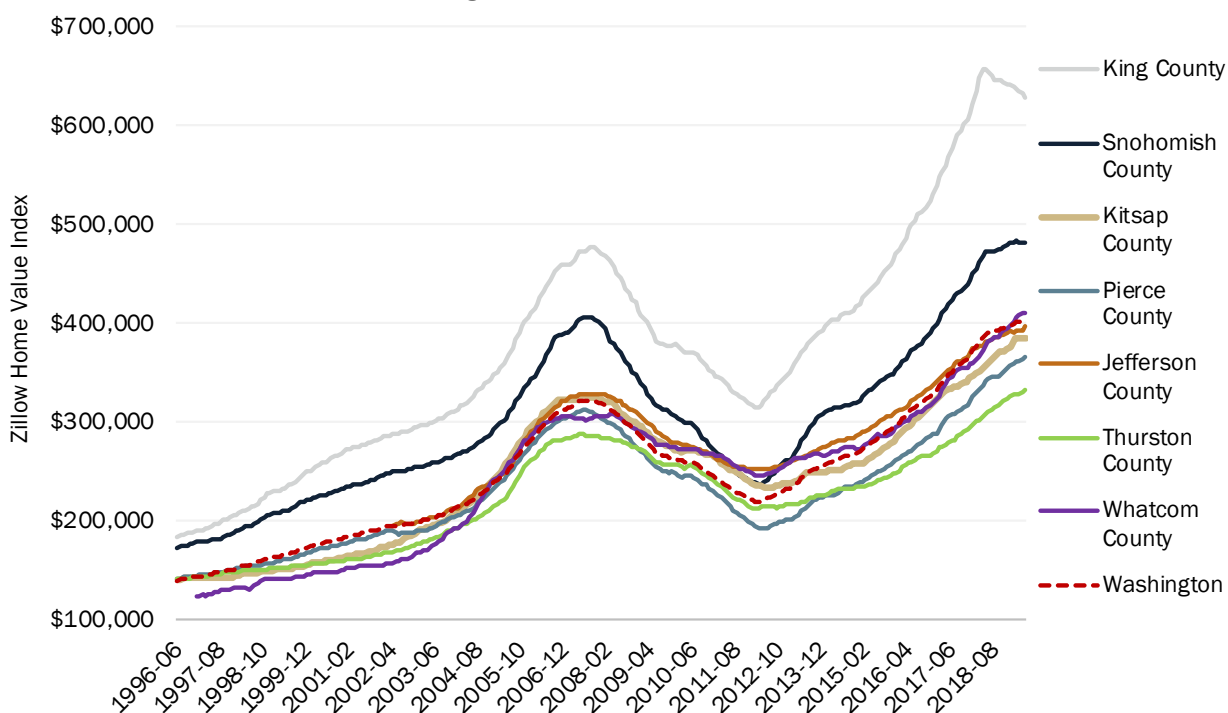
C. Housing Costs

Home Prices

Exhibit 20 below shows the dramatic rise in median home values across select counties, and Washington State over the past 22 years. According to Zillow data, median home values in Kitsap County are higher than in Pierce County and Thurston County, and have been since the run-up to the housing bubble in the early 2000s. Since 2010, the median home values in Jefferson and Whatcom counties have remained above the values in Kitsap County; however, Kitsap County has closely followed the growth trends of these comparison counties.

Housing costs are rising in Kitsap County, largely due to the spillover effects of the strong Puget Sound economy and high housing costs elsewhere, and due to the lack of new housing production.

Exhibit 20. Home Values are Increasing in Numerous Counties⁷



Source: Zillow Home Value Index, June 1996 – June 2019.

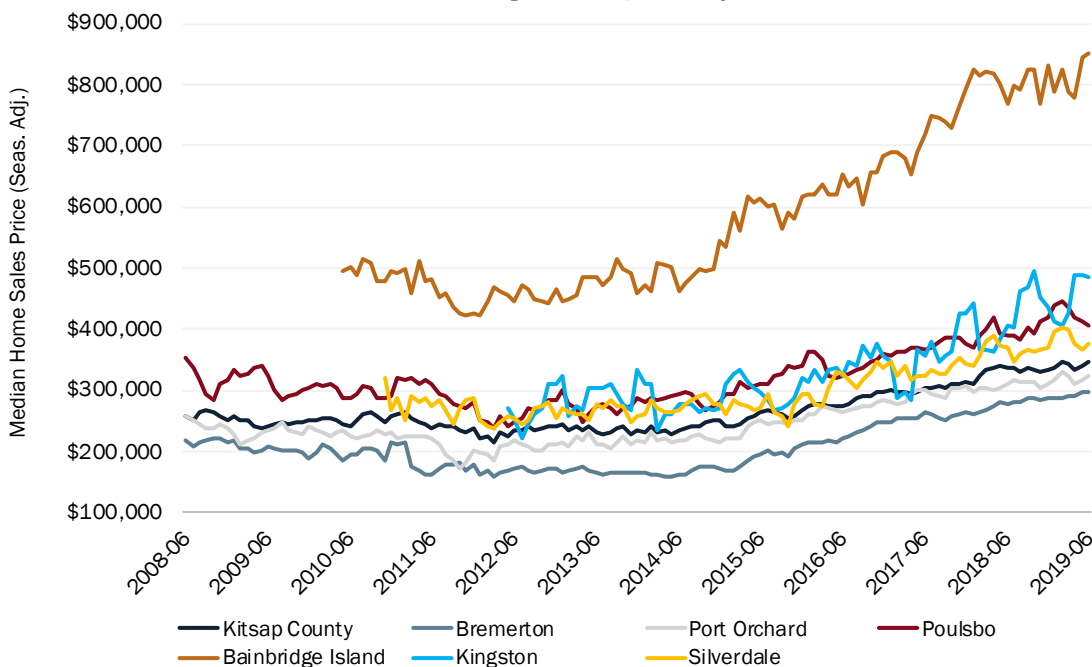
Note: Data includes Multifamily, Single-family, and Condo/Co-op Housing.

Exhibit 21 below displays median *home sales prices* for all home types—single-family, condominiums, and co-operative homes, in comparison to median *home values* in Exhibit 20. Of the principle cities listed, Bainbridge Island’s median home sales price is the highest (as it has been historically). It also grew the most, increasing from \$501,800 in June 2010 to \$853,000 in June 2019, or about 70 percent.⁸ Bremerton had the next largest increase in median home sales price, growing by 35 percent over the June 2008 to June 2019 period. Countywide, median home sales prices were up 34 percent in June 2019 from their June 2008 values.

⁷ Thurston and Whatcom counties are included as comparators to Kitsap County due to their approximately equivalent population sizes. While much less populous than Kitsap County, Jefferson County is included since it neighbors Kitsap and may be experiencing spillover effects from the broader Puget Sound economy.

⁸ Note: Zillow data for Bainbridge Island was only available through February 2019, all other areas had data through June 2019.

Exhibit 21. Home Sales Prices are Growing in Kitsap County, June 2008 —June 2019



Source: Zillow, Median Sale Price Seasonally Adjusted.

Bainbridge Island has historically seen higher home prices than the rest of Kitsap County, and tracks closer to Seattle and King County housing markets than the rest of Kitsap County. Since about 2014 the rate of price growth on Bainbridge Island has exceeded that of other areas. Home sales prices topped out at \$853,100 on Bainbridge Island in June 2019, the highest point over the analysis period.

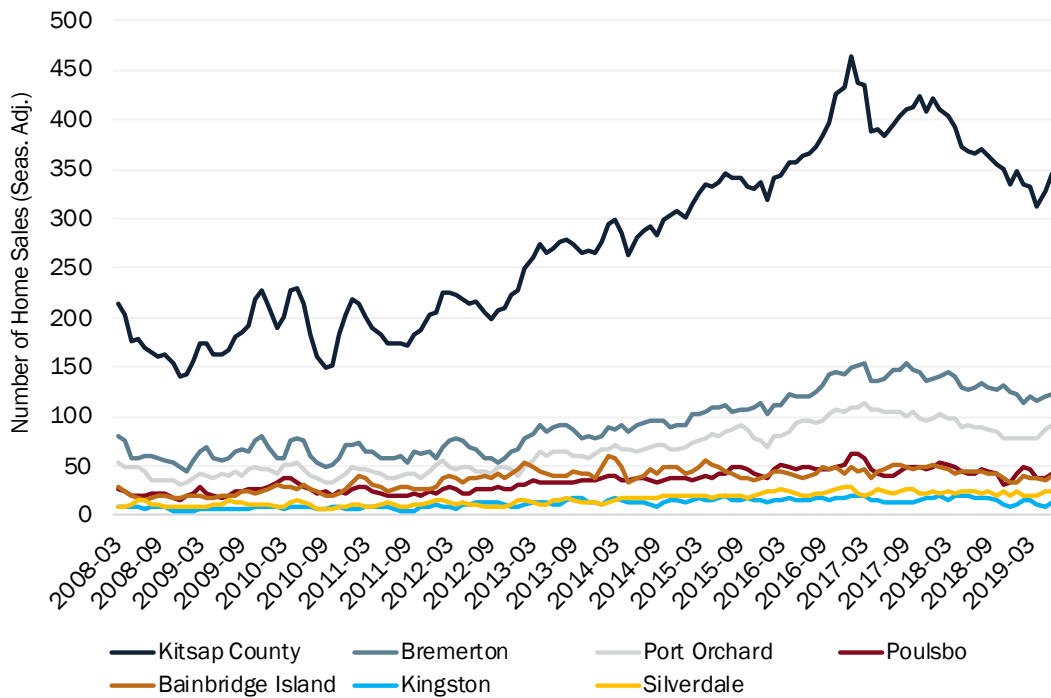
All of the principle cities in Kitsap County have seen significant growth in their home prices. Since June 2008, median home sales prices in Bremerton increased by 35 percent, Port Orchard prices increased by 25 percent, and Poulsbo prices increased by 15 percent. Bainbridge Island's prices increased by 70 percent over the June 2010 to June 2019 period.⁹

The unincorporated cities in Kitsap County also saw significant growth in their home prices over the last several years. Silverdale's home prices increased by 36 percent over the June 2011 to June 2019 period and Kingston's home prices increased by 90 percent over the June 2012 to June 2019 period.

In addition to home prices rising, the number of home sales across Kitsap County has also been rising. Exhibit 22 below displays the seasonally adjusted number of home sales in Kitsap County and several cities over the 2008–2019 time period. The run-up in prices across Kitsap County beginning in about 2012 corresponds with the run-up in home sales county-wide.

⁹ Note: Revised Zillow median home sale price data for Bainbridge Island begin with May 2015. We started our analysis with Bainbridge's June 2010 datapoint to be consistent with the starting month for the other cities.

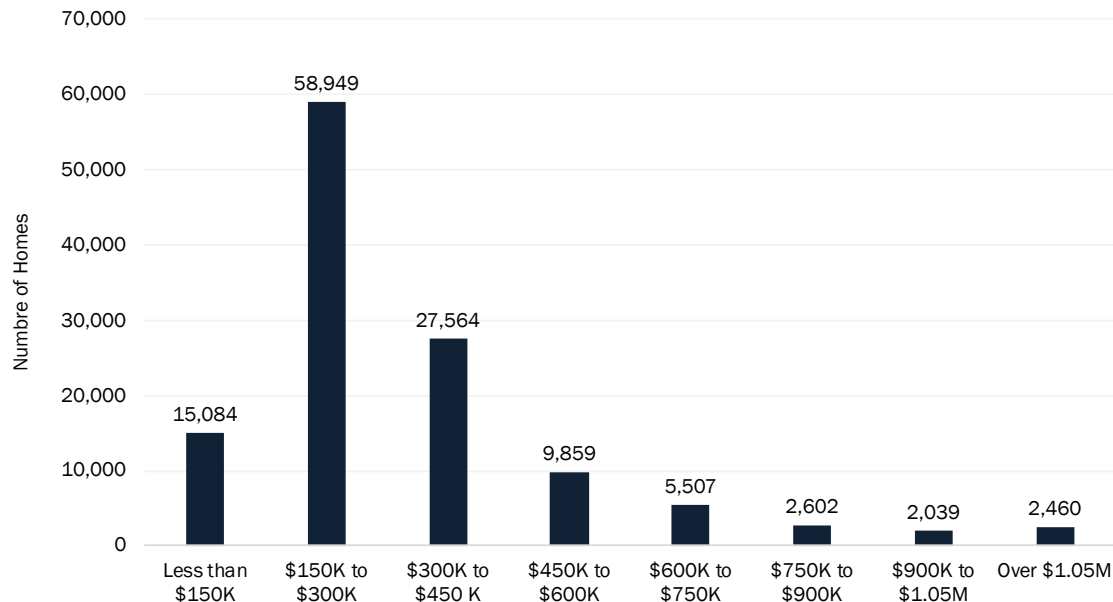
Exhibit 22. Number of Home Sales in Kitsap County, June 2008 – June 2019



Source: Zillow, Number of Sale over Time, Seasonally Adjusted.

Exhibit 23 below shows the distribution of home prices in Kitsap County. The median home price of \$345,000 means that 50 percent of all housing in the County is below this amount, while 50 percent is above. Though the majority of homes in Kitsap County have lower prices, there are many in excess of \$1 million spread across the County.

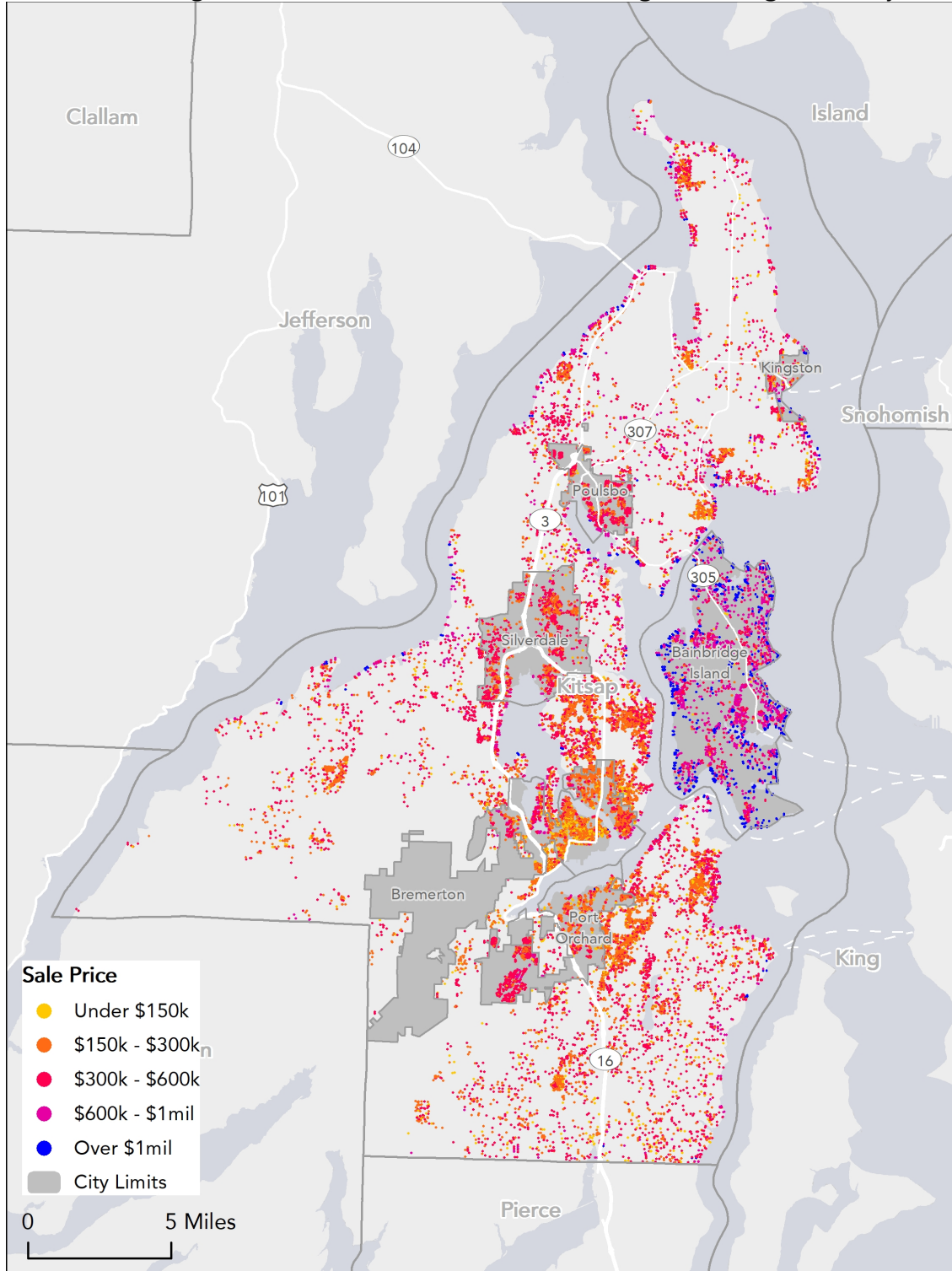
Exhibit 23. Most Home Prices in Kitsap County Are Relatively Affordable, Compared to Other Parts of Puget Sound



Source: Kitsap County Assessor Data, 2019.

Exhibit 24 below displays a map of sales prices from the past five years (2014–2019) demonstrating that the majority of the high-priced housing is located on Bainbridge Island and along the waterfront areas of the County.

Exhibit 24. The Highest Recent Home Prices are on Bainbridge and Along the County Shoreline

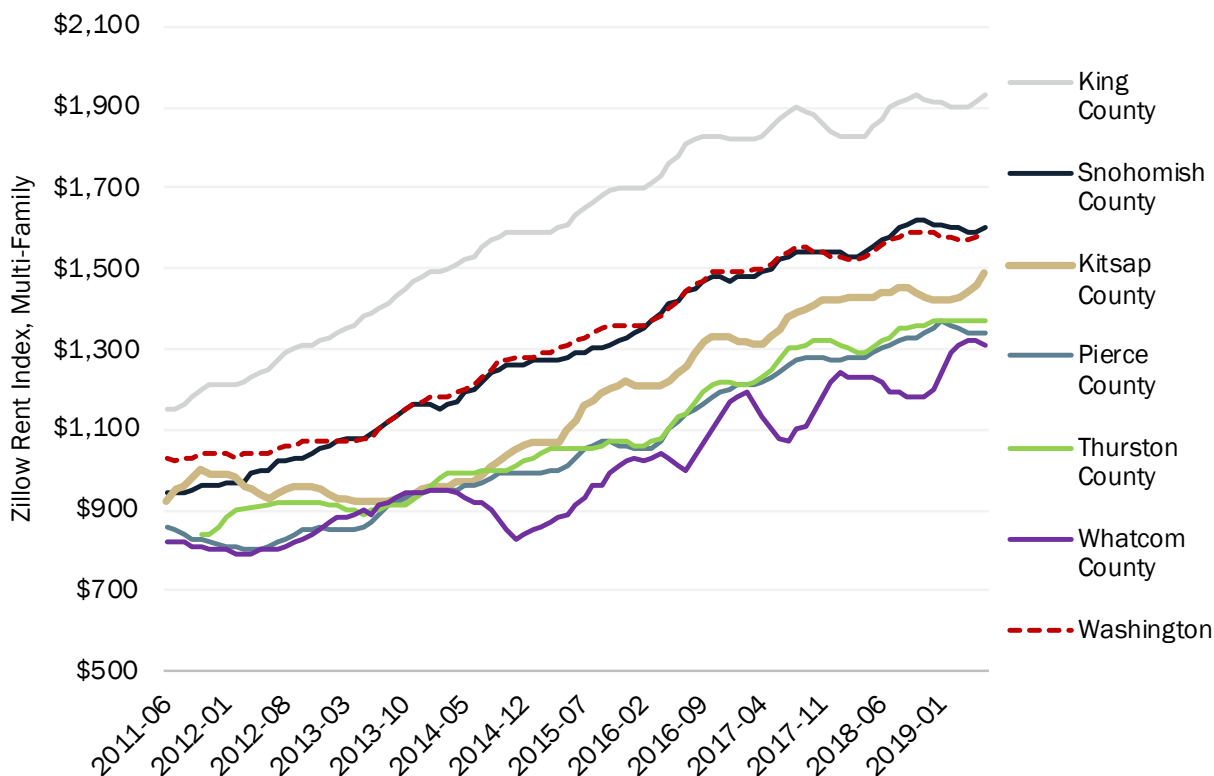


Source: Kitsap County Assessor's Data 2014-2019.

Rents

Median multifamily rents are also rising in Kitsap County and the area's cities. Again, this is likely due to the prosperous economies in other areas of Puget Sound creating strong demand and due to insufficient multifamily housing production to meet that demand. Exhibit 25 displays the increase in median rents in the same select counties and Washington State. According to Zillow data, median rents in Kitsap County are now on par with Snohomish County and Washington State, at about \$1,500 to \$1,600 per unit (for all unit sizes). Median multifamily rents in Kitsap County have grown approximately 59 percent over the past eight years (June 2011 to June 2019).

Exhibit 25. Multifamily Rents are Increasing in Puget Sound Counties

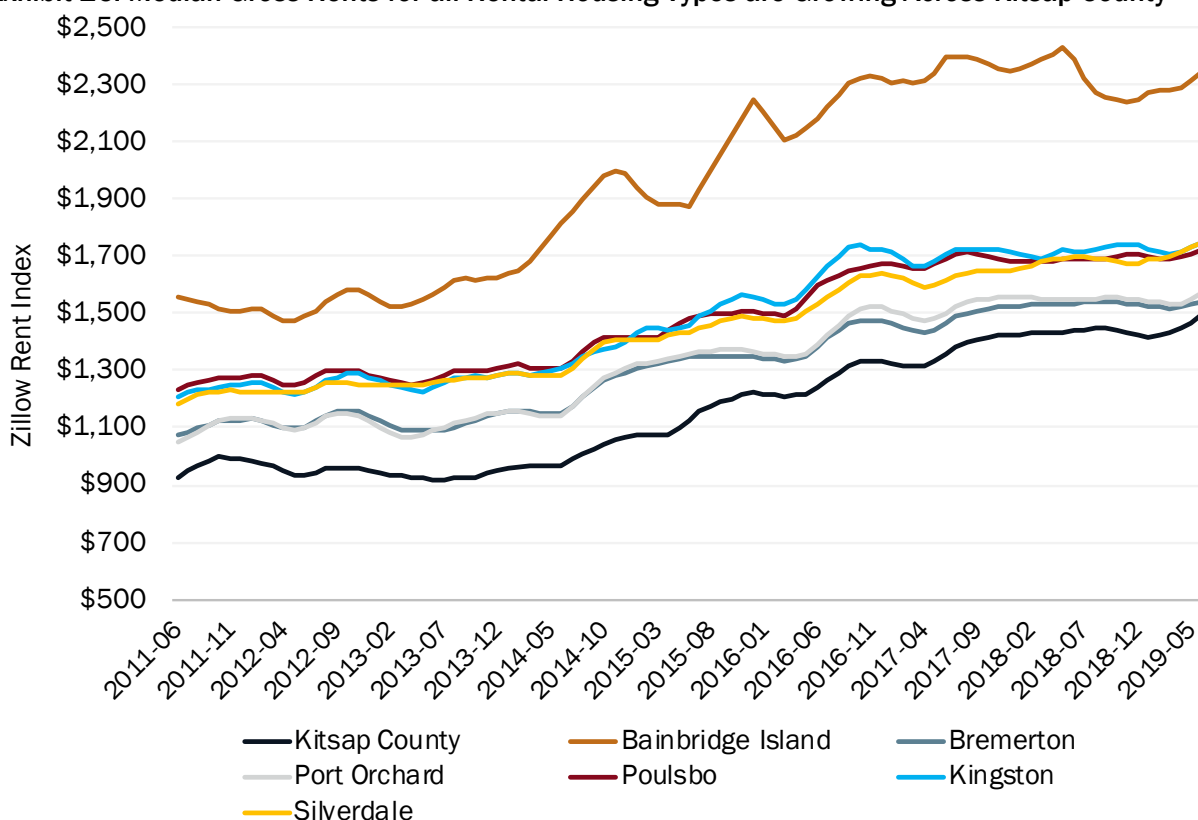


Source: Zillow Rent Index (ZRI) – Multifamily, 2019.

Note: There is a small handful of data points that are not computed for some counties. We joined these small gaps with lines for consistency in presentation of the trends. This does not affect the endpoints of the respective trend lines, nor does it affect general insights about how multifamily rents are changing across the counties shown.

Like housing prices, Bainbridge has historically commanded a premium rent over other cities in Kitsap County. Median rents for all unit types on Bainbridge are over \$2,340 per month, 52 percent higher than the lowest cost city (Bremerton), where median rents are about \$1,543 per month. While this premium has grown over time, it has not grown to the same extent as home prices have. Exhibit 26 below demonstrates that median gross rents in the four principle cities and the two unincorporated areas in Kitsap County have grown a sizable amount since June 2011.

Exhibit 26. Median Gross Rents for all Rental Housing Types are Growing Across Kitsap County



Source: Zillow Rent Index (ZRI), June 2019.

Median rents on Bainbridge increased more than 50 percent, rising from \$1,553 in June 2011 to \$2,342 in June 2019. Port Orchard rents increased 50 percent over the same period, Poulsbo grew by 40 percent, and Bremerton rents increased 44 percent over the past eight years. For unincorporated Kingston and Silverdale, median rents increased by 45 percent and 48 percent, respectively over the eight year time period.

D. Housing Affordability

Given these rising costs in housing prices and rents, housing has become less affordable to most households in Kitsap County. This often means that households are spending a greater share of their gross incomes on housing, leaving less money available for other necessities such as food, transportation, medical expenses, and childcare.

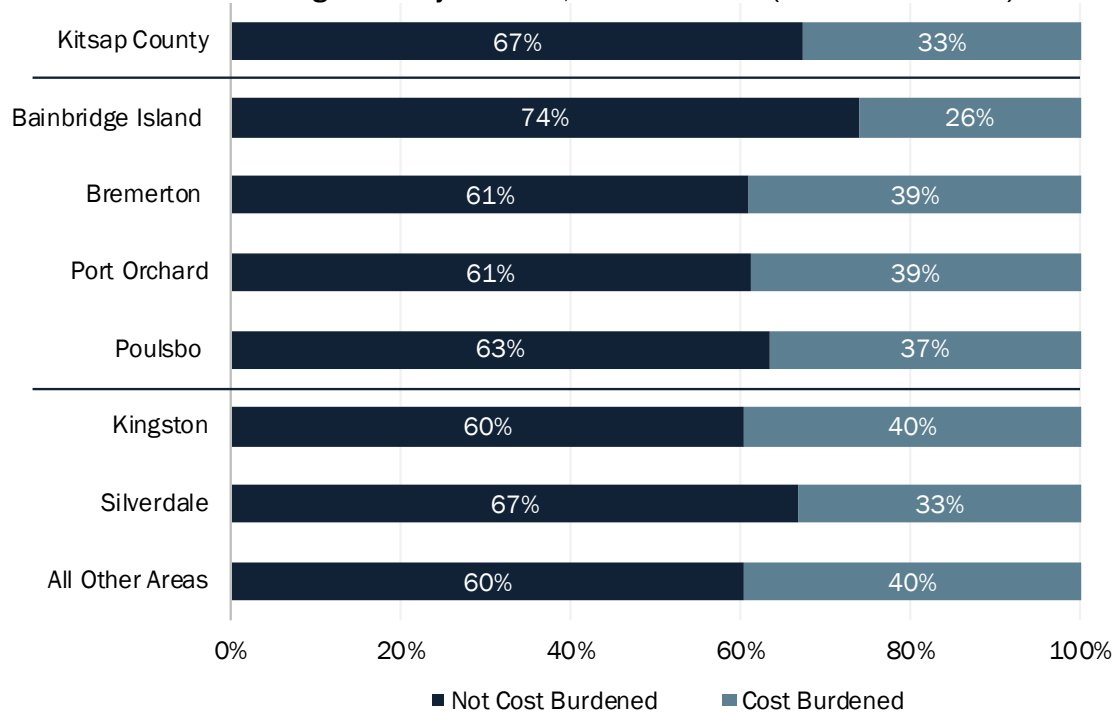
Cost Burdening

When lower-cost housing (such as government subsidized housing) is not available, households can become “cost-burdened” when they pay more than 30 percent of their income on housing costs. This can put low-income households in vulnerable situations and force them to make

trade-offs between housing costs and other essentials like food, medicine, or transportation (see sidebar). This precariousness of being able to afford housing can also lead to rental evictions, job instability, school instability for children, and homelessness.

In the 2013–2017 period, about 33 percent of all Kitsap County households were cost burdened.

Exhibit 27. Cost Burdening Varies by Location, All Households (Renter and Owner)



Source: U.S. Census Bureau, 2013–2017 ACS 5-Year Estimate Table B25095.

Notes: Chart omits renter households with no recorded housing costs. Data shown for Kitsap County are the entire county, inclusive of the other areas shown. Data shown for Kitsap County are the entire county, inclusive of the other areas shown. Data are shown for the city boundaries of Bainbridge Island, Bremerton, Port Orchard, and Poulsbo, as well as the boundaries of the Kingston and Silverdale Census Designated Places. Data for the “All Other Areas” is equal to the Kitsap County total less the six cities shown and is a rough approximation for the remaining Unincorporated Kitsap County area.

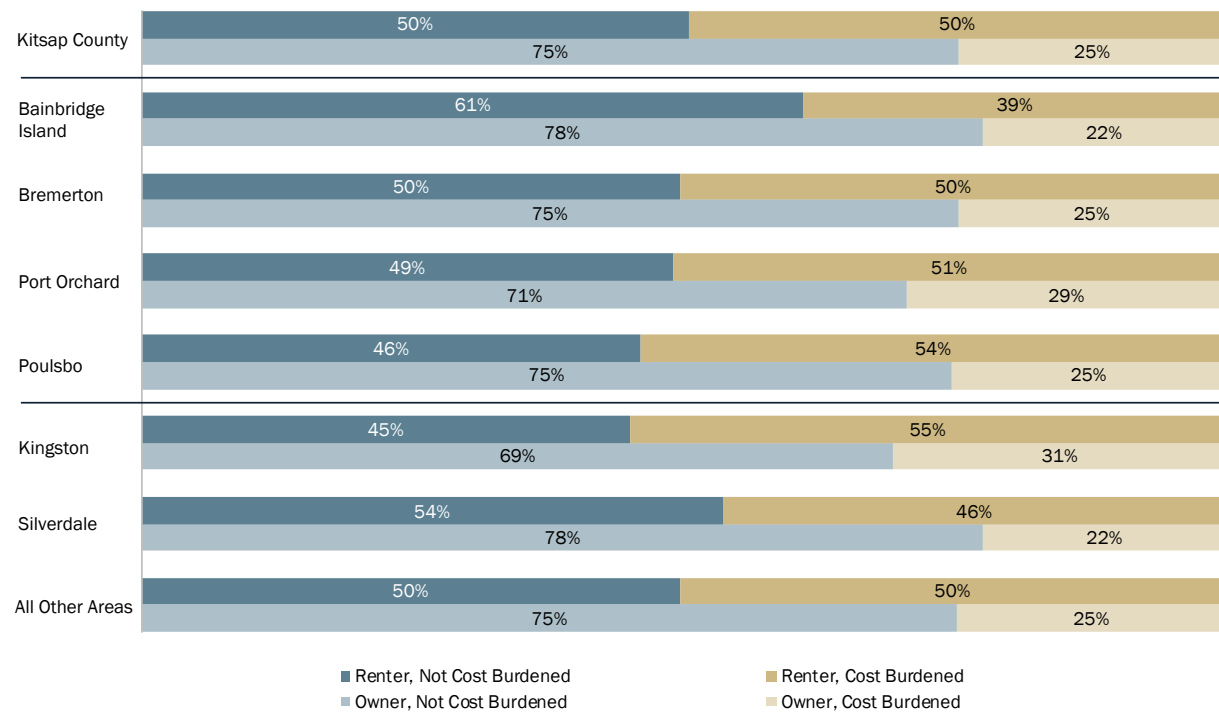
Cost Burdening By Income

A household making **\$120,000 per year** has a gross income of \$10,000 per month. Housing costs over \$3,100 per month would result in cost burdening, but this household would still have \$6,900 per month for all other expenses.

In contrast, a household making **\$24,000 per year** has a gross income of only \$2,000 per month. Housing costs in excess of \$620 per month would result in cost burdening, but this household would only have \$1,380 remaining for all other expenses. Because housing at this cost is rare, most households in this income range have to pay more. In addition, their remaining income may be insufficient for all other expenses, and force the household to make difficult trade-offs.

During the 2013–2017 period, about 50 percent of all Kitsap County renter households were cost burdened and about 25 percent of all owner households were cost burdened.

Exhibit 28. Cost Burdening Varies by Location, and Owner vs Renter Households



Source: U.S. Census Bureau, 2013–2017 ACS 5-Year Estimate Table B25095.

Notes: Chart omits renter households with no recorded housing costs. Data shown for Kitsap County are the entire county, inclusive of the other areas shown. Data shown for Kitsap County are the entire county, inclusive of the other areas shown. Data are shown for the city boundaries of Bainbridge Island, Bremerton, Port Orchard, and Poulsbo, as well as the boundaries of the Kingston and Silverdale Census Designated Places. Data for the “All Other Areas” is equal to the Kitsap County total less the six cities shown and is a rough approximation for the remaining Unincorporated Kitsap County area.

About half of all renter-occupied households in Kitsap County’s jurisdictions are cost burdened, with the exception of Bainbridge Island (39 percent) and Silverdale (46 percent). Kingston had the highest share of cost burdened renter households during the 2013–2017 period at 55 percent, followed by Poulsbo (54 percent), and then Port Orchard (51 percent). Cost burdened owner-occupied units are a rather small share of all owner-occupied units, particularly when compared to renter-occupied units. In general, the share of cost burdened owners is about 25 percent, ranging from a low of 22 percent in Silverdale to a high of 31 percent in Kingston.

Owner Cost Burdening

Exhibit 29 below displays the same cost burdening information for owner-occupied households who have housing costs. While households that own their homes are typically higher income compared to renters, there are still about 15,192 households of all income levels in Kitsap County (23 percent of all owner households) who are cost burdened. Of the 5,319 homeowner households earning less than 30 percent of the County MFI, about 80 percent are cost burdened as are 49 percent of owner-occupied households earning between 31 and 60 percent of MFI.

Exhibit 29. Owner Cost Burdening in Kitsap County by Income Level

		Household Annual Income as a Percent of Kitsap County MFI						
Cost Burdening		0-30% MFI	31-60% MFI	61-80% MFI	81-100% MFI	100%-120% MFI	>120% MFI	Total
A	Not Cost Burdened	1,068	4,876	5,832	6,164	6,076	27,200	51,216
B	30% Cost Burdened	1,017	2,628	2,597	1,282	848	800	9,172
C	50% Cost Burdened	3,234	2,083	455	114	47	87	6,020
D	Total Households (A+B+C)	5,319	9,587	8,884	7,560	6,971	28,087	66,408
E	Total Cost Burdened (B+C)	4,251	4,711	3,052	1,396	895	887	15,192
F	Percent Cost Burdened (E/D)	80%	49%	34%	18%	13%	3%	23%

Source: HUD 2017 Median Family Income (MFI) for Kitsap County, 2013-2017 ACS, ECONorthwest

Note: This table excludes households with no reported income and no reported housing costs.

Cost burdening for owner-occupied households is not terribly common because mortgage lenders typically ensure that a household can pay its debt obligations before signing off on a loan. However, cost burdening can occur when a household secures a mortgage and then sees its income decline.

Renter Cost Burdening

Renters are more likely to be cost burdened than homeowners because most renters are lower income. Exhibit 30 below demonstrates renter cost burdening according to different MFI levels in Kitsap County. As the table demonstrates, just under 50 percent of all Kitsap renter households (with housing costs) are cost burdened—paying 30 percent or more of their gross income on housing. When looking at severe cost burdening approximately 23 percent of all Kitsap renter households face this cost issue (not shown in the table).

Exhibit 30. Renter Cost Burden in Kitsap County by Income Level, 2013-2017

		Household Annual Income as a Percent of Kitsap County MFI						
Cost Burdening		0-30% MFI	31-60% MFI	61-80% MFI	81-100% MFI	100%-120% MFI	>120% MFI	Total
A	Not Cost Burdened	944	2,684	2,794	3,005	2,197	4,721	16,345
B	30% Cost Burdened	1,861	4,554	1,306	318	94	23	8,156
C	50% Cost Burdened	5,465	1,782	123	10	-	-	7,380
D	Total Households (A+B+C)	8,270	9,020	4,223	3,333	2,291	4,744	31,881
E	Total Cost Burdened (B+C)	7,326	6,336	1,429	328	94	23	15,536
F	Percent Cost Burdened (E/D)	89%	70%	34%	10%	4%	0%	49%

Source: HUD 2017 Median Family Income (MFI) for Kitsap County; U.S. Census Bureau, 2013-2017 ACS 5-Year Estimates.

Note: This table excludes households with no reported income and no reported housing costs.

As one would expect, rates of housing cost burdening decline as incomes increase—meaning lower income households are more likely to face cost burdening. In the 2013–2017 time period, almost 90 percent of renters earning less than 30 percent of Kitsap’s MFI were cost burdened. Households at this income would need a rent less than \$578 per month to avoid cost burdening, but with the median rent around \$1,570 (in 2017, according to Zillow’s Rent Index data) there are very few rentals in the housing stock at that price.

Kitsap County MFI

According to HUD, Kitsap County’s MFI was \$77,119 in 2017.

- 30% of MFI is about \$23,135
 - 50% of MFI is about \$38,559
 - 60% of MFI is about \$46,271
 - 80% of MFI is about \$61,695
 - 100% of MFI is \$77,119
 - 120% of MFI is about \$92,542
-

Exhibit 30 also demonstrates that about 70 percent of renter households earning between 30 and 60 percent of the median family income are cost burdened. These households can afford a monthly rent between about \$578 and \$1,157 to avoid cost burdening—units between these rent prices are also somewhat scarce in Kitsap County.

The rate of cost burdening declines for higher-income renter households. Further, because there are not many luxury rental apartments in Kitsap County, no high-income renter households were severely cost burdened in the 2013–2017 time period.

Housing Stock and Affordability Mismatch

To take renter cost burdening one step further, we explore the current mismatch in the incomes of renters occupying different priced housing units. Exhibit 31 below displays this mismatch, showing renter households by MFI level across the top, and rental units priced by MFI level down the rows.

The green areas show where renter households are occupying a unit that is priced “affordably” for that income level (using HUD’s 30 percent of income threshold). Areas in red indicate that the household is cost burdened (paying more than 30 percent of income on housing). And areas in yellow indicate that the household is “renting down” or paying less than 30 percent of its income on housing. The total column at the right (Column 8) sums all the occupied rental units in each MFI level, while the total row at the bottom (Row H) sums all the renter households in each MFI level.

Exhibit 31. Mismatch in Rental Housing by Affordability Level, Kitsap County, 2013–2017¹⁰

		1	2	3	4	5	6	7	8
		Unit Occupied by Household Earning...							
A	Unit Rents “Affordably” at...	0-30% MFI	31-60% MFI	61-80% MFI	81-100% MFI	101- 120% MFI	>120% MFI	Total Occupied Units	
B	0-30% MFI	1,845	503	45	50	0	45	2,488	
C	31-60% MFI	4,449	4,171	1,537	1,216	475	934	12,782	
D	61-80% MFI	1,388	3,136	1,838	1,240	1,215	1,586	10,403	
E	81-100% MFI	320	902	553	669	481	1,468	4,393	
F	100-120% MFI	134	177	85	107	83	483	1,069	
G	>120% MFI	134	131	165	51	37	228	746	
H	Total Households	8,270	9,020	4,223	3,333	2,291	4,744	31,881	

Source: ECONorthwest analysis of 2013-2017 ACS PUMS, HUD 2017 Median Family Income for Kitsap County for a family of four.

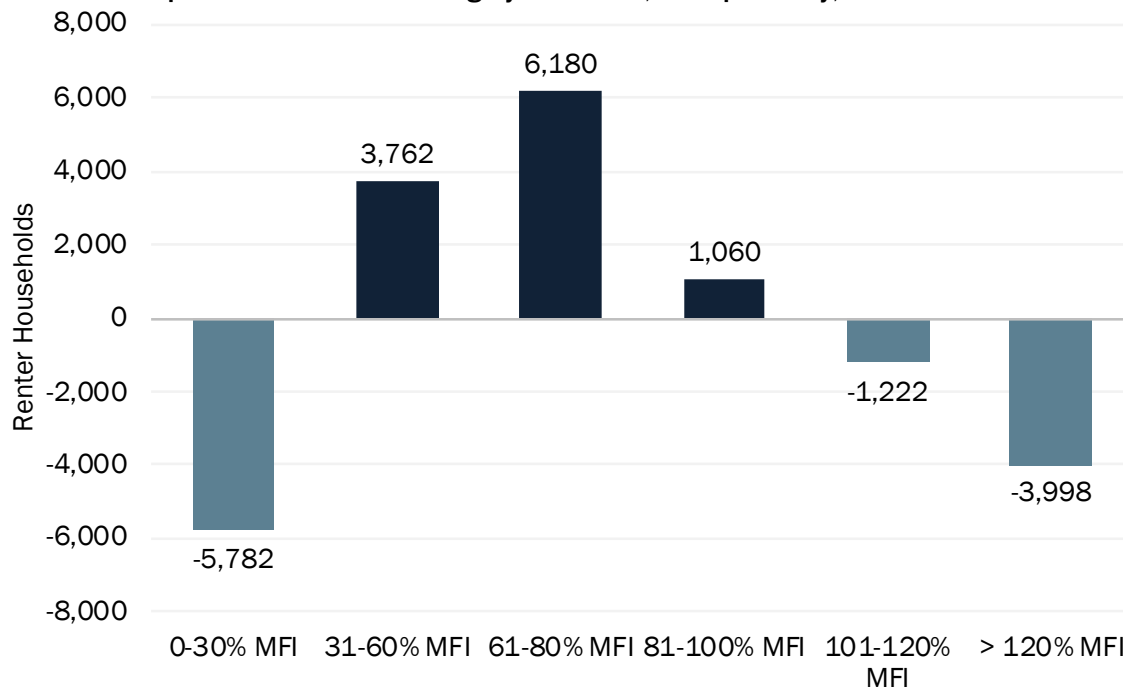
Note: Unit affordability by MFI level is calculated assuming 30% of household income goes toward housing. This table excludes households with no reported income and households with no reported housing costs.

As the exhibit demonstrates, there are 8,270 renter households in Kitsap County with incomes under 30 percent of MFI (cell H2), but there are only 2,488 occupied units with rents that would be considered affordable to those households (cell B8). Of these 2,488 affordable units, 1,845 are occupied by renters in this income range (cell B2). The rest of these units are occupied by renter households of higher incomes.

The difference in total units available at the less than 30 percent of MFI income level, 2,488 (cell B8), and the number of households at this income level 8,270 (cell H2), results in a mismatch and deficit of 5,782 units needed affordable to this income level. This mismatch continues across the MFI spectrum, as shown in Exhibit 32 below. This chart demonstrates that some MFI levels have a surplus of housing compared to the numbers of renter households with incomes in that range. We calculate the surplus/deficit as the number of renter households in an income level less the units affordable to that income level.

¹⁰ The estimate of households in each of the renter and income bins is calculated using 2017 Census Public Use MicroSample (PUMS) data and the Department of Housing and Urban Development’s 2017 median family income definition for Kitsap County. The PUMS data provide an estimate for the number of households in a geography with certain characteristics, including gross rent, household income, and the number of bedrooms in the housing unit. Using this data, we are able to crosswalk these estimates to the county level and calculate the number of households in each rental affordability bin and income bin. We used the HUD definition of affordability and adjusted median family income to account for the differences in housing units. These data exclude vacant units and exclude renter households where rent is zero or where the household has no recorded housing costs.

Exhibit 32. Surplus or Deficit of Housing by MFI Level, Kitsap County, 2013–2017¹¹



Source: ECONorthwest analysis of 2013-2017 ACS PUMS, HUD 2017 Median Family Income for Kitsap County for a family of four.
Note: Unit affordability by MFI level is calculated assuming 30% of household income goes toward housing.

Kitsap County does not have many luxury rental units. This means that higher income households must “rent down,” and compete with lower-income households for available rental stock. Landlords may choose higher-income applicants over lower-income applicants since they have a higher rent-to-income ratio and more cushion to pay the rent. Thus, the lack of higher-cost housing for higher-income households can put pressure on lower-income households too. As these exhibits demonstrate, Kitsap County’s current housing inventory has:

- A deficit of 5,782 rental units affordable to households earning less than 30 percent of MFI (under \$23,135 per year).
- A surplus of 3,762 rental units affordable to households earning between 31 and 60 percent of MFI (between \$23,136 and \$46,271 per year).
- A surplus of 6,180 rental units affordable to households earning between 61 and 80 percent of MFI (between \$46,272 and \$61,695 per year).
- A surplus of 1,060 rental units affordable to households earning between 81 and 100 percent of MFI (between \$61,696 and \$77,119 per year).
- A deficit of 1,222 rental units affordable to households earning between 101 and 120 percent of MFI (between \$77,120 and \$92,542 per year).
- A deficit of 3,998 rental units affordable to households earning more than 120 percent of MFI (greater than \$92,543).

¹¹ See footnote 10.

Regulated Affordable Housing

A critically important component of any housing stock is the regulated affordable housing that serves the County's lowest income households. This type of housing is rent- or income-restricted so that it is affordable to households making below a certain income level, depending on the type of program. Incomes are generally restricted to 30, 50, 60, or 80 percent of the area median family income (between \$23,135 and \$65,540 in Kitsap County). There are many types of regulated affordable housing properties and units. However, most areas do not have enough regulated affordable housing to meet all the needs of low-income households; nationally, only one of every four eligible households receives public housing assistance.¹²

Affordable Rental Housing

Nationally, the largest source of affordable housing funding is the Low-Income Housing Tax Credit (LIHTC) program, which is run through the U.S. Internal Revenue Service. Each year, states receive an allocation of tax credits from the IRS and distribute these credits to affordable housing properties through annual applications for funding. These properties then sell the tax credits to entities looking to reduce their tax burdens, like banks or insurance companies. It is a strong public-private-partnership program responsible for creating millions of affordable housing units across the country. In Washington, the housing agency that distributes tax credits is the Washington State Housing Finance Commission (WSHFC).

We combined data received through a public information request from the WSHFC's multifamily housing database with information on the regulated housing stock from the Puget Sound Regional Council (received in November 2019), Kitsap County (updated in March 2018) and the Bremerton Housing Authority (updated in October 2018). We did our best to un-duplicate properties by looking at names, numbers of units, and addresses, and omitted market-rate units to focus solely on regulated affordable units. While we cannot guarantee that the data is complete, it likely captures a robust share of the total rent-restricted affordable housing across Kitsap County. It should be noted that these units are captured in the rest of the inventory describing the housing stock by size, rent price, age, tenure, and vacancy status.

According to this data, there are about 100 regulated affordable housing properties across the County.¹³ These 100 properties contain 4,205 units, and range from scattered site homes and duplexes, to large multifamily complexes containing hundreds of units.

¹² National Low Income Housing Coalition (NLIHC). 2019. "HUD Reports that 8.3 Million Very Low Income Households Have Worst Case Housing Needs." Available from: <https://nlihc.org/resource/hud-reports-83-million-very-low-income-households-have-worst-case-housing-needs>

¹³ Two of these properties with 24 units may have had an affordability restriction expire. Data is insufficient to determine whether there are multiple affordability restrictions and whether any still remain.

Exhibit 33. Regulated Affordable Housing Is Largely Found in Bremerton

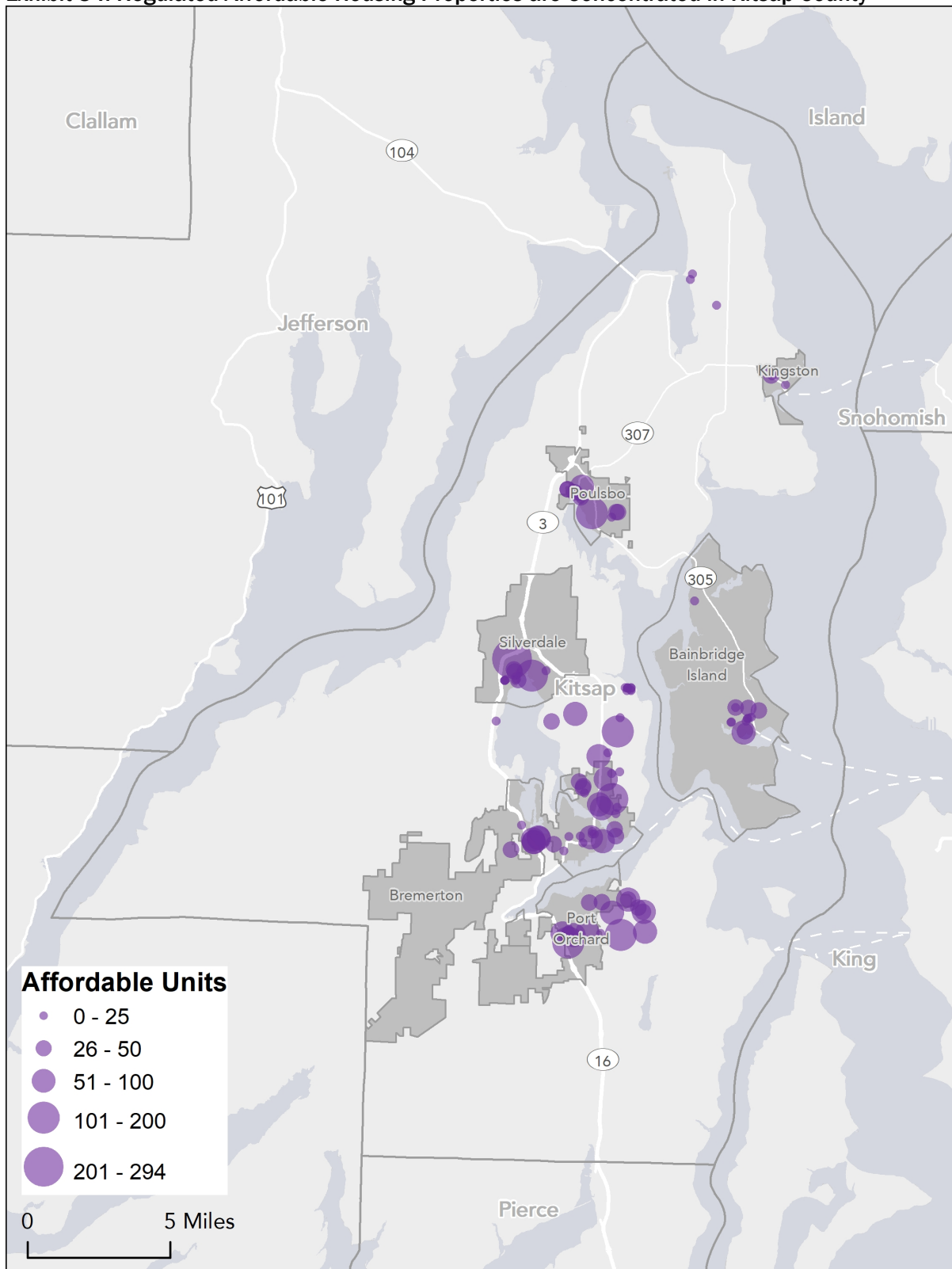
	Location	Number of Properties	Percent of Total	Number of Units	Percent of Total
	County	1	1%	15	~0%
Principle Cities	Bainbridge Island	14	14%	287	7%
	Bremerton	39	39%	1856	44%
	Port Orchard	18	18%	798	19%
	Poulsbo	12	12%	462	11%
Uninc. Kitsap County	Kingston	7	7%	109	3%
	Silverdale	9	9%	678	16%
	Grand Total	100	100%	4,205	100%

Source: ECONorthwest analysis of WSHFC, PSRC, Kitsap County, and Bremerton Housing Authority data.

Exhibit 33 above lists these properties and units by location in Kitsap County and Exhibit 34 displays these properties on a map. Location data was available for all but two properties and 15 affordable homes that are scattered across the county.

The City of Bremerton accounts for about 39 percent of all properties and 44 percent of all units and Silverdale accounts for about nine percent of all units and 16 percent of all units. This means these cities have larger properties than other areas. Bainbridge Island accounts for 14 percent of all properties but only seven percent of all units, and Kingston is seven percent of properties but only three percent of units, meaning properties in these locations are smaller on average. Port Orchard and Poulsbo are nearly equally distributed.

Exhibit 34. Regulated Affordable Housing Properties are Concentrated in Kitsap County

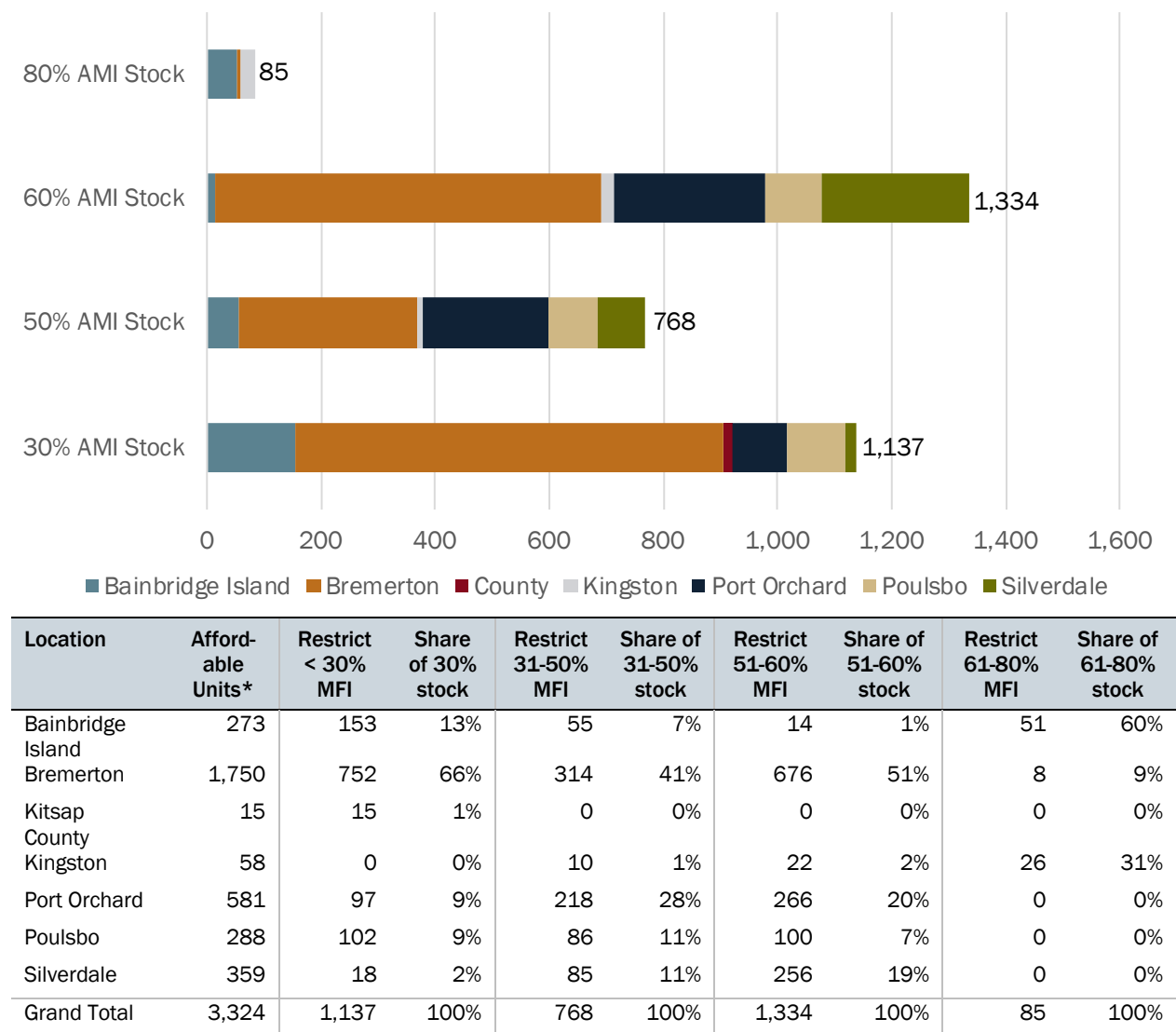


Source: ECONorthwest analysis of WSHFC, PSRC, Kitsap County, and Bremerton Housing Authority data.

Notes: Map does not show properties lacking location data. Data are based on WSHFC, PSRC, Kitsap County, and Bremerton Housing Authority's locations and may not align with the Census Designated Place boundaries used in other exhibits.

As the map above and the data in Exhibit 35 demonstrate, the distribution of affordable housing is not even across the county. The City of Bremerton has the largest share of deeply affordable rental housing stock—that which is restricted to be affordable for households earning 0–30% of MFI, and the largest share of units affordable to 50–60% MFI (the two largest income groups). In contrast, Bainbridge Island has the largest share of housing for households earning 60–80% of MFI, which is the smallest income group. Silverdale and Port Orchard have very little housing at either end of the income spectrum; most of their housing is restricted to be affordable to households earning between 30% and 80% of MFI.

Exhibit 35. Bremerton has the Highest Share of 0–30% MFI Affordable Housing



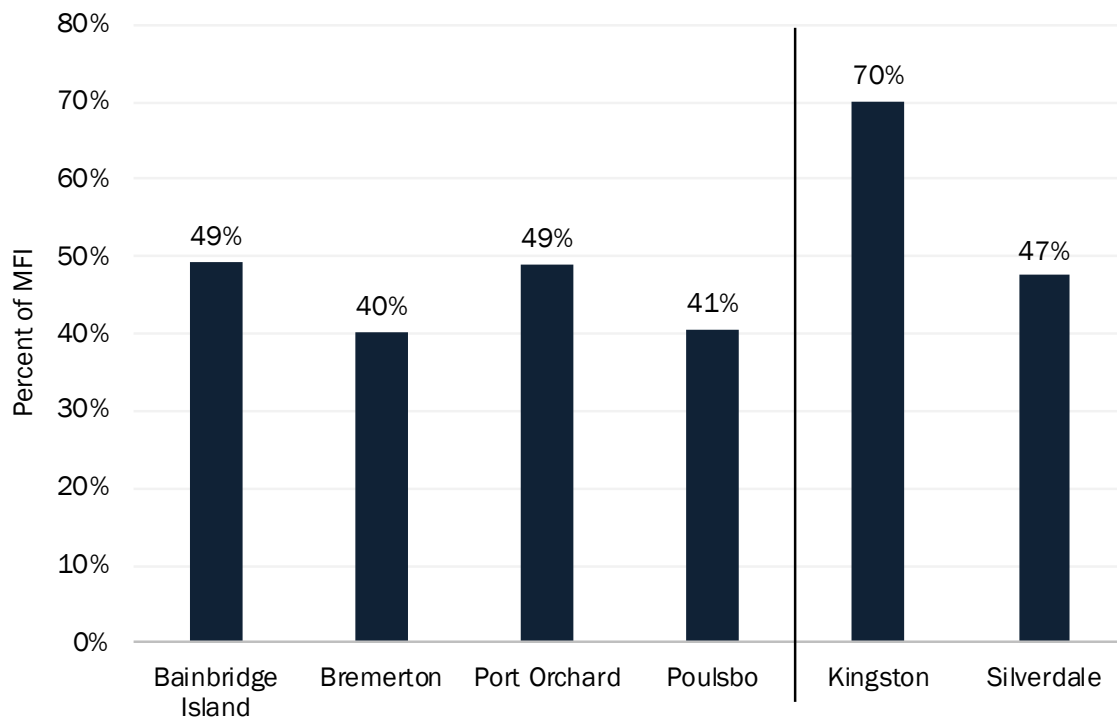
Source: ECONorthwest analysis of WSHFC, PSRC, Kitsap County, and Bremerton Housing Authority data.

Note: *This is the total number of units for which income data was available – total differs from that of Exhibit 33. Percent show each location's share of the total rental housing stock affordable to each income level. Data are based on WSHFC, PSRC, Kitsap County, and Bremerton Housing Authority's locations and may not align with the Census Designated Place boundaries used in other exhibits.

Exhibit 36 below displays this information another way, by calculating the weighted average rent restriction for all the properties in each location. Again, it is clear that Bremerton has the

most deeply affordable rent-restricted housing, in addition to having the most rent-restricted units. For all the properties located in Bremerton, their weighted average rent restrictions average to only 40% of MFI. Most of the affordable housing stock across Kitsap County is restricted to very low incomes, with Kingston as the exception. There are only 58 units of rent restricted affordable housing in Kingston: 26 units are available to 80% MFI, 22 units to 60% MFI, and 10 units to 50% MFI, which skews its average upward.¹⁴

Exhibit 36. Weighted Average Rent Restrictions are Lowest in Bremerton



Source: ECONorthwest analysis of WSHFC, PSRC, Kitsap County and Bremerton Housing Authority data.

Notes: Data only captures properties for which income data was available. Values shown are location averages of property weighted average rent restriction. Data are based on WSHFC, PSRC, Kitsap County, and Bremerton Housing Authority's locations and may not align with the Census Designated Place boundaries used in other exhibits.

Exhibit 37 below displays the data available by owner/operator. Data on owner/operator was unavailable for about eight percent of the properties in the combined dataset. Housing Kitsap is the largest provider of affordable housing in the County, operating 29 percent of all properties (26 percent of all units), followed by the Bremerton Housing Authority with 12 percent of all properties (13 percent of all units).

¹⁴ Weighted average rent restriction calculation is: $[(\# \text{ of } 30\% \text{ units} * 0.3) + (\# \text{ of } 50\% \text{ units} * 0.5) + (\# \text{ of } 60\% \text{ units} * 0.6) + (\# \text{ of } 80\% \text{ units} * 0.8)] / [\text{total restricted units}]$

Exhibit 37. Housing Kitsap is the Largest Provider of Regulated Affordable Housing in Kitsap County

Organization	Number of Properties	Number of Units	Average Weighted Average Restriction
Housing Kitsap (KCCHA)	29	1,091	43%
Bremerton Housing Authority	12	544	36%
Housing Resources Bainbridge	10	189	55%
Kitsap Community Resources	6	36	33%
Hearthstone Housing Foundation	3	555	59%
Port Gamble S'Klallam Housing Authority	3	18	70%
Paul Garcia Investments	2	77	57%
Low Income Housing Institute	2	108	46%
Shelter Resources	2	72	56%
Olympic Management Company	2	160	43%
Bonaventure Senior Living	1	28	50%
Episcopal Retirement Communities	1	16	63%
Kitsap Mental Health Services	1	16	34%
Village Green Kingston Assoc	1	35	N/A
Inland Empire Residential Resources	1	8	50%
Viewcrest Alliance Apartments	1	300	57%
Agape Unlimited	1	24	50%
Mercy Housing Northwest	1	42	N/A
Gilbarg & Oschin (Ogo Associates)	1	51	30%
Catholic Housing	1	78	37%
Marion Court Associates	1	35	N/A
Northwest Association for Housing Affordability	1	40	55%
Assisted Living Concepts	1	8	50%
Kitsap Commercial Group	1	24	59%
Catholic Community Services of Western Wa.	1	25	30%
Waterside Properties	1	50	30%
West Sound Treatment Center	1	8	50%
Ron Montplaisir	1	29	30%
Foundation Property Management	1	38	30%
Group Action for Peninsula People	1	6	30%
Community Housing Assistance Program	1	120	56%
<i>None Listed</i>	8	399	55%
Grand Total	100	4,205	45%

Source: ECONorthwest analysis of WSHFC, PSRC, Kitsap County and Bremerton Housing Authority data.

Note: Data only captures properties for which income data was available. Values shown are owner/operator averages of property weighted average rent restriction.

The table in Exhibit 37 also shows the weighted-average rent restriction, averaged for each owner/operator. As can be seen, Kitsap Community Resources and Bremerton Housing Authority have very deeply affordable properties with weighted average rent restrictions of 33% of MFI and 36% of MFI, respectively. As the table shows, there are also a number of

providers with just one rent-restricted property in the county that is deeply affordable (weighted average rents affordable to 30% MFI). These include Catholic Community Services of Western Washington, Kitsap Mental Health Services, Group Action for Peninsula People, Waterside Properties, Foundation Property Management, Waterside Properties, and sponsors Ron Montplaisir and Ogo Associates.

We also used data from the U.S. Department of Housing and Urban Development (HUD) which evaluates HUD programs across all these housing providers and locations in the County. According to HUD, there are 342 units of public housing serving approximately 763 people in Kitsap County. HUD programs serve some of the lowest income households in the country and are structured so tenants pay very little of their incomes on housing, as shown in Exhibit 38.

Exhibit 38. HUD-Funded Programs Serve Extremely Low Incomes

Program	Average Annual Income	Average Monthly HUD Expenditure	Average Monthly Tenant Expenditure
Public Housing	\$16,500	\$686	\$369
Housing Choice Vouchers	\$13,530	\$718	\$352
Project-Based Section 8	\$12,790	\$600	\$290

Source: U.S. Department of Housing and Urban Development (HUD), 2019.

Affordable Homeownership Housing

In addition to rental housing, lower-income households in Kitsap County have some opportunities for homeownership. Homeownership opportunities for lower income households can be limited. This is because, depending on the type of assistance, households may need incomes high enough to qualify for a traditional mortgage from a private bank, but low enough to qualify for assistance, which may exclude a large share of would-be homeowners.

According to data provided by the County and service providers, affordable homeownership programs are offered by Housing Kitsap, the Bremerton Housing Authority, the Housing Resources Board, Habitat for Humanity, and Community Frameworks. These programs can help lower-income households access the wealth building opportunities traditionally offered via homeownership. Exhibit 39 below offers details of a few of these programs.

Exhibit 39. Affordable Homeownership Programs in Kitsap County

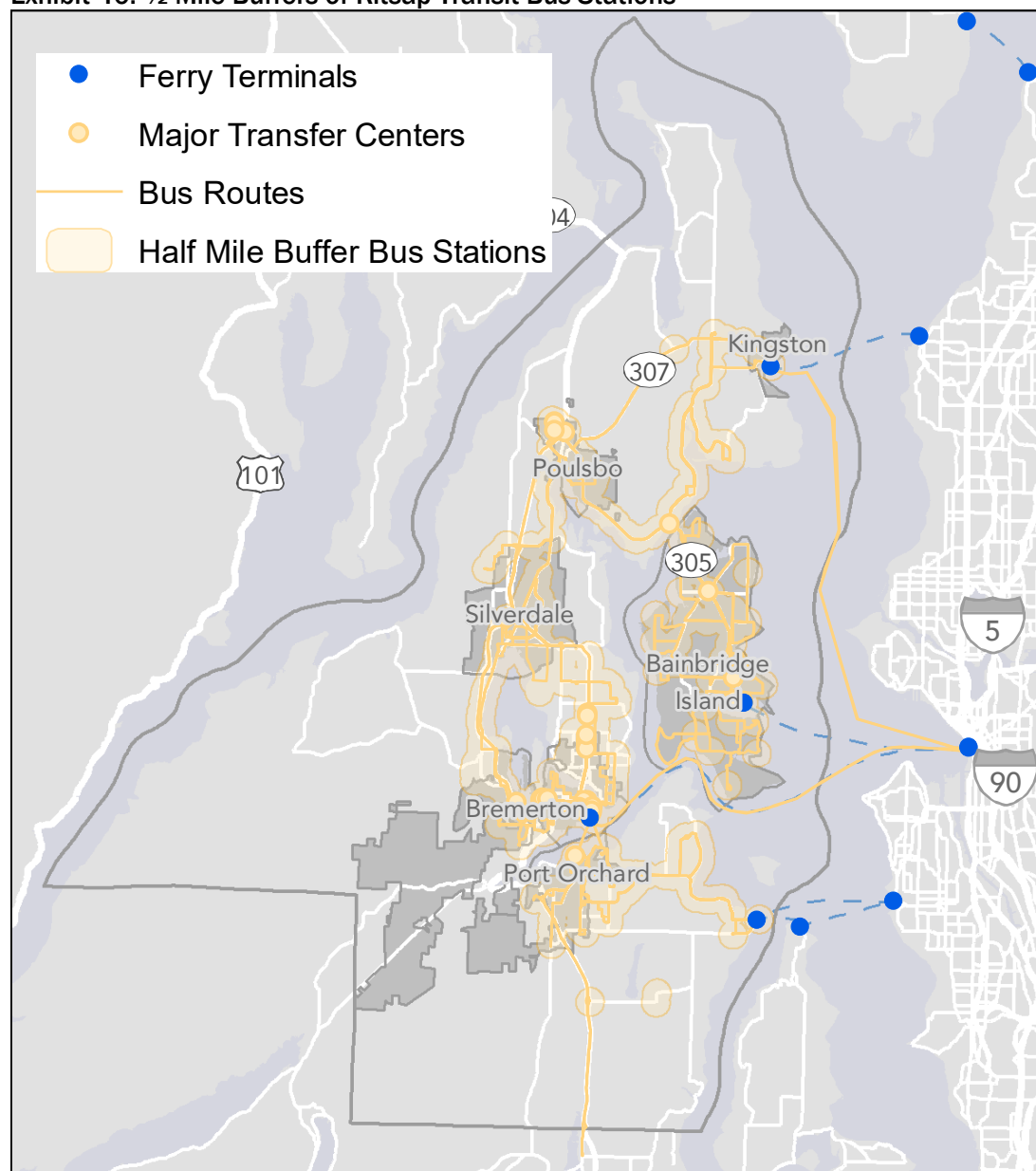
Organization	Types of Assistance	Participant Details
Housing Kitsap	In conjunction with USDA mortgage assistance via low-interest loans, Housing Kitsap provides Technical Assistance for Construction and down payment assistance.	<ul style="list-style-type: none"> Serves 22 households per year Must earn below 80% of MFI Loans are about \$225,000 with some down payment assistance (max 20% of the loan amount)
Bremerton Housing Authority	Mortgage payment assistance for voucher holders for up to 15 years, participants must be enrolled in the Family Self Sufficiency Program.	<ul style="list-style-type: none"> 8 households in the past four years Most earn below 30% of MFI Average home sale was \$180,000
Community Frameworks	Down payment assistance for five years and deferred, low-interest loans for the duration of the mortgage. Payments are deferred until the loan sale. Also offer sweat equity for rehabilitated housing programs.	<ul style="list-style-type: none"> 26 households since 2013 Most earn below 80% of MFI Assistance totaling over \$952,000 since 2013; average of \$36,600 per household

Sources: Staff commentary from each organization

E. Access to Transit and Employment Centers

Kitsap County is auto-centric. Kitsap Transit operates countywide bus service and ferry service to Seattle and Port Orchard. There are a few other private transit shuttles focused on shipyard and navy workers. However, the public transit system, particularly buses, is highly geared toward commuters and has long headways outside of peak commuting hours. Buses do not run on Sundays, and many routes do not run on Saturdays either. Furthermore, as seen in Exhibit 40 Kitsap Transit essentially serves the urban population centers in Kitsap County with essentially no service provided to Eastern Kitsap.

Exhibit 40. ½ Mile Buffers of Kitsap Transit Bus Stations



Source: Kitsap Transit 2019, Washington State Department of Transportation.

Exhibit 41 demonstrates there are 48,574 housing units across Kitsap County located within a half mile of a Kitsap Transit bus stop.

Exhibit 41. Most Housing Within 1/2 Mile buffer of Transit is Single Family

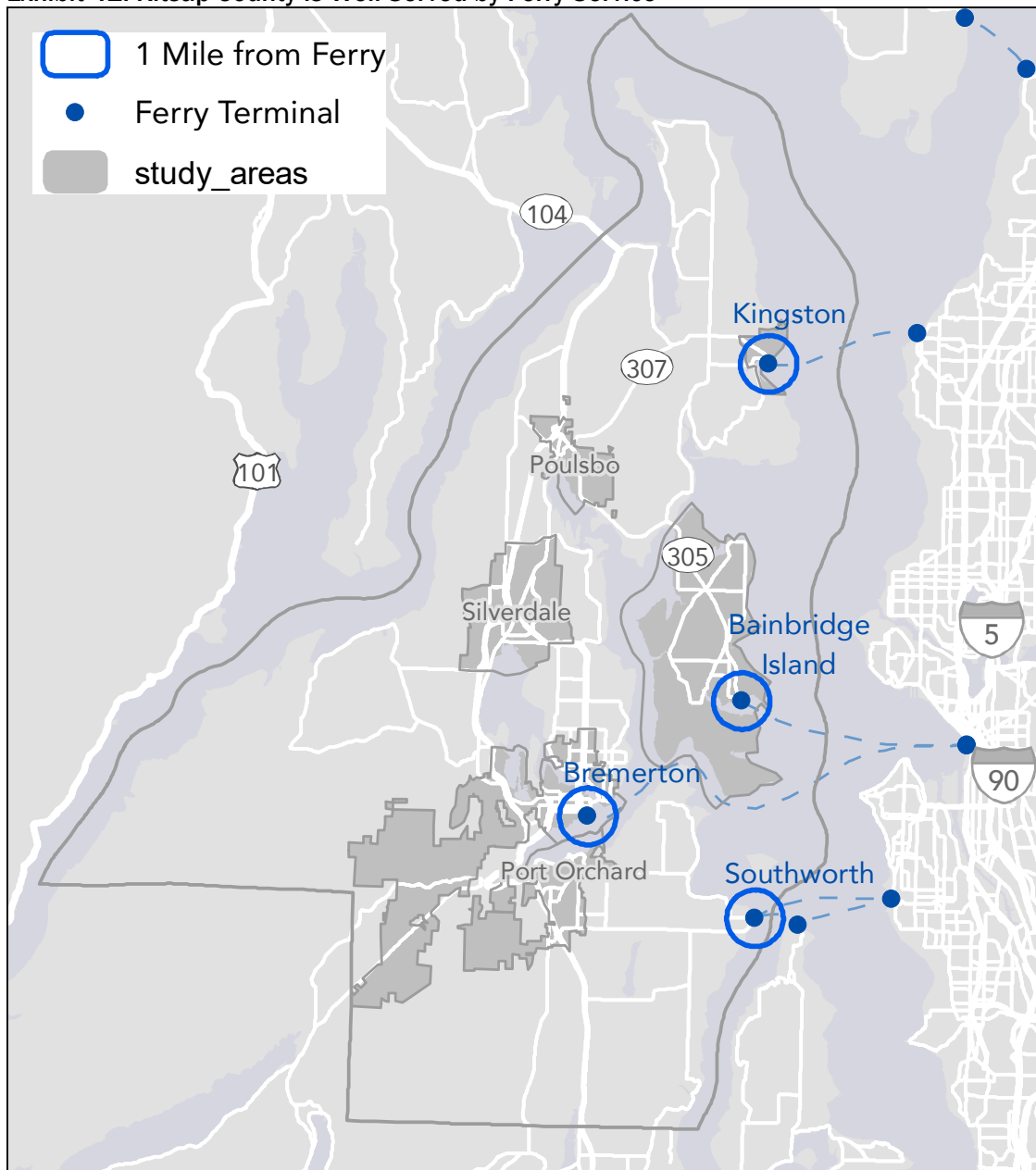
	Location	Unit Type	Number of Units Near Transit
	Kitsap County Total		48,574
Kitsap County	Bainbridge Island	Mobile Home	137
		Multifamily	119
		Single-Family	6,420
	Bremerton	Mobile Home	131
		Multifamily	1339
		Single-Family	8,151
	Port Orchard	Mobile Home	120
		Multifamily	142
		Single-Family	2,336
	Poulsbo	Mobile Home	32
		Multifamily	32
		Single-Family	2,789
Unincorporated Kitsap County	Silverdale CDP	Mobile Home	99
		Multifamily	86
		Single-Family	3,603
	Kingston	Mobile Home	30
		Multifamily	27
		Single-Family	479
	Other Areas	Mobile Home	1,707
		Multi-Family	520
		Single-Family	20,523

Source: Washington State Department of Transportation, Kitsap County Assessor 2019.

Note: Data are shown for the city boundaries of Bainbridge Island, Bremerton, Port Orchard, and Poulsbo, as well as the boundaries of the Kingston and Silverdale Census Designated Places. Data for the “All Other Areas” is equal to the Kitsap County total less the six cities shown, and is a rough approximation for the remaining Unincorporated Kitsap County area.

As Exhibit 42 demonstrates, Kitsap Transit operates foot ferries across Sinclair Inlet (between Bremerton and Port Orchard), and “fast ferries” to Seattle from Kingston and from Bremerton. The Washington State Department of Transportation operates commuter ferries to Seattle from Bainbridge Island and from Bremerton, and from Kingston to Edmonds. Households near these ferry terminals have greater access to jobs, amenities, and retail and commercial services throughout Puget Sound.

Exhibit 42. Kitsap County is Well-Served by Ferry Service



Source: Washington State Department of Transportation, 2019.

Exhibit 43 below demonstrates that there are 4,837 housing units across Kitsap County located within one mile from a ferry terminal. The recent expansion of the “fast ferry” service by Kitsap Transit has increased the development of multifamily residences, especially considering the current development happening in Downtown Bremerton as discussed in Exhibit 13 and Exhibit 14. The immense access that living near a ferry creates is benefiting 1,547 households on Bainbridge, 2,113 households in Bremerton, and 1,177 in Kingston and Southworth combined. Bremerton sees the most benefit to households living in multifamily housing.

Exhibit 43. Most Housing Within One Mile of Ferry Terminals is Single-Family

Location	Unit Type	Number of Units Near Ferries
Bainbridge Island	Mobile Home	9
	Multifamily	111
	Single-Family	1,427
Bremerton	Mobile Home	6
	Multifamily	407
	Single-Family	1,700
Other Areas	Mobile Home	57
	Multifamily	32
	Single-Family	1,088
Kitsap County Total		4,837



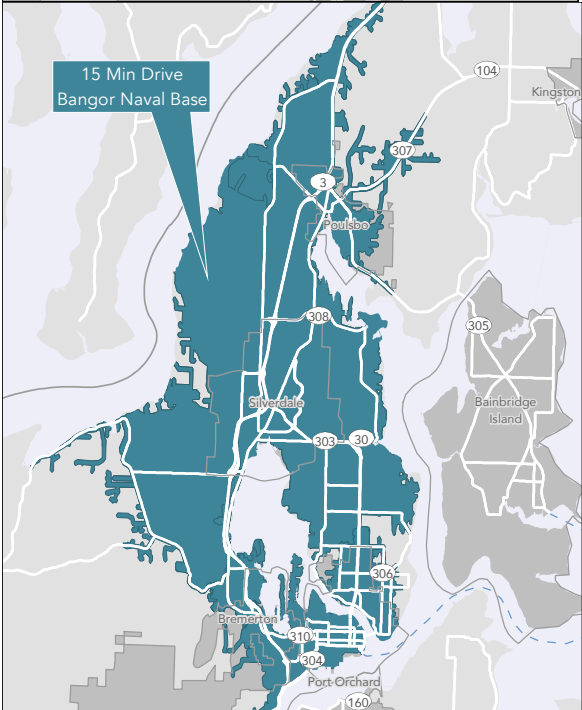
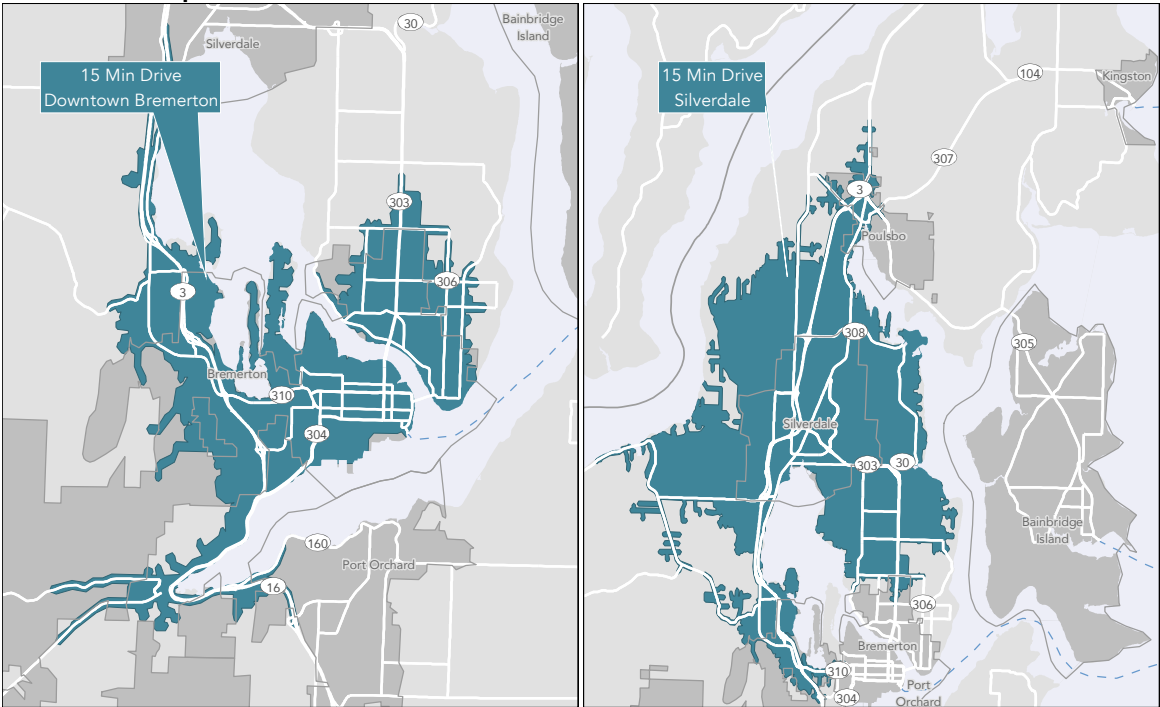
Source: Washington State Department of Transportation 2019; Kitsap County Assessor, 2019.

Note: Bainbridge Island Ferry Terminal, top-left; Kingston Ferry Terminal, top-right; Bremerton Ferry Terminal, bottom-left; Southworth Ferry Terminal, bottom-right. "All other areas" is the difference between the County total and the five primary cities.

Exhibit 44 display maps and lists the number of housing units within the 15-minute network drive time from the three major employment centers: Downtown Bremerton (including the Naval Shipyard), Downtown Silverdale, and Bangor Naval Station. This analysis takes into consideration the road networks leading to major employment and activity hubs as if travel was occurring on a Friday evening commute. However, drive times are known to have seasonal fluctuations and Kitsap County also experiences increased stress on road networks when Naval

ships come to port. Housing units located within this network have increased access to the jobs and retail amenities in Kitsap’s economic centers.

Exhibit 44. Map of 15 Minute Drivetime Network from Downtown Bremerton and Silverdale



Source: ArcGIS, ECONorthwest.

Exhibit 45. Most Housing Within the 15 Minute Drive Network is Single Family

Location	Unit Type	Number of Units in 15-minute Network
Bangor Naval Base	Mobile Home	1,506
	Multi-Family	595
	Single-Family	23,315
Bremerton	Mobile Home	483
	Multi-Family	583
	Single-Family	13,330
Silverdale	Mobile Home	1,136
	Multi-Family	406
	Single-Family	18,037

Kitsap County Assessor 2019, ArcGIS, ECONorthwest

As demonstrated in Exhibit 45, the vast majority of housing surrounding these major employment centers is single-family stock. Due to its rural nature, the Bangor Naval Base has

the largest footprint of the drivetime basins and as a result has the most units. Furthermore, the characteristics of the units in the basin fit the distribution of unit types throughout the County since largely, the Eastern portion of Kitsap County is more rural single-family residences. These areas are also not as easily serviced by Kitsap Transit as explained in Exhibit 40. As such, a reliance on single occupant travel in automobiles is much more likely here. These travel costs can often reflect a 'hidden cost' of housing.

Because the majority of homes near transit, ferries, and major employment centers is single-family stock (and predominantly for sale), and because homeownership remains out of reach for most low-income households and marginalized communities, these households are also locked out of important access to jobs, opportunity, amenities, and services in the region.

F. Recent Supply Trends

Data from PSRC demonstrates that Kitsap County and its jurisdictions are seeing new housing development, albeit slowly. PSRC collects residential building permit records that authorize new construction and demolition. As demonstrated in Exhibit 46 below, in the year 2017, a total of 1,008 *net new units* were added across the entire County.

Exhibit 46. Net New Housing Units by Location and Type, 2017

	Kitsap County	Bainbridge Island	Bremerton	Port Orchard	Poulsbo
Total New units permitted	1,165	124	143	78	195
Total units lost through demolition	-157	-22	-6	-16	0
Net New Units	1,008	102	137	62	195
Permits by Type					
Net Single-Family units	753	44	103	60	102
Net Accessory Dwelling Units and Duplex Units	46	14	6	0	2
Net 3- and 4-family units	3	3	0	0	0
Net units in 5- to 9-family structure	14	14	0	0	0
Net units in 10- to 19-family structure	59	18	0	0	0
Net units in 20- to 49- family structure	118	0	27	0	91
Net units in a 50+ family structure	0	0	0	0	0
Net Mobile and Modular home units	15	9	1	2	0

Source: Puget Sound Regional Council, 2017.

Unsurprisingly, the majority of this newly built housing is single-family. Across the whole County, around 74 percent of net new units built are single-family units. In Port Orchard, about 97 percent of net new units are single-family units. This percentage is lower on Bainbridge Island, and Poulsbo, but single-family units still made up 43 percent and 53 percent of net new units, respectively.

Single Family Development

As for current housing construction, Exhibit 47 shows that active construction as of 2019 is still lower than the pace of the 2000s. An expected 1,345 units should be completed in the near future with about 56 percent as single-family residences. Multifamily residences are largely being constructed in Bremerton, which accounts for over 90 percent of all the units being constructed within the city. The map in Exhibit 48 displays where multifamily units are planned or under construction.

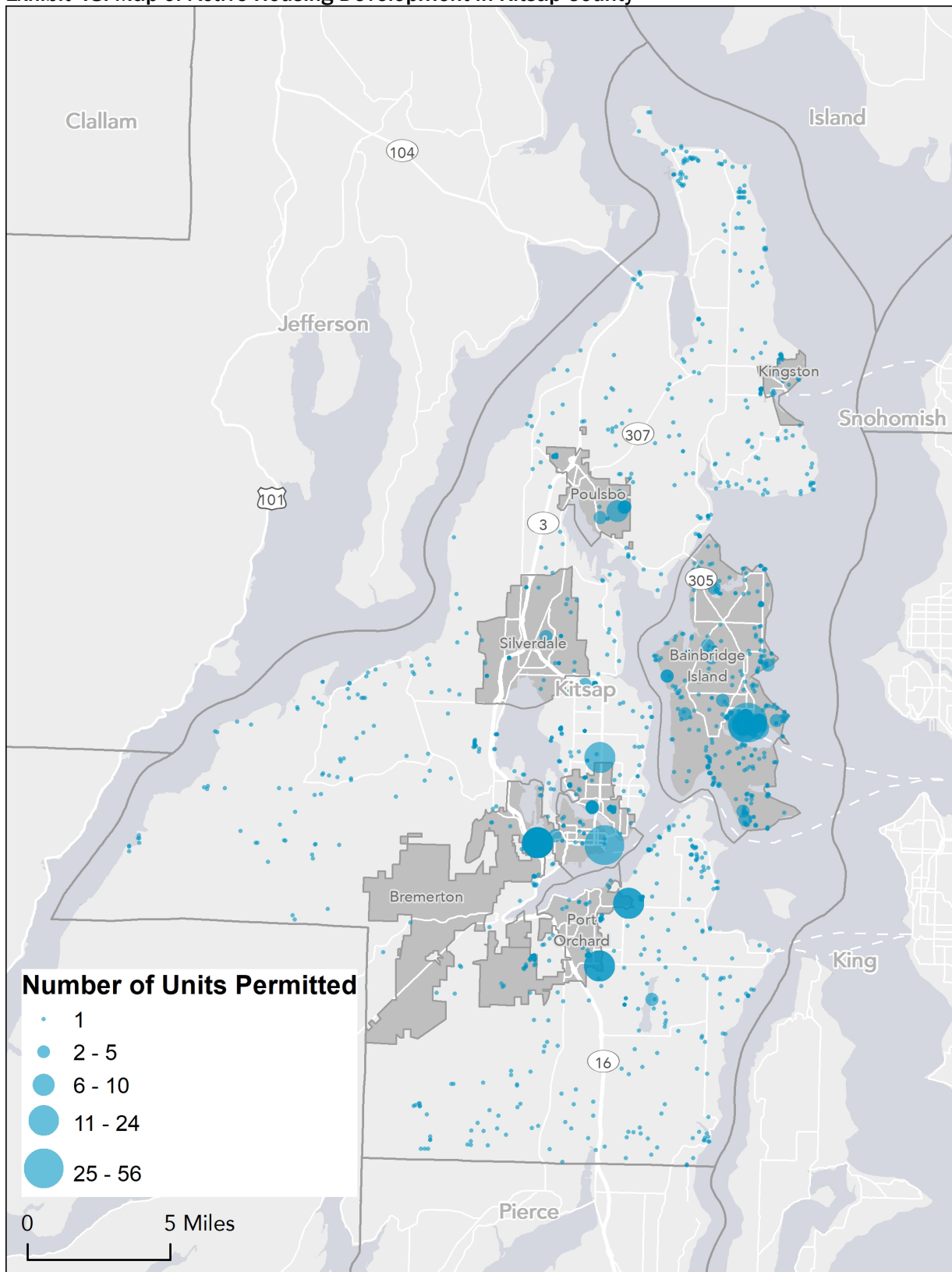
Exhibit 47. Active Permits by Type and Location

Location	Unit Type	Number of Permits	Number of Units
Bainbridge Island	Mobile Home	9	9
	Multifamily	18	223
	Single-Family	401	423
	TOTAL	428	655
Bremerton	Mobile Home	0	0
	Multifamily	11	273
	Single-Family	114	119
	TOTAL	125	392
Port Orchard	Mobile Home	0	0
	Multifamily	4	79
	Single-Family	78	78
	TOTAL	82	157
Poulsbo	Mobile Home	0	0
	Multifamily	1	6
	Single-Family	33	37
	TOTAL	34	43
Kingston	Mobile Home	0	0
	Multifamily	0	0
	Single-Family	15	15
	TOTAL	15	15
Silverdale	Mobile Home	4	5
	Multifamily	0	0
	Single-Family	77	78
	TOTAL	81	83
KITSAP COUNTY TOTAL	Mobile Home	13	14
	Multifamily	34	581
	Single-Family	718	750
	TOTAL	765	1,345

Source: Kitsap County Department of Community Development; Bainbridge Island Building Department; Bremerton Department of Community Development; Poulsbo Building Department; Port Orchard Department of Community Development.

Note: "All other areas" is the difference between the County total and the five primary cities.

Exhibit 48. Map of Active Housing Development in Kitsap County



Source: Kitsap County Department of Community Development; Bainbridge Island Building Department; Bremerton Department of Community Development; Poulsbo Building Department; Port Orchard Department of Community Development.

Multifamily Development

In the last five and a half years, fourteen multifamily developments were built in Kitsap County. Thirteen of these developments were built in the primary cities. Bremerton had the most developments with five, followed by Bainbridge Island with four, Port Orchard with three, and Poulsbo with one. The remaining multifamily development was built in the City of Kingston, in north Kitsap County. No new developments have been built in Silverdale in the past five and a half years. Exhibit 49 provides details on the newer multifamily developments that have data available from CoStar as of October 2019.¹⁵

Exhibit 49. Newer Multifamily Developments in Kitsap County

Bainbridge Island

Blis – 747 Hanami Ln. NE – Wing Point Submarket



Year built: June 2019
Total units: 114
Vacancy rate: 68.4%
Parking spaces: Unknown

Beds	Units	Avg. Sq. Ft.	Rent per Sq. Ft.	Average Rent
Studio	13	517	\$3.28	\$1,700
1-Bed	65	770	\$3.06	\$2,350
2-Bed	24	991	\$2.73	\$2,700
3-Bed	12	1,601	\$2.56	\$4,100

The Juniper – 221 Wyatt Way NE – Winslow Submarket

Year built: 2015
Total units: 12
Vacancy rate: 8.3%
Parking spaces: Unknown

Beds	Units	Avg. Sq. Ft.	Rent per Sq. Ft.	Average Rent
1-Bed	12	1,380	\$2.50	\$3,450



¹⁵ CoStar is a provider of commercial real estate information.

Bremerton

606 Apartments – 606 Burwell St. – Downtown Bremerton

Year built: 2016

Total units: 71

Vacancy rate: 2.8%

Parking spaces: Unknown

Beds	Units	Avg. Sq. Ft.	Rent/Sq. Ft.	Avg. Rent
Studio	4	369	\$3.39	\$1,250
1-Bed	56	600	\$2.42	\$1,450
2-Bed	11	769	\$2.41	\$1,850



Spyglass Hill Apartments – 646 Highland Ave. – Downtown Bremerton

Year built: 2017

Total units: 87

Vacancy rate: 4.6%

Parking spaces: 48 covered spaces

Beds	Units	Avg. Sq. Ft.	Rent/Sq. Ft.	Avg. Rent
Studio	5	512	\$2.52	\$1,290
1-Bed	65	652	\$2.46	\$1,604
2-Bed	17	1,367	\$1.77	\$2,420



Insignia Apartment Homes – 1060 Insignia Loop – Northeast Bremerton

Year built: 2017

Total units: 162

Vacancy rate: 1.2%

Parking spaces: Unknown

Beds	Units	Avg. Sq. Ft.	Rent/Sq. Ft.	Avg. Rent
1-Bed	78	707	\$2.08	\$1,470
2-Bed	84	907	\$1.83	\$1,660



Port Orchard**The Sinclair – 414 SW Hayworth Dr. – South Sidney Plaza**

Year built: November 2014
Total units: 126
Vacancy rate: 7.1%
Parking spaces: 220 surface spaces
Parking ratio: 1.75

Beds	Units	Avg. Sq. Ft.	Rent/Sq. Ft.	Avg. Rent
1-Bed	54	667	\$1.89	\$1,260
2-Bed	54	933	\$1.53	\$1,430
3-Bed	18	1,101	\$1.41	\$1,560

The Sidney – 487 Mansfield Ct. SW – Sidney Plaza

Year built: April 2014
Total units: 105
Vacancy rate: 1.0%
Parking spaces: Unknown

Beds	Units	Avg. Sq. Ft.	Rent/Sq. Ft.	Avg. Rent
1-Bed	36	728	\$1.70	\$1,240
2-Bed	63	977	\$1.44	\$1,400
3-Bed	6	1,288	\$1.11	\$1,430



Poulsbo and Kingston**Arendal Apartments – 21044 Viking Way NW, Poulsbo**

Year built: October 2018
Total units: 91
Vacancy rate: 3.3%
Parking spaces: 174 surface spaces
Parking ratio: 1.91

Beds	Units	Avg. Sq. Ft.	Rent/Sq. Ft.	Avg. Rent
1-Bed	28	770	\$2.11	\$1,625
2-Bed	55	1,015	\$1.78	\$1,800
3-Bed	8	1,375	\$1.54	\$2,100

Village Green Senior Apartments – 26150 Dulay Rd. NE, Kingston

Year built: 2015
Total units: 34
Vacancy rate: 5.9%
Parking spaces: Unknown

Beds	Units	Avg. Sq. Ft.	Rent per Sq. Ft.
1-Bed	17	546	\$1.31
2-Bed	17	761	\$1.11



Source: CoStar.

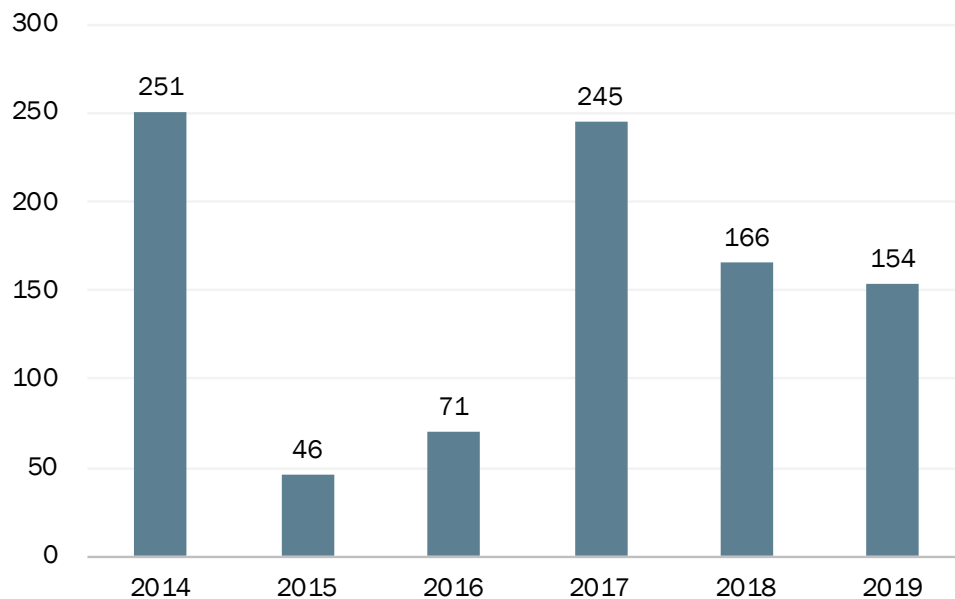
Additional properties that have been constructed lately but lacked full details in CoStar include the following:

- **Grow Community** on Bainbridge Island. Twelve units were completed in 2018 with another 18 units proposed at a date to be determined.
- **Apartments** at 390 Root Path on Bainbridge Island. Twenty units completed in 2014.
- **B Flat Apartments** in Downtown Bremerton. Twenty-five units delivered in July 2018.
- **Griffin Glen II** in Bremerton. Forty 1-bed affordable apartments have been built but the property is still under construction.
- **Olympic View Apartment Homes** in Port Orchard. Thirty-eight units built in October of 2018.

In total, over the past five years about 933 units were delivered in multifamily housing developments across Kitsap County.

Exhibit 50 below shows new multifamily units that have been delivered to the market in the past five years in Kitsap County through October 2019. The year 2019 was a slowdown from a big increase in deliveries in 2017.

Exhibit 50. Multifamily Unit Deliveries, Kitsap County, 2014–2019



Source: CoStar.

Exhibit 51 lists multifamily buildings with anticipated delivery in late 2019, 2020, or 2021. In the last three months of 2019, it is expected that 272 multifamily units will be delivered in Bremerton. There are several developments proposed across Kitsap County, on Bainbridge Island and in Poulsbo, but their delivery dates are not known. Among all anticipated deliveries, the majority are 4-star apartments of varying types such as low-rise, mid-rise, and garden.

Exhibit 51. Multifamily Unit Delivery by Anticipated Delivery Date, Late 2019, 2020, and 2021

City	Address	Units	Anticipated Delivery	Type
Bainbridge Island	304-306 Shepard Way NW	10	Proposed	4-Star Low-Rise Apts.
Bainbridge Island	428 Grow Ave. NE	18	Proposed—Phase 2	4-Star Low-Rise Apts.
Bremerton	4520-4568 Bay Vista Blvd.	216	October 2019	4-Star Garden Apts.
Bremerton	242 Burwell St.	56	October 2019	4-Star Mid-Rise Apts.
Bremerton	280 Washington Ave.	120	February 2021	4-Star Mid-Rise Apts.
Poulsbo	2068 NE Hostmark St.	69	October 2020	3-Star Garden Apts.
Poulsbo	367 NE Hostmark St.	25	Proposed	4-Star Low-Rise Apts.

Source: CoStar.

Note: CoStar provides star-rankings of commercial residential real estate on a 1-5 scale, generally based on amenities and quality of finishes.

G. Methods and Approach

Data Used in this Analysis

This analysis uses data from multiple sources, focusing on those that are well-recognized and reliable. One of the key sources for housing and household data is the U.S. Census. This memorandum primarily uses data from two Census sources:

- The **Decennial Census**, which is completed every ten years and is a survey of all households in the U.S. The Decennial Census is considered the best available data for information such as demographics (e.g., number of people, age distribution, or ethnic or racial composition), household characteristics (e.g., household size and composition), and housing occupancy characteristics. As of 2010, the Decennial Census does not collect more detailed household information, such as income, housing costs, housing characteristics, and other important household information. Decennial Census data is available for 2000 and 2010.
- The **American Community Survey (ACS)**, which is completed every year and is a *sample* of households in the U.S. From 2013 to 2017, the ACS sampled an average of 3.5 million households per year, or about 2.9% of the households in the nation. The ACS collects detailed information about households, including demographics (e.g., number of people, age distribution, ethnic or racial composition, country of origin, language spoken at home, and educational attainment), household characteristics (e.g., household size and composition), housing characteristics (e.g., type of housing unit, year unit built, or number of bedrooms), housing costs (e.g., rent, mortgage, utility, and insurance), housing value, income, and other characteristics.
- **Kitsap County Assessor**, which provides descriptive data on the housing stock in the County as well as recent sales data.
- **CoStar**, which provides data on multifamily units development over years.
- **PSRC**, which provided data for 1) Affordable Housing Units managed in the Puget Sound Metro and 2) completed building permits up to 2017.
- **Permits**, provide the active building permits within the last 5 years for each jurisdiction in Kitsap County including: Kitsap County Department of Community Development; Bainbridge Island Building Department; Bremerton Department of Community Development; Poulsbo Building Department; Port Orchard Department of Community Development.
- **Housing Kitsap and the Bremerton Housing Authority**, which provides data on the housing stock and rental prices for publicly subsidized housing in the County.
- **Washington State Housing Finance Commission**, which is the state agency responsible for funding and monitoring Washington's regulated affordable housing stock. The Commission provided data through a public information request, detailing past and

current regulated affordable housing properties that had received low-income housing tax credit financing from the Commission.

This memorandum uses data from the 2013–2017 ACS for Kitsap County. Where information is available and relevant, we report information from the 2000 and 2010 Decennial Census. Among other data points, this memorandum includes population, income, and housing price data from the Washington Office of Financial Management, the United States Department of Housing and Urban Development, the U.S. Bureau of Labor Statistics, and Zillow.

It is worth commenting on the methods used for the American Community Survey.¹⁶ The American Community Survey (ACS) is a national survey that uses continuous measurement methods. It uses a sample of about 3.54 million households to produce annually updated estimates for the same small areas (census tracts and block groups) formerly surveyed via the decennial census long-form sample. It is also important to keep in mind that all ACS data are estimates that are subject to sample variability. This variability is referred to as “sampling error” and is expressed as a band or “margin of error” (MOE) around the estimate.

This memorandum uses Census and ACS data because, despite the inherent methodological limits, they represent the most thorough and accurate data available to assess housing needs. We consider these limitations in making interpretations of the data and have strived not to draw conclusions beyond the quality of the data.

¹⁶ A thorough description of the ACS can be found in the Census Bureau’s publication “What Local Governments Need to Know.” <https://www.census.gov/library/publications/2009/acs/state-and-local.html>

DATE: March 2020
TO: Kitsap County
City of Bremerton
FROM: ECONorthwest
SUBJECT: KITSAP-BREMERTON AFFORDABLE HOUSING INVENTORY AND MARKET ANALYSIS –
APPENDIX C: HOUSING NEEDS ANALYSIS

Background and Purpose

As part of the *Affordable Housing Inventory and Market Analysis* for Kitsap County and the City of Bremerton, this technical memorandum provides a needs assessment for housing in Kitsap County and its major jurisdictions. Taken together with an overview of the housing providers in Kitsap County (Appendix A Housing Landscape Overview) and an assessment of the current housing inventory (Appendix B Housing Inventory), this memorandum steps through the drivers of housing supply, drivers of housing demand, and the future needs for housing of all types and price points across the county over the next 17 years. This memorandum is broken down into three sections:

1. **Part I** projects forecasted housing demand and capacity and discusses the gaps in housing supply versus projected need at different price points and geographies across the County.
2. **Part II** steps through the drivers of housing supply and drivers of housing demand in Kitsap County.
3. **Part III** steps through the methods, data, and approaches used in this analysis.

The findings herein support policy recommendations offered in the *Affordable Housing Inventory and Market Analysis* for the City and County to consider as they continue working to provide housing for all Kitsap residents. This memo is an appendix to the final report.

References in this Analysis

Throughout this analysis, we reference and display data for different geographies across Kitsap County. This section steps through the geographic boundaries used, and nomenclature used to address different planning jurisdictions. We also include a few affordable housing terms used herein.

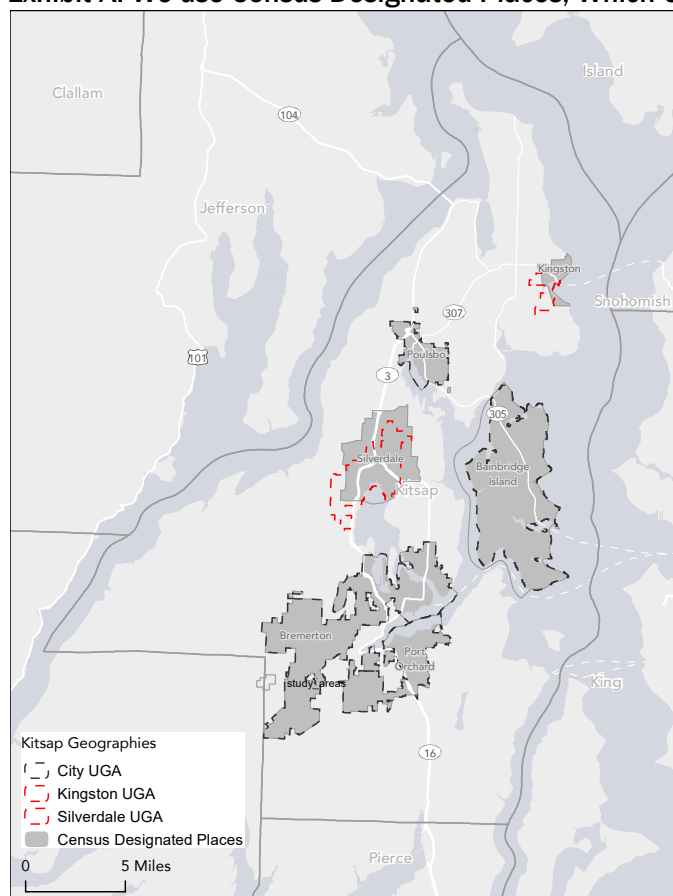
Cities and Census Designated Places vs Urban Growth Areas

Our analysis uses a variety of data sources. Because the U.S. Census Bureau is the main source of data for this memorandum and Appendix B Housing Inventory, we use its definitions of “Places” and “Census Designated Places” (CDPs) to analyze and display the data pertinent to this study. Places typically refer to cities, towns, villages, and boroughs, and are “a concentration of population either legally bounded as an *incorporated* place, or identified as a

Census Designated Place.”¹ CDPs differ from places in that CDPs are “statistical geographic entities representing closely settled, *unincorporated* communities that are locally recognized and identified by name.”² CDPs are statistically equivalent to incorporated places and they are the Census Bureau’s best approximation for unincorporated areas across the country.

This analysis uses CDP boundaries instead of Urban Growth Areas (UGAs), which are the County’s urban planning boundaries for Kingston and Silverdale, because the Census provides more data on these area’s population and economic characteristics. The map in Exhibit A below shows the CDP boundaries in grey, the UGA boundaries for Bainbridge Island, Bremerton, Port Orchard, and Poulsbo in black, and the UGA boundaries for Kingston and Silverdale in red. As the map demonstrates, the UGA boundaries for Bainbridge Island, Bremerton, Port Orchard, and Poulsbo are aligned with the CDPs, and the Kingston and Silverdale UGAs have meaningful overlap. As such, they are a good approximation and allow us access to more data.

Exhibit A. We use Census Designated Places, Which Closely Align with Kitsap UGAs



Source: UGA boundaries come from the Kitsap County Department of Community Development. Census boundaries come from Census GIS files.

¹ U.S. Census Bureau, *Place* definition. Retrieved from: <https://factfinder.census.gov/help/en/place.htm>

² U.S. Census Bureau, *Census Designated Place (CDP) Program for the 2010 Census—Proposed Criteria*, 72 Federal Register 17326-17329. April 6, 2007. Retrieved from: <https://www.govinfo.gov/content/pkg/FR-2007-04-06/pdf/E7-6465.pdf>

Kitsap County Inclusive vs Kitsap County Jurisdiction

In this analysis, references to “Kitsap County,” “Kitsap,” or “the County” relate to the county as a whole, inclusive of the other planning areas (cities and urban growth areas). For example, if a statistic shows the average age for Kitsap County residents alongside the average age for residents of the City of Bremerton, the ages of Bremerton residents would be included in the Kitsap County average.

Recognizing the importance of providing data and analysis for the Kitsap County planning jurisdiction, we reference this geographic area as “Unincorporated Kitsap County.” This excludes the city planning jurisdictions, and includes urban growth areas. Within this Unincorporated Kitsap County jurisdiction, we often show the Kingston and Silverdale CDPs (not UGAs), and then calculate a third boundary called “all other areas.” These are mutually exclusive so the sum of the different CDPs and the “all other areas” will equal the Kitsap County total. The following exhibit demonstrates this math.

Exhibit B. Example Display of Kitsap County Geographies

Year	Kitsap County	Bainbridge Island	Bremerton	Port Orchard	Poulsbo	Unincorporated Kitsap County		
						Kingston	Silverdale	All Other Areas
Total	A	B	C	D	E	F	G	= A – B – C – D – E – F – G

We make every effort to include a note below each table and chart describing the boundaries. Readers should assume that in-text references to “Kitsap County” or “the County” are inclusive of all other jurisdictions within the County. At times, we further clarify this point by referencing residents “across the County” or businesses “throughout the County,” or we will discuss “Kitsap County as a whole,” or a statistic for “the entire County.”

Housing, Finance, and Development Terms Used

Affordable Housing. Regulated affordable housing that is income- or rent-restricted to ensure the housing is occupied by households earning a certain income. Regulations are set according to the types of funding used to develop the housing, such as the Low-Income Housing Tax Credit, or U.S. Housing and Urban Development (HUD) funding. Most rent-restricted affordable housing is restricted to be affordable to households earning under 60% MFI, but these restrictions vary. We refer to regulated affordable housing and rent-restricted affordable housing interchangeably in this memorandum.

Cost Burdened. We use the term “cost burdening” to refer to households who pay more than 30 percent of their income on housing costs. We use the term “severe cost burdening” for households paying more than 50 percent of their income on housing. These terms come from HUD, and include mortgage payments and interest, or rent, utilities, and insurance.

Housing Affordability. “Housing that is affordable” refers to any type of housing, regulated or not, that costs less than 30% of a household's pre-tax income. This definition is a generally accepted definition of affordability.

Low Cost Market Rentals. We refer to housing that is affordable to low income households but not regulated or restricted by a funding source, as “low cost market rentals.” These housing units are often affordable by nature of their location, condition, age, or the amenities offered nearby or at the property.

Median Family Income (MFI). The U.S. Housing and Urban Development (HUD) produces an area median family income each year to measure affordability thresholds against. Affordable housing deals, loans, and other HUD requirements will be assigned to a percentage of the MFI (see sidebar).

Severely Cost Burdened. See Cost Burdened.

Unregulated or Unrestricted Housing. See Low Cost Market Rentals.

Workforce Housing. The term “workforce housing” is often used to describe housing units that are affordable to households earning more than 60% MFI. These can be regulated or unregulated.

Kitsap County MFI

According to HUD, Kitsap County's MFI was \$77,119 in 2017.

- 30% of MFI is about \$23,135
 - 50% of MFI is about \$38,559
 - 60% of MFI is about \$46,271
 - 80% of MFI is about \$61,695
 - 100% of MFI is \$77,119
 - 120% of MFI is about \$92,542
-

Summary Findings

- Kitsap County is expected to need an additional 25,147 housing units over the next 17 years. The majority of these housing units are expected to be single-family detached, similar to current development trends. Kitsap County jurisdictions will need to almost triple their annual housing production to accommodate these new units in the next 17 years.
- Kitsap County has not been building enough housing to meet the needs of its residents. Over the 2010 to 2017 time period, it only built 42 new housing units for every 100 new households formed. This is one of the main drivers behind recent home price and rent increases seen in the past decade.
- Kitsap County appears to be gaining households at the lowest income levels (earning under \$20,000 per year) and at higher income levels (earning more than \$80,000) since 2010. There were fewer households earning between \$20,000 and \$60,000 in 2017 than in 2010, and there was very little change in the number earning between \$60,000 and \$80,000. When looking at the expected 25,147 new housing units, jurisdictions should plan for these trends to continue.
- Like the nation, Kitsap County is aging and seeing older households account for a larger share of the total population. This is most pronounced on Bainbridge Island, in Port Orchard, and in Kingston. Bainbridge saw a seven percentage point increase in the number of residents over age 44 between the year 2000 and the years 2013-2017, while Port Orchard saw a 10 percentage point increase over that time. In Kingston, the share of residents over age 65 grew by 11 percentage points, while the share of residents under age 20 declined in the same timeframe.
- Due to Kitsap's increasing diversity, the future housing stock consisting of primarily single-family homes could be mismatched with the housing needs of non-white residents. This coupled with Kitsap's growing baby-boomer population looking to "age in place," could mean that competition for housing may continue to put upward pressure on housing prices.
- Port Orchard has been building the most housing of any of the jurisdictions in Kitsap County. In the 2013-2017 timeframe, Port Orchard had the near-highest average sizes for both owner-occupied and renter-occupied households. However, Port Orchard also has a very high share of non-family households, and family households without children at 41 percent and 44 percent respectively.
- In this time period, the City of Bremerton and Kingston had the smallest average household size for renter households. Bremerton also has a high share of non-family households and lower homeownership rate. This housing composition could be due to the high share of shipyard workers and Olympic College students renting individually or with roommates.

-
- Kitsap's economy is very strong, in line with national and regional trends. In 2018, total covered employment reached almost 90,000 jobs. Kitsap County passed its pre-recession job peak of 84,400 jobs back in 2015. Since the recession, the fastest growing sectors include management jobs, manufacturing, construction and transportation/warehousing jobs, and accommodation/food service jobs. That the fastest growing sectors have moderate to high wages is a sign for continued purchasing power for future housing demand.
 - A high share of Kitsap's workers do not live in the county, which could be an opportunity when planning for future housing growth. In 2017, more than 46,300 people commuted out of Kitsap County for work, 23,750 people commuted into the county, and about 43,300 people stayed put (work and live in the county). As demonstrated in the Inventory Memo, most of the housing near transit (particularly ferries) is single family. This limits access to jobs and economic opportunity for lower income households who may not be able to purchase homes.

Part I. Forecasted Housing Needs

This section explores forecasted housing needs in the next twenty years in Kitsap County. The results of the housing needs analysis are based on: (1) the official population forecast for growth from the U.S. Census Bureau adopted by Kitsap County Ordinance in 2015, (2) information about Kitsap County's current housing market, and (3) the demographic composition of Kitsap's existing population and expected long-term changes.

Forecast for Housing Growth

We consider the following key assumptions to present an estimate of new housing units needed across Kitsap County between 2019 and 2036.

- **Population.** According to Census population growth forecasts adopted by Kitsap County Ordinance in 2015,³ the entire County's population is expected to reach 331,571 people in 2036. Since Census data is not yet available for 2019, we use the Washington Office of Financial Management's 2019 population estimate for Kitsap County: 272,274 people. Thus, the total population increase from 2019 to 2036 is estimated to be 59,297 people.
- **Persons in Group Quarters.**⁴ Persons in group quarters do not consume standard housing units: thus, any forecast of new people in group quarters is typically derived from the population forecast for the purpose of estimating housing demand. Group quarters can have a big influence on housing in cities with colleges (dorms), prisons, or a large elderly population (nursing homes). In general, any new requirements for these housing types will be met by institutions (colleges, military or government agencies, health-care corporations) operating outside what is typically defined as the housing market.

The 2013-2017 American Community Survey shows that 2.7 percent of Kitsap's total population was in group quarters. For the 2019 to 2036 period, we use this same assumption that 2.7 percent of Kitsap's new population, approximately 1,601 people, will be in group quarters.

- **Household Size.** According to the 2013-2017 American Community Survey, the average household size in Kitsap County was 2.51 people. Thus, for the 2019 to 2036 period, we assume the average household size stays the same at 2.51 persons.

³ Kitsap County. 2015. "Kitsap Countywide Planning Policies, Appendix B-1." Available from: compplan.kitsapgov.com/Documents/Complete+Amended+CPPs+-+2015+v.10-16-15.pdf

⁴ The Census Bureau defines group quarters as follows: A group quarters is a place where people live or stay, in a group living arrangement, that is owned or managed by an entity or organization providing housing and/or services for the residents. The Census Bureau classifies all people not living in housing units (house, apartment, mobile home, rented rooms) as living in group quarters. There are two types of group quarters: (1) Institutional, such as correctional facilities, nursing homes, or mental hospitals and (2) Non-Institutional, such as college dormitories, military barracks, group homes, missions, or shelters.

While Kitsap County is diversifying, and the growing number of Hispanic and non-white households tend to have larger household sizes, Kitsap County is also aging, with a greater share of Baby-Boomer households. This analysis does not dive deep enough into these trends to merit a deviation from the standard assumption that average household sizes will remain roughly the same over the next 17 years.

- **Vacancy Rate.** The Census defines vacancy as: "unoccupied housing units are considered vacant. Vacancy status is determined by the terms under which the unit may be occupied, e.g., for rent, for sale, or for seasonal use only." Vacancy rates are cyclical and represent the lag between demand and the market's response to demand for additional dwelling units. Vacancy rates for rental and multifamily units are typically higher than those for owner-occupied and single-family dwelling units.

According to the 2013-2017 American Community Survey, Kitsap County's vacancy rate was 9.4 percent. For the 2019 to 2036 period, we assume a vacancy rate of 9.4 percent. This is a conservative assumption, given that the Census estimate of vacancy is higher than anecdotal evidence, and varies according to housing tenure and type. If the assumed future vacancy rate were lower, the number of new dwelling units needed would be higher.

Exhibit 1 displays the estimated new housing units based on these assumptions. Kitsap County will have demand for 25,147 new dwelling units over the next 17 years, needing to produce about 1,480 new units per year.

Exhibit 1. Forecast of Demand for New Dwelling Units, Kitsap County, 2019–2036

Variable	New Dwelling Units (2019-2036)
Change in persons	59,297
Minus Change in persons in group quarters	1,601
Equals Persons in households	57,696
Average household size	2.51
New occupied DU	22,986
Times Aggregate vacancy rate	9.40%
Equals Vacant dwelling units	2,161
Total new dwelling units (2019-2036)	25,147
Annual average of new dwelling units	1,479

Source: U.S. Census Bureau, 2013–2017 ACS.

In Exhibit 12 in the Inventory memo, we calculated that across all of Kitsap County, about 3,790 units were produced between 2010 and 2017. This translates to 541 units per year. Kitsap County jurisdictions will need to almost triple their annual housing production to accommodate the new 25,147 units needed in the next 17 years.

In the rest of this section, we explore these expected new housing units by tenure, type, location and price across the whole County. Data is not nuanced enough to parse out each location's needs by price, tenure, or type. However, the County and its jurisdictions will need to encourage the development that has been missing and where demand is expected. We will explore strategies to encourage this development in the Recommendations Task and the final report.

Housing Needs by Tenure

To determine the expected number of housing units by tenure (rental vs ownership stock) Exhibit 2 below evaluates whether the homeownership rate stays the same, grows or declines over time.

Exhibit 2. Scenarios of Expected New Units by Tenure

Variable	New Dwelling Units (2019-2036)		
	Current Home-Ownership Rate	Rate Increases	Rate Decreases
Needed New Dwelling Units (2019-2036)	25,147	25,147	25,147
Units Needed Annually	1,479	1,479	1,479
Owner-Occupied Housing			
Percent Owner-Occupied DU	67%	70%	65%
<i>Equals</i> Total New Owner-Occupied DU	16,847	17,602	16,344
Units Needed Annually	991	1,035	961
Renter-Occupied Housing			
Percent Renter-Occupied DU	33%	30%	35%
<i>Equals</i> Total New Renter-Occupied DU	8,298	7,544	8,801
Units Needed Annually	488	444	518

Source: ECONorthwest Analysis

Note: These scenarios are theoretical and not forecasts for Kitsap's housing market.

If the current homeownership rate remains at 67 percent, 16,847 of the 25,147 new units expected over the next 17 years will be ownership-stock of any type (single-family attached, single-family detached, condos, or mobile homes). The remaining 8,298 units will be renter-occupied of any type. This translates to 991 units of ownership housing and 488 units of rental housing need to be developed per year throughout the six Kitsap County jurisdictions. These rates of production are significantly higher than the development pace seen in the 2010-2017 timeframe.

Housing Needs by Type

To determine the expected number of housing units by type (single-family denoted "SF" vs multifamily denoted "MF"), Exhibit 3 below displays three scenarios for Kitsap's housing composition and the future split between single-family and multifamily housing.

Exhibit 3. Scenarios of Expected New Units by Type

Variable	New Dwelling Units (2019-2036)		
	Current Split (SF vs MF)	Skew Toward SF	Skew Toward MF
Needed New Dwelling Units (2019-2036)	25,147	25,147	25,147
Units Needed Annually	1,479	1,479	1,479
Single-family Housing			
Percent Single-Family DU	74%	78%	70%
<i>Equals</i> Total New Single-Family DU	18,608	19,613	17,602
Units Needed Annually	1,095	1,154	1,035
Multifamily Housing			
Percent Multifamily DU	26%	22%	30%
<i>Equals</i> Total New Multifamily	6,538	5,532	7,544
Units Needed Annually	385	325	444

Source: ECONorthwest Analysis

Note: These scenarios are theoretical and not forecasts for Kitsap's housing market.

If the current split between single-family and multifamily housing stock remains at 74 percent, 18,608 of the 25,147 new units expected over the next 17 years, will be single-family (detached and attached) housing and 6,538 units will be multifamily. This translates to 1,095 units of single-family housing and 385 units of multifamily development per year. Given than this forecasted estimate for needed single family homes is higher than the forecasted estimate of ownership stock, many of these single family homes will be rentals, as they are today. These rates of production are significantly higher than the development pace seen in the 2010-2017 timeframe.

Housing Needs by Price

To determine the projected number of housing units needed by income level, Exhibit 4 below displays two scenarios for the composition of households by income across Kitsap County, and the expected new units for each income level. We also translate these income levels into the affordable rents, assuming 30% of income goes to rent.

Exhibit 4. Scenarios of Expected New Units by Income Level

Household Income Level	Monthly Rent	Same Distribution		More High & Low-Income	
		Current Share	New Dwelling Units	New Share	New Dwelling Units
New Dwelling Units			25,147		25,147
\$0 – \$24,999	\$0 – \$625	16%	3,993	18%	4,526
\$25,000 – \$49,999	\$626 – \$1,250	20%	4,931	18%	4,526
\$50,000 – \$74,999	\$1,251 – \$1,875	19%	4,765	15%	3,772
\$75,000 – \$99,999	\$1,876 – \$2,500	16%	3,938	15%	3,772
\$100,000 – \$124,999	\$2,501 – \$3,125	11%	2,783	12%	3,017
\$125,000 or more	\$3,126 or more	19%	4,736	22%	5,532

Source: ECONorthwest Analysis

Note: Monthly rent is calculated assuming 30% of household income goes toward housing. These scenarios are theoretical and not forecasts for Kitsap's housing market. Rents are as of 2019; they are not inflation adjusted to 2036.

The first scenario assumes the current distribution of incomes across the County remains the same. The second scenario looks at the current trends of more high-income households and more low-income households moving to Kitsap County, and assumes that the income distribution skews farther along these lines (see Exhibit 29).

Housing Needs by Location

Recalling Exhibit 12 from the Inventory memo, Exhibit 5 below displays new development in the 2010-2017 timeframe by location (row A) and the total housing stock in 2017 by location (row C). We calculate each area's share of new development and share of total housing stock to see which areas saw disproportionately higher development over the 2010-2017 time frame (an area has disproportionately higher development if its share of new development (row B) exceeds its share of the total housing stock (row D)).

Exhibit 5. Kitsap County Jurisdictions Producing Disproportionate Housing 2010-2017

	Kitsap County	Bainbridge Island	Bremerton	Port Orchard	Poulsbo	Kingston	Silverdale	All other Areas
A Total Units Built 2010 - 2017	3,791	468	625	680	264	52	128	1,574
B Percent of all new units built	100%	12%	17%	18%	7%	1%	3%	42%
C Total Housing Stock in 2017	110,944	10,340	18,541	5,460	4,312	1,057	9,051	62,183
D Percent of total housing stock	100%	9%	17%	5%	4%	1%	8%	56%
E Disproportionate? (B>D?)	N/A	Yes	No	Yes	Yes	No	No	No

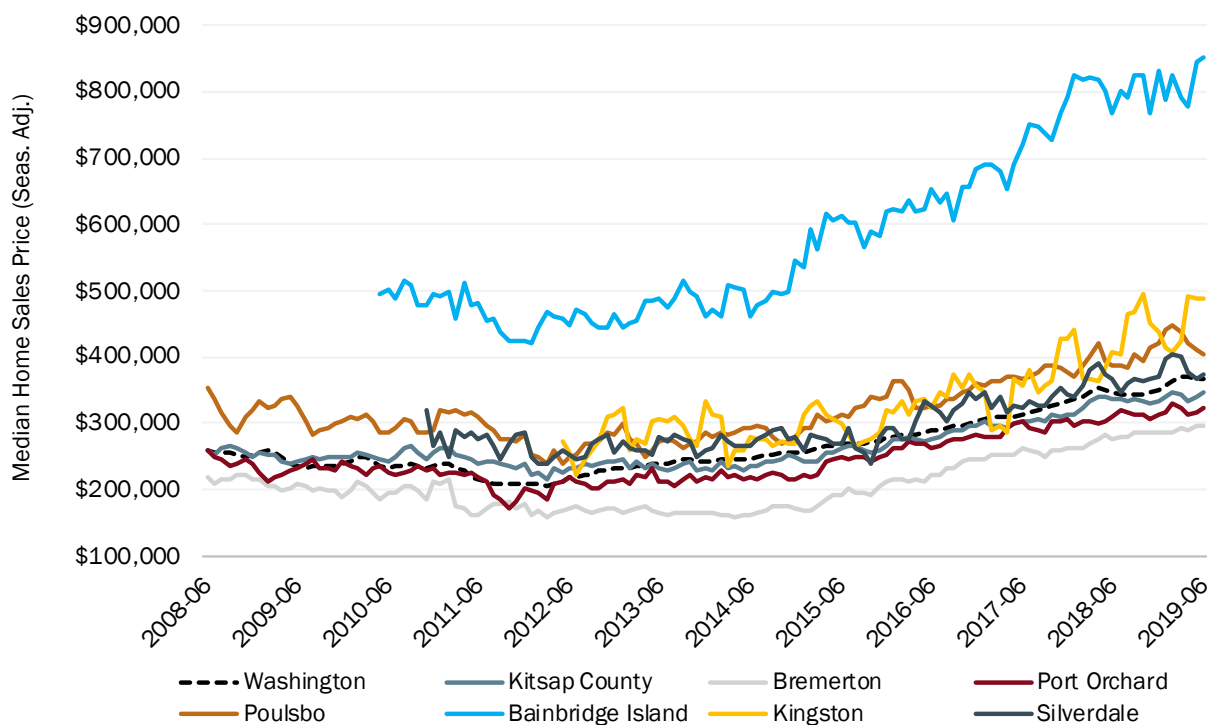
Source: 2013-2017 ACS Table DP04

Notes: Data includes vacant housing. Data shown for Kitsap County are the entire county, inclusive of the other areas shown. Data are shown for the city boundaries of Bainbridge Island, Bremerton, Port Orchard, and Poulsbo, as well as the boundaries of the Kingston and Silverdale Census Designated Places. Data for the "All Other Areas" is equal to the Kitsap County total less the six cities shown and is a rough approximation for the remaining Unincorporated Kitsap County area.

As the exhibit demonstrates, Bainbridge Island, Port Orchard and Poulsbo each produced more housing in the 2010-2017 time period than they have historically – Bainbridge and Poulsbo by three percentage points, and Port Orchard by 13 percentage points. Bremerton’s development over this timeframe was as on par with its share of all housing, while Silverdale and the “other areas” of the county all underproduced relative to their share of the 2017 total housing stock.

When looking at these rates of development in conjunction with recent rates of home price appreciation (see Exhibit 6 below), we can infer that areas seeing less development and strong price growth (Bainbridge, Bremerton) need larger shares of the 25,147 new housing units over the next 17 years.

Exhibit 6. Home Price Appreciation, Select Jurisdictions and Kitsap County



Source: Zillow, Median Home Sales Price, Seasonally Adjusted.

Part II. Housing Needs Analysis

Housing needs are influenced by the supply and demand for housing – both of which are influenced by macroeconomic factors and individual-level decisions. This section discusses the imbalance in the supply and demand of housing in Kitsap County over time, listing factors constraining new housing supply and the factors influencing strong demand for houses in the area. This analysis includes information from research and data, but also includes commentary from the Task 1 Housing Coordination interviews and review of local planning documents. Data herein support the key findings of the Forecasted Housing Needs in Part I.

A. Drivers of Housing Supply

The Puget Sound regional economy has grown at an astounding rate in the past decade, influenced by strong population growth as new residents move to the area seeking economic and educational opportunities, and the area's natural beauty. According to the Bureau of Labor Statistics, total employment in the four-county region (King, Kitsap, Snohomish and Pierce Counties) grew 23 percent from 2010 to 2018, while total population in these four counties grew approximately 12 percent.⁵

Hampered by the housing market crash and economic recession, however, the regional housing market did not produce enough new housing in response to this growing demand, particularly at prices affordable to the majority of incomes. The Puget Sound Regional Council (PSRC) estimates that housing units in the four-county region (King, Kitsap, Snohomish and Pierce Counties) only grew by 6.7 percent over the same period of strong economic growth.⁶

Housing markets operate regionally: housing prices and availability in one location may influence housing demand in another area, as households seek affordable options. Seattle's strong economic growth and own housing underproduction has led to rising prices there, forcing many households to decide whether to stay put and face increasing cost burdens, or try to find lower cost housing in other parts of the region and beyond.

These regional trends have strong implications for Kitsap County and its cities, which have relatively cheaper housing compared to the Eastern part of Puget Sound, and sits close to the economic engine of Seattle. However, housing markets in Kitsap County have also underproduced housing and is dealing with the spillover effects from the region's economic growth.

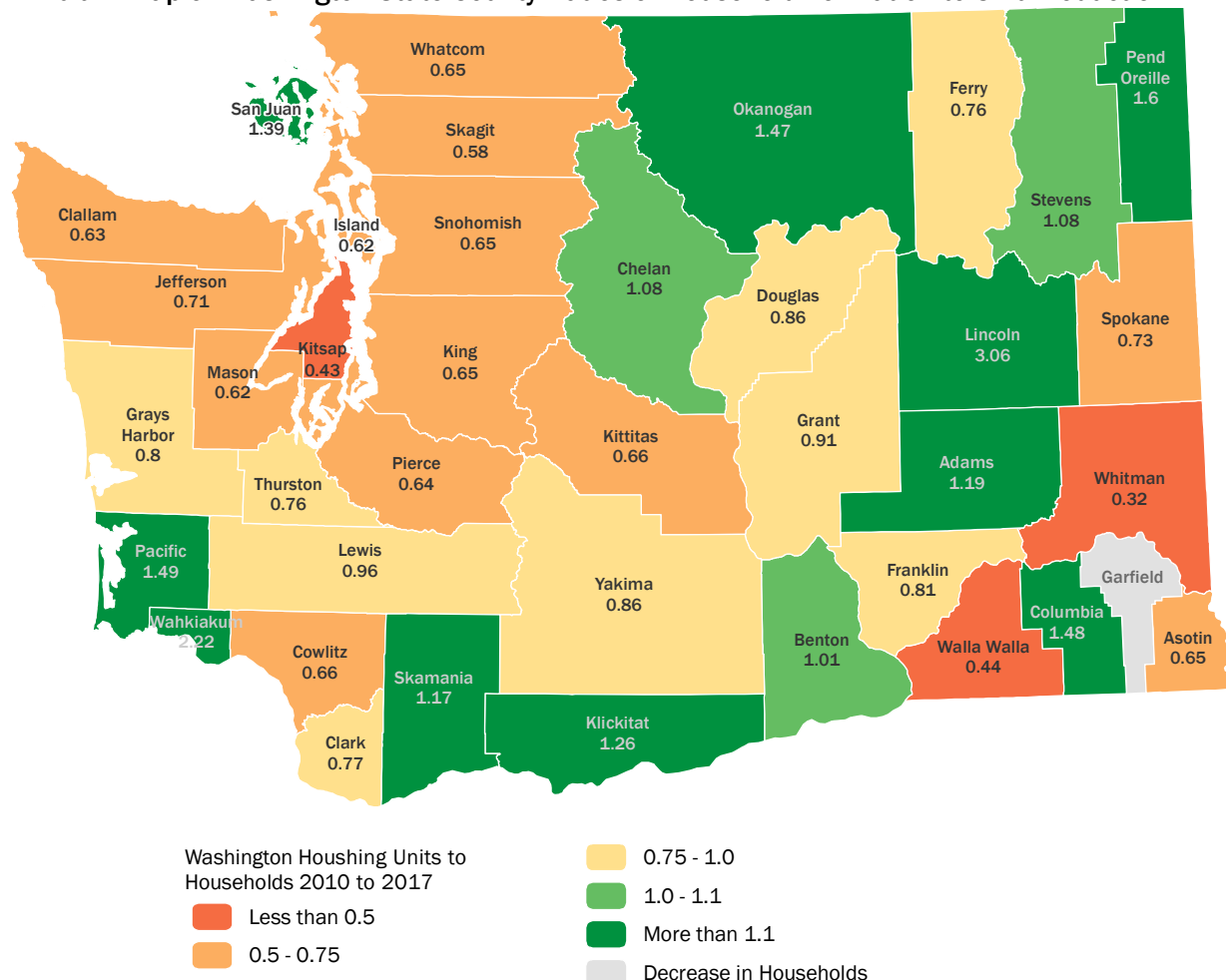
⁵ Bureau of Labor Statistics. 2018 Quarterly Census of Employment and Wages for the four-county region (King, Kitsap, Snohomish and Pierce Counties). Available from: <https://www.bls.gov/cew/downloadable-data-files.htm> (edited)

⁶ Current Population: Region. Estimates from U.S. Census Bureau and the Washington State Office of Financial Management. Available from: <https://www.psrc.org/rdp-population>

Housing Shortage: Imbalance in Supply and Demand

Exhibit 7 below, displays a map showing that the counties surrounding Puget Sound have not produced enough housing (measured here as housing starts) to keep up with new household formation (which includes people moving out of parental homes, roommates splitting up, or new residents moving in) over the 2010-2017 time period. Historically across the country, the housing market has produced 1.10 units for each new household formed—enough to accommodate vacancy, demolition, obsolescence and second homes or vacation homes.⁷

Exhibit 7. Map of Washington State County Ratios of Household Formation to Unit Production



Source: Up For Growth Research on Housing Underproduction in Washington State, ECONorthwest analysis of data come from U.S. Census Bureau, Washington Office of Financial Management and Moody's Analytics.

As Exhibit 7 demonstrates, the four counties in the Puget Sound vastly underproduced housing over this time period, with Kitsap County producing the fewest of them all: Kitsap County in total saw only 43 units built per 100 new households formed compared with 65 in King County and Snohomish County, and 64 in Pierce County. This means that, in Kitsap County, 57 out of 100 new households formed in this time period had to compete for the existing stock of

⁷ Up For Growth. 2020. *Housing Underproduction in Washington State*.

housing. This competition, as described in the Drivers of Demand section on page 20, pushes prices up for all types of housing.

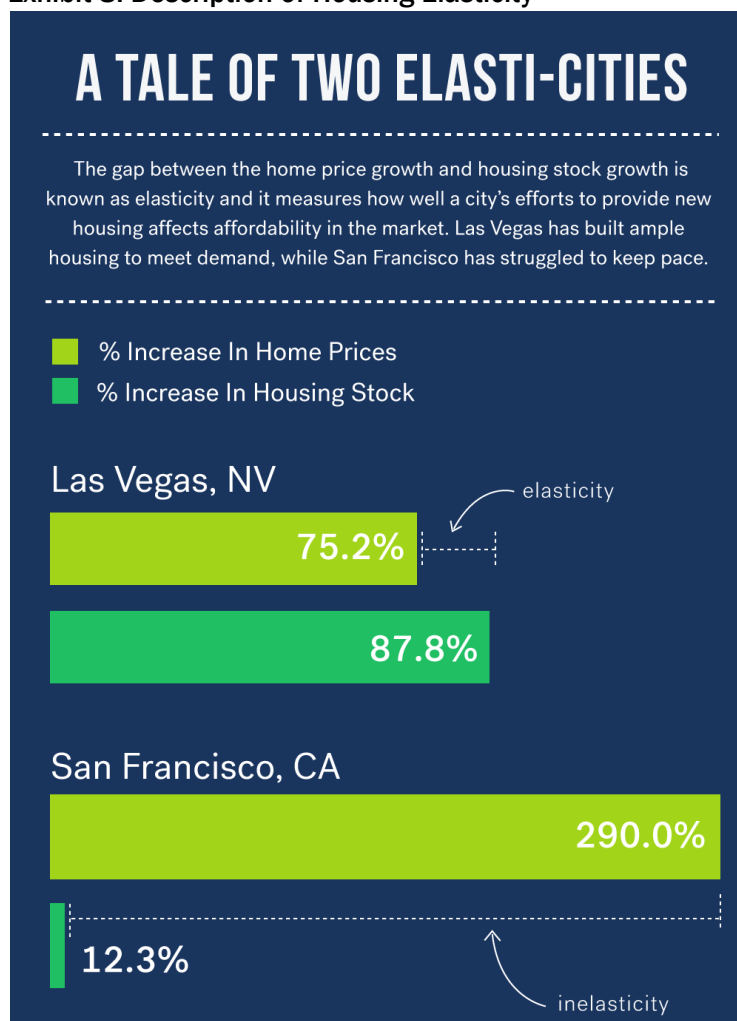
Ultimately, the region – including Kitsap County – has not been able to supply enough housing to meet rising demand. This imbalance is the product of numerous forces, including supply restraints such as restrictive land use policies governing development, lengthy entitlement processes, or increased construction costs, and increased demand for housing such as investment buyer competition and rising home prices reducing middle-income households' buying power for housing.

Housing Supply Has Many Constraints

Like other “free markets” the housing market is governed by economic fundamentals of supply and demand that are influenced by government regulation. Private sector development is the driving force behind almost all housing supply (less the small share of publicly funded housing for low-income households). However, housing markets are often considered somewhat *inelastic* – meaning that as prices rise, supply does not rise as fast.⁸ In Exhibit 8, Trulia Research describes how the percent change in home prices relative to the percent change in housing stock creates elasticity, and how this can vary from one metro area to another. Factors such as long lead times for supply, bureaucracy, restrictive zoning, and anti-growth sentiments reduce the ability for development supply to catch up with demand.⁹

As shown in Exhibit 9, private sector development occurs at the

Exhibit 8. Description of Housing Elasticity



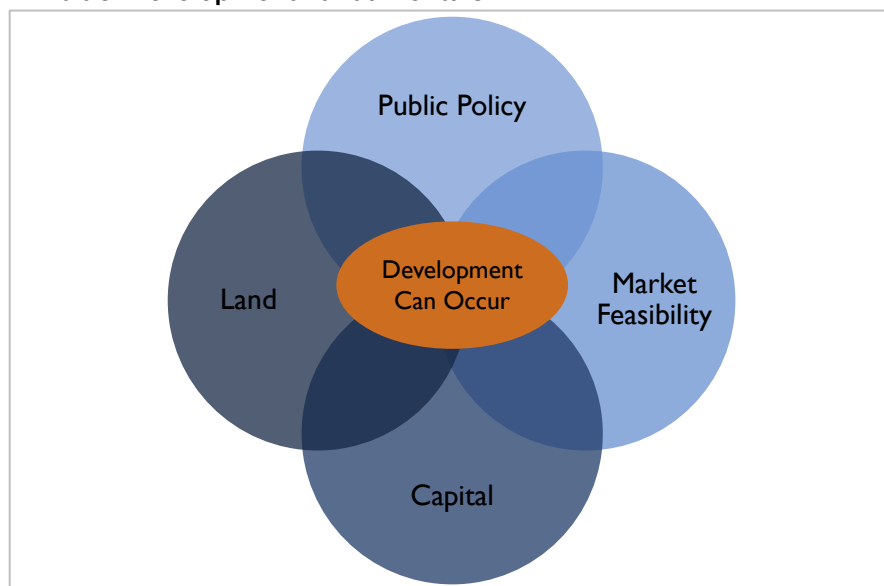
Source: McLaughlin, Ralph. 2016. “Is Your Town Building Enough Housing?” Trulia Research.

⁸ McLaughlin, Ralph. 2016. “Is Your Town Building Enough Housing?” Trulia Research. Available from: <https://www.trulia.com/research/elasticity-2016/>

⁹ Ibid.

intersection of land, public policies, market feasibility, and capital. Housing development relies on inputs set by numerous interrelated markets and players – from the cost of land to the cost of labor and materials to the price of rents – each input to development is its own market with supply and demand factors constantly in flux.

Exhibit 9. Development Fundamentals



Source: ECONorthwest.

- On a **parcel of land**, for-profit (which are the majority) landowners and property developers will evaluate a site for its highest and best use potential, be that office, residential, commercial, or vacant land.
- **Public policies**, like land use restrictions or zoning, limit the development allowed in certain parts of the city, usually for aesthetic, health, safety, or economic reasons.
- **Market feasibility** assesses the demand for development, comparing the expected prices against the costs (e.g. labor and materials), for the desired types of development.
- **Capital** is necessary to pay for the costs of development and influences market feasibility due to the expected return on investment. Capital seeking return on investment can flow to other sectors – stocks, bonds, etc. – when development cannot meet return requirements.

Land: Natural and Artificial Constraints

Jurisdictions in Kitsap County face constraints on the availability of land to develop new housing, which contributes to supply limitations.

1. **Natural Constraints.** Kitsap County has many natural constraints due to bodies of water, forestlands, and steep slopes. This makes some land less suitable to housing development.

-
2. **Regulatory Land Use Constraints.** In addition, the public sector puts additional constraints on land that regulates its use, where growth can occur, and zoning for the types of housing that can be built. According to U.S. Census Bureau data, as of 2017, 69 percent of housing units in Kitsap County were low-density, single-family detached housing. While some of these units may be zoned from higher density, the majority are likely in line with their zoning, which limits the number of housing units that the city can see developed.

These limitations on the supply of land suitable and eligible for housing development put upward pressure on land prices when demand for housing and development sites are strong. Higher land prices limit both housing affordability and availability as developers need to meet financial feasibility requirements and may not be able to build as many units.

Public Policy: Development Regulations

Another major factor affecting housing supply (and thus prices) is restrictive regulations governing housing development such as permitting and environmental, or design review requirements and development standards. Recent research has demonstrated the link between housing affordability and availability to development regulations in place in a given jurisdiction.¹⁰

While intended to ensure design and uses are compatible with an existing neighborhood context, these policies can also act as a barrier to new development. Regulations such as low-density zoning, minimum lot sizes, limits on buildable area, minimum off-street parking requirements, or landscape buffers can increase development complexity, time to completion, and total costs.¹¹ Our analysis of current planning documents in Task 1 found that most of the planning goals in Kitsap County and the City of Bremerton are favorable toward housing development. While goals and visions may be favorable, the reality on the ground for developers and builders is that new supply is hard to deliver, particularly at moderate or affordable price points.

Market Feasibility: Limited by Increases in Development Costs

One of the biggest factors limiting the development of multifamily residential housing and lower-cost single-family housing in Kitsap County is market feasibility. For housing

¹⁰ See for example, Glaeser, Edward L., Joseph Gyourko, and Raven E. Saks, R. 2005. "Why is Manhattan so expensive? Regulation and the Rise in Housing Prices." *Journal of Law and Economics* 48(2): 331–69; Glaeser, Edward L., and Bryce A. Ward. 2009. "The Causes and Consequences of Land Use Regulation: Evidence from Greater Boston." *Journal of Urban Economics* 65: 265–78. <https://doi.org/10.1016/j.jue.2008.06.003>; Ihlanfeldt, Keith R. 2007. "The Effect of Land Use Regulation on Housing and Land Prices." *Journal of Urban Economics* 61: 420–35. <https://doi.org/10.1016/j.jue.2006.09.003>; Jackson, Kristoffer. 2016. "Do Land Use Regulations Stifle Residential Development? Evidence from California Cities." *Journal of Urban Economics* 91: 45–56. <http://dx.doi.org/10.1016/j.jue.2015.11.004>

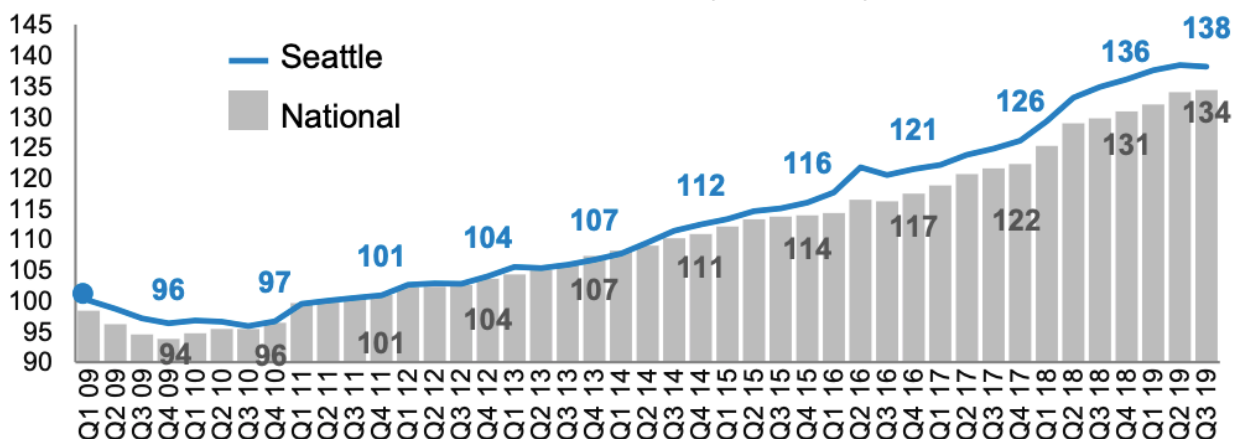
¹¹ Vanessa Brown Calder. 2017. "Policy Analysis: Zoning, Land-Use Planning, and Housing Affordability." CATO Institute. Available at <https://www.cato.org/publications/policy-analysis/zoning-land-use-planning-housing-affordability> Accessed April 19, 2019.

development to occur, market rents and prices need to be high enough to offset the costs of land, construction, and development. While land is cheaper in Kitsap County, many other development costs are only marginally less expensive and have seen increases in recent years. Higher development costs must be offset by increased home prices and rents, reducing overall housing affordability. Where rents or home prices are not high enough to cover the costs of construction, this leads to a limit on new supply of housing, which also leads to higher prices as households compete and outbid one another for limited quantity.

RIISING CONSTRUCTION COSTS HURT AFFORDABILITY

The costs of construction materials can limit supply and affordability. According to the third quarter 2019 Construction Cost Index from Mortenson Construction, construction costs increased 38 percent in the Seattle area from January 2009 to September 2019.¹² Construction materials like lumber and steel (necessary for framing high-rise residential towers) have also been impacted by new tariffs and trade disruptions in the past two years.

Exhibit 10. Seattle and National Construction Cost Index Q1 2009 to Q3 2019



Source: Mortenson Q1 2019 Construction Cost Index Report for the City of Seattle. (January 2009 is indexed to 100)

LIMITED AVAILABILITY OF CONSTRUCTION LABOR INCREASES COSTS

In the aftermath of the housing market crash of 2008, many firms in the development and construction sector faced layoffs. As a result, architects, contractors, and laborers retired or found new professions. The construction sector was hit particularly hard and saw nationwide employment declines of 19 percent from a peak in 2007 to 2015.¹³

Despite some recovery post-recession, a lack of available trained construction and trade workers and subcontractors continues to be a drag on the housing market.¹⁴ Limited labor

¹² Mortenson Construction Cost Index – City of Seattle, 3rd Quarter 2019.

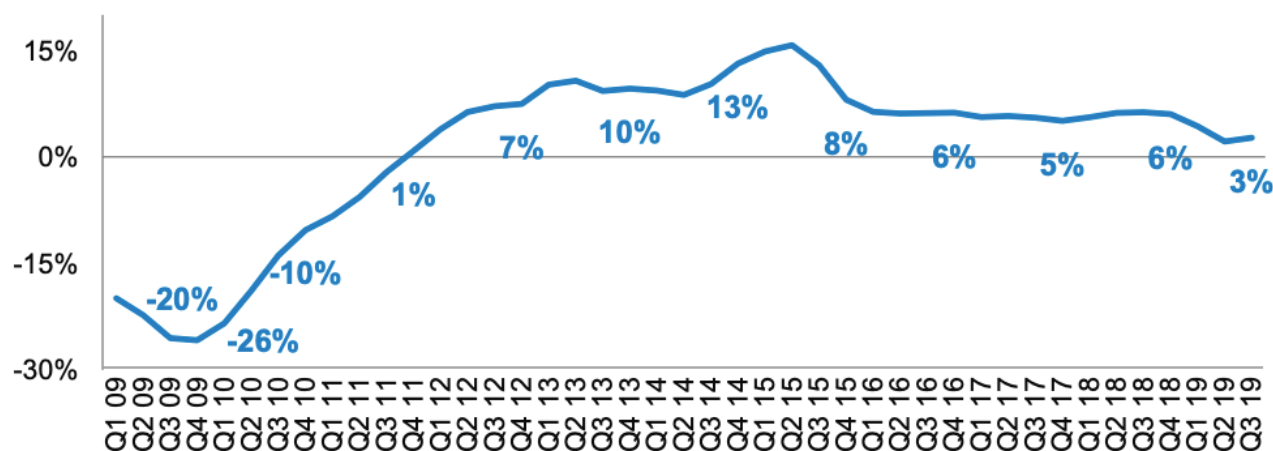
¹³ Alana Semuels. 2015. “Where have all the Construction Workers Gone?” The Atlantic Magazine. <https://www.theatlantic.com/business/archive/2015/02/where-have-all-the-construction-workers-gone/385417/> Data reported by the Bureau of Labor Statistics.

¹⁴ Karissa Neely. 2017. “Construction Industry Struggles with Labor Shortages.” The Associated Press. <https://www.seattletimes.com/nation-world/construction-industry-struggles-with-labor-shortage/>

availability increases competition, bids up prices, increases time to completion, and consequently limits overall housing production. Each of these factors hurts housing affordability.

Mortenson Construction shows that construction employment in the Seattle area grew only three percent from last year—a decline from earlier growth that signals a tight labor market and higher wages in the sector (see Exhibit 11).¹⁵ The firm expects material costs to remain stable, but expects total costs to grow 3.5 percent to 4.5 percent through 2020, driven by tight employment and higher labor costs.

Exhibit 11. Seattle Construction Employment Growth Year-over-Year, Q1 2009 to Q3 2019



Source: Mortenson Q1 2019 Construction Cost Index Report for the City of Seattle. (January 2009 is indexed to 100)

Capital: Development Has Numerous Constraints in Kitsap County

Capital is a necessary component of housing development. Most developers incur debt or issue equity to pay for the construction of new housing (particularly for multifamily development).¹⁶ Developers need to generate sufficient revenues (rents or home prices) to pay for the costs of developing and (for rentals) operating a property. Revenues less expenses equals net operating income, which needs to meet a required debt service coverage ratio for banks to lend to the developer.

Although land costs vary, the total cost of developing different types of housing may not vary much across a metropolitan area. However, rents and home prices do vary, and these revenues greatly influence the amount of debt a project can have to get off the ground. In areas where rents or home prices are low, but the costs of development costs are roughly equivalent to other places, new development can be difficult to build. In this way, housing development in Kitsap

¹⁵ Mortenson Construction Cost Index – City of Seattle, 3rd Quarter 2019.

¹⁶ Net operating income is rent revenue less operating expenses. A project must have sufficient income left after paying operating expenses to cover its monthly debt payments. See Part III for more information on the typical real estate development process.

County competes with development in other parts of the region, which have higher prices and rents to offer better returns for developers.

Exhibit 12. Some Capital Constraints Affect Developers Differently

Capital Factor	For-profit developer building market rate housing	Non-profit developer building rent-restricted housing
Interest rates	Not generally an issue, market rate rents can cover market-rate interest on loans	Difficult to find, lower rents need lower interest rates on loans
Loan terms	Not generally an issue, need to find short term limits on debt or equity since properties are sold after completion	Difficult to find, need longer-term loans, since affordability periods can be 15, 20, 30, or up to 99 years
Required return on investment	Difficult, for-profit developers need higher returns on investment to develop a property. This makes development competitive – areas with higher rents or prices will attract more development	Not generally an issue, rent-restricted properties have low or no required return on investment

INSUFFICIENT CAPITAL FOR RENT-RESTRICTED HOUSING

Rent-restricted affordable housing development faces different capital constraints. In this type of development, rents are restricted, so they are affordable to lower-income households. This means that the property has less operating income and can take on less debt to build the property. But since development costs are equivalent (or sometimes higher) to build rent-restricted housing than market rate housing, a gap exists between the funding needed to build the property and the funding available to pay for that development. Thus, developers need to find low-cost or free sources of capital to make rent-restricted development feasible.

Across the country, there is an insufficient amount of this low-cost capital to build rent-restricted affordable housing. Numerous Federal, state, and local programs exist to help bridge the development gap, but since funding is limited, these programs and funding sources are competitive. Affordable housing developers and Kitsap County staff note that the County is often uncompetitive for these programs because costs to build are as high as other parts of the region, but Kitsap jurisdictions do not have enough local funding to leverage against the funding awards. Kitsap’s rent-restricted affordable housing is described in Appendix B Housing Inventory.

B. Drivers of Housing Demand

Housing demand is determined by the *preferences* for different types of housing (e.g., single-family detached or apartment), and the *ability to find* that housing (the ability to exercise those preferences in a housing market by purchasing or renting housing). Preferences for housing are related to demographic characteristics and changes, in addition to personal preferences. The ability to find housing is based on income, housing costs, and housing availability. The following two sections analyze and discuss these factors.

Macroeconomic and National Trends Affecting Housing Demand¹⁷

Kitsap County and its jurisdictions will be affected by the same macroeconomic demographic and economic forces that are occurring across the country. This section provides a summary of national housing trends built on previous work by ECONorthwest, reports from the Urban Land Institute (ULI), and conclusions from *The State of the Nation's Housing, 2019* report by the Joint Center for Housing Studies of Harvard University. Localized commentary on the demographic and economic trends in Kitsap County can be found on pages 24 and 37.

While the housing market has strong fundamentals including low mortgage rates, rising household incomes, growing homebuying interest for the Millennial generation¹⁸ and nearly full unemployment rates, challenges to the housing market remain. In addition to rising housing costs, most household wages were stagnant for about a decade and have only recently began to rise, worsening affordability pressures. Single-family and multifamily housing supplies remain tight, which also compound affordability issues. *The State of the Nation's Housing* report emphasizes the importance of government assistance and intervention to keep housing affordable. Several challenges and macroeconomic trends shaping the housing market are summarized below:

- **Moderate new construction and tight housing supply, particularly for affordable housing.** New construction experienced a modest growth in 2018: an annual growth rate at 2.8 percent. This is the slowest annual growth rate since 2012. The State of the Nation's Housing report cites lack of skilled labor, higher building costs, scarce developable land, and the cost of local zoning and regulation as impediments to new construction.
- **Demand shift from renting to owning.** After years of decline, the national homeownership rate increased from a 50-year low of 62.9 percent in 2016 to 64.4 percent in 2018. The largest increase came from the age group from 25 to 39. Trends suggest homeownership among householders aged 65 and older have remained strong and homeownership rates among young adults have begun stabilizing after years of decline.
- **Housing affordability.** In 2017, more than one-third of American households spent more than 30 percent of their income on housing. Low-income households face an especially dire hurdle to afford housing. With such a large share of households exceeding the traditional standards for affordability, policymakers are focusing efforts on the severely cost burdened. Among those earning less than \$15,000, more than 70 percent of households paid more than half of their income on housing.

¹⁷ These trends are based on information from: (1) The Joint Center for Housing Studies of Harvard University's publication "The State of the Nation's Housing 2018," (2) Urban Land Institute, "2018 Emerging Trends in Real Estate," and (3) the U.S. Census.

¹⁸ According to the Pew Research Center, Millennials were born between the years of 1981 to 1996 (inclusive). Read more about generations and their definitions here: <http://www.pewresearch.org/fact-tank/2018/03/01/defining-generations-where-millennials-end-and-post-millennials-begin/>. Note: To generalize, and because there is no official definition of millennial, we define this cohort as individuals born between 1980 and 2000.

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- **Long-term growth and housing demand.** The Joint Center for Housing Studies forecasts that nationally, demand for new homes could total as many as eight million units between 2018 and 2028. Much of the demand will come from Baby Boomers, Millennials, and immigrants. The Urban Land Institute cites the trouble of overbuilding in the luxury sector while demand is in mid-priced single-family houses affordable to a larger buyer pool.
 - **Growth in rehabilitation market.**¹⁹ Aging housing stock, rising sales prices, and poor housing conditions are growing concerns for jurisdictions across the United States. As housing rehabilitation becomes the go-to solution to address housing conditions, the home remodeling market has grown more than 50 percent since the recession ended—generating 2.2 percent of national economic activity (in 2017). These trends will face headwinds from rising construction costs and complex regulatory requirements. In addition, lower-income households or households on fixed-incomes may defer maintenance for years due to limited financial means, escalating eventual rehabilitation costs. This expected growth in the rehabilitation market means corresponds to lower turnover in housing, which can have a further tightening effect on housing markets.
 - **Changes in housing preference.** Housing preference will be affected by changes in demographics; most notably, the aging of the Baby Boomers, housing demand from Millennials, and growth of immigrants.
 - *Baby Boomers.* The housing market will be affected by continued aging of the Baby Boomers, aged between fifty and seventy in 2019. Baby Boomers' housing choices will affect housing preference and homeownership rates and will require developing a range of housing opportunities such as low-income housing, multigenerational housing, smaller walkable housing, or increased age-restricted retirement communities and nursing homes. In addition, Boomers' desires to age-in-place will also affect the housing market.
 - *Millennials.* Although delayed due to the 2007-2009 recession, Millennials are driving much of the growth in new households today, albeit at slower rates than previous generations. In 2019, the oldest Millennials were in their late-30s and the youngest were in their late-teens. By 2040, Millennials will be between 40 and 60 years old. From 2015 to 2018, millennials formed an average of 200,000 net new households each year. Some research estimates that, "over the next 15 years, nearly \$24 trillion will be transferred in bequests," presenting new opportunities for Millennials (as well as Gen Xers) to enter the homebuying market.²⁰
 - *Immigrants.* Immigration and increased homeownership among minorities could also play a key role in accelerating household growth over the next 10 years, if

¹⁹ These findings are copied from: Joint Center for Housing Studies. (2019). Improving America's Housing, Harvard University. https://www.jchs.harvard.edu/sites/default/files/Harvard_JCHS_Improving_Americas_Housing_2019.pdf

²⁰ Srinivas, Val and Goradia, Urval (2015). The future of wealth in the United States, Deloitte Insights. <https://www2.deloitte.com/insights/us/en/industry/investment-management/us-generational-wealth-trends.html>

Federal policies about immigration do not further reduce inflow trends. The Census Bureau's estimates of net immigration in 2017–2018 indicate that 1.2 million immigrants moved to the U.S. from abroad, down from 1.3 million immigrants in 2016–2017 but higher than the average annual pace of 850,000 during the period of 2009–2011.

- *Diversity.* The growing diversity of American households will have a large impact on domestic housing markets. Over the coming decade, minorities will make up a larger share of young households and constitute an important source of demand for both rental housing and small homes. Although homeownership rates are increasing for some minorities, large shares of minority households are more likely to live in high-cost metro areas, reducing their buying power in the housing market. In addition, expectations of the average square footage needed per person per house may change as the country continues to diversify. For example, as of 2017, Hispanic/Latinx households were generally larger in size than non-Hispanic/Latinx families.²¹ Growing Hispanic and Latinx populations have implications for the types and sizes of housing needed in the future.
- **Changes in housing characteristics.** Several long-term trends in the characteristics of housing are evident from the U.S. Census Bureau's 2018 New Housing Report:²²
 - *Larger single-family units on smaller lots.* Between 1999 and 2018, the median size of new single-family dwellings increased by 17.5 percent nationally, reaching approximately 2,400 sq. ft. while the percentage of new units smaller than 1,400 sq. ft. decreased from 15 percent in 1999 to seven percent in 2018. Almost 28 percent of new one-family homes completed in 2018 were larger than 3,000 sq. ft.
 - *Smaller multifamily units.* Between 1999 and 2018, the median size of new multiple family dwelling shrank by -2.1 percent in the Western region, compared to a 5.4 percent increase nationally. This is not surprising given the hot housing markets in Western states; high land and development costs require more units – meaning smaller sizes total – to make a deal feasible.
 - *Household amenities.* Across the U.S., new housing also comes with new amenities, including air-conditioning, two or more bathrooms, or one or more garages. Amenities are a source of competition for homebuilders, and also factor into increased costs.

²¹ U.S. Census Bureau. 2017. Current Population Survey (CPS). Retrieved from: www.census.gov/programs-surveys/cps.html

²² U.S. Census Bureau, Highlights of Annual 2017 Characteristics of New Housing. Retrieved from: <https://www.census.gov/construction/chars/highlights.html>.

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- *Shared amenities.* In addition, housing with shared amenities are growing in popularity. Single-Room Occupancies (SROs)²³ Cottage Clusters, co-housing developments, and multifamily products are common housing types that take advantage of this trend. Shared amenities may take many forms and include shared: bathrooms; kitchens and other home appliances (e.g., laundry facilities, outdoor grills); security systems; outdoor areas (e.g., green space, pathways, gardens, rooftop lounges); fitness rooms, swimming pools, and tennis courts; and free parking.²⁴

Kitsap County Trends

Kitsap County will see many of the same macroeconomic demographic and economic forces that influence housing demand across the country. This section discusses the demographic and economic changes specific to Kitsap County that influence housing demand.

Demographic Changes

As Exhibit 13 demonstrates, Kitsap County's total population grew by 39 percent over the almost three decades between 1990 and 2017, adding nearly 74,000 new residents. This translates to an average annual growth rate (AAGR) of 1.5 percent. Of the cities shown in the table, Bainbridge Island experienced the largest population increase in the past three decades. This period saw Bainbridge Island change from a mostly rural and remote island to almost a suburb of the Seattle metro area. Bainbridge Island's population grew by 677 percent between 1990 and 2017 from just over 3,000 residents to just under 24,000. This is an average annual growth rate of more than 25 percent. Population growth at this level is difficult to accommodate since the culture and perspectives of existing residents generally change slower than the population base.

²³ Single-room occupancies are residential properties with multiple single room dwelling units occupied by a single individual. From: U.S. Department of Housing and Urban Development. (2001). *Understanding SRO*. <https://www.hudexchange.info/resources/documents/Understanding-SRO.pdf>

²⁴ Urbsworks. (n.d.). Housing Choices Guide Book: A Visual Guide to Compact Housing Types in Northwest Oregon. https://www.oregon.gov/lcd/Publications/Housing-Choices-Booklet_DIGITAL.pdf

Saiz, Albert and Salazar, Arianna. (n.d.). Real Trends: The Future of Real Estate in the United States. Center for Real Estate, Urban Economics Lab.

Exhibit 13. Population, Kitsap County, and Selected Geographies 1990-2017

	Geography	Population				Change 1990 to 2017		
		1990	2000	2010	2017	Number	Percent	AAGR
	Kitsap County	189,731	231,969	251,133	264,300	74,569	39%	1.5%
Principle Cities	Bainbridge Island	3,081	20,308	23,025	23,950	20,869	677%	25.1%
	Bremerton	38,142	37,259	37,729	40,630	2,488	7%	0.2%
	Port Orchard	4,984	7,693	11,157	13,990	9,006	181%	6.7%
	Poulsbo	4,848	6,813	9,200	10,510	5,662	117%	4.3%
Uninc. Kitsap County	Kingston*	--	1,611	2,099	1,875	--	--	--
	Silverdale*	7,660	15,816	19,204	20,664	13,004	170%	6.3%
	All Other Areas	131,016	142,469	148,719	152,681	21,665	17%	0.6%

Source: Washington State Office of Financial Management, Forecasting Division, U.S. Census Bureau.

Notes: Data are shown for the city boundaries of Bainbridge Island, Bremerton, Port Orchard, and Poulsbo, as well as the boundaries of the Kingston and Silverdale Census Designated Places. Data for the "All Other Areas" is equal to the Kitsap County total less the six jurisdictions shown and is a rough approximation for the remaining Unincorporated Kitsap County area.

Table Notes:

[1] Population estimates for Kitsap County, Bainbridge Island, Bremerton, Port Orchard, and Poulsbo for all years come from the Washington Office of Financial Management Forecasting Division.

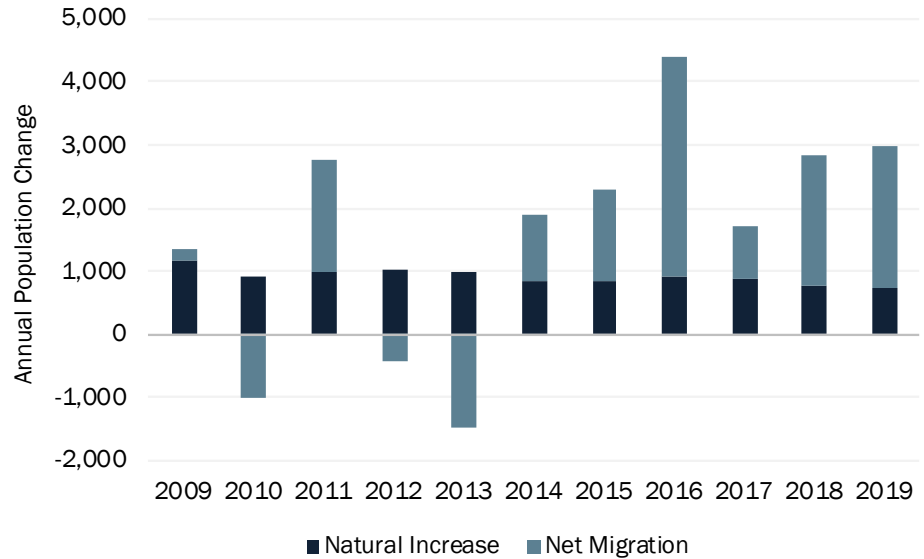
[2] * Population estimates for Kingston and Silverdale for 1990, 2000, and 2010 are from the Decennial Census and estimates for 2017 are 2013-2017 American Community Survey 5-year estimates.

As Exhibit 14 below demonstrates, the majority of Kitsap County's population growth in the past six years came from in-migration (people moving into a new area) as opposed to natural increase (births outweighing deaths of current residents). In-migration spiked in 2016 and has since tapered off while natural increases have declined slightly over time.

Kitsap County's population increase in 2016 was the largest in the last ten years.

Most of this population increase was due to in-migration into Kitsap County.

Exhibit 14. Annual Population Change, Net Migration, and Natural Increase, Kitsap County, 2009–2019



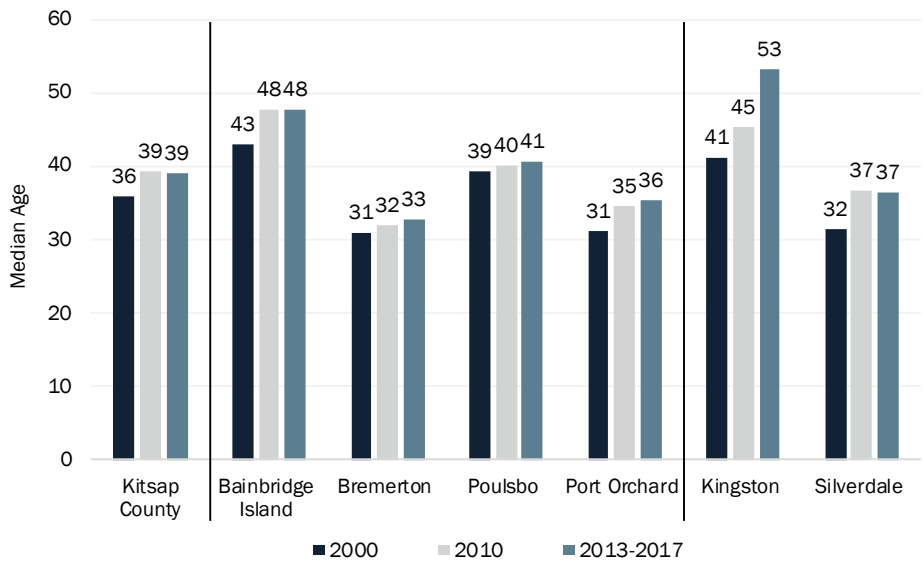
Source: Washington State Office of Financial Management, April 2019.

AGE

The following exhibits display median ages across the county and changes in the age composition of Kitsap County residents. As Exhibit 15 demonstrates, the median age in Kitsap County increased from age 36 to 39 between 2000 and 2010 and remained at age 39 from 2013-2017. Cities in Kitsap County reveal roughly the same trend with bigger increases between 2000 and 2010 and smaller increases between 2010 and 2013-2017. Bainbridge Island has the oldest median age at 48, while Bremerton has the youngest median age at only 33.

Kingston's median age is greater than all the other selected cities.

Exhibit 15. Median Age, Kitsap County and Selected Cities, 2000, 2010, and 2013-2017



Note: Data are shown for the city boundaries of Bainbridge Island, Bremerton, Port Orchard, and Poulsbo, as well as the boundaries of the Kingston and Silverdale Census Designated Places.

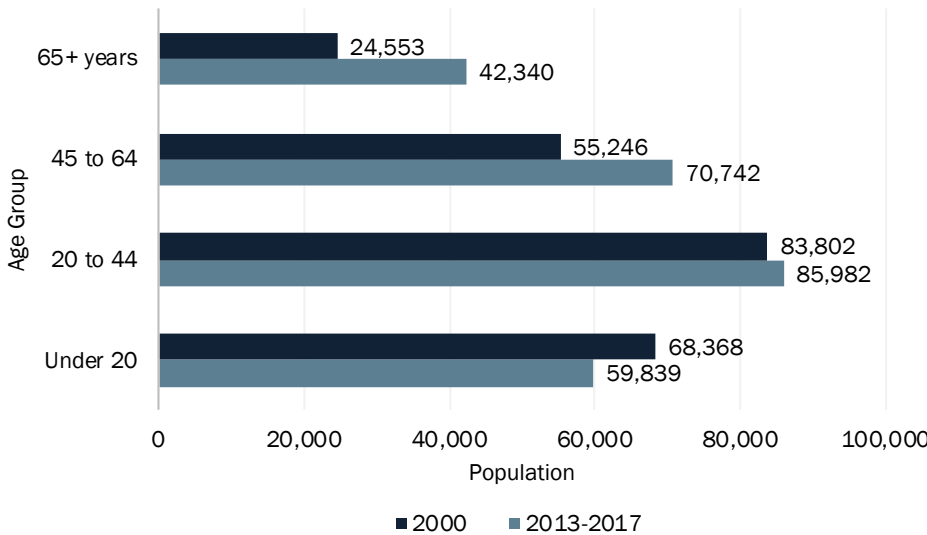
Source: 2000 Decennial Census Table P013, 2010 Decennial Census Table P13, and 2013-2017 ACS Table DP05.

Although the different cities across Kitsap County have some variation in median ages, the next two exhibits demonstrate that the County as a whole is aging and following the same national trends largely due to the aging Baby-Boomer cohort. Exhibit 16 demonstrates that across the whole County, each age group except the “under 20” had more people in 2013-2017 than in the year 2000. While some of this is due to nominal population growth, Exhibit 17 shows that each city has a greater share of its population in the older age groups in the more recent time periods.

Between 2000 and the 2013-2017 time period, the number of people aged over 20 increased.

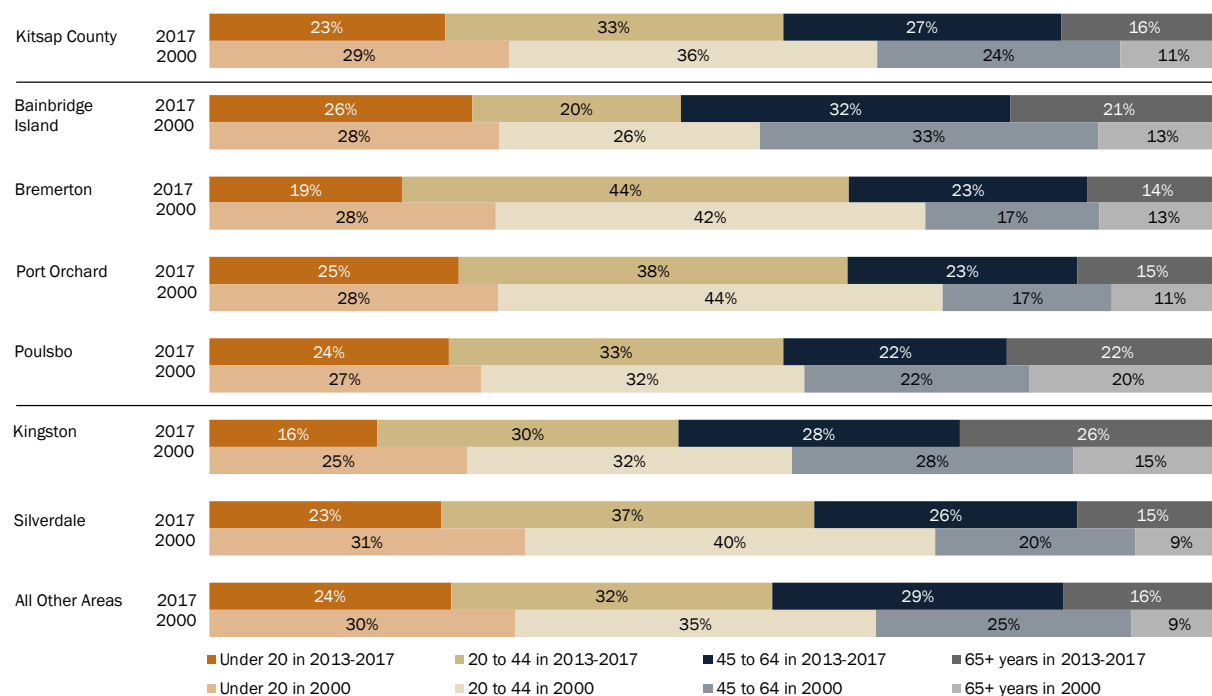
The number of adults in over 44 age group increased. Though the 20-44 age group still makes up the largest population in the county, the increase has been minimal.

Exhibit 16. Population Growth by Age, Kitsap County, 2000 and 2013-2017



Source: U.S. Census Bureau, 2000 Decennial Census Table P012 and 2013-2017 ACS Table DP05.

Exhibit 17. Share of Age Groups, Kitsap County and Selected Cities, 2000 and 2013-2017



Source: 2000 Decennial Census, Table P012 and American Community Survey, 2013-2017 5-Year Estimates, Table DP05.

Notes: Data shown for Kitsap County are the entire county, inclusive of the other areas shown. Data are shown for the city boundaries of Bainbridge Island, Bremerton, Port Orchard, and Poulsbo, as well as the boundaries of the Kingston and Silverdale Census Designated Places. Data for the "All Other Areas" is equal to the Kitsap County total less the six cities shown and is a rough approximation for the remaining Unincorporated Kitsap County area.

This chart demonstrates each age group (orange: under 20, tan: 20 to 44, blue: 44 to 64, and grey: over 65) and compares each group's share of the total population in 2000 (light bars) and in 2013-2017 (dark bars). In looking at Kitsap County as a whole, one can see that in the year 2000, about 11 percent of Kitsap County residents were over 65 years old (the light grey segment), but in the year 2017 this number increased to 16 percent (the dark grey segment). The chart demonstrates the following findings about the age breakdown of different areas:

- *Kitsap County as a whole, is aging.* Inclusive of the cities, Kitsap County's share of residents over age 44 increased eight percentage points, from 35 percent in the year 2000 to 43 percent in the 2013-2017 period.
- *Bremerton's population skews youngest.* In Bremerton the increase was seven percentage points, from 30 percent to 37 percent. Bremerton skews youngest of all the principle cities, with only 14 percent of residents over 64. However, between 2000 and 2013-2017, the share of Bremerton residents under age 20 fell from 28 percent to only 19 percent.
- *Bainbridge Island's population skews oldest.* Bainbridge Island is the only jurisdiction where more than half of residents were over age 44 in 2013-2017. This increased from 46 percent in 2000 to 53 percent in 2013-2017.
- *Port Orchard's population is aging faster than the county as a whole.* In Port Orchard, the share of residents over 44 increased ten percentage points, from 28 percent in 2000 to 38

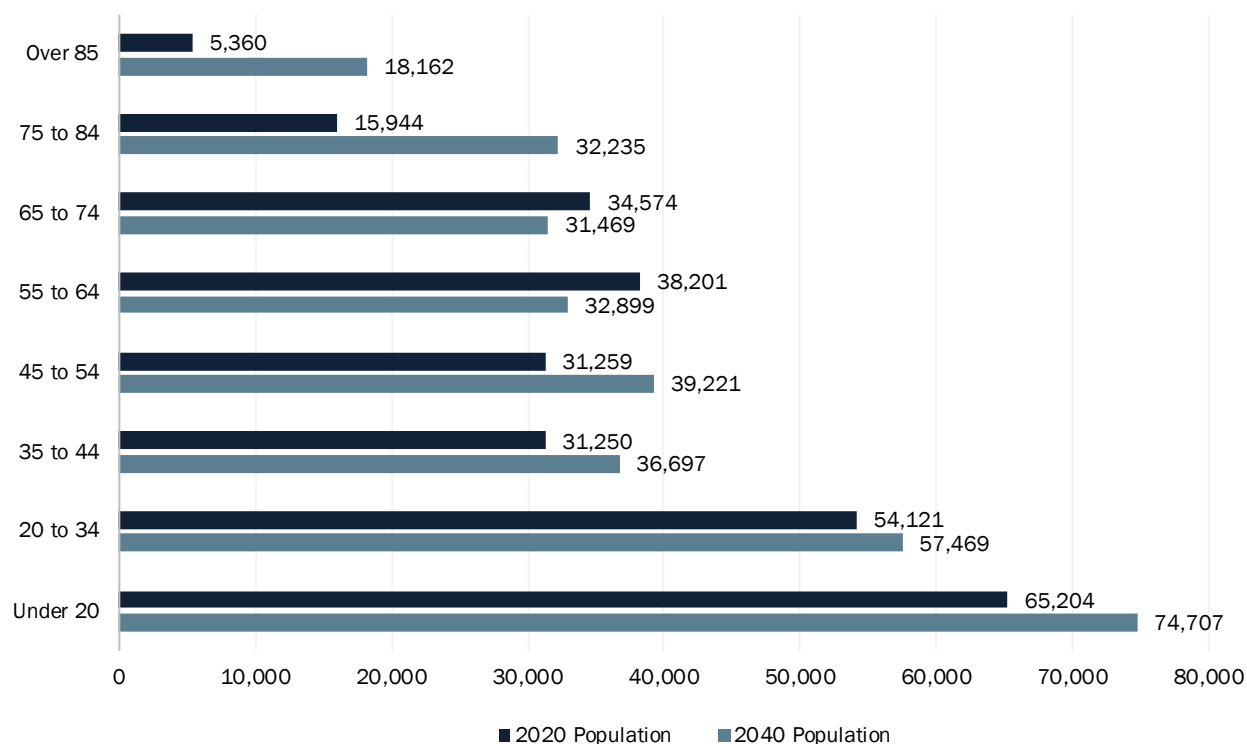
percent in 2013-2017. This is a bigger increase (10 percentage points) compared to the County as a whole (eight percentage points).

- *Kingston's population is aging the quickest relative to the County as a whole as well as its jurisdictions.* The share of residents 65 and older in Kingston grew by 11 percentage points, the largest increase relative to all comparators. Over this same timeframe, the share of residents younger than 20 years decreased by nine percentage points and those aged 20 to 44 decreased by two percentage points.
- *Poulsbo's population is evenly distributed across age groups.* In Poulsbo, the share of residents over age 44 increased two percentage points, from 42 percent to 44 percent. Poulsbo has an almost even distribution across these four age groups. Almost one in four residents in Poulsbo are over age 64.
- *Silverdale's population is aging quicker than the county as a whole.* In Silverdale the share of residents over age 45 years old increased by 12 percentage points, compared to an eight percentage point increase countywide. The share of Silverdale residents over 65 years of age increased from nine percent in 2000 to 15 percent in 2013-2017.

In Exhibit 18, population projections from the Washington State Office of Financial Management, indicates that from 2020 to 2040, Kitsap County as a whole will see the largest increases in the number of people over age 75. During this period, people over 85 years old will add the most individuals to the population, at over 12,000 people between 2020 and 2040.

Projections also indicate that 52 percent of population growth between 2020 and 2040 will be those aged 75 years and older. This is an increase of over 29,000 seniors. People aged 20 years and younger are projected to increase by over 9,500, but this age group remains the largest proportion of the whole population. The number of people between 55 and 69 is projected to decrease from 2020 to 2040, as well as their proportions.

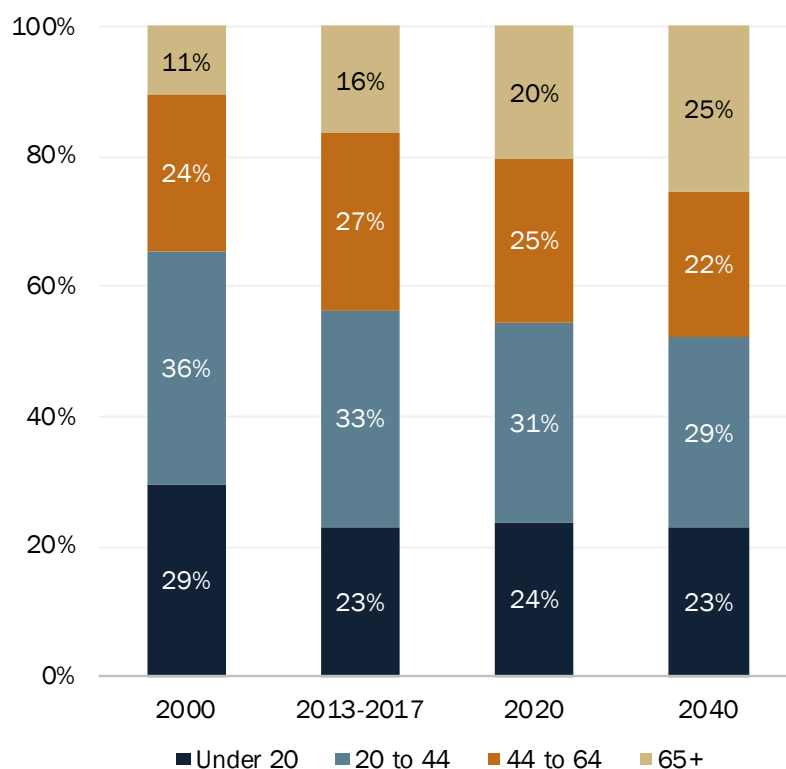
Exhibit 18. Kitsap County's Total Population Projection by Age Group, 2020 to 2040



Source: Washington State Office of Financial Management, Forecasting Division.

Exhibit 19 combines the data in Exhibit 17 and Exhibit 18 to demonstrate the changing demographic age makeup of Kitsap County from 2000 to 2040. According to the projections from the Washington Office of Financial Management, by 2040 almost 50 percent of Kitsap residents will either be under 20 years old or over 65 years old. These cohorts largely do not participate in the labor force, which could have profound effects on the economy.

Exhibit 19. Kitsap County's Aging Population, 2000 through 2040



Source: Washington State Office of Financial Management, Forecasting Division, 2000 Decennial Census, Table P012 and American Community Survey, 2013-2017 5-Year Estimates, Table DP05.

Increasingly, the Baby Boomer cohort has expressed interest in “aging in place” or staying in their existing housing as long as possible.²⁵ Historically, the process of older households moving into retirement homes or in with younger family members has freed up important housing stock for the next round of buyers. But according to Freddie Mac, this process is breaking down with the desire to age in place, causing delays and higher prices for younger generations looking to join the housing market.²⁶ Kitsap’s aging population looking to age in place, coupled with the increasing demand in the future, mean that greater numbers of housing units will likely be demanded in the future.

DIVERSITY

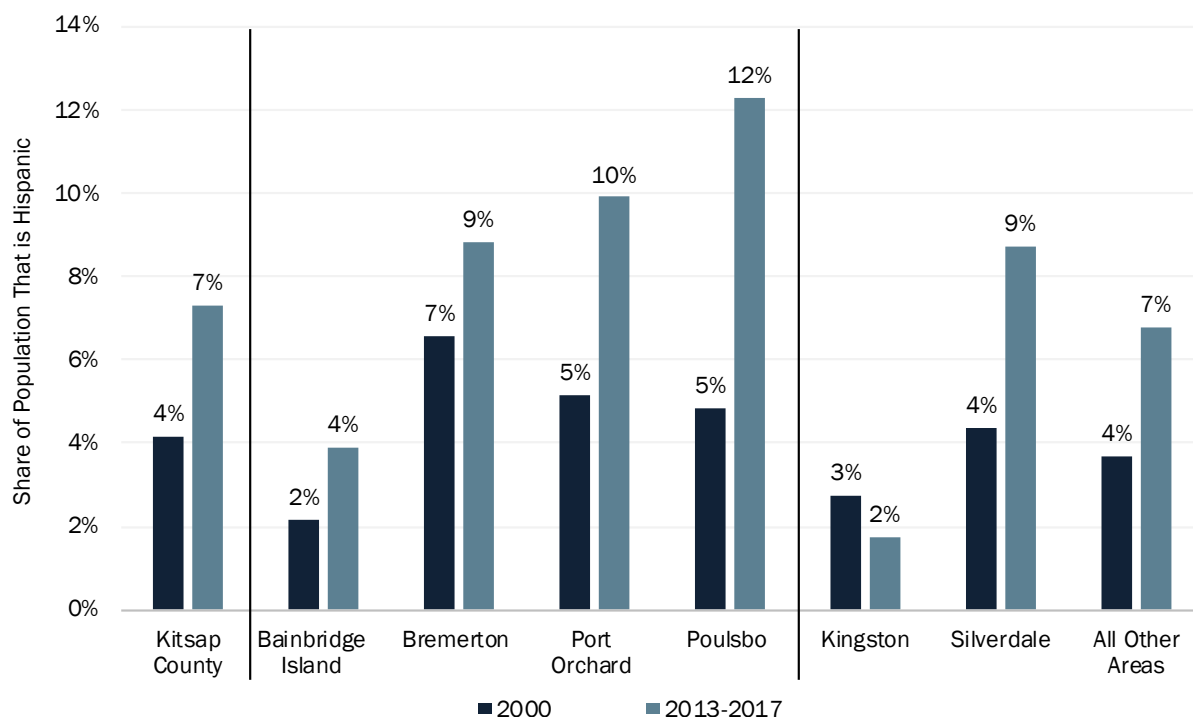
As a whole, Kitsap County is becoming more ethnically diverse. Exhibit 20 demonstrates that the Hispanic or Latinx population almost doubled from four percent of Kitsap County’s total population in 2000, to seven percent of the population in the 2013–2017 period. The population of Kitsap County is less ethnically diverse than Washington State, where 12 percent of the population is Hispanic/Latinx. Bremerton, Port Orchard, and Poulsbo are more ethnically diverse than the Kitsap County average, with the Hispanic/Latinx population making up nine

²⁵ AARP. 2018. “2018 Home and Community Preferences: A National Survey of Adults Age 18-Plus.” Available from: www.aarp.org/research/topics/community/info-2018/2018-home-community-preference.html

²⁶ Freddie Mac. 2019. “While Seniors Age in Place, Millennials Wait Longer and May Pay More for their First Homes.” Available from: www.freddiemac.com/research/insight/20190206_seniors_age_millennials_wait.page

percent, ten percent, and 12 percent of residents, respectively. Bainbridge Island has the lowest share of Hispanic/Latinx residents, although the proportion doubled across the 2000 to 2013-2017 period. Port Orchard’s Hispanic/Latinx population also doubled over the analysis period.

Exhibit 20. Hispanic or Latinx Population as a Percent of the Total Population, Kitsap County, and Census Designated Cities, 2000 and 2013–2017



Source: 2000 Decennial Census Table P008 and American Community Survey, 2013-2017 5-Year Estimates, Table DP05.

Notes: Hispanic/Latinx and non-Hispanic/Latinx households are of any race. Data shown for Kitsap County are the entire county, inclusive of the other areas shown. Data are shown for the city boundaries of Bainbridge Island, Bremerton, Port Orchard, and Poulsbo, as well as the boundaries of the Kingston and Silverdale Census Designated Places. Data for the “All Other Areas” is equal to the Kitsap County total less the six cities shown and is a rough approximation for the remaining Unincorporated Kitsap County area.

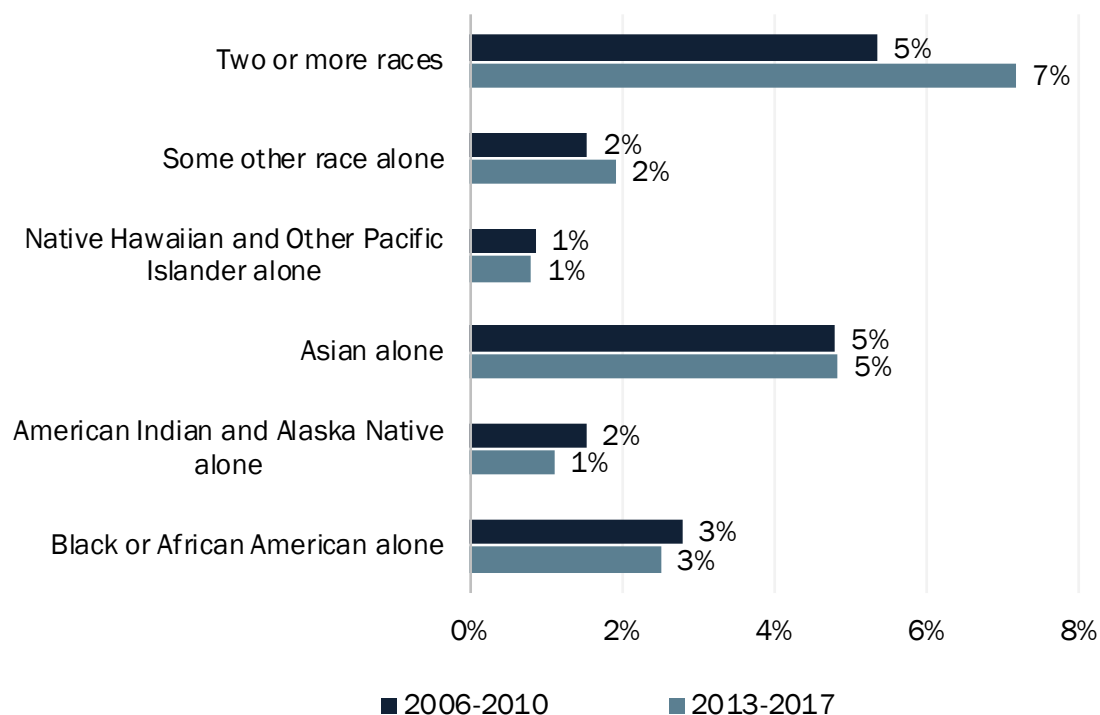
According to the 2017 Current Population Survey (CPS), households that are Hispanic/Latinx are generally larger in size than non-Hispanic/Latinx families. Across the entire U.S. population, 2017 household sizes varied:

- Hispanic households of any race averaged 3.25 people,
- Non-Hispanic Asian households averaged 2.91 people,
- Non-Hispanic households of all other races averaged 2.70 people,
- Non-Hispanic Black households averaged 2.47 people, and
- Non-Hispanic White households averaged 2.37 people.

The racial mix of Kitsap County residents have also diversified over the 2006-2010 to 2013-2017 period. As shown in Exhibit 21, those who reported being two or more races grew the most relative to all other racial groups, from five percent in 2006-2010 to seven percent in 2013-2017. Other racial groups that increased in proportion over this period include those who reported

being some other race as well as those who reported being Asian alone. White alone individuals are not included in Exhibit 21 as their population share makes it difficult to see the changes in other racial groups. The size of this group is detailed in the note beneath the exhibit.

Exhibit 21. Changes in Race, Kitsap County, 2006-2010 and 2013-2017



Source: U.S. Census Bureau, 2006-2010 ACS 5-Year Estimates, Table B02001, and 2013-2017 ACS 5-Year Estimates, Table B02001.
 Notes: For the 2006-2010 period, the White alone population in Kitsap County was 83 percent; during the 2013-2017 period, it was 82 percent. The bars for the White alone group are excluded from the exhibit as it makes it difficult to see the change in other racial groups.

Another important influence that Kitsap's increasing diversity may have on its housing stock relates to homeownership. On average, non-white households have lower homeownership rates than non-Hispanic white households.²⁷ Given that the majority of Kitsap's housing stock is single-family ownership, housing is rising in value due to seniors aging in place, there is a lack of development, and there is continued rising demand, this could become a bigger mismatch in the available housing and the ability to own or rent that housing.

²⁷ Urban Institute. 2019. "Mapping the Hispanic Homeownership Gap." Available from: www.urban.org/urban-wire/mapping-hispanic-homeownership-gap

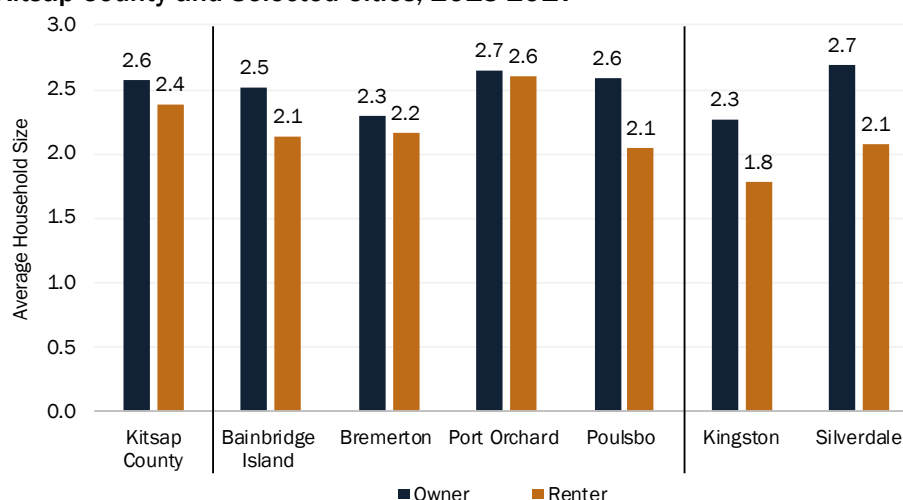
HOUSEHOLD FORMATION

Exhibit 22 displays the average household size of renter- and owner-occupied households across Kitsap County and its Census designated cities during the 2013-2017 period. Renter-occupied households in Kitsap County and its cities tend to have fewer occupants than owner-occupied households. While this trend is consistent with national household sizes, both owner-occupied and renter-occupied households in Kitsap County as a whole are smaller than the U.S. average (which is 2.70 people in owner-occupied households on average, and 2.52 in renter-occupied households). Port Orchard differs from other cities in that the average household size between renters and owners is approximately the same. Renter-occupied households in Port Orchard are larger than the national average.

The average size of owner-occupied households varies little across Kitsap County.

Renter households are smaller than owner-occupied households countywide.

Exhibit 22. Average Household Size of Owner and Renter-Occupied Units, Kitsap County and Selected Cities, 2013-2017



Source: ACS 2013-2017 5-Year Estimates, Table DP04.

Notes: Data are shown for the city boundaries of Bainbridge Island, Bremerton, Port Orchard, and Poulsbo, as well as the boundaries of the Kingston and Silverdale Census Designated Places.

The following exhibits demonstrate that Kitsap County households are becoming smaller and that larger households are more concentrated in a few cities.

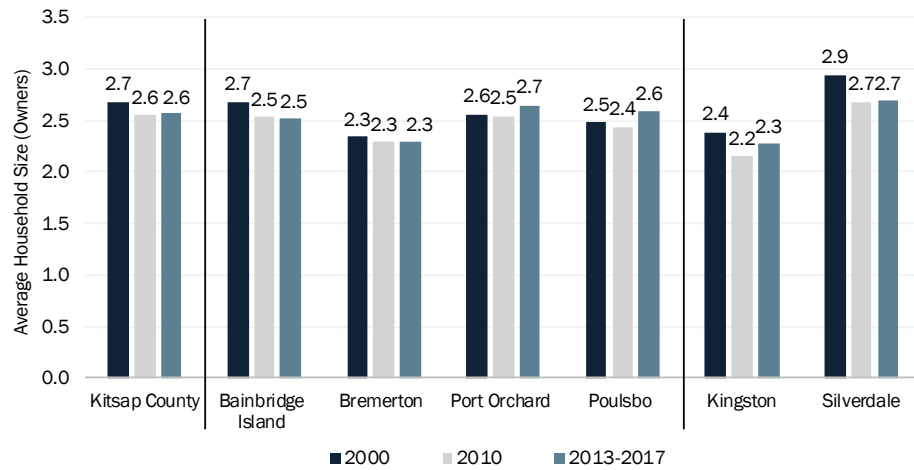
Exhibit 23 below shows the average household size of owner-occupied households for Kitsap County and its Census designated cities. The County's average owner-occupied household size shrunk from 2.7 in the year the 2000 (dark blue bar) to 2.6 in 2013-2017 (teal bar). Different cities saw different changes over time:

- Bainbridge Island's average owner-occupied household size shrank.
- Bremerton's, Kingston's and Silverdale's average household sizes fell for owner-occupied households.
- Port Orchard's and Poulsbo's average household size increased for owner-occupied households.

Kitsap County's average owner-occupied household size is similar among selected cities.

Bremerton has a slightly smaller average household size.

Exhibit 23. Average Household Size Owner-Occupied Units, Kitsap County and Selected Cities, 2000, 2010, and 2013-2017



Source: 2000 Decennial Census Table H012, 2010 Decennial Census Table H12, and ACS 2013-2017 5-Year Estimates, Table DP04.

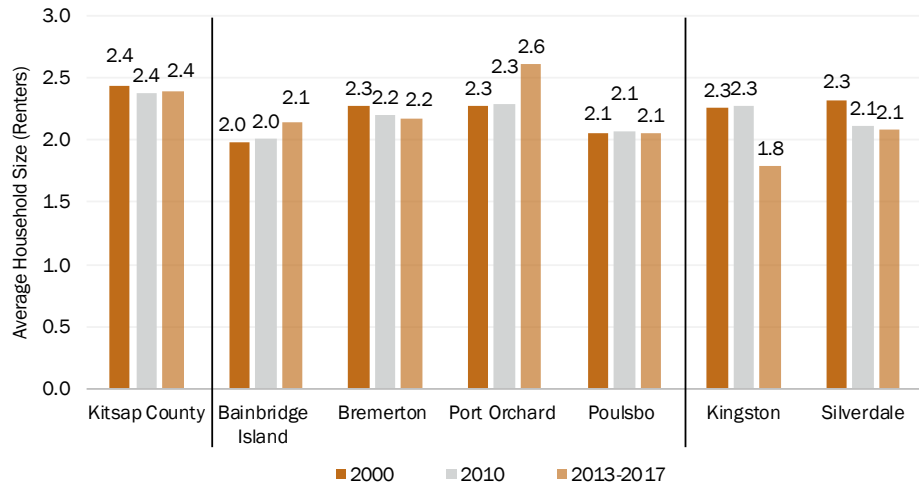
Notes: Data are shown for the city boundaries of Bainbridge Island, Bremerton, Port Orchard, and Poulsbo, as well as the boundaries of the Kingston and Silverdale Census Designated Places.

Exhibit 24 below shows the average household size of renter-occupied households for Kitsap County and its Census designated cities. The average renter-occupied household size for the whole County shrunk from 2.44 (dark orange bar) in the year 2000, to 2.39 (light orange bar) in 2013-2017. Different cities saw different changes over time:

- Bainbridge Island's renter-occupied households increased in size slightly.
- Bremerton's, Kingston's and Silverdale's average household sizes fell for renter-occupied households.
- Port Orchard's average household size increased for renter-occupied households.
- Poulsbo's average renter-occupied household size remained steady.

Kitsap County's average renter-household size is on par with other selected cities.

Exhibit 24. Average Household Size Renter-Occupied Units, Kitsap County and Selected Cities, 2000, 2010, and 2013-2017

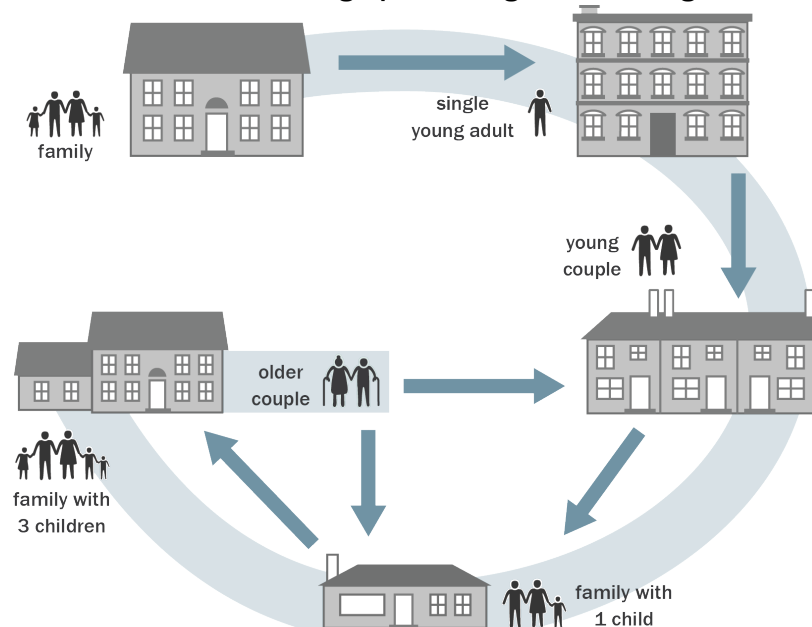


Source: 2000 Decennial Census Table H012, 2010 Decennial Census Table H12, and ACS 2013-2017 5-Year Estimates, Table DP04.

Notes: Data are shown for the city boundaries of Bainbridge Island, Bremerton, Port Orchard, and Poulsbo, as well as the boundaries of the Kingston and Silverdale Census Designated Places.

Housing needs change based on household size and life stage. Exhibit 25 demonstrates how housing needs change as people go through different life stages as the household size changes. The second and third steps represent when a young couple might search for more space, when roommates form separate households, or when a young family seeks more bedrooms and outdoor space. As described in the next section, many renters looking to buy houses in Kitsap County are being priced out.

Exhibit 25. Effect of Demographic Changes on Housing Need

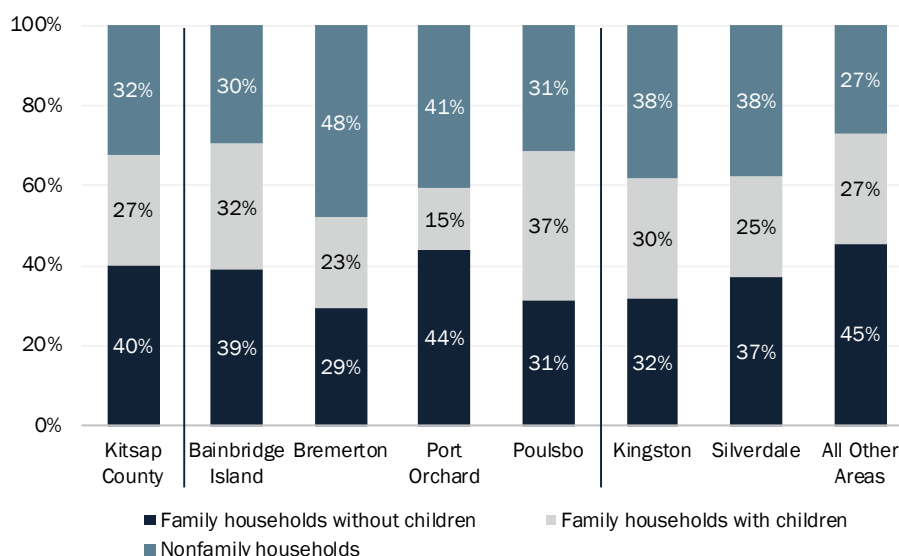


Source: ECONorthwest, adapted from Clark, William A.V. and Frans M. Dieleman. 1996. Households and Housing. New Brunswick, NJ: Center for Urban Policy Research.

Exhibit 26 below displays the current household composition of households across Kitsap County and in its Census designated cities. The fact that only 27 percent of all Kitsap County households have children is likely influenced by its large share of older adults, and by the heavy influence of shipyard or military workers, who may disproportionately be living in non-family households, such as with roommates.

Forty percent of households in Kitsap County are family households without children.

Exhibit 26. Household Composition, Kitsap County and Selected Cities, 2013-2017



Source: 2013-2017 ACS Table DP02.

Notes: Data are shown for the city boundaries of Bainbridge Island, Bremerton, Port Orchard, and Poulsbo, as well as the boundaries of the Kingston and Silverdale Census Designated Places. Data for the "All Other Areas" is equal to the Kitsap County total less the six cities shown and is a rough approximation for the remaining Unincorporated Kitsap County area.

Exhibit 28 also shows some interesting findings about the different cities in Kitsap County.

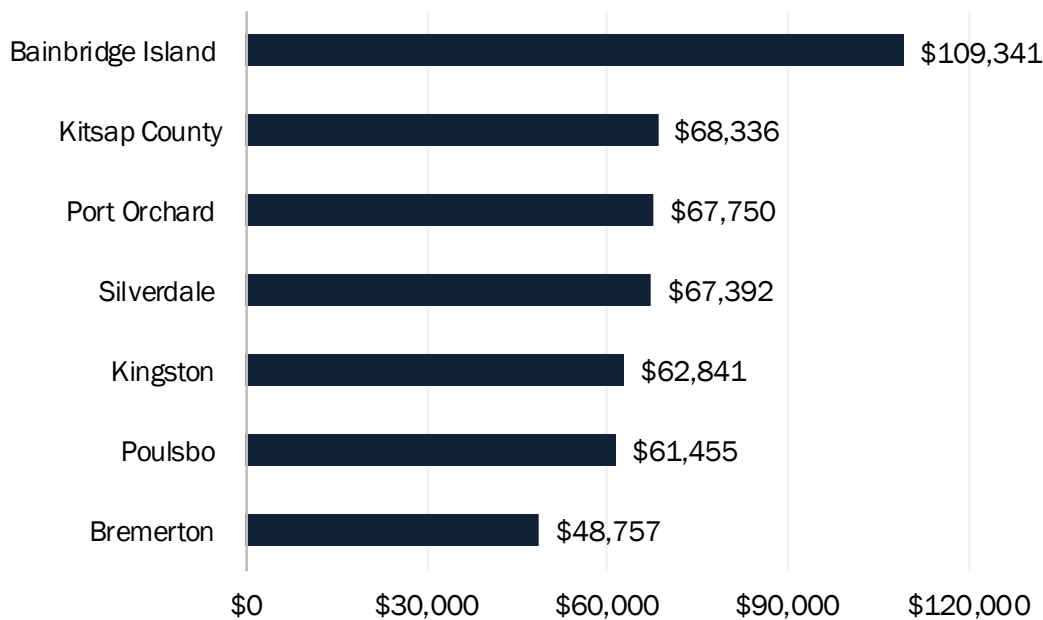
- Poulsbo currently has the greatest share of households that are families with children – about 37 percent of all households. This is evidenced by the fact that Port Orchard had the highest average household sizes for both owner-occupied and renter-occupied households. This also aligns with a key finding from the Housing Inventory memorandum that Port Orchard has been building a large share of all of the new housing in Kitsap County in recent years. Clearly, this new housing is helping to attract households with children.
- Bremerton has the largest share of nonfamily households at 48 percent. This aligns with a key finding in the Housing Inventory memorandum that Bremerton has the most multifamily housing and the highest share of renter households. It is fitting that Bremerton's housing stock and population align. Multifamily housing is an important piece of any area's housing stock and will continue to grow in importance as demographic and living preferences change. This could likely be due to the high presence of military-sector workers who rent housing and have roommates.

- Bainbridge Island has almost an even one-third split between non-family households, family households with children, and households without children. That households without children is higher than the other groups speaks to Bainbridge’s higher average age (48 - see Exhibit 15). Perhaps these households are empty-nesters.
- Poulsbo and the “all other areas” across the county have similar household compositions as Bremerton’s. These areas are close to the other military bases (Bangor Naval Submarine Base and Keyport Base).

INCOME

Income is another key determinant in housing choice, as a households’ ability to afford housing largely dictates where the household will live, the type of house it can afford (size, number of bedrooms), the quality of the housing, and homeownership opportunities. Exhibit 27 displays the median household incomes in Kitsap County and select cities in the 2013-2017 timeframe. Across the county, the median income is just over \$68,300 and ranges from about \$49,000 in Bremerton to \$109,000 on Bainbridge Island.

Exhibit 27. Median Household Income, Kitsap County and Selected Cities, 2013-2017



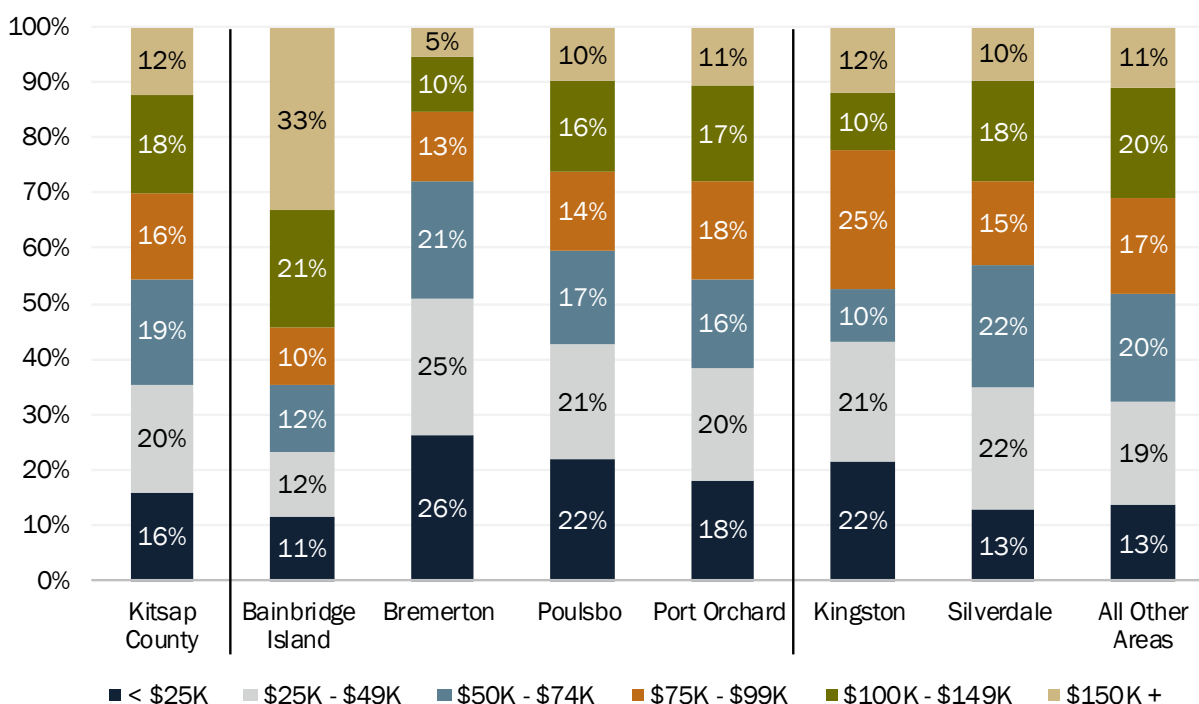
Source: American Community Survey, 2013-2017 5-Year Estimates, Table B02511.

Notes: Data shown for Kitsap County are the entire county, inclusive of the other areas shown. Data shown for Bainbridge Island, Bremerton, Port Orchard, Poulsbo, Kingston, and Silverdale are for the Census Designated Place (City) boundaries.

Exhibit 28 demonstrates the income distribution in Kitsap County and its Census designated cities as of the 2013-2017 time period. In this point-in-time, about 36 percent of all Kitsap County households made less than \$50,000 per year, compared with 41 percent of households in Washington State. The county has a higher portion of households with an income over \$150,000 than does Washington State with almost 12 percent compared to eight percent, respectively.

Kitsap County’s higher income residents (and growth in this population bracket) skew its median income, which has consequences for programs relating to affordable housing and anti-poverty efforts.

Exhibit 28. Share of Households by Income in Kitsap County and Cities, 2013-2017



Source: American Community Survey, 2013-2017 5-Year Estimates, Table B19001.

Notes: Data are shown for the city boundaries of Bainbridge Island, Bremerton, Port Orchard, and Poulsbo, as well as the boundaries of the Kingston and Silverdale Census Designated Places. Data for the "All Other Areas" is equal to the Kitsap County total less the six cities shown and is a rough approximation for the remaining Unincorporated Kitsap County area.

Of the cities evaluated, Bainbridge Island has the highest share of households earning more than \$150,000 (33 percent) while Bremerton has the highest share of households earning less than \$25,000 (26 percent). More than 50 percent of Bremerton households earned less than \$50,000 in the 2013-2017 time period compared to only 23 percent on Bainbridge Island.

While there is substantial variation in the distributions of incomes in these geographies, we also look at changing incomes over time. From 2006-2010 to 2013-2017 the entirety of Kitsap County gained about 4,700 households (an increase of five percent). Exhibit 29 below shows this growth by different income brackets. This exhibit shows the number of households in each income bracket in the 2016-2010 (dark blue) and 2013-2017 (light blue) time periods. To compare incomes over time, we used the Bureau of Labor Statistics' calculations of inflation to adjust the income brackets in each year.²⁸

As the exhibit demonstrates, the County as a whole appears to be gaining households at the lowest income levels and at the highest income levels over time. The number of households with incomes below \$20,000 grew by 23 percent from 10,450 households in 2010 to 12,850 households in 2017, while the number of households with incomes greater than \$80,000 grew by

²⁸ According to the Bureau of Labor Statistics' inflation calculator, inflation from June 2010 to June 2017 was 1.12.

ten percent from 36,500 in 2010 to 40,300 in 2017. The number of households with incomes between \$20,000 to \$80,000 shrank by about three percent over this time period.

Exhibit 29. Change in Household Incomes, Kitsap County, 2006-2010 and 2013-2017



Source: 2006-2010 and 2013-2017 ACS Public Use Micro Sample (PUMS) Data.

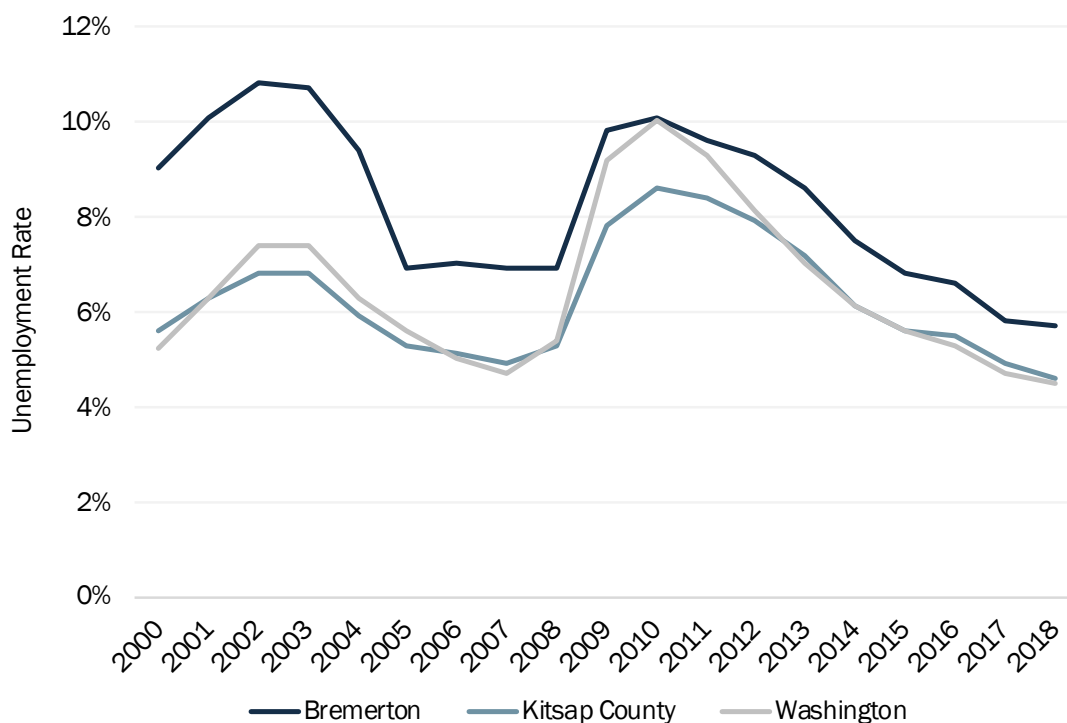
Kitsap County Economic Trends

Economic trends are another major driver of housing demand. A strong local economy can drive competition for labor as employers hire and expand, increase competition for land as offices and retail markets grow, and increase demand for housing as wages grow and disposable incomes rise. Kitsap County is undoubtedly influenced by the strong economy across the entire Puget Sound.

Employment Growth

Since 2000, Bremerton's unemployment rate has remained consistently above the entire County's rate, though in recent years the gap has closed. In 2018, Bremerton's unemployment rate was 5.7 percent. Comparatively, unemployment across the whole County (including Bremerton) was 4.6 percent, and 4.5 percent in Washington (including Kitsap and Bremerton).

Exhibit 30. Unemployment Rate, Washington State, Kitsap County, City of Bremerton



Source: Bureau of Labor Statistics, Local Area Unemployment Statistics.

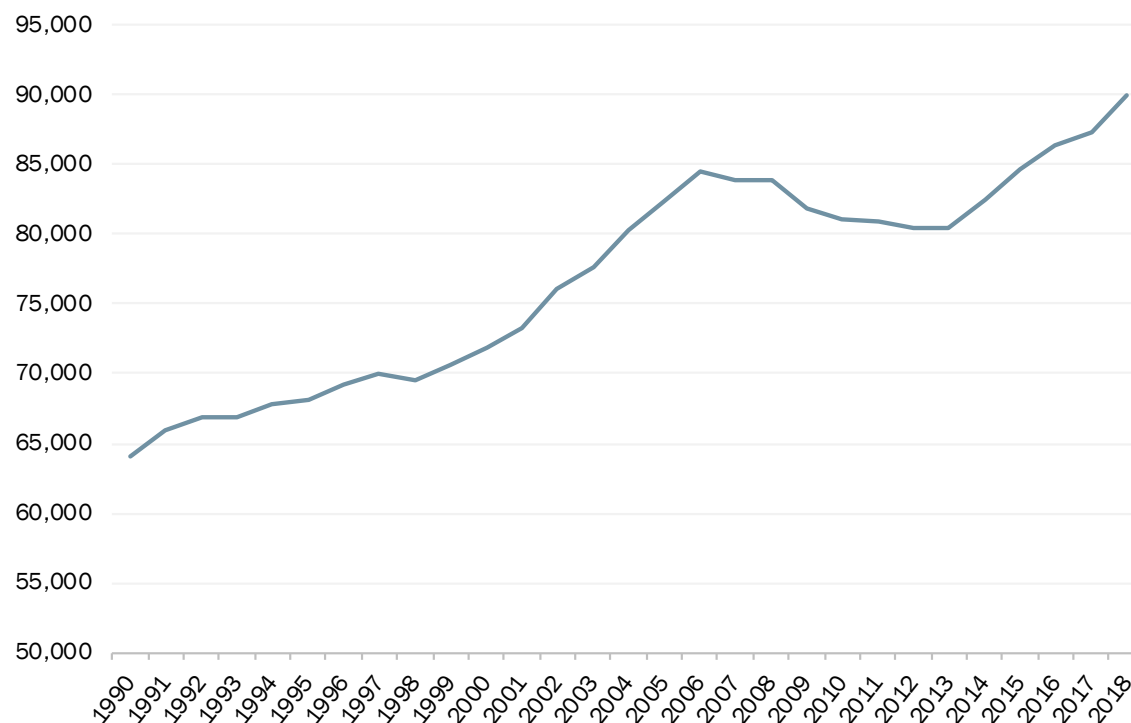
Job Growth

According to the Quarterly Census of Employment and Wages from the Bureau of Labor Statistics, there were nearly 90,000 covered jobs across Kitsap County in 2018 (the latest available for all sectors). Covered employment is a job that is covered by State Unemployment Insurance laws or Unemployment Compensation for Federal Employees (UCFE).²⁹

Exhibit 31 displays the growth in total covered employment since 1990. Covered employment for the entire County has been growing steadily over time. It grew more than 10 percent from 1990 to 1999, just over 14 percent from 2000 to 2009, and about 11 percent from 2010 to 2018. The exhibit displays the steady employment increase leading up to the Great Recession, some job loss through about 2013, and the recent growth post-2013. In 2015, total jobs throughout the County exceeded the pre-recession peak (which occurred in 2006) and by 2018 total jobs in the County were at their highest in these past three decades.

²⁹ It's important to note that the QCEW does not account for every job in a given region. Examples of jobs not accounted for in QCEW include proprietors, self-employed workers, the majority of agricultural workers on small farms, railroad employees, unpaid family workers, some domestic workers, and some state and local government workers.

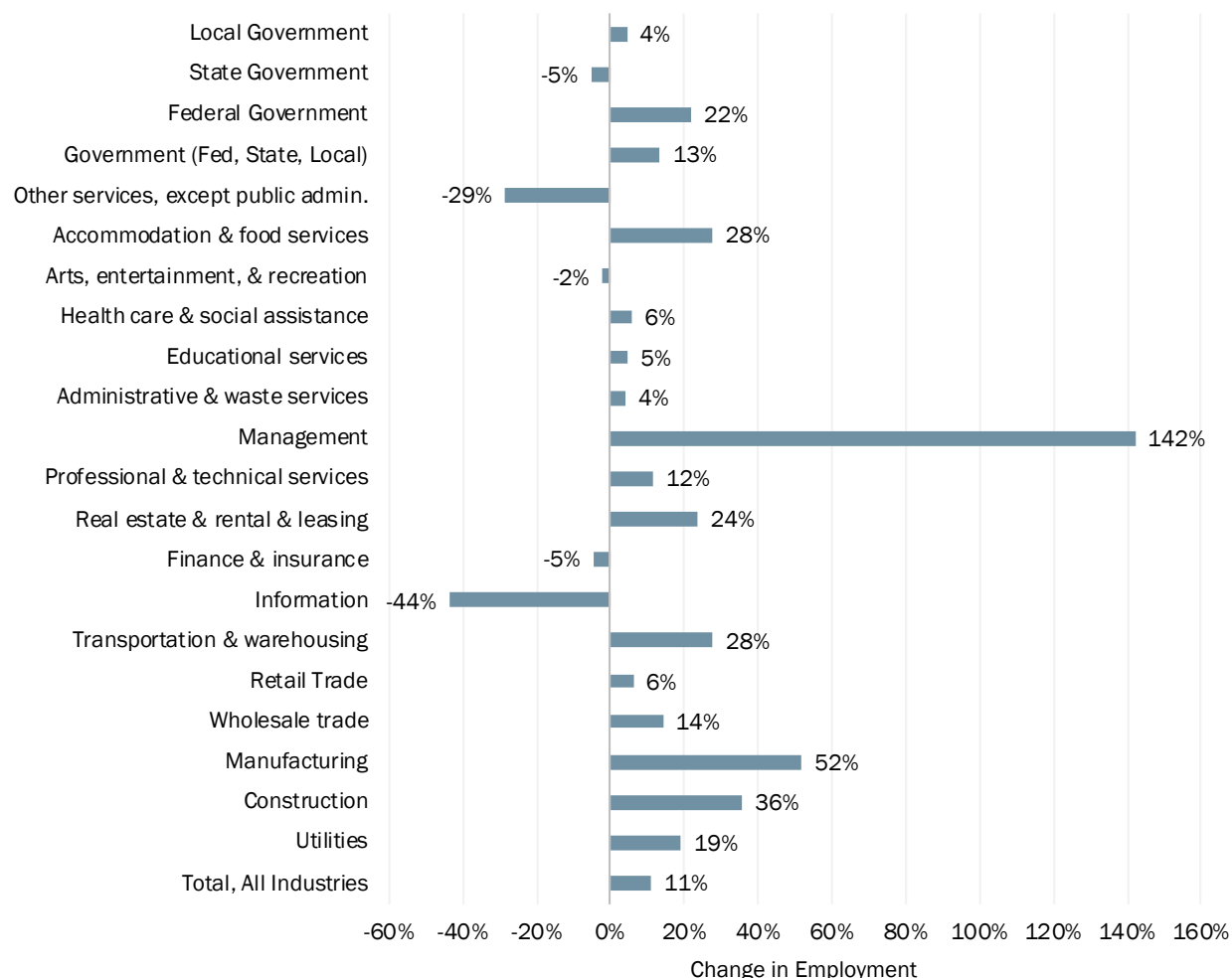
Exhibit 31. Total Covered Employment, Throughout Kitsap County, 1990 – 2018



Source: Bureau of Labor Statistics' Quarterly Census of Employment and Wages, 1990-2018.

Of course, this growth differs by sector. Exhibit 32 below displays this change in employment by sector (excluding sectors with zero jobs) from 2010 to 2018. As the exhibit demonstrates, the entire County has seen wide variation in job growth by sector. The 2010 to 2018 timeframe is the U.S.'s longest running expansion in modern history and Kitsap has seen strong job growth in line with national trends.

Exhibit 32. Change in Covered Employment by Sector, Kitsap County, 2010-2018

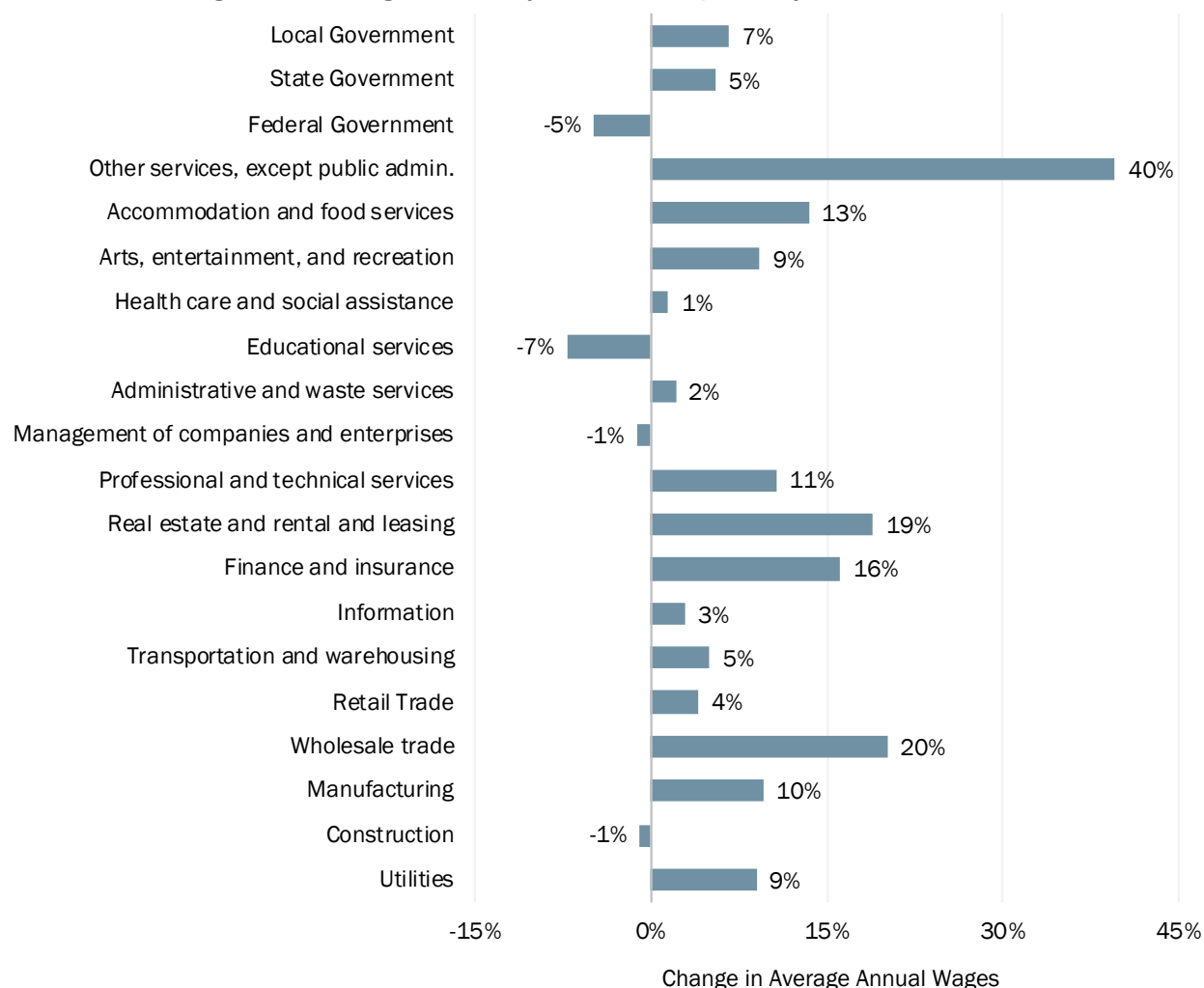


Source: Bureau of Labor Statistics, Quarterly Census of Employment and Wages, 2010 and 2018.

- The top five gaining sectors are management (142 percent growth), manufacturing (52 percent growth), construction (36 percent growth), transportation and warehousing (28 percent growth), and food service jobs (28 percent growth).
- Only five sectors saw declines in covered employment, including information jobs (44 percent decline), other service jobs (29 percent decline), state government jobs (5 percent decline), finance/insurance jobs (5 percent decline), and arts/entertainment jobs (2 percent decline).

There are clear implications for housing demand as it relates to the growth of different employment sectors. Of the top five growing sectors, most are relatively well-paying jobs, with the exception of accommodation and food service jobs. Jobs in the management sector had an average annual pay of \$90,130 in 2018, while the average pay for the manufacturing sector was \$53,340, construction was \$53,300, transportation/warehousing was \$38,430, and the food service sector was \$19,680. Exhibit 33 below displays the inflation-adjusted average annual pay growth in each of these sectors since 2010.

Exhibit 33. Average Annual Wage Growth by Sector, Kitsap County, 2010-2018



Source: Source: Bureau of Labor Statistics, Quarterly Census of Employment and Wages, 2010 and 2018.

Note: Before calculating the change in average annual pay, we used the Bureau of Labor Statistics' Consumer Price Index (U.S. city average) to adjust 2010 dollars to 2018 dollars.

The inflation-adjusted average annual pay in all but four sectors in the County increased over the 2010 to 2018 period.³⁰ Jobs in the “other services” category saw the biggest increase of almost 40 percent, followed by wholesale trading with 20 percent wage growth and real estate/rental/leasing with 19 percent wage growth.

Largest Employers

Naval Base Kitsap, located throughout the county, is the largest employer in Kitsap County. When only looking at the top ten largest employers, Naval Base Kitsap accounts for 74 percent of all employees. As Exhibit 34 demonstrates, Naval Base Kitsap has 13.5 times more employees

³⁰ To make accurate wage comparisons across time, we adjusted Kitsap County's annual average wages in 2000 for inflation via the Bureau of Labor Statistics' Consumer Price Index (CPI).

than the next largest employer, Harrison Medical Center. Among the top ten employers, only three are private organizations.

Exhibit 34. Top Ten Employers in Kitsap County

Employers	Categories	Total
Naval Base Kitsap	Public	33,800
Harrison Medical Center	Private	2,500
Washington State	Public	2,000
Central Kitsap School District	Public	1,550
North Kitsap School District	Public	1,200
South Kitsap School District	Public	1,150
Kitsap County	Public	1,140
Port Madison Enterprises	Private	925
Bremerton School District	Public	750
Haselwood Auto Group	Private	710

Source: Kitsap Economic Development Alliance.

Exhibit 35 displays the top ten for both public and private employers across the County. Half of the top ten private employers are in the healthcare industry, which is followed by the retail industry and includes three grocery store chains and an auto dealership. The public employers fall into four major categories: military, school districts, public sector, and county services.

Exhibit 35. Top Ten Private and Public Employers

Private Employers	Categories	Total	Public Employers	Categories	Total
Harrison Medical Center	Healthcare	2,500	Naval Base Kitsap (NBK)	Department of Defense	23,903*
Port Madison Enterprises	Hospitality	925	Washington State	(other) Public	2,000
Haselwood Auto Group	Retail	710	Central Kitsap School District	School Districts	1,550
Fred Meyer	Retail	584	North Kitsap School District	School Districts	1,200
Kitsap Mental Health Services	Healthcare	489	South Kitsap School District	School Districts	1,150
Martha and Mary	Healthcare	477	Kitsap County	County Services	1,140
Town & Country Markets	Retail	472	Bremerton School District	School Districts	750
YMCA	Family Services	435	Bainbridge Island School District	School Districts	629
Safeway	Retail	434	Kitsap Transit	County Services	432
The Doctors Clinic	Healthcare	424	Olympic College	School Districts	384

Source: Kitsap Economic Development Alliance and US Department of Defense, *Defense Spending by State*, Fiscal Year 2017.

*Note: We use the Department of Defense's estimate of total employees in Kitsap County instead of the Kitsap Economic Development Alliance's figure here. Data from the Department of Defense are close to that from Bureau of Labor Statistics and are reliable sources.

Average annual pay (in 2018) and recent pay change (2010-2018 inflation-adjusted) in the industries with the most employers across Kitsap County are:

-
- Healthcare and Social Assistance: \$44,580 average annual pay; one percent growth
 - Retail: \$32,233 average annual pay; four percent growth
 - Local Government: \$53,230 average annual pay; seven percent growth
 - Federal Government: \$82,056 average annual pay; five percent decrease
 - Education: \$31,034 average annual pay; seven percent decrease

Kitsap's Military Presence

The presence of Naval Base Kitsap has a significant influence on the local economy and housing need. The Naval Base employs about 24,000 people, 19 percent of which are in active duty.

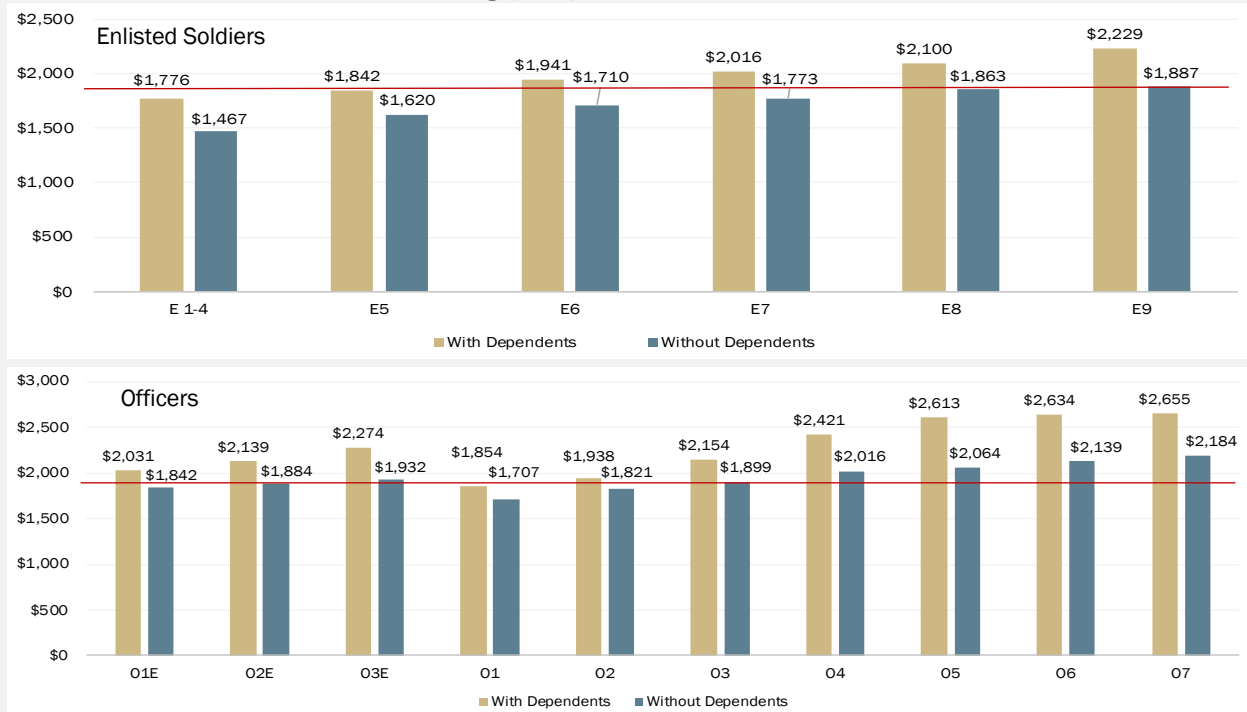
The military provides active duty soldiers and officers a Basic Allowance for Housing (BAH) for rent or a home purchase off base. These allowances are shown by rank and position in Exhibit 37. The red line is the 2019 median rent in Kitsap County. The BAH for most officers exceeds the median rent, and most enlisted soldiers with dependents have a BAH that on par with the median rent.

Exhibit 36. Top U.S. DOD Contractors in Washington State

Company	Contract
Boeing	\$8.0B
PacMed Clinics	\$150M
TrailStone Group	\$90M
Chugach Alaska Corp.	\$70M
Walsh Group	\$60M
General Dynamics	\$42M
Rore	\$38M
Nova Group	\$38M
Pacific Ship Repair & Fabrication	\$37M

Source: US Department of Defense, *Defense Spending by State*, Fiscal Year 2017

Exhibit 37. Basic Allowance for Housing (BAH) Rates, 2019



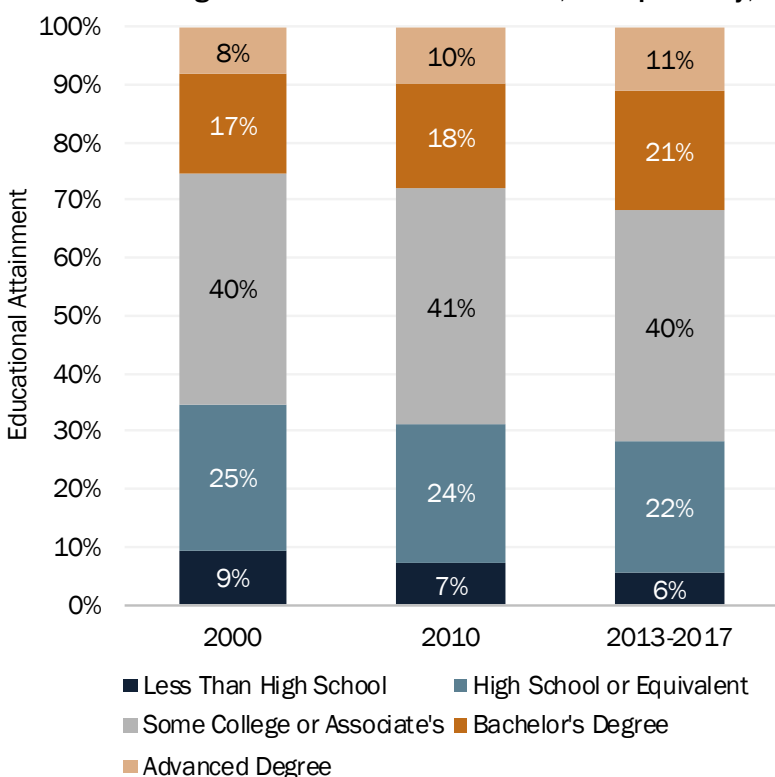
Source: NB Kitsap-Bangor, WA Housing & Relocation Information; Zillow 2019 Rent Index

Naval Base Kitsap is a port for Navy aircraft carriers – some of which can house up to 4,500 people. Due to military secrecy, the schedules for docking aircraft carriers at ports around the country are not published in advance. As Exhibit 37 demonstrates, certain ranks of enlisted soldiers and officers have basic housing allowances that exceed the median gross rent in Kitsap County. The sudden arrival of thousands of military personnel and their families with higher-than-market housing allowances can dramatically skew the housing markets of local cities.

Educational Attainment

Across Kitsap County, residents have become more educated since 2000. Exhibit 38 shows the change in educational attainment from 2000 to the 2013-2017 period across the County. During this time, the share of residents with only a high school degree decreased by three percentage points, from 25 percent in 2000 to 22 percent in 2013-2017. At the same time, the share of Kitsap County residents holding a Bachelor's degree increased from 17 percent in 2000 to 21 percent in 2013-2017, a four percentage point growth. In 2000, the share of residents with a high school diploma or less exceeded that of residents holding at least a Bachelor's degree (35 percent compared to 25 percent). However, in the 2013-2017 period, this share shifted. Approximately 32 percent of County residents held at least a Bachelor's degree and 28 percent held a high school diploma or had less education.

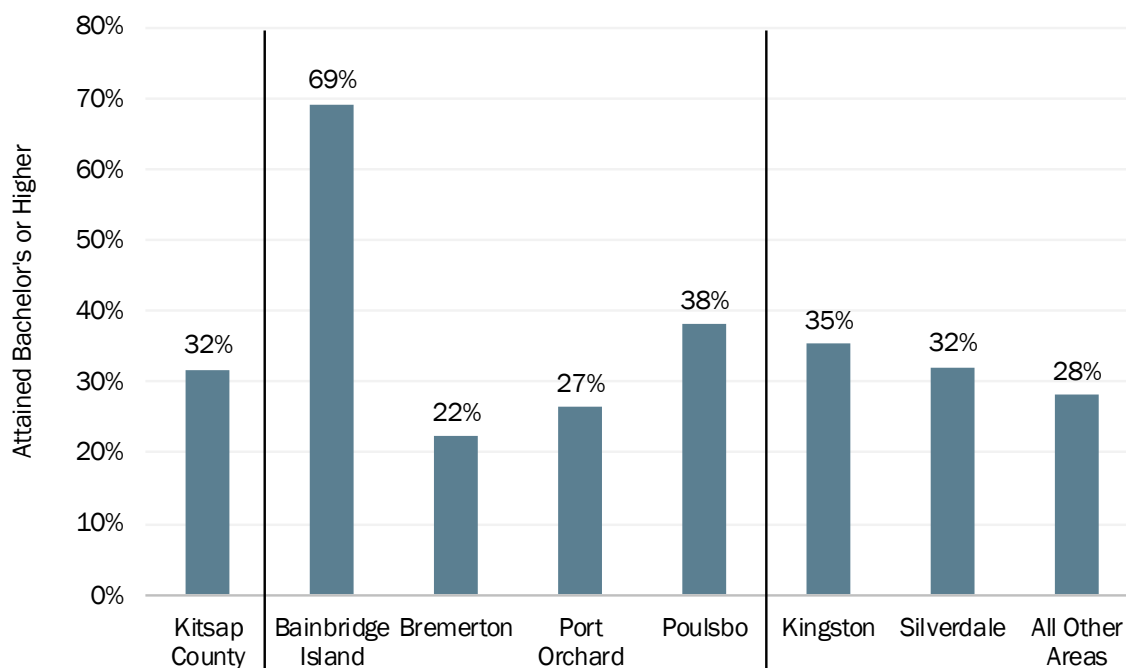
Exhibit 38. Change in Educational Attainment, Kitsap County, 2000, 2010, and 2013-2017



Source: U.S. Census Bureau, 2000 Decennial Census Summary File 3, Table DP-2; American Community Survey 2006-2010 5-Year Estimates, Table DP02; and American Community Survey 2013-2017 5-Year Estimates, Table S1501.

Of the jurisdictions analyzed in Kitsap County, Bainbridge Island residents had the highest share of Bachelor's or advanced education in 2013-2017. Exhibit 39 shows that Bainbridge Island exceeded Kitsap County's share of educated residents by more than double. Of the other principle jurisdictions, Poulsbo has the second highest share of educational attainment (38 percent), followed by Port Orchard (27 percent), and then Bremerton (22 percent). In unincorporated Kitsap County, both Kingston and Silverdale have educational attainment rates similar to that of the County as a whole.

Exhibit 39. Share of Residents 25 Years or Older Holding a Bachelor's Degree or Higher, 2013-2017



Source: American Community Survey, 2013-2017 5-Year Estimates, Table S1501.

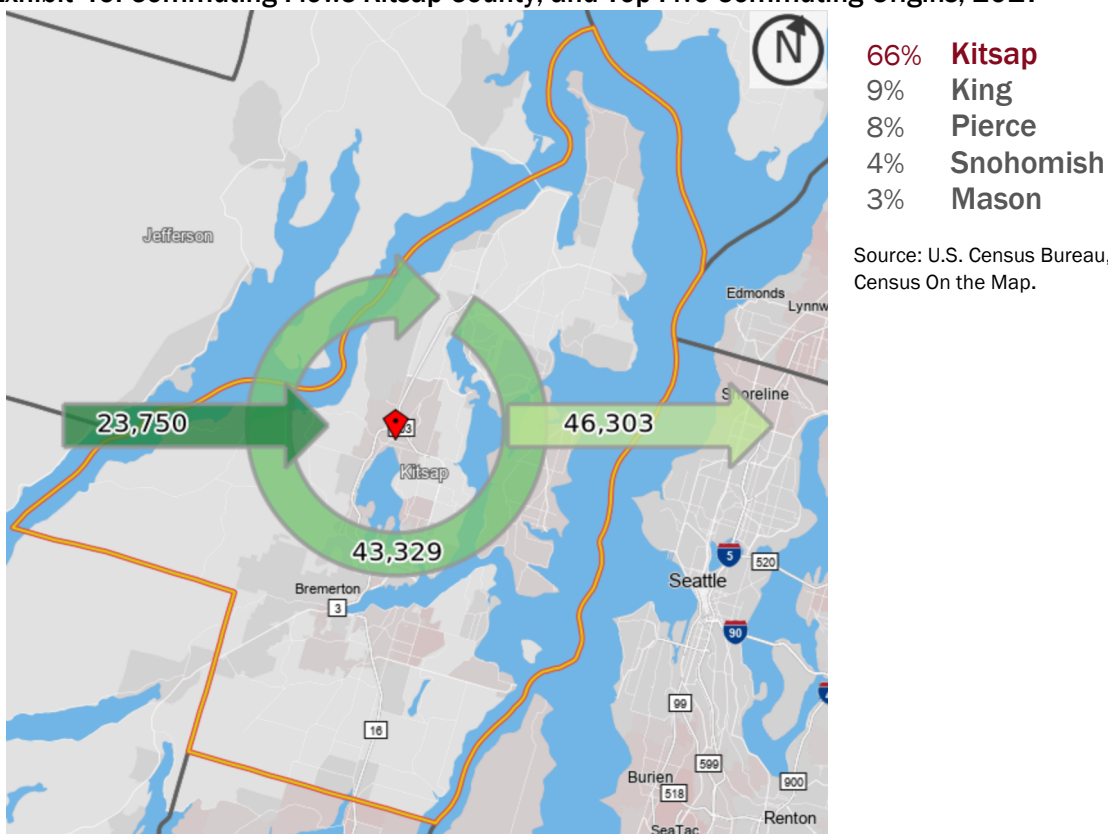
Notes: Data are shown for the city boundaries of Bainbridge Island, Bremerton, Port Orchard, and Poulsbo, as well as the boundaries of the Kingston and Silverdale Census Designated Places. Data for the "All Other Areas" is equal to the Kitsap County total less the six jurisdictions shown and is a rough approximation for the remaining Unincorporated Kitsap County area.

Commuting Trends

Commuting trends are important to consider when thinking about housing demand. Kitsap County is part of the complex, interconnected economy of the Northwest Washington region. According to the U.S. Census Bureau, in 2017, more than 46,300 people commuted out of Kitsap County for work and about 23,750 people commuted into Kitsap County for work.

About 43,300 people both worked and lived in Kitsap County in 2017. Of the approximate 23,750 people who commuted to Kitsap County for work, about 26 percent traveled from King County, 22 percent traveled from Pierce County, and 11 percent traveled from Snohomish County. The remaining 41 percent traveled from counties across Washington as well as some in northern Oregon, like Multnomah County and Washington County.

Exhibit 40. Commuting Flows Kitsap County, and Top Five Commuting Origins, 2017



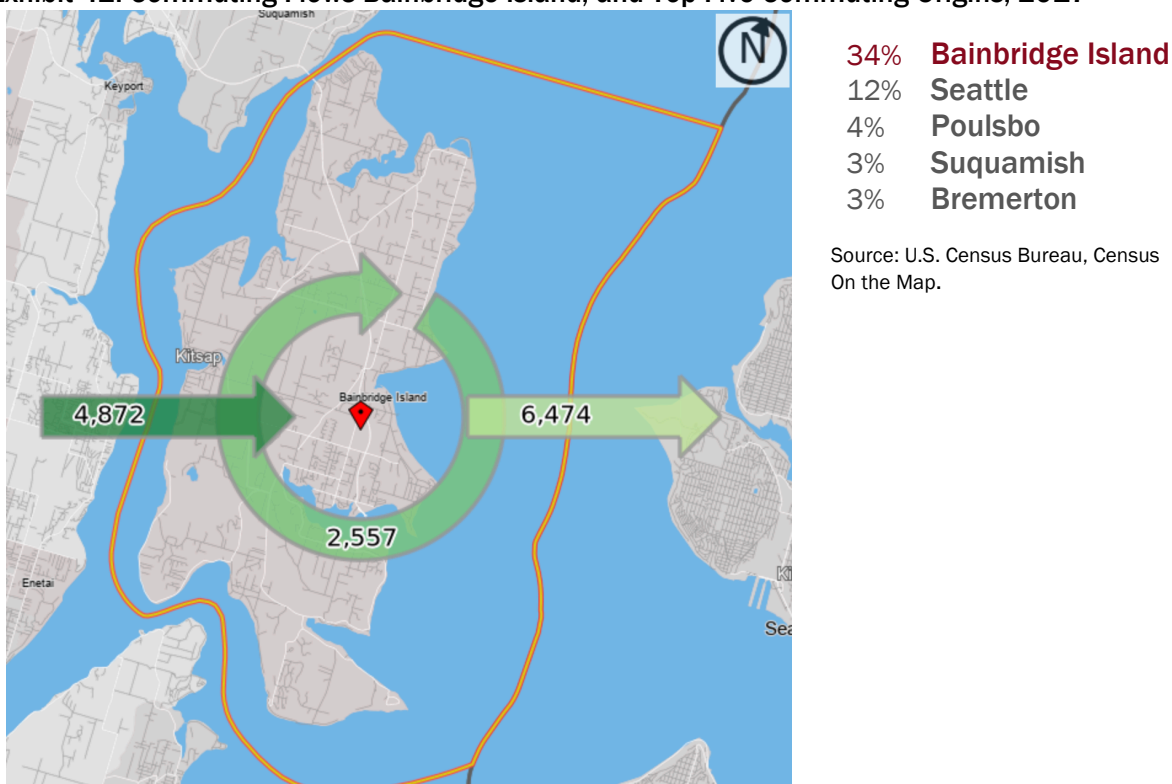
When workers in Kitsap County do not find adequate housing to meet their needs (size, location, price, character, etc.) they may choose to live outside of the County and commute in for work. However, long commutes can negatively impact the environment, household incomes, and community well-being. According to the 2013-2017 ACS, the mean commute time for all modes of transportation in Kitsap County was 30.2 minutes. Exhibit 41 below shows the share of commuters who use each mode to get to work.

Exhibit 41. Mean Commute Time by Transportation Mode, Kitsap County, 2013-2017

Transportation Mode	Percent Commuting by Mode
Car - drove alone	70.6%
Car - carpooled	8.4%
Public transportation	9.1%
Walked	2.7%
Taxicab motorcycle bicycle or other means	2.8%
Worked at home	6.3%

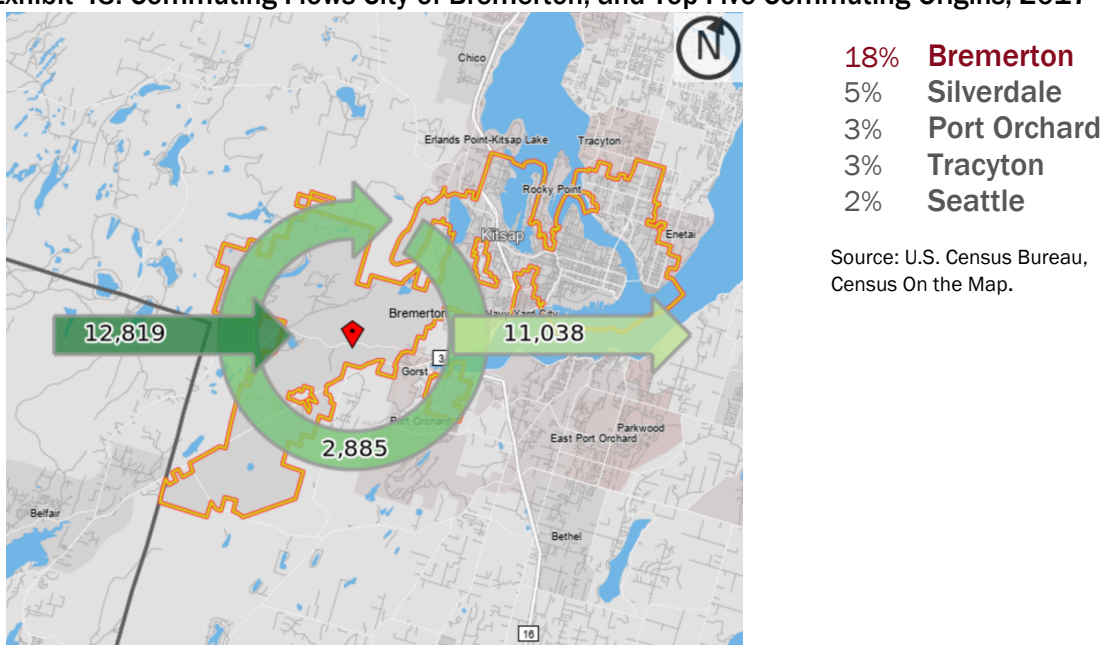
Source: 2013-2017 ACS, table DP03.

Exhibit 42. Commuting Flows Bainbridge Island, and Top Five Commuting Origins, 2017



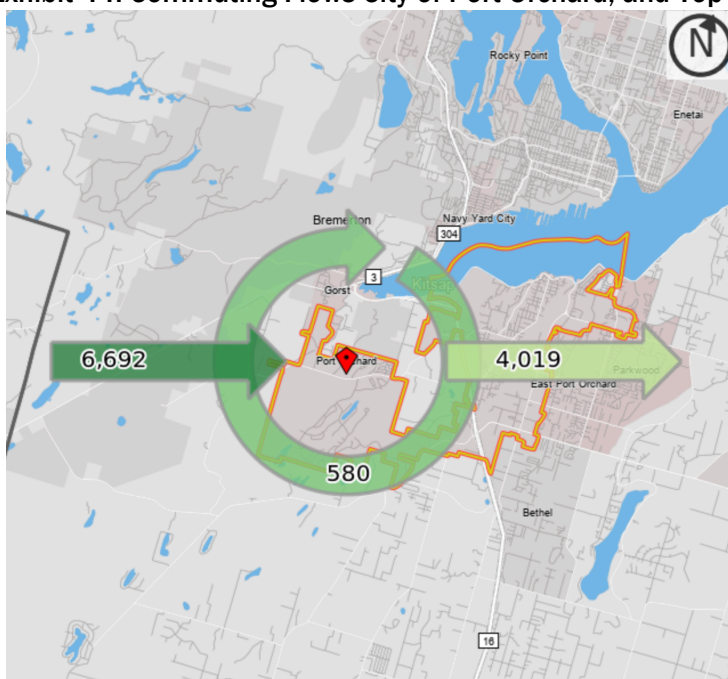
Approximately 34 percent of Bainbridge Island’s workforce, or 2,557 workers, both live and work in the City. Of those workers who commute to Bainbridge Island for work, the largest share come from Seattle, followed by Poulsbo. During the 2013-2017 period, the mean travel time to work for Bainbridge Island workers was about 42.1 minutes, approximately 12 minutes longer than the countywide average. Additionally, a sizable proportion of Bainbridge Island workers work from home (17.1 percent) compared to Kitsap County as a whole (6.3 percent).

Exhibit 43. Commuting Flows City of Bremerton, and Top Five Commuting Origins, 2017



About 18 percent of Bremerton workers, or 2,885 persons, are both employed and live in the City. Although this proportion is roughly half that of Bainbridge Island (34 percent), it is a few hundred more employees. This lower rate is likely due to the presence of Naval Base Kitsap Shipyard, which draws employees from outside of the City. In 2017, five percent of workers in Bremerton commuted from Silverdale, three percent commuted from Port Orchard, and two percent commuted from Seattle. Bremerton employees also commuted from Pierce, King, and Mason counties. The mean travel time to work for Bremerton workers was about 26.2 minutes in the 2013-2017 period, four minutes less than the countywide average.

Exhibit 44. Commuting Flows City of Port Orchard, and Top Five Commuting Origins, 2017



8%	Port Orchard
8%	Bremerton
4%	Parkwood
3%	East Port Orchard
3%	Silverdale

Source: U.S. Census Bureau, Census On the Map.

In 2017, about eight percent, or 580 workers, both worked and lived in Port Orchard. A similar proportion of workers commuted from Bremerton, as shown in Exhibit 45. The mean commute time of Port Orchard residents who work is about 27.9 minutes, similar to the countywide average.

Exhibit 45. Commuting Flows City of Poulsbo, and Top Five Commuting Origins, 2017

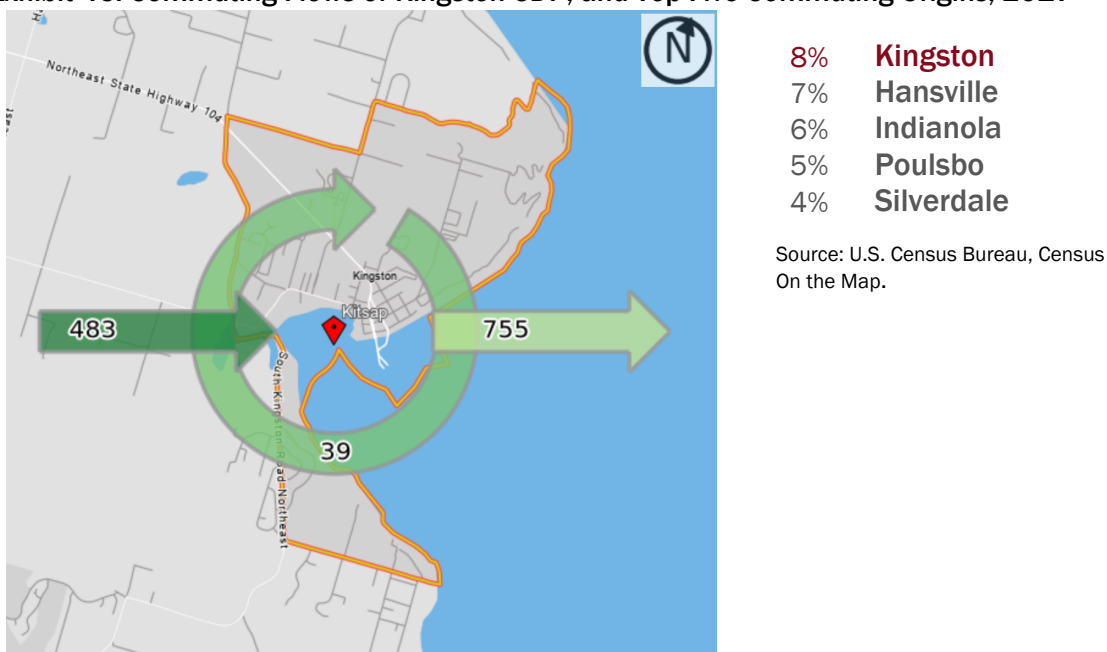


11%	Poulsbo
7%	Silverdale
6%	Bremerton
4%	Bainbridge Isl.
3%	Lofall

Source: U.S. Census Bureau, Census On the Map.

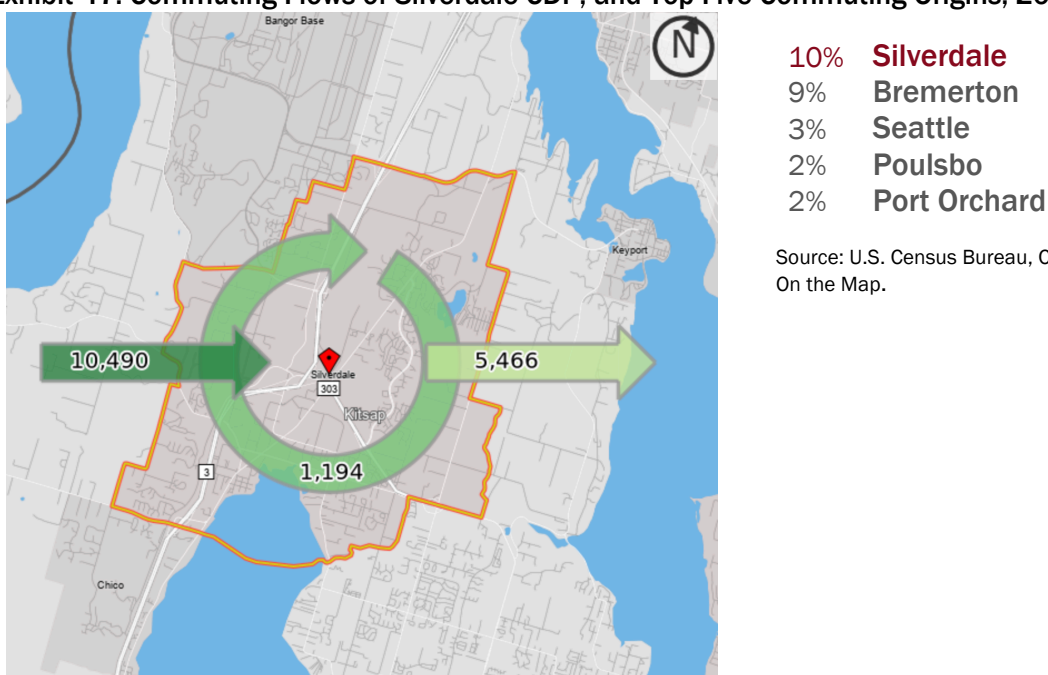
In 2017, about 11 percent, or 723 persons, both lived and worked in Poulsbo. Silverdale and Bremerton were the cities with the largest share of commuters making up Poulsbo's workforce at seven percent and six percent, respectively. Relative to countywide averages, Poulsbo residents who work have an average commute time of 27.4 minutes, a few minutes shy of Kitsap County, and approximately 4.9 of residents work from home, compared to 6.3 for Kitsap County.

Exhibit 46. Commuting Flows of Kingston CDP, and Top Five Commuting Origins, 2017



In 2017, approximately eight percent, or 39 persons, both lived and worked in Kingston. Kingston, Hansville, Indianola, and Poulsbo were the jurisdictions that made up the largest share of Kingston's workforce. Kingston residents spent approximately 42.3 minutes travelling to work during the 2013-2017 period, or 12 minutes longer than the countywide average. Approximately eight percent of Kingston residents worked from home during the 2013-2017 period, about two percentage points higher than Kitsap County.

Exhibit 47. Commuting Flows of Silverdale CDP, and Top Five Commuting Origins, 2017



In 2017, about 10,490 persons commuted to Silverdale for work. About 10 percent of workers (nearly 1,200 persons) both lived and worked in Silverdale. Of those that work in Silverdale, nine percent commuted from Bremerton, three percent commuted from Seattle, and two percent commuted from Poulsbo. The proportion of Silverdale resident workers working from home is comparable to that of the 2013-2017 countywide average (5.9 percent compared to 6.3 percent countywide).

The commuting trends of the individual jurisdictions are generally comparable to that of Kitsap County as a whole. Residents in each city tend to have an average commute time that is shorter than the countywide average, though the differences are typically on the scale of three to five minutes. The one exception, however, is Bainbridge Island. Commute times in Bainbridge Island are about twelve minutes longer than the countywide average, but at the same time, the City has the largest proportion of residents who work from home when compared to other jurisdictions. The longer commute times are likely due to a large proportion of residents who travel to Seattle for work (35 percent in 2017).

Housing demand is driven, in part, by how close or how far people want to be from their jobs. Some will prefer their homes to be near their place of work so they can use modes of transportation that do not require a private passenger vehicle, such as walking, biking, or public transit. Others will prefer to live a suburban lifestyle, living further from a city's center for reasons such as housing affordability. With housing made more readily available in and around job centers (i.e., where jobs are most concentrated), commute times can be reduced. This in turn mitigates wear and tear on roads and transfers more commuters from private passenger vehicles to public transit.

Part III. Methods and Approach

Data Used in this Analysis

This analysis uses data from multiple sources, focusing on those that are well-recognized and reliable. One of the key sources for housing and household data is the U.S. Census. This report primarily uses data from two Census sources as well as several other non-Census sources:

- The **Decennial Census**, which is completed every ten years and is a survey of all households in the U.S. The Decennial Census is considered the best available data for information such as demographics (e.g., number of people, age distribution, or ethnic or racial composition), household characteristics (e.g., household size and composition), and housing occupancy characteristics. As of 2010, the Decennial Census does not collect more detailed household information, such as income, housing costs, housing characteristics, and other important household information. Decennial Census data is available for 2000 and 2010.
- The **American Community Survey (ACS)**, which is completed every year and is a *sample* of households in the U.S. From 2012 to 2016 and 2013 to 2017, the ACS sampled an average of 3.5 million households per year, or about 2.6 percent and 2.9 percent of the households in the nation. The ACS collects detailed information about households, including demographics (e.g., number of people, age distribution, ethnic or racial composition, country of origin, language spoken at home, and educational attainment), household characteristics (e.g., household size and composition), housing characteristics (e.g., type of housing unit, year unit built, or number of bedrooms), housing costs (e.g., rent, mortgage, utility, and insurance), housing value, income, and other characteristics.
- **Kitsap County Assessor**, which provides descriptive data on the housing stock in the county as well as recent sales data.
- **Kitsap Economic Development Alliance**, which provides data and insights on Kitsap County's workforce, such as the County's largest employers.
- The Longitudinal Employer-Household Dynamics (LEHD) **Origin Destination Employment Statistics (LODES)**, which we access via the Census's mapping tool, OnTheMap, is a dataset that shows where workers are employed and where those workers also live.
- The Bureau of Labor Statistics' **Quarterly Census of Employment and Wages (QCEW)**, which provides employment and average annual pay estimates of covered jobs, and their **Local Area Unemployment Statistics (LAUS)**, which provides monthly unemployment and labor force statistics for states, metropolitan areas, counties, and cities 25,000 persons or larger.
- The **Washington Office of Financial Management (OFM)**, which provides research and data related to Washington state's demographics, economy, labor force, population projections, and more.

-
- **Zillow**, which provides economic data such as median home sale prices, monthly home sales, rent indices, and many other statistics for the U.S., metropolitan areas, as well as populous counties and cities.

This memorandum uses data from the 2013-2017 ACS for Kitsap County. Where information is available and relevant, we report information from the 2000 and 2010 Decennial Census. Among other data points, this report includes population, income, and housing price data from the Washington Office of Financial Management, the United States Department of Housing and Urban Development, the U.S. Bureau of Labor Statistics, The U.S. Department of Defense, and Zillow.

The foundation of the housing needs analysis is the population forecast for Kitsap from the OFM forecasting and research. Vacancy rate and household size come from the American Community Survey (ACS).

It is worth commenting on the methods used for the American Community Survey.³¹ The American Community Survey (ACS) is a national survey that uses continuous measurement methods. It uses a sample of about 3.54 million households to produce annually updated estimates for the same small areas (census tracts and block groups) formerly surveyed via the decennial census long-form sample. It is also important to keep in mind that all ACS data are estimates that are subject to sample variability. This variability is referred to as “sampling error” and is expressed as a band or “margin of error” (MOE) around the estimate.

This report uses Census and ACS data because, despite the inherent methodological limits, they represent the most thorough and accurate data available to assess housing needs. We consider these limitations in making interpretations of the data and have strived not to draw conclusions beyond the quality of the data.

Assumptions/Caveats

- **HUD Median Family Income & adjusting for household size.** In several exhibits we look at the share of housing units affordable to different MFI levels that are occupied by renter households in those MFI levels. A limit to this method is that we are not able to adjust the data to account for household size. The HUD MFI is designated for a family of four. Clearly, not all households in Kitsap County are families of four, and not all units are appropriately sized for a family of four. In addition, HUD income limits are adjusted for household size, and the rents that would be affordable would thus vary by household size. In these ways, this matching exercise is rough and theoretical.
- **U.S. Census Bureau ACS Public Use MicroSample (PUMS).** PUMS are microdata, or person-level responses to the ACS questionnaire. Each record (or row) describes one person’s responses to the questionnaire and these are numerically codified for statistical

³¹ A thorough description of the ACS can be found in the Census Bureau’s publication “What Local Governments Need to Know.” <https://www.census.gov/library/publications/2009/acs/state-and-local.html>

analysis. Every individual is assigned a statistical weight, which indicates how many persons in the population are represented by the sampled response. We make use of these weights to create accurate estimates of populations and their characteristics in Kitsap County.

- **U.S. Bureau of Labor Statistics' Quarterly Census of Employment and Wages (QCEW).** It's important to note that QCEW data are limited to workers that are covered by State Unemployment Insurance (UI) laws and the Unemployment Compensation for Federal Employees (UCFE). This means that QCEW data do not account for every job worked. Important employment exclusions include proprietors, self-employed workers, the majority of agricultural workers on small farms, railroad employees, unpaid family workers, some domestic workers, and some state and local government workers.

The Census Bureau's **OnTheMap** tool uses data from several sources, including Unemployment Insurance (UI) wage records, the Office of Personnel Management (OPM), and the QCEW. It's important to note that OnTheMap is a synthetic dataset, meaning statistical noise is injected into the original dataset to protect employer confidentiality. This is worth noting because it explains, in part, why employment numbers provided in the OnTheMap tool do not line up exactly with QCEW employment estimates.