



**JUNE 20, 2018
CITY COUNCIL MEETING AGENDA**

1. **BRIEFING**: 5:00 – 5:30 P.M. in **COUNCIL CONFERENCE ROOM 603**
 - A. Review of Agenda
 - B. General Council Business
2. **CALL TO ORDER**: 5:30 P.M. in **FIRST FLOOR CHAMBERS**
 - A. Pledge of Allegiance
 - B. Invocation
3. **MAYOR'S REPORT**
4. **PUBLIC RECOGNITION**
5. **CONSENT AGENDA**
 - A. Claims & Check Register
 - B. Minutes of Meeting – June 6, 2018
 - C. Minutes of Study Session – June 13, 2018
 - D. Confirm Reappointment of Bo Palmer to the Bremerton Housing Authority Board of Commissioners
 - E. Confirm Appointment of Charles Henderson to the Community Development Block Grant Project Review Committee
 - F. Confirm Appointment of Patricia Iolavera to the Community Development Block Grant Review Committee
 - G. Confirm Appointment of Patricia Iolavera to the Citizen's Commission on Council Salaries
 - H. Confirm Appointment of Deborah McDaniel to the Citizen's Commission on Council Salaries
 - I. Change Order No. 1 with Allen Shearer Trucking & Landscape Supply for the Gateway Project
 - J. Resolution No. 3308 to authorize (3) Grant Applications with the WA State Recreation & Conservation Office for 1) the Warren Avenue Neighborhood Park Renovation; 2) the Warren Avenue Playfield Lighting & ADA Improvements; and 3) the Kitsap Lake Fishing Dock & Park Renovation
 - K. Public Works Agreement with Better Boats, Inc. (dba Lee Shore Boats) to Repower the existing Argus Fire Boat

6. **GENERAL BUSINESS**

- A. Community Development Block Grant (CDBG) Award; Agency Service Agreement with Public Works; and Budget Adjustment for Quincy Square on 4th Street Project
- B. WA State Department of Commerce Funding Agreement for the Quincy Square on 4th Street Project
- C. Ordinance No. 5348 to amend Ordinance No. 5341 relating to the City of Bremerton Fiscal Year 2018 Budget; and authorize Department Staffing Adjustments

7. **PUBLIC HEARINGS**

- A. Public Hearing on Resolution No. 3309 to adopt the Six-Year Transportation Improvement Plan for 2019-2024
- B. Public Hearing on Ordinance No. 5349 to amend Chapter 3.78 of the Bremerton Municipal Code entitled "Multifamily Property Tax Exemption" *For Public Comment only; no action will be taken...*

8. **COUNCIL MEMBER REPORTS**

9. **ADJOURNMENT OF CITY COUNCIL BUSINESS MEETING**



Americans with Disabilities Act (ADA) accommodations provided upon request. Those requiring special accommodations please contact the City Clerk at (360) 473-5323 at least 24 hours prior to the meeting.

AGENDA BILL
CITY OF BREMERTON
CITY COUNCIL

7B

SUBJECT: Public Hearing and Ordinance
No. 5349 to amend Bremerton Municipal
Code Chapter 3.78 entitled "Multifamily
Property Tax Exemption"

Study Session Date: 6/13/18
COUNCIL MEETING Date: 6/20/18
Department: DCD
Presenter: Kelli Lambert
Phone: (360) 473-5245

SUMMARY: At the request of Mayor Wheeler, the following amendments are proposed to the Terms of the Multifamily Property Tax Exemption (MFTE) program (BMC 3.78.)

- 1) Discontinue the eight (8) Year MFTE
- 2) Require affordable units for the 12-year MFTE to be affordable to Low Income households only (current program allows low and moderate income households to qualify), with a revised formula to calculate Low Income as those earning 60 percent of Area Median Income (AMI) – see Attachment A
- 3) Add requirements regarding tenant displacement
 - Mandatory 12 month notification to current tenants
 - Relocation costs paid to low income households
- 4) Clarification of requirements for affordable units to be distributed proportionally across the unit types available.

Mayor Wheeler requests that the City Council hold a public hearing on June 20, 2018 and gather public testimony on the proposed amendments. The City Council will then determine if it is appropriate to act on the amendments, modify the proposed amendments, and/or establish a schedule for review and adoption of changes to the MFTE program as necessary.

ATTACHMENTS: 1) Ordinance No. 5349 2) Attachment A, Affordable Rent Calculations
3) Supplemental Information *Added* 4) Citizen Letters *Added*

FISCAL IMPACTS (Include Budgeted Amount): The MFTE program is currently in place and the amendments are not likely to affect the fiscal impacts of the city.

STUDY SESSION AGENDA: Limited Presentation Full Presentation

STUDY SESSION ACTION: Consent Agenda General Business Public Hearing

RECOMMENDED MOTION:

It is recommended that the City Council conduct a public hearing on June 20, 2018 to gather input on the proposed changes to the MFTE program. The City Council will determine a future date, if any, for adoption of changes to the MFTE program.

COUNCIL ACTION: Approve Deny Table Continue No Action

ORDINANCE NO. 5349

AN ORDINANCE of the City Council of the City of Bremerton, Washington, amending certain provisions of Chapter 3.78 of the Bremerton Municipal Code related to the terms and eligibility requirements, eliminating the eight (8) year exemption, and changing the project eligibility requirements for the twelve (12) year exemption to provide housing affordable to low income households and relocation assistance.

WHEREAS, exemptions from ad valorem property taxes for multifamily housing encourage increased residential opportunities within designated residential targeted areas, stimulate new construction and rehabilitation of existing buildings, assist in directing future population growth and helps to achieve development densities which are more conducive to transit use in designated residential targeted areas; and

WHEREAS, on October 4, 2006, the City Council of the City of Bremerton, Washington, passed Ordinance No. 4968 adopting Chapter 3.78 of the Bremerton Municipal Code (“BMC”) establishing exemptions from ad valorem property taxation for new multifamily housing in designated residential targeted areas of the City and established a residential targeted area for the multifamily property tax exemption within the Downtown Regional Center; and

WHEREAS, on April 9, 2007, the State Legislature passed House Bill 1910 amending Chapter 84.14 RCW relating to multifamily tax exemptions; and

WHEREAS, on December 19, 2007, the City Council passed Ordinance No. 5036 amending Chapter 3.78 BMC to be consistent with House Bill 1910, and expanded and added additional residential targeted areas; and

WHEREAS, on March 3, 2010, the City Council passed Ordinance No. 5105 amending Chapter 3.78 BMC to further expand the Downtown Regional Center Residential Target Area; and

WHEREAS, on December 19, 2012, the City Council passed Ordinance No. 5202 amending Chapter 3.78 BMC to include three parcels located at 1008, 1016, and 1018 Burwell Street into the Downtown Regional Center; and

WHEREAS, on November 5, 2014, the City Council passed Ordinance No. 5260 amending Chapter 3.78 BMC to include all of the newly expanded Downtown Regional Center in the boundaries of the residential targeted area for multifamily tax exemption; and

WHEREAS, on May 18, 2016, the City Council passed Ordinance No. 5302 amending Chapter 3.78 BMC to expand the residential targeted area for the multifamily tax exemption to include all of the City of Bremerton urban centers (as designated in the City’s comprehensive plan); and

WHEREAS, the City desires to encourage the development of affordable multifamily housing units which is supported by the City's Comprehensive Plan's Housing goals and policies; and

WHEREAS, the proposed revisions eliminate the eight (8) year exemption, removes the moderate income allowance for the twelve (12) year exemption, amends the definition of low-income housing, amends language relating to tenant displacement, and makes other related changes, in order to focus on the low income households; and

WHEREAS, the proposed revisions to the requirements for the multifamily property tax exemption are allowed per Chapter 84.14 RCW; and

WHEREAS, on June 7, 2018, the public was notified by a legal advertisement in the Kitsap Sun of the opportunity to make comment and participate in the public hearing by the City Council; and

WHEREAS, on June 20, 2018, the City Council conducted a public hearing and considered all testimony; NOW, THEREFORE;

THE CITY COUNCIL OF THE CITY OF BREMERTON, WASHINGTON, DOES HEREBY ORDAIN AS FOLLOWS:

SECTION 1. Recitals. The recitals set forth above are hereby adopted and incorporated as set forth herein in full.

SECTION 2. BMC 3.78.010 Amended. Section 3.78.010 of the Bremerton Municipal Code entitled "Purpose" is hereby amended to read as follows:

3.78.010 PURPOSE

As provided for in Chapter 84.14 RCW, the purpose of this chapter is to provide limited exemptions from ad valorem property taxation for multifamily housing in designated residential targeted areas to:

- (a) Encourage ~~increased-affordable~~ residential opportunities, ~~including affordable housing units~~, within areas of the City designated by the City Council as residential targeted areas; and/or
- (b) Stimulate new construction or rehabilitation of existing vacant and underutilized buildings for multifamily housing in designated residential targeted areas to increase and improve housing opportunities, including affordable housing; and
- (c) Assist in directing future population growth to designated residential targeted areas, thereby reducing development pressure on single-family residential neighborhoods; and
- (d) Achieve development densities which are more conducive to transit use in designated residential targeted areas.

SECTION 3. BMC 3.78.020 Amended. Section 3.78.020 of the Bremerton Municipal Code entitled "Definitions" is hereby amended to read as follows:

3.78.020 DEFINITIONS.

When used in this chapter, the following terms shall have the following meanings, unless the context indicates otherwise:

(a) "Affordable housing" means residential housing that is rented by a person or household whose monthly housing costs, including utilities other than telephone, do not exceed thirty (30) percent of the household's monthly income. For the purposes of housing intended for owner occupancy, "affordable housing" means residential housing that is within the means of low- or moderate-income households.

(b) "Building codes" means the City and state building and fire codes as set forth in Chapters 17.04, 18.02 and 18.03 BMC.

(c) "City" means the City of Bremerton.

(d) "Department" means the City Department of Community Development.

(e) "Director" means the Director of the Department of Community Development, or designee.

(f) "High-cost area" means a county where the third quarter median house price for the previous year as reported by the Washington Center for Real Estate Research at Washington State University is equal to or greater than one hundred thirty (130) percent of the statewide median house price published during the same time period.

(g) "Household" means a single person, family, or unrelated persons living together.

(h) "Low-income household" means:

1) For applications filed on or after July 22, 2007 up through and including _____, 2018, a single person, family, or unrelated persons living together whose adjusted income is at or below eighty (80) percent of the median family income adjusted for family size, for the county where the project is located, as reported by the United States Department of Housing and Urban Development. ~~For cities located in high-cost areas, "low income household" means a household that has an income at or below one hundred (100) percent of the median family income, adjusted for family size, for the county where the project is located.~~

2) For applications on or after _____, 2018 low-income household means a single person, family, or unrelated persons living together whose adjusted income is at or below sixty (60) percent of the median family income adjusted for family size, for the county where the project is located, as reported by the United States Department of Housing and Urban Development.

(i) "Moderate-income household" means a single person, family, or unrelated persons living together whose adjusted income is more than eighty (80) percent but is at or below one hundred fifteen (115) percent of the median family income adjusted for family size, for the county where the project is located, as reported by the United States Department of Housing and Urban Development. For cities located in high-cost areas, "moderate-income household" means a household that has an income that is more than one hundred (100) percent, but at or below one hundred fifty (150) percent, of the median family income adjusted for family size, for the county where the project is located.

(j) "Multifamily housing" means a building having ten (10) or more dwelling units not designed or used as transient accommodations and not including hotels and motels. Multifamily units may result from new construction or rehabilitated or conversion of vacant, underutilized, or substandard buildings to multifamily housing.

(k) "Multifamily property tax exemption" means an exemption from ad valorem property taxation for multifamily housing.

(l) "Owner" means the property owner of record.

(m) "Permanent residential occupancy" means multiunit housing that provides either rental or owner occupancy on a nontransient basis. This includes owner-occupied or rental accommodation that is leased for a period of at least one (1) month. This excludes hotels and motels that predominantly offer rental accommodation on a daily or weekly basis.

(n) "Rehabilitation improvements" means modifications to existing structures that are vacant for twelve (12) months or longer that are made to achieve a condition of substantial compliance with existing building, fire, and zoning codes, or modification to existing occupied structures which increase the number of multifamily housing units.

(o) "Residential targeted area," also "residential target area," means the geographic area located within the areas set forth in Figures 3.78(a) through 3.78(g).

(p) "Substantial compliance" means compliance with all local building, fire and zoning code requirements, which are typically required for rehabilitation as opposed to new construction.

SECTION 4. BMC 3.78.040 Amended. Section 3.78.040 of the Bremerton Municipal Code entitled "Terms of the Tax Exemption" is hereby amended to read as follows:

3.78.040 TERMS OF THE TAX EXEMPTION.

(a) Duration of Exemption. The value of new housing construction, conversion, and rehabilitation improvements qualifying under this chapter is exempt from ad valorem property taxation, as follows:

~~(1) For properties for which applications for certificates of tax exemption eligibility are submitted under this chapter before July 22, 2007, the value is exempt for ten (10) successive years beginning January 1st of the year immediately following the calendar year of issuance of the certificate; and~~

~~(2)~~ For properties for which applications for certificates of tax exemption eligibility are submitted under this chapter on or after July 22, 2007 up through and including _____, 2018, the value is exempt:

(i) For eight (8) successive years beginning January 1st of the year immediately following the calendar year of issuance of the certificate; or

(ii) For twelve (12) successive years beginning January 1st of the year immediately following the calendar year of issuance of the certificate, if the property otherwise qualifies for the exemption under this chapter and meets the conditions in this subsection 3.78.040(a)(2)(ii). For the property to qualify for the twelve (12) year exemption under this subsection, the applicant must commit to renting or selling at least twenty (20) percent of the multifamily housing units as affordable housing units to low and moderate-income households, and the property must satisfy that commitment and any additional affordability and income eligibility conditions adopted by the local government under this chapter. In the case of projects intended exclusively for owner occupancy, the minimum requirement of this subsection ~~(a)(2)(ii)~~ may be satisfied solely through housing affordable to moderate-income households.

(2) For properties for which applications for certificates of tax exemption eligibility are submitted under this chapter on or after _____, 2018, the value is exempt if it meets the following requirements:

(i) For twelve (12) successive years beginning January 1st of the year immediately following the calendar year of issuance of the certificate, if the property otherwise qualifies for the exemption under this chapter and meets the conditions in this subsection 3.78.040(a)(2)(i). For the property to qualify for the twelve (12) year exemption under this subsection, the applicant must commit to renting or selling at least twenty (20) percent of the multifamily housing units as affordable housing units to low income households, and the property must satisfy that commitment and any additional affordability and income eligibility conditions adopted by the local government under this chapter, and

(ii) Low-income household units shall be dispersed throughout the development and be apportioned among all unit types (ie. studio, single bedroom, double bedroom etc.) based on the number of each unit type to the extent feasible.

(b) Limits on Exemption. The exemption does not apply:

(1) To the value of land or to the value of nonhousing-related improvements not qualifying under this chapter.

(2) In the case of rehabilitation of existing buildings, to the value of improvements constructed prior to submission of the completed application required under this chapter.

(3) To increases in assessed valuation made by the Kitsap County Assessor on non-qualifying portions of building or other improvements and value of land nor to increases made by lawful order of a County board of equalization, the Department of Revenue, or Kitsap County, to a class of property throughout the County or specific area of the County to achieve the uniformity of assessment or appraisal required by law.

(c) Conclusion of Exemption. At the conclusion of the exemption period, the new or rehabilitated housing cost shall be considered as new construction for the purposes of Chapter 84.55 RCW.

SECTION 5. BMC 3.78.050 Amended. Section 3.78.050 of the Bremerton Municipal Code entitled "Project Eligibility" is hereby amended to read as follows:

3.78.050 PROJECT ELIGIBILITY.

A proposed multifamily housing project must meet the following requirements for consideration for a property tax exemption:

(a) Location. The project must be located within a residential targeted area as defined in BMC 3.78.020 and as set forth in Figures 3.78(a) through 3.78(g).

(b) Tenant Displacement ~~Prohibited. The project must not displace existing residential tenants of structures that are proposed for redevelopment. If the property proposed to be rehabilitated is not vacant, an applicant shall provide each existing tenant housing of comparable size, quality, and price and a reasonable opportunity to relocate.~~ Notification to displaced households and assistance for displaced low-income households shall be provided as follows:

(1) General Notification. The applicant shall provide each displaced household at least 12-month's moving notice, unless mutually agreed otherwise by household and applicant.

(2) Relocation Assistance. Low Income Households shall be provided the following:

(i) Assistance in securing housing of comparable size, quality, and price which meets the Housing and Urban Development's Uniform Physical Condition Standards or a similar standard acceptable to the City, and

(ii) First and last month expenses at the new housing location as defined above, and moving and relocating expenses as defined by the Department of Transportation Fixed Residential Moving Costs Schedule.

(c) Noncompliance with Building Codes. Existing dwelling units proposed for rehabilitation must fail to comply with one or more standards of the applicable State or City building codes.

(d) Size of Project. The new, converted, or rehabilitated multiple-unit housing must provide for a minimum of fifty (50) percent of the space for permanent residential occupancy. The project, whether new, converted, or rehabilitated multiple-unit housing, must include at least ten (10) units of multifamily housing within a residential structure or as part of an urban development. In the case of existing multifamily housing that is occupied or which has not been vacant for twelve (12) months or more, the multifamily housing project must also provide for a minimum of four (4) additional multifamily units for a total project of at least ten (10) units including the four (4) additional units. Existing multifamily housing that has been vacant for twelve (12) months or more does not have to provide additional units.

(e) Proposed Completion Date. New construction of multifamily housing and rehabilitation improvements must be completed within three (3) years from the date of approval of the application.

(f) Compliance with Guidelines and Standards. The project must be designed to comply with the City's Comprehensive Plan, building, housing, and zoning codes, and any other applicable regulations. The project must also comply with any other standards and guidelines adopted by the City Council for the residential targeted area.

SECTION 6. BMC 3.78.070 Amended. Section 3.78.070 of the Bremerton Municipal Code entitled "Issuance of Final Certificate" is hereby amended to read as follows:

3.78.070 APPLICATION FOR CONDITIONAL CERTIFICATE.

The Director may certify as eligible an application which is determined to comply with the requirements of this chapter. A decision to approve or deny an application shall be made within ninety (90) calendar days of receipt of a complete application.

(a) Application. The Director may approve the application if he/she finds that:

(1) A minimum of ten (10) new units are being constructed or in the case of occupied rehabilitation or conversion within twelve (12) months of occupancy, a minimum of four (4) additional multifamily units for a total project of at least ten (10) units including the four (4) additional multifamily units are being developed.

(2) The proposed project is or will be, at the time of completion, in conformance with all applicable local plans and regulations.

(3) The owner has complied with all standards and guidelines adopted by the City under this chapter.

(4) The site is located in the residential targeted area.

(5) ~~If applicable, the~~ The proposed multiunit housing project meets the affordable housing requirements as described in BMC 3.78.040.

(b) Approval of Application. If an application is approved, the applicant shall enter into a contract with the City, regarding the terms and conditions of implementation of the project, and the Director shall issue a conditional certificate of acceptance of tax exemption. The conditional certificate shall expire three (3) years from the date of approval unless an extension is granted as provided in this chapter.

(c) Denial of Application. If an application is denied, the Director shall state in writing the reasons for denial and shall send notice to the applicant at the applicant's last known address within ten (10) calendar days of the denial.

(d) Appeal. Per RCW 84.14.070, an applicant may appeal a denial to the City Council within thirty (30) calendar days of receipt of the denial by filing a complete appeal application and fee with the Director. The appeal before the City Council will be based on the record made before the Director. The Director's decision will be upheld unless the applicant can show that there is no substantial evidence on the record to support the Director's decision. The City Council's decision on appeal will be final.

SECTION 7. BMC 3.78.110 Amended. Section 3.78.110 of the Bremerton Municipal Code entitled "Annual compliance Review" is hereby amended to read as follows:

3.78.110 ANNUAL COMPLIANCE REVIEW.

(a) Within thirty (30) calendar days after the first anniversary of the date of filing the final certificate of tax exemption and each year for the tax exemption period, the property owner shall be required to file a notarized declaration with the Director indicating the following:

(1) A statement of occupancy and vacancy of the multifamily units during the previous twelve (12) months;

(2) A certification by the owner that the property has not changed use and, if applicable, that the property has been in compliance with the affordable housing requirements as described in RCW84.14.020 since the date of the certificate approved by the City;

(3) A description of changes or improvements constructed after issuance of the certificate of tax exemption; and

(4) Any information needed by the City to file its report pursuant to subsection (b) of this section and any additional information requested by the City in regards to the units receiving a tax exemption.

(b) The City shall report annually by December 31st of each year, beginning in 2007, to the Department of ~~Community, Trade, and Economic Development~~Commerce. The report must include the following information:

- (1) The number of tax exemption certificates granted;
- (2) The total number and type of units produced or to be produced;
- (3) The number and type of units produced or to be produced meeting affordable housing requirements;
- (4) The actual development cost of each unit produced;
- (5) The total monthly rent or total sale amount of each unit produced;

(6) The income of each renter household at the time of initial occupancy and the income of each initial purchaser of owner-occupied units at the time of purchase for each of the units receiving a tax exemption and a summary of these figures for the City; and

(7) The value of the tax exemption for each project receiving a tax exemption and the total value of tax exemptions granted.

(c) City staff may also conduct on-site verification of the declaration. Failure to submit the annual declaration shall result in a review of the exemption per RCW 84.14.110.

SECTION 8. Severability. If any one or more sections, subsections, or sentences of this ordinance are held to be unconstitutional or invalid, such decision shall not affect the validity of the remaining portion of this ordinance and the same shall remain in full force and effect.

SECTION 9. Effective Date. This ordinance shall take effect and be in force ten (10) days from and after its passage, approval and publication as provided by law.

PASSED by the City Council the _____ day of _____, 2018.

ERIC YOUNGER, Council President

Approved this _____ day of _____, 2018.

GREG WHEELER, Mayor

ATTEST:

APPROVED AS TO FORM:

City Clerk

ROGER A. LUBOVICH, City Attorney

PUBLISHED the _____ day of _____, 2018.

EFFECTIVE the _____ day of _____, 2018.

ORDINANCE NO. _____

Table 1 below shows the 2018 HUD income guidelines for the Bremerton-Silverdale Municipal Service Area (MSA) which includes all of Kitsap County:

Table 1. HUD Income Levels for the Bremerton-Silverdale MSA				
	1 Person	2 Person	3 Person	4 Person
Area Median Income (AMI)	\$51,800	\$59,200	\$66,600	\$82,600
Moderate = 115% of AMI	\$59,570	\$68,080	\$76,590	\$94,900
Low = 80% of AMI	\$46,300	\$52,900	\$59,500	\$66,100

2016 Census data (the most current available specifically for Bremerton) indicates that Bremerton’s median income is about 73% of the median income of Kitsap: Bremerton \$47,358 vs. Kitsap County \$65,017.

The State Law requires that we use the HUD income guidelines for the Bremerton-Silverdale MSA. The RCW also has provisions in 84.14.040(6) that allow the City to adopt more stringent income eligibility, rent or sales price limits, as long as the basis is the AMI. It is desirable at this time to modify the City’s program to institute these more stringent eligibility requirements. Staff has calculated that a low income rate for Bremerton would be 60% of the Bremerton-Silverdale AMI.

Table 2. Monthly Housing Costs* for Low and Moderate Income					
CURRENT MFTE PROGRAM					
EXISTING		1 Person	2 Person	3 Person	4 Person
	Area Median Income (AMI)	\$1,447	\$1,653	\$1,859	\$2,065
	Moderate = 115% of AMI	\$1,664	\$1,901	\$2,138	\$2,375
	Low = 80% of AMI	\$1,157	\$1,322	\$1,487	\$1,652
	<i>*Housing Costs = 30% or less of household income, not including utility costs</i>				

The table above shows that under the current MFTE program, the monthly rent for a one-person household can range from \$1,157 to \$1,664 (the housing allowance for households at 80% to 115% AMI).

Table 3. Monthly Housing Costs* for Low Income					
PROPOSED MFTE PROGRAM					
PROPOSED		1 Person	2 Person	3 Person	4 Person
	Area Median Income (AMI)	\$1,447	\$1,653	\$1,859	\$2,065
	Low = 60% of AMI	\$868	\$992	\$1,115	\$1,239
<i>*Housing Costs = 30% or less of household income, not including utility costs</i>					

The table above shows that under the revised proposal for the MFTE program, the monthly rent for a one-person household will be limited to \$868 (the housing allowance for households at 60% of AMI).

From: Lori Smith on behalf of City Council
Sent: Monday, June 18, 2018 10:55 AM
To: City Council
Cc: Kelli Lambert; Mike Riley
Subject: FW: Response to Requests for Information - MFTE Projects List
Attachments: Table Projects Status 062018.pdf

[Attn: Council Members \(FYI\)](#)

From: Kelli Lambert
Sent: Monday, June 18, 2018 8:27 AM
To: City Council <City.Council@ci.bremerton.wa.us>
Cc: Allison Satter <Allison.Satter@ci.bremerton.wa.us>; Andrea Spencer <Andrea.Spencer@ci.bremerton.wa.us>; Greg Wheeler <Greg.Wheeler@ci.bremerton.wa.us>
Subject: MFTE Projects List

Good morning,

Per the request of City Council, I have attached a list of the projects that have submitted for the Multifamily Tax Exemption. The list includes the status of each project (pending, approved, or currently receiving the exemption).

Council also requested information related to the tax value for Spyglass Hill and 606 Apartments projects. Mike Riley will be providing that information.

Best,

Kelli Lambert

Planner
City of Bremerton | 345 6th Street | Bremerton, WA 98337
Physical Location: Suite 600 | Mailing: Suite 100
(360) 473-5245
Kelli.Lambert@BremertonWA.gov

MULTIFAMILY TAX EXEMPTIONS

PROJECT	MFTE PERIOD	DATE OF APPLICATION	STATUS	UNIT COUNT	VICINITY
606 Apartments	12	5/12/2014	Issued: Exempt through 2027	71	Downtown
Spyglass Hill	8	10/27/2014	Issued: Exempt through 2025	73	Downtown
Evergreen/Rebekah's Pointe	12	3/5/2014	Approval Pending Permit Issuance	109	Evergreen Park vicinity
Sound West Quincy Square	8	6/15/2017	Approval Pending Permit Issuance	27	Downtown
OneBuild Burwell	8	9/11/2017	Approval Pending Permit Issuance	56	Downtown
The Sage Apartments	12	5/19/2017	Approval Pending Permit Issuance	29	East Bremerton
Water Wind & Sky	8	10/18/2017	Approval Pending Permit Issuance	111	East Bremerton
Bay Vista Apartments	8	10/23/2017	Approval Pending Permit Issuance	216	Bay Vista Subarea
Bay Bowl Apartments	8	6/12/2018	Pending	186	East Bremerton
Eagles Hi Rise	8	6/12/2018	Pending	224	Downtown
Marina Square	8	6/13/2018	Pending	113	Downtown
POTENTIAL FUTURE PROJECTS					
Campbell Way Apartments				16	East Bremerton
Broadmoor Commons				~70	East Bremerton
Mill's Apartments				82	East Bremerton
Soil Factory Redevelopment				200	East Bremerton
Riddell/Almira Development				395	East Bremerton

From: Team Coordinator
To: [City Council](#)
Subject: 6th and Washington Ave Proposed Apartments
Date: Friday, June 1, 2018 11:12:31 AM

Hello Councilman,

I am writing to you today to express my fears about the proposed apartment project on 6th and Washington Ave. As a resident of this neighborhood my family and I have watched it change and grow over the years. I am not against growth or changes in Bremerton but I would like to see them done in a tasteful way that doesn't destroy the beauty and sense of community that we have worked so hard to build.

I don't think it's fair that these developers are immune to the rules that everyone else has to follow and are given major liberties like tax breaks and no height restrictions when the rest of us are then punished and end up making up the difference. I think this building should be built to scale of the current area. I also think that that without the development of a grocery store and other similar facilities that the proposed lack of parking is going to be a major issue. The building may suffer a major lack of residents if these amenities are not provided and that will lead to other problems. I feel on many of these development issues that the public is in the dark. I have been hit hard and fast three times on major issues in my neighborhood over the past few years that have affected how my family and I live and enjoy our space. It has caused me to feel very betrayed. I am sure you have heard from many people on this issue but I hope you will hear me and help this neighborhood avoid this eyesore. Please stand up for our community and develop a project that we can all be proud of.

Thank you,

Megan Buckman

From: Garrett Nobbs
To: [Ryan Crater](#)
Cc: [City Council](#); [Leslie Daug](#)s
Subject: Eagles Tower Project BP12 00043
Date: Wednesday, June 6, 2018 12:55:08 PM

Mr Crater,

I am writing to express my concern at the proposed Eagles Tower project and the Downtown Subarea Plan in general. It is my understanding that this plan was enacted over ten years ago, in a very different economic climate. If there was any window for public comment on that plan, it was clearly insufficiently advertised, as prior to learning of this current project, the high height restrictions for the downtown core were unknown to the majority of residents I know who have lived here since prior to 2007. Along the waterfront, a 175-foot height restriction in the Downtown Waterfront zone, combined with "Market-Driven" height limit in Downtown Core (in other words, no restriction whatsoever), have the potential to create a canyonland of Washington Avenue, leaving much of the surrounding neighborhood in day-long shadow.

In regard to zoning provisions as they currently stand, one of the stated purposes of the Subarea Plan for the Downtown Core is to "[a]llow taller buildings with required spacing and bulk controls to lessen environmental impacts such as overshadowing and wind down drafts."

The proposed Eagles Tower project would occupy multiple lots to fill the entire block fronting Washington Avenue between 5th and 6th streets. Overshadowing would be maximal. There is no other building in the vicinity to match the scale of this tower. It would be so massive as to stand against the mountains as one approaches on the ferry.

I absolutely understand that to avoid sprawl at our outskirts, we must have more density downtown. And I absolutely understand the need for additional housing in an area without enough of it to meet demand. However, the height restrictions in the Downtown Waterfront and Downtown Core zones, particularly the "Market-Driven" non-restriction of the latter, need to be revisited with proper public input, which if ever sought, was sought over ten years ago without the public ever sufficiently knowing that their input was requested. The height restrictions in those zones have the potential to allow Bremerton to look more like Bellevue, and lose its neighborhood character that remains a big part of the reason that many choose to live here, rather than in a Seattle suburb. Massive towers of luxury apartments and condominiums built only to be close to the ferry and maximize on our views, robbing them from the public to rent them out for a premium, do not help Bremertonians, and they do not help provide affordable housing. Sensible height restrictions are needed, and they need actual public input, rather than whatever token public input was sought over a decade ago.

Thank you,
Garrett Nobbs
Resident, District 2

From: City Council
Sent: Wednesday, June 6, 2018 12:09 PM
To: City Council
Subject: Fwd: Comment Regarding A Proposed Moratorium on 8-Year MFTE
Attachments: image001.png; ATT00001.htm; MFTE ltr.pdf; ATT00002.htm

Attn: Council Members (FYI)

Begin forwarded message:

From: Sharon Adams <sharon@soundwestgroup.com>
Date: June 6, 2018 at 12:03:34 PM PDT
To: "city.council@ci.bremerton.wa.us" <city.council@ci.bremerton.wa.us>, "Greg Wheeler" <Greg.Wheeler@ci.bremerton.wa.us>
Cc: "cary@carybozeman.com" <cary@carybozeman.com>, Jim Rothlin <jimr@portofbremerton.org>, "Axel Strakeljahn (axels@portofbremerton.org)" <axels@portofbremerton.org>, Steve Rice <SRice@rfmarch.com>, "Charles Henderson" <chuckbasil@gmail.com>, Wes Larson <wes@soundwestgroup.com>, "Mike Brown" <Mike@soundwestgroup.com>
Subject: Comment Regarding A Proposed Moratorium on 8-Year MFTE

Dear All:

Please see attached letter.

Please do not hesitate to contact us if you have any questions or would like further information. Thank you.

Best,

Sharon Adams
Executive Assistant | Investor Relations | Paralegal
O: 360-850-4398 | F: 360-850-1054
www.soundwestgroup.com



Dear Councilmembers

It has come to our attention that the City Council is considering a moratorium on the 8-year Multifamily Tax Exemption (MFTE) for the City of Bremerton.

As you know, Sound West Group has been proposing a new multifamily development on the waterfront property recently purchased from the Port of Bremerton. This project, and other multifamily projects throughout the downtown as well as in East Bremerton (SWG just last week had a discussion regarding a prospective development in the vicinity of the Harrison Hospital) will likely not go forward without this important incentive.

First, it is important to note the MFTE does not provide a tax break on the underlying land, which continues to be taxed; rather it provides a temporary tax exemption on the value of the improvements constructed by the developer. Once this exemption expires, the improvements go onto the tax role, and remain for the life of the building. As you know, development of multifamily apartments ground to a halt in the 1990s, and few new units were produced. In no small part, due to the MFTE program, there has been a small resurgence of housing development in recent years. Spyglass Hill and Fourth Street ("Quincy Square") would not have been financed or constructed without it.

While the 8 year MFTE does not require the developer to build additional affordable housing (as does the 12 year MFTE), it does reduce annual operating expenses by the amount of the property tax, which allows a project to be a little more profitable at the outset, where otherwise it may not be. This amounts to a "head start" and helps level the playing field and offset risk for the local developer who otherwise faces the same construction costs as in Seattle; and, moreover is now trying to offset rising construction material costs (approximately 10% alone over the past year). Rents in Bremerton, while rising, are still, however, at 1/2 to 2/3 of Seattle levels, and inflation in material costs are now outpacing rents. The MFTE benefit also helps lenders rationalize lending to a project in Bremerton, and investors to invest.

Admittedly, there is a growing demand for affordable housing in Bremerton. The City, however, needs all kinds of housing- affordable and low income, as well as housing for our middle-class workforce, families, and seniors. We are building much needed housing for Kitsap, and in that regard, one of the myths I will debunk here is that we are building "high end" housing for Seattleites.

That is simply not true!



Over 30 percent of our residents at Spyglass Hill, for example, are Shipyard workers, active duty military or DOD employees. Over 98 percent of our tenant base are from Kitsap County. This quality of multifamily housing is meeting a real demand for our Kitsap County residents-- a demand that has been grossly under-served. We are getting strong demand, for example from Shipyard contract workers for extended stay units (several of those are leased on Spyglass, and more will be leased on Fourth Street/Quincy Square, and on Marina Square as well, if we are able to build that project). By the way, these "extended stay" workers are currently using hotels, and in turn robbing valuable space from the conference center, which otherwise would be able to hold many more conferences.

The housing being incentivized by the MFTE is also bringing life back to our long vacant streets and people who shop for goods, services, and frequent our theaters, restaurants, galleries and bars.

We have done the analysis, and rents will simply not sustain a 12-year program in the City of Bremerton (in Seattle, in contrast, the "affordable level rents" practically equate to our "market rents"). We can speak from experience because we initially tried with this program on both Spyglass and Fourth Street, and rising costs drove us back to the 8-year MFTE.

As a developer we have sought to work with both Housing Kitsap and BHA to develop affordable housing. There are ways to get this done. Doing away with the 8-year MFTE is not the way to accomplish this.

SWG would be happy to meet with the council to explore ways to create more affordable housing, and to be an active partner in that endeavor.

The proposed moratorium does nothing to accelerate the construction of new housing, and it would bring to a halt a program that has only started to yield positive results and contribute to our City's revitalization. Building more housing is one way to reduce housing costs. Not building housing- which is the likely result of the moratorium- will achieve nothing.

Even a pause in the development process will cause uncertainty with our lender and investors putting our ability to go forward with this project at significant risk. We urge you not to put a moratorium on the 8-year MFTE.



Thank you kindly for your consideration.

Very Truly Yours,

Wes Larson

Mike Brown

From: Lori Smith on behalf of City Council
Sent: Tuesday, June 12, 2018 4:50 PM
To: 'Leif Bentsen'
Cc: City Council
Subject: RE: Citizen Letter - Supports Moratorium on Development in Downtown Core (Leif Bentsen)
Attachments: Why I love Bremerton.docx

Mr. Bentsen,

This is to acknowledge that a copy of your e-mail (with the attached letter and the article from the link below) was received, and will be shared with the City Council Members for their review.

A copy will also be included as a part of the record when this subject matter is discussed.

Lori Smith

**Legislative Assistant
Bremerton City Council
(360) 473-5280**

City.Council@ci.bremerton.wa.us

www.BremertonWA.gov

From: Leif Bentsen [mailto:l.a.bentsen@comcast.net]
Sent: Monday, June 11, 2018 9:46 PM
To: Greg Wheeler <Greg.Wheeler@ci.bremerton.wa.us>
Cc: Andrea Spencer <Andrea.Spencer@ci.bremerton.wa.us>; Ryan Crater <Ryan.Crater@ci.bremerton.wa.us>; City Council <City.Council@ci.bremerton.wa.us>
Subject: Moratorium on Development in downtown core?

Mr. Mayor,

I support your efforts for a moratorium in the downtown core. As you can see by the linked article, several towns in the Puget Sound area have established moratoriums:

<https://crosscut.com/2018/05/slow-growth-some-washington-cities-halt-development>

I also believe we need to refocus on what downtown is not – and that's a business district.

“The downtown core is a high-intensity office and employment center and primary hub for business, communications, office and hotels. “

-Bremerton sub area plan

High intensity and primary hub?! The core may look like a downtown, but behaviorally it is a residential neighborhood.

The US Postal carrier route 002 closely mirrors the downtown core (South of 6th street; west from Washington to Chester). That route has **480 residential addresses as compared to 200 businesses**. With many of those business addresses being empty at street level and above.

I attended my first Kitsap Economic Development Conference in 1992, where the topic was economic diversity. We're still striving to find that economic diversity. It ain't gonna happen. Bremerton will not be what it was in the 1940s and 50s.

As I stated above, now is the time to step back, change the focus to where the primary goal is more mixed housing with the secondary goal of commercial development without destroying the existing character of downtown. Not with 22 story apartment buildings, but with buildings with reasonable heights and commercial areas as outlined in other parts of the comprehensive plan.

My wife and I moved to downtown after living 25 years in a couple of idyllic homes in NK. One of the major influences of our choosing downtown Bremerton was its current character. Let's not destroy that character.

Sincerely yours,
Leif Bentsen
400 Washington Avenue, Unit 103
Bremerton
360.981.7026

P.S. I've attached a piece that I wrote for the SUN's annual visitor's guide should you be interested.

Why I love Bremerton?

Raffish charm. Orcas, ferries, and the occasional aircraft carrier gliding by our windows. Purpled haired youngsters and grannies scooting by our front door on Washington Avenue, heading to the ferry. A downtown that is still wanderable, the sky not blotted out by tall buildings. Harborside Fountains Park steaming uptown from Dyes Inlet. The Puget Sound Naval Shipyard muscling up against us, its memorial park dedicated to past and present workers. The ferry, with soft velvet toots – one long, two short – gently slipping into the dock. Passengers unloading, to be grasped in the arms of loved ones or into the folding doors of buses, continuing on their journey. The conference center plaza overlooking the marina, fountains pulsating in perfect sync, backed by sailboat gear clinking on masts. The narrow streets, some still vacant, the restaurants. Curvy fourth street, one block of trees, hotel, collectables, pole dancing school, future bakery, puppet museum, brewery, history museum, tables for lunch, art gallery, clothing store, a fisherman hooked by a rod-carrying fish across the street, and the Roxy Theater. The Roxy, abandoned, now in the care of people who want to make it beautiful again. Like Bremerton, raffish, with a great future.

To slow growth, some Washington cities halt development

by Kristen M. Clark (/author/kristen-m-clark) / May 30, 2018



Uptown Square Apartments seen reflected in a vacant storefront at the new building development in Federal Way, May 29, 2018. (Photo by Matt M. McKnight/Crosscut)

All that blue didn't go down so well.

A few years ago in Issaquah, out-of-state developers built a five-story, 343-unit apartment complex that was multi-colored — including a bold blue shade. Many in the local community deemed it to be so out of character for what they envisioned for their Eastside city of some 36,000 people that the project helped prompt elected leaders to take emergency action in 2016.

A moratorium for certain types of development was imposed in the central part of Issaquah, allowing city officials to halt new construction and give themselves time to recalibrate their design and building standards — particularly to make sure whatever project came next would be something the city would actually want around for decades to come.

“It caused [the city council] to go: ‘Wait a second. Time out. I don't think we got this right,’” recalled Keith Niven, Issaquah's economic development and development services director.

Issaquah's is just one example in recent years of a city in the Puget Sound region giving itself such a breather amid the waves of relentless development that have emanated from Seattle's growth.

At one point last fall, King County alone had five cities (<http://thelens.news/2017/09/20/a-moratorium-is-not-the-answer-to-our-housing-affordability-crisis/>) — including Issaquah — with a building moratorium in effect to temporarily halt some forms of development for one reason or another. Currently, there are at least a handful of active moratoriums across the Puget Sound region. The moratoriums stretch from Gig Harbor in Pierce County to Granite Falls in central Snohomish County.

For the cities that enact such temporary bans on growth, the policies provide a chance to revisit and update local codes and zoning ordinances to make sure future development is in line with a community's vision of itself.

But some experts in land-use laws and advocates for builders argue that moratoriums don't come without consequence. They dissuade businesses and developers from investing in a community and increase costs by delaying projects not yet in a city's permitting pipeline. They also, in critics' eyes, carry the potential to be easily abused as a means to mask anti-growth attitudes in communities not accustomed to their new reality in an urbanized region.

Under Washington's Growth Management Act, cities can adopt moratoriums only under very narrow circumstances, generally only when something constitutes an emergency likely to cause harm to the community.

"The general rule, in the U.S., is that moratoria are OK; they're legal — if reasonable in scope and time," said Charles R. Wolfe, a Seattle land-use lawyer and author who has taught planning law at the University of Washington for 20 years. (Wolfe was previously a contributor to Crosscut (<https://crosscut.com/author/chuck-wolfe>) from 2009 to 2015, writing under the byline of Chuck Wolfe).

Washington state law (<http://app.leg.wa.gov/RCW/default.aspx?cite=36.70A.390>) limits moratoriums to six months, but they can be renewed in additional six-month increments if local elected leaders determine the emergency still merits one or if further study is required to address the problem.

"When there's so much change going on within a given market or submarket, it's an opportunity to say: 'Wait a minute, we don't know if we have the regulatory capacity to deal with this,'" Wolfe said. "It allows some pause."

In rare cases, a moratorium is a necessity, literally.

That's pretty much the case in rural Granite Falls in Snohomish County, about 13 miles northeast of Everett. City Council members in the town of 3,500 people recently imposed (<https://www.heraldnet.com/news/granite-falls-puts-new-sewer-connections-on-hold/>) a six-month moratorium on most new connections to the city's sewer system, because the system itself is almost at capacity.

In seeking the council's approval last month, city staff wrote (<http://174.127.112.94/getDocumentForViewer/getViewportFinalDocument.php?cID=10000122&puKey=7e99763fdf6e87348e553165c5e537b1&paKey=446a436d8480d46d33624558d30ae065&mID=2604&bID=146>) that the wastewater treatment plant had capacity to serve only 643 more residential units when, as of March, there were already 553 units in the permitting pipeline to be built. The city simply wouldn't have the ability to handle further development at such a pace without increasing its sewer capacity.

Other cities have offered different impacts of growth to justify a moratorium.

Sammamish cited traffic impacts (<https://www.sammamish.us/permits-regulations/permit-center/moratorium-on-new-development/>) in imposing temporary development restrictions in December. In halting new building permits, the Bainbridge Island City Council in January said rapid development and deforestation were threatening its fresh water aquifers, the Kitsap Sun reported (<https://www.kitsapsun.com/story/news/local/communities/bainbridge-islander/2018/01/15/bainbridge-stops-new-building-projects-six-months/1029023001/>).

For some communities — like Issaquah, Federal Way or Gig Harbor — the moratoriums appear to stem more out of a community desire to maintain the character of once-small, detached suburbs, where many Seattleites are now flocking as they seek a quality of life that's more affordable.

Federal Way put the brakes on building more apartment complexes in June 2016 with a moratorium that officially lasted about a year. Federal Way Mayor Jim Ferrell said the genesis for the emergency measure was the influx of apartment units at such a brisk pace and in such volume that it not only ruffled longtime residents but also overburdened local schools.

“This was like a tsunami that was slowly in the making, and before the community really had a chance to absorb this, the next thing you know we had nearly 1,000 units that came online rapidly,” Ferrell recalled.

Story Continues Below



Entrance to Uptown Square Apartments in Federal Way, May 29, 2018. (Photo by Matt M. McKnight/Crosscut)

One of those projects, Uptown Square Apartments, involved developing an old school-district bus barn into a housing complex with hundreds of units — adjacent to Highway 99 where tens of thousands of cars commute every day. “I think the elected officials and the people at city hall really underestimated the impact” of such development, Ferrell said.

As with other cities, Ferrell said Federal Way leaders sought the moratorium to give themselves a chance to modernize city codes and development standards. Without it, developers could continue to file applications with the city under existing regulations until the new ones were approved.

“There seemed to be a feeding frenzy, or a perception in the community that this was a runaway situation,” Ferrell said. “We were concerned that yet another application would get dropped and that we would essentially lose control over how our city was going to be growing and developing.”

Although Federal Way's moratorium lifted about a year ago, the city and the Federal Way School District meanwhile pursued a policy decision that has the tangential impact of continuing, at least somewhat, to deter development: school impact fees.

At the school district's request, Ferrell said Federal Way city leaders agreed in 2017 to hike the one-time fee on builders to more than \$20,000 per multifamily housing unit — an increase of about 700 percent from a fee that a couple years prior had been only about \$2,900 per unit.

Ferrell said the district's schools are "completely over-capacity," and not only are new schools needed but aging schools need to be rebuilt. (Voters in the Federal Way School District also passed a \$450 million bond last year (<https://www.seattletimes.com/seattle-news/education/450-million-school-bond-for-federal-way-schools-reaches-60-percent-approval/>) to pay for school construction.)

"I think that [impact fee increase] will likely address the boom in multifamily housing," Ferrell said, but quickly added: "That's certainly not something that it was designed to curb — it was designed to address the infrastructure in case more multifamily housing comes up."

Over in Gig Harbor, a recent moratorium on new residential development was justified by the impacts of rapid growth — from traffic congestion to deforestation — on a once-rural area.

“ We are just obviously continuing to grow at a fast place and instituting a building moratorium isn't going to stop that. The growth is coming whether there's a moratorium in place or not.”

— Allison Butcher

The city has had a 30 percent growth rate in the last five years and is already coming close this year to reaching its growth goals for 2030, said Gig Harbor's senior planner Peter Katich. The swift pace of development "has transformed our community from one with lot of open space and one that's undeveloped, to one where almost every parcel is developed or has somebody eyeballing it for development."

But the emergency measure fulfilled political goals, too. In 2014, several city council members were elected after running on a platform of "no growth" or "slow growth," Katich noted.

"A lot of residents have been very supportive of [the moratorium (<http://www.thenewtribune.com/news/local/community/gateway/article199866659.html>)], because of concerns they have expressed and the support they gave to elected officials," he said. "During their campaigning, [the council members] had promoted trying to do what could be done to decrease density. They're now fulfilling some of those campaign pledges, and we're moving forward to try and re-examine all residential development regulations."

It's that kind of underlying motivation for moratoriums that concerns Wolfe, the UW professor, as well as advocate organizations that represent builders, whose industry and livelihood relies on communities' continued growth and development.

"If it's applied reasonably or for a limited period of time, it's not a bad idea," Wolfe said. "The problem is when it's applied for political reasons — say council members who are feeling the pressures of NIMBY groups and there's subterfuge going on. Where all the right words are articulated [to legally justify a moratorium], but really, it's just a matter of 'not-in-my-backyard,' and that's not good for development."

Allison Butcher, senior policy analyst at the Master Builders Association of King and Snohomish Counties, urges local elected leaders to avoid moratoriums altogether, because “that’s a drastic measure to do.”

The state’s Growth Management Act already requires communities to plan extensively for the future, and cities “legitimately need to keep their codes updated and make sure they have that in line for development to go forward,” Butcher said.

“We are just obviously continuing to grow at a fast pace and instituting a building moratorium isn’t going to stop that. The growth is coming whether there’s a moratorium in place or not,” Butcher said. “Where we are right now with our housing and affordability crisis, and with our strong demand and population growth, we should be thinking about ways to increase housing and choices. ... There’s already enough hurdles to adding housing, and we don’t need anymore.”

For Issaquah, a moratorium wasn’t about deterring all future growth. The city just wanted the right *kind* of growth for itself, said Niven, the development director.

The construction of the Atlas apartments — with the complex’s bold blue paint and its absence of mixed-use space on the ground floor — served as a symbol of what Issaquah did *not* want in seeking more new development. “People just called it ‘Orlando architecture,’ because the buildings aren’t necessarily remarkable and they really could be built anywhere,” Niven said.

“Get rid of single-story, 1980s suburban retail and replace it with multi-story, denser projects that will accommodate growth and create a more vibrant part of the city in central Issaquah — that’s what [city leaders] wanted, but we weren’t necessarily getting that,” he said.

That’s why the council approved the moratorium and city staff spent the next 21 months revamping city code, including parking requirements for new development and creating a design and architectural manual to guide the aesthetics of future projects right down to what colors and doors builders could use, Niven said.

The moratorium was also a chance to address another problem council members and city staff there had observed. Despite their declarations of wanting affordable housing, none was coming. In the summer of 2016, 964 new residential units were in the pipeline to be built, but zero of them was designated as affordable, Niven recalled.

Through the moratorium, the city also developed a strategic plan to help diversify the city’s housing stock going forward, he said — such as through reducing barriers for accessory dwelling units and testing out a tax exemption for affordable multifamily housing.

Issaquah’s moratorium lifted only just last week, on May 21, and it’s too soon to tell what impact the changes in development policies crafted during the pause might have in reality. “You don’t know if all the tools you just bought are going to be effective; they might just sit in the toolbox. You still might get Orlando architecture — I don’t think so, but it’s possible,” Niven said.

Somewhat like Federal Way, the city might very well have incidentally given itself an unofficial restriction on future development, Niven said. “Did we turn everybody away? Or did we pass so many regulations that we scared everybody off? It could very well be that, by all the things we’ve done, there’s a *de facto* moratorium still in place. We just don’t know that yet.”

TOPICS:

changing region (/changing-region), growth (/growth),
pacific northwest (/pacific-northwest)



From: [Lori Smith](#)
To: "[Jared ODell](#)"
Cc: [City Council](#); "[Greg Wheeler](#)"; [Andrea Spencer](#); [Allison Satter](#); [Kelli Lambert](#)
Bcc: [Eric Younger](#); [Kevin Gorman](#); [Leslie Daug](#)s; [Michael Goodnow](#); [Pat Sullivan](#); "[Richard Huddy](#)"; [Tony Hillman](#)
Subject: RE: Citizen Comments - Supports Multifamily Tax Exemption (Jared O'Dell)
Date: Wednesday, June 13, 2018 11:29:00 AM

Mr. O'Dell,

This is to acknowledge that your e-mail was received, and will be shared with Council Member Kevin Gorman, your District 3 representative.

Due to the subject matter, a copy will also be shared with the rest of the Council Members, Mayor Wheeler, and the Director of Community Development Department, including appropriate staff.

Thank you for taking the time to share your comments, which will also be included as a part of the record when this subject matter is discussed.

Lori Smith

**Legislative Assistant
Bremerton City Council
(360) 473-5280**

City.Council@ci.bremerton.wa.us

www.BremertonWA.gov

From: Jared ODell [mailto:jaredpatricko@yahoo.com]
Sent: Tuesday, June 12, 2018 8:56 PM
To: City Council <City.Council@ci.bremerton.wa.us>
Subject: The multifamily tax exemption

Hi Kevin

I am a home owner near Evergreen Park. I purchased this home because I was excited about the possible revitalization of downtown Bremerton. Essentially your entire district. I support the multi family tax exemption. Downtown has NOT been revitalized, it looks nothing like the pamphlets the city put out years ago when these incentives began. Over turning this now would be breaking a promise to the people who live and invest here. My father ran the Arby's in east Bremerton back in the 80s. Bremerton has been a broken down city my entire life. Repealing the multi family tax exemption will only slow Bremerton's recovery.

I see you have a BS in business. This gives me hope as you know the power of incentives.

Wheeler is WRONG His position according to his interview in the Kitsap Sun is not based on any sound economic theory. He just has an opinion that people will come anyway. Meanwhile downtown is FULL of empty shop windows as it has been for 40 years. The Mayor and this council can ride a wave of economic improvement that is coming our way. Jobs, apartments, a vibrant

downtown. Or you can kill the TMTE and we can gamble on another 40 years of closed shops, no jobs, drugs, lower tax revenue, and NO new housing for a growing population. Don't become Seattle. Don't punish businesses.

Sincerely

Jared O'Dell

From: Mark Goldgerg
Sent: Monday, June 18, 2018 5:02 PM
To: Kellie Lambert
Subject: FW: Comment Letter - Opposed to Eliminating MFTE (Mark Goldberg)

Dear City Council Members,

The abandonment of the 8-year Tax abatement program and making the 12-year MFTE's more onerous will create an environment in Bremerton that will disincentivize prospective developers and investors from investing in Bremerton. It's already very difficult.

The 12-Year MFTE currently does not work in Bremerton. The proposed changes will make the 12-year MFTE even more stringent and unworkable. This is an ill-conceived idea and City Council needs to focus itself on issues that will promote the growth of Bremerton; this does exactly the opposite. If the 8-year exemption is eliminated, that will be the death knell of apartment building in Bremerton. Bremerton does not need any more low income housing; it already has plenty of it. If it weren't for the 8 Year Tax Credit, I would not be working in Bremerton.

If someone was to use the 12-Year tax credit as it currently stands, he would have a next-to-impossible task to get it financed with the net income that would be produced, with 20% of the units not at market. The two new projects, 606 and Spyglass Hill, had a very difficult time procuring financing and finding investment equity. There is little investor confidence in Bremerton because there's literally nothing to point to, outside of 606 and Spyglass. I and several others are working very hard to change that perception and this proposal is completely ill-conceived.

The City needs to do everything imaginable to encourage development in Bremerton. The City needs to recognize that the most important thing for the growth of Bremerton is the creation of new, modern style apartment buildings to attract new residents to the City. Everything else will follow.

To reiterate, the City Council needs to forget this idea, and focus on issues that promote growth.

Respectfully,
Mark

Mark Goldberg
Principal
MBG Co.

Real Estate Advisors
mark@mbgco.biz
(206) 524-4846 (office)
(206) 851 1163 (cell)



WEST SOUND *for* SOCIAL JUSTICE

Calling all Affordable Housing Advocates for the June 20 City Council meeting and Town Hall-styled debate about proposed amendments to the Multifamily Property Tax Exemption!

Mayor Wheeler requests that the City Council hold a public hearing on June 20, 2018 and gather public testimony on the proposed amendments. The City Council will then determine if it is appropriate to act on the amendments, modify the proposed amendments, and/or establish a schedule for review and adoption of changes to the MFTE program as necessary.

Summary of the proposed amendments:

At the request of Mayor Wheeler, the following amendments are proposed to the Terms of the Multifamily Property Tax Exemption (MFTE) program (BMC 3.78.)

- 1) Discontinue the eight (8) Year MFTE
- 2) Require affordable units for the 12-year MFTE to be affordable to Low Income households only (current program allows low and moderate income households to qualify), with a revised formula to calculate Low Income as those earning 60 percent of Area Median Income (AMI)
- 3) Add requirements regarding tenant displacement
 - Mandatory 12 month notification to current tenants
 - Relocation costs paid to low income households
- 4) Clarification of requirements for affordable units to be distributed proportionally across the unit types available.



Wednesday, June 20th
5:30 pm
Bremerton City Council
Chambers
Norm Dicks Building
345 6th St. Bremerton



From: Jim McDonald <jimmc90@gmail.com>
Date: June 9, 2018 at 4:31:03 PM PDT
To: mayor@ci.bremerton.wa.us, eric.younger@ci.bremerton.wa.us
Subject: Housing

Mayor Wheeler and Council President Younger,

I saw the article in today's paper regarding development in Bremerton and the incentive for builders.

The proposed FOE apartment development, and most of the other higher density developments do not displace low income or affordable housing.

Preventing new housing or apartment construction will only serve to limit the supply; thus increasing the cost and price for existing housing. People from more expensive areas will still move here. This will have the opposite effect of the goals for more affordable housing. It will drive prices higher.

More housing means more competition and will lead to lower rents and housing costs (supply and demand).

More people in the City will lead to a more vibrant retail climate....which we are sorely lacking because of the lack of population density.

Both will increase the City's property tax and sales tax revenue (so the B&O tax can be eliminated!)

Until the retail piece is firmly in place, the City should still encourage more housing development.

When I was on the Council, I went to a presentation by Kemper Freeman (Bellevue Mall, etc..) His main point was that retail development was a key for a successful community. Where is our downtown retail? Where is our downtown grocery store? We are not there yet..and population density is the key.

Please don't take those builder incentives away until we are.

Sincerely,

Jim McDonald

From: Cameron Day <cday@onebuildinc.com>
Sent: Wednesday, June 20, 2018 12:49 PM
To: City Council
Cc: Kelli Lambert; Ryan Lukjanowicz; Dale Sperling
Subject: Multifamily Tax Exemption (MFTE) per Bremerton Municipal Code 3.78 - OneBuild, Inc. comment letter

Dear City Council –

My name is Cameron Day and I am COO at OneBuild, Inc. We are a local real estate developer with ongoing development interests in Bremerton.

We are currently building a 56-unit apartment project in the downtown subarea. The project is taking advantage of the 8-year MFTE program and was a major factor in our decision to develop in Bremerton.

In addition, we currently own other land in the downtown subarea and are actively looking to acquire and develop more. Any changes to the MFTE program could greatly impact our company's development outlook in Bremerton as this piece remains critical for us to develop much-needed housing in the downtown area.

As construction costs rise throughout the Puget Sound, both the cost of development and housing have increased. We believe any changes to the 8-year MFTE program that add additional costs for developers could significantly reduce the number of units constructed in Bremerton and ultimately be counterproductive to the city's affordable / workforce housing needs.

We appreciate your consideration. Thank you.

Cameron Day



ONEBUILD

814 Second Avenue, Suite 500
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cday@onebuildinc.com

www.onebuildinc.com

From: Sharon Adams <sharon@soundwestgroup.com>
Sent: Wednesday, June 20, 2018 2:58 PM
To: City Council
Cc: Wes Larson; Mike Brown; Kelli Lambert
Subject: Letter for MFTE
Attachments: larsen ltr.pdf; brown ltr.pdf

Dear City Council Members and Ms. Lambert:

We wish to submit these letters for tonight's meeting.

Best,

Sharon Adams
Executive Assistant | Investor Relations | Paralegal
O: 360-850-4398 | F: 360-850-1054
www.soundwestgroup.com



'Developing Community with Vision & Integrity'

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June 20, 2018

Good Evening Council Members,

I am unable to attend this evening's meeting as I am traveling. However, I would like to express some thoughts and concerns that I have about a current issue before the council this evening. That issue is Mayor Wheeler's proposal to eliminate the eight-year exemption contained in the Multi Family Tax Exemption (MFTE). The MFTE is a very important tool in the revitalization tool box for Bremerton. Although it has seen limited use the eight-year exemption is an important component of the MFTE.

In considering changes to the MFTE it is important to recall why it was implemented in the first place. One need only read the Ordinance creating the MFTE to understand the intent, the first entry for which states it clearly;

"WHEREAS, exemptions from ad valorem property taxes for multifamily housing encourage increased residential opportunities within designated residential targeted areas, stimulate new construction and rehabilitation of existing buildings, assist in directing future population growth and helps to achieve development densities which are more conducive to transit use in designated residential targeted areas."

I think the rereading of the ordinance is telling even for those of us that have been active in the revitalization effort for decades now. As the need for affordable housing has become a bigger and bigger issue for society to grapple with many municipalities have adopted an MFTE program specifically to address affordable housing. While the MFTE is an important resource to creating affordable housing, and is mentioned in the Bremerton ordinance adopting the MFTE the primary goal was revitalization. Also, important to note is that the projects to date that have utilized the MFTE program fit cleanly in the wheelhouse of the intent of the opening citation of the ordinance noted above.

It seems that some of the current concerns about the state of revitalization efforts in Bremerton are also driving a conversation about MFTE but don't stem from the MFTE at all. There has been much discussion of late about the height bulk and scale of proposed projects in the downtown core which is a completely separate issue. While I personally believe that the downtown core is the appropriate location for buildings of a much greater height than those that exist today I don't believe that they will be constructed in the current market. Despite the increased rents in Kitsap County and the Puget Sound region as a whole, rents in Bremerton are nowhere near those that are required to make taller buildings financially feasible. The reason is the basic construction types applied. Buildings of six or seven stories can be more economically



constructed by a building structure that consists of five stories of wood frame over one or two floors of concrete podium. The maximum number of stories in a building that can be constructed of wood by code is five stories. Once a building exceeds the six or seven story height a different type of construction is required typically concrete many stories but are much more expensive to build. The expense of this building type doesn't start to reach its potential for efficiency until a building in the twenty-story range is anticipated. Buildings below this level are very expensive per square foot as the efficiency of the building type is just not achieved. Even when the buildings do reach the heights that make this building type efficient the rents required to make them financially feasible are near double those that are currently being realized in the Kitsap market in new projects like Spyglass Hill in Bremerton.

In closing I would like to say that the MFTE has been and should continue to be an important tool in the revitalization of Bremerton. That it has had some success as an incentive to repurpose buildings and create increased residential opportunities as contemplated. That any time new housing is created more affordable housing is created, it is a supply and demand world and any new housing units creates opportunity at all levels. And maybe most importantly, although there have been some recent successes in the decades long revitalization effort there is still a very long ways to go. The effort is in many ways a fledgling and tinkering with that fragile balance could be a serious mistake. I urge you to be cautious with this important decision.

I appreciate the time you have taken in your consideration of this opinion and as always, I sincerely appreciate all of the time and energy that each of you give to make Bremerton a great city on our side of the sound.

With Best Regards

(S)

Mike Brown
Sound West Group



Dear Councilmembers

It has come to our attention that the City Council is considering a moratorium on the 8-year Multifamily Tax Exemption (MFTE) for the City of Bremerton.

As you know, Sound West Group has been proposing a new multifamily development on the waterfront property recently purchased from the Port of Bremerton. This project, and other multifamily projects throughout the downtown as well as in East Bremerton (SWG just last week had a discussion regarding a prospective development in the vicinity of the Harrison Hospital) will likely not go forward without this important incentive.

First, it is important to note the MFTE does not provide a tax break on the underlying land, which continues to be taxed; rather it provides a temporary tax exemption on the value of the improvements constructed by the developer. Once this exemption expires, the improvements go onto the tax role, and remain for the life of the building. As you know, development of multifamily apartments ground to a halt in the 1990s, and few new units were produced. In no small part, due to the MFTE program, there has been a small resurgence of housing development in recent years. Spyglass Hill and Fourth Street ("Quincy Square") would not have been financed or constructed without it.

While the 8 year MFTE does not require the developer to build additional affordable housing (as does the 12 year MFTE), it does reduce annual operating expenses by the amount of the property tax, which allows a project to be a little more profitable at the outset, where otherwise it may not be. This amounts to a "head start" and helps level the playing field and offset risk for the local developer who otherwise faces the same construction costs as in Seattle; and, moreover is now trying to offset rising construction material costs (approximately 10% alone over the past year). Rents in Bremerton, while rising, are still, however, at 1/2 to 2/3 of Seattle levels, and inflation in material costs are now outpacing rents. The MFTE benefit also helps lenders rationalize lending to a project in Bremerton, and investors to invest.

Admittedly, there is a growing demand for affordable housing in Bremerton. The City, however, needs all kinds of housing- affordable and low income, as well as housing for our middle-class workforce, families, and seniors. We are building much needed housing for Kitsap, and in that regard, one of the myths I will debunk here is that we are building "high end" housing for Seattleites.

That is simply not true!



Over 30 percent of our residents at Spyglass Hill, for example, are Shipyard workers, active duty military or DOD employees. Over 98 percent of our tenant base are from Kitsap County. This quality of multifamily housing is meeting a real demand for our Kitsap County residents-- a demand that has been grossly under-served. We are getting strong demand, for example from Shipyard contract workers for extended stay units (several of those are leased on Spyglass, and more will be leased on Fourth Street/Quincy Square, and on Marina Square as well, if we are able to build that project). By the way, these "extended stay" workers are currently using hotels, and in turn robbing valuable space from the conference center, which otherwise would be able to hold many more conferences.

The housing being incentivized by the MFTE is also bringing life back to our long vacant streets and people who shop for goods, services, and frequent our theaters, restaurants, galleries and bars.

We have done the analysis, and rents will simply not sustain a 12-year program in the City of Bremerton (in Seattle, in contrast, the "affordable level rents" practically equate to our "market rents"). We can speak from experience because we initially tried with this program on both Spyglass and Fourth Street, and rising costs drove us back to the 8-year MFTE.

As a developer we have sought to work with both Housing Kitsap and BHA to develop affordable housing. There are ways to get this done. Doing away with the 8-year MFTE is not the way to accomplish this.

SWG would be happy to meet with the council to explore ways to create more affordable housing, and to be an active partner in that endeavor.

The proposed moratorium does nothing to accelerate the construction of new housing, and it would bring to a halt a program that has only started to yield positive results and contribute to our City's revitalization. Building more housing is one way to reduce housing costs. Not building housing- which is the likely result of the moratorium- will achieve nothing.

Even a pause in the development process will cause uncertainty with our lender and investors putting our ability to go forward with this project at significant risk. We urge you not to put a moratorium on the 8-year MFTE.



Thank you kindly for your consideration.

Very Truly Yours,

Wes Larson

Mike Brown

From: Sharon Adams <sharon@soundwestgroup.com>
Sent: Wednesday, June 20, 2018 3:32 PM
To: City Council; Kelli Lambert
Cc: Wes Larson; Jack Paauw; Jeremy Stitt; Marianne Weber
Subject: 12 year MFTE- a quick comparison

Dear City Council Members:

Please accept this email submission for tonight's city council meeting.

Best,

Sharon Adams
Executive Assistant | Investor Relations | Paralegal
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www.soundwestgroup.com



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From: Wes Larson
Sent: Wednesday, June 20, 2018 3:05 PM
To: Sharon Adams
Subject: Fw: 12 year MFTE- a quick comparison

Dear City Council Members

BELOW (as received from our manager) ARE THE AVERAGE RENTS FOR THE AFFORDABLE UNITS UNDER THE 12 YEAR MFTE PROGRAM AT OUR/SWG's BUILDING (AW LARSON BLDG, a 50 unit apartment Building, Seattle).

As you will note, what constitutes "affordable rent" under the MFTE in Seattle, is even substantially higher than the market rents we have in Bremerton.

Why is the 12 year MFTE not a viable option for most projects in Bremerton (where in both cases 20% of the unit composition must be affordable rentals)?

In Bremerton we are trying to cover the same (or higher) costs of construction as experienced in Seattle, with much lower market rents.

I believe another project - the 606- was able to do the 12 year program because it had substantially lower costs to construct due to other forms of subsidies:

- a) the City built the parking garage (for the theater); and
- b) 606 development group was able to purchase the air space rights (the pad) above the garage at a very favorable price.

Land and parking are typically the most expensive components of a project. SWG, on the other hand, as most developers, will need to purchase land, and build parking at market rates.

From: Mike Besseney <mike@bonavistamgmt.com>

Sent: Wednesday, June 20, 2018 2:45 PM

To: Wes Larson

Subject: RE: Quick question

Hi Wes,

The average is \$2.93 per foot.

Larson MFTE

Unit	Actual rent	SQFT	S/SQFT
100	798	418	1.91
200	1043	260	4.01
201	798	275	2.90
206	798	316	2.53
208	1398	451	3.10
302	1388	510	2.72
305	1050	302	3.48
309	1050	400	2.63
401	1398	482	2.90
405	1040	302	3.44
407	1388	460	3.02
505	1050	412	2.55
Average			2.93
Range			1.91 3.48

Mike Besseney

950 N. 72nd St. Ste 100
Seattle, WA 98103

OFFICE: 206.283.9002
CELL: 206.618.3628

mike@bonavistamgmt.com
www.bonavistamgmt.com

From: Wes Larson [<mailto:wes@soundwestgroup.com>]

Sent: Wednesday, June 20, 2018 2:11 PM

To: Mike Besseney <mike@bonavistamgmt.com>

Subject: Quick question

Hi Mike

What is the general range rent psf/mo for our affordable units (MFTE) in Larson Bldg, Seattle?

Can you shoot me a quick answer on this as I need that information for a city council hearing this evening (5 pm). Last I checked it was about \$2 psf/mo?

Thanks!

Wes

From: Christine Grenier on behalf of City Council
Sent: Wednesday, June 20, 2018 3:24 PM
To: 'Sally Martine'
Cc: City Council; Greg Wheeler; Kelli Lambert
Subject: RE: Comment Letter - Support for MFTE (Sally Jo Martine)

Ms. Martine,

This is to acknowledge that your e-mail was received, and will be provided to Council Member Richard Huddy and to the remaining Council Members for their review and consideration; and due to the subject matter, a copy is also being shared with Mayor Wheeler and Community Development.

Thank you for taking the time to submit your comments, which will also be included as a part of the record for the June 20 Public Hearing.

Christine Grenier

Christine Grenier
Council/Auditor Assistant
Bremerton City Council
(360) 473-5280
City.Council@ci.bremerton.wa.us
www.BremertonWA.gov



From: Sally Martine [mailto:sally.martine@gmail.com]
Sent: Wednesday, June 20, 2018 1:55 PM
To: City Council <City.Council@ci.bremerton.wa.us>
Subject: Support for Mayor Wheeler's ordinance to amend BMC 3.78 MFTE

Dear Councilman Richard Huddy,

As one of your constituents in District 6, I am writing to request that you add your support to Mayor Wheeler's proposed ordinance to amend the Bremerton Municipal Code Chapter 3.78 "Multifamily Property Tax Exemption."

I support this ordinance because it clearly puts people first by 1) revising the formula to calculate low income status as those earning 60% of the Area Median Income, 2) by introducing a mandatory 12-month notification prior to displacement, and 3) through relocation reimbursements for low-income residents.

A combination of unforeseen circumstances could conspire to leave any single one of us without adequate housing at a moment's notice, and it is the responsibility of those of us who are comfortably housed to stand up for those among us who are precariously housed or unhoused.

By including provisions to help keep people housed and to help ensure that people are re-housed following displacement, this ordinance is one measure among many that will help improve the odds and options for our low income family members, friends, and neighbors.

Kind regards,

Sally Jo Martine

360.649.9974

sally.martine@gmail.com

From: Gregg Browngoetz <browngoetz@gmail.com>
Sent: Wednesday, June 20, 2018 4:36 PM
To: City Council
Subject: Development Remarks

I am not able to attend this evening's town hall on development. These were the remarks I had hoped to deliver.

Gregg Browngoetz
511 Shore Drive
Bremerton WA 98310

Mr. Chair, Mayor and Council Members,

Thank you for this opportunity to address the future development of our community. My name is Gregg Browngoetz and I am a Health Information Technology Project Manager. In that role, I lead organizations and people through change. It is through that view that I am seeing the task in front of our community.

We stand on the precipice of great change and tremendous development.

It is not the first wave of change for our community. Through its history, Bremerton has experienced immense change—some good, some bad. Many of the beautiful craftsman home dotting our community and giving its character come to us from the wave of change and development in the early part of the last century. Those homes server as a physical representation of the hope of lasting and positive change.

The task in front of us is promoting development, while maintaining the community that we all love. We have lessons to draw on both in our history and what other communities have experienced in these turning points towards increased development.

I ask that we as a community consider how to guide the change, to establish benchmarks for what positive change looks like and to keep in mind the need to preserve options for all of our people. Those benchmarks include the need to insure:

- Development stands the test of time. We stand in a time of great economic opportunity that will not always exist. We need to insure that in times when the economy is not as it is today, that those developments will stand

and still honor our community. Developers are happy to take advantage of a booming economy but we need to make sure their development will not decay in times to come, becoming magnets of dysfunction and community problems.

- Our people are not 'thrown out' by the development. We need a balance of upscale and affordable housing. Utilizing leverage, our community can insure that options for all of our current and future citizens are meant.
- Future development does not mar the beauty of our community. The character of our community is what makes a quality of life and what is leading many to discover it. Let's make sure we don't sacrifice that in the name of fitting in more people.

All of these benchmarks are achievable. We stand with great opportunities in front of us. Let's make sure we maximize those opportunities.

Thank you.

What is "Affordable Housing"?

HUD defines "Affordable" as a housing cost (rent/mortgage and utilities) that doesn't exceed **30%** of a household's gross income.



Decreased Federal Funding for Affordable Housing in Bremerton

With limited federal financial support for rental assistance programs, very few renters can afford modest housing. In Bremerton, the wait for federal rental assistance (Section 8 and Public Housing) is 5 - 7 years.



"Affordable" Rental Housing in Bremerton - Supply Versus Demand -

For every **100** extremely low-income households in Bremerton there are **12** affordable rental units.