



# Island County Housing Needs Study

## Recommendations for Addressing Housing Needs in Island County

The Island County Housing Needs study raised a number of issues that, if addressed, would contribute to the expansion of housing opportunities in Island County. Following are some avenues that the Association may consider pursuing to address these concerns.

### **A. Structural population projections**

The most critical recommendation is to address planning methodologies and assumptions with respect to future growth rates. Current planning is based on population projections made by the Washington State Office of Financial Management (OFM). These projections use mathematical modeling techniques that begin with a projection of statewide growth and then allocate that growth to the state's 39 counties. This method gives no consideration to the factors that drive growth at the local level.

Modeling techniques are appropriate for large areas, such as states or nations, but are much less useful at the local level. OFM's statewide growth projections have been relatively accurate, but its county-by-county projections have been much less accurate. And while OFM does deliver its projections with a "low," "medium," and "high" level, planners feel compelled to plan around the medium projection. And projections are updated only every five years and there is no provision to catch up for past inaccuracies.

Growth projection methodologies should shift to a more "structural" approach that recognizes population growth drivers specific to Island County. Island County has a number of unique drivers of population growth and housing demand, which are discussed in the report. In combination, these factors make the county's growth patterns unlike any other in the state. This growth profile should form the basis for projecting population growth and housing needs.

1. Review drivers. Revisit the five growth drivers named in the report. Inventory the elements of each driver and determine the prospects for future growth within that driver. One area not explored in the report that needs further attention is the growth in vacation rentals and the degree to which housing inventory is being removed from the year-round residential market.
2. Estimate growth. For each of the drivers, work forward from recent trends to estimate growth in the five-to-ten year time horizon. Using these estimates and the projections in the report, develop a

structurally-based 10-year population projection. Update projections regularly to account for significant changes in each of the drivers.

3. Compare to OFM projections. Compare the OFM 2017 projections to: (a) actual growth for the 2015-2019 time period; (b) the new structural projection. Communicate discrepancies to OFM so the agency can consider actual growth trends as it prepares its next projections.
4. Gather other qualitative and quantitative data. Supplement projections with other administrative data (e.g. school enrollments, building permits, public assistance program participation) and qualitative data gathered from knowledgeable sources (Employers, Realtors, local government staff). Maintain an up-to-date situation analysis of growth drivers.

## **B. State of the homebuilding industry**

The planning and regulatory regimes common in Washington State are based on assumptions about the land development and homebuilding industries that are out of date. The industry has changed considerably in the past 20 to 30 years, in response to local conditions as well as national factors.

The homebuilding industry has generally been seen as an aggressive force that needs taming and should be tightly controlled. It is now a far more cautious industry, and it cannot be assumed that demand for housing will be met by willing suppliers from the homebuilding industry. Rather than holding the industry back, public policy should be designed to encourage the industry to build in designated areas and to experiment with newer, unconventional designs.

If a goal of local governments is to ensure an ample supply of housing at all price levels, they should approach the industry with an economic development mindset, seeking out development and building businesses that are a good fit with the area. The presence of multiple, competitive firms is good for market dynamics.

In many areas of the state and nation there are shortages of skilled labor in the homebuilding industry. The crash of housing markets resulted not only in the disappearance of a large number of homebuilding businesses, but also in the loss of a generation of skilled workers. This was already a problem with the retirement of baby boomers, but became larger as their replacements never entered the industry.

1. Inventory of active firms. From permit records develop a list of active land development and homebuilding firms, noting their activity over the past 20 years. Determine which firms are still active in the Island County market.
2. Seek out building firms that have left the Island County market but are still active in other markets. Determine their reasons for leaving and their interest in returning to Island County.
3. Seek out firms that have been building innovative products elsewhere in the region and determine their interest in building such products in Island County. This will be key to successful implementation of Recommendation F on mid-level density. Smaller, local firms are often understandably reluctant to try new products, given the high risks of entering new market spaces. Attracting firms with success in these markets will help get them started and attract local businesses to them.

4. Assess labor markets. Determine the degree to which local builders are able to find skilled labor. Orient job training and placement programs to meet the labor needs of the building industry.

### **C. Infrastructure financing**

It appears that some housing development opportunities within UGAs must leapfrog over existing vacant land, the owners of which are not ready to sell or develop. This means extending water, sewer and stormwater lines past vacant land, with development on that land able to tie into those lines in the future. This presents financing challenges. Local agencies have limited budgets for extensions, and developers on the periphery will be reluctant to cover the cost of extending lines for others to tie into for free.

A number of mechanisms are available to ease these financing burdens, most notably the use of local improvement districts and latecomer fee programs. The overall idea of these kinds of programs is to spread the costs of growth fairly through revenue that derives from growth. The state has struggled with the concept of tax increment financing, but other value-capture methods can accomplish the same thing. In a moderate-income, high cost market like Island County, it is critical that infrastructure extension costs not prevent development of land that has willing sellers and buyers.

1. Review existing ordinances. Latecomer ordinances can be difficult to implement, and details can make the difference between an attractive and an unattractive program. Review existing latecomer processes, such as Oak Harbor's latecomer fee ordinance, and determine if they are structured in ways that encourage their use. If barriers are found, determine if they can be mitigated while remaining within the constraints of state law.
2. Identify candidates for infrastructure extension. Identify land that is currently considered developable but not served by infrastructure. Model the costs of extending infrastructure and the likely impact on the developability of land on the periphery. Explore the appropriateness and feasibility of latecomer, LID and other forms of financing.
3. Survey property owners. For lands identified in step 2, survey property owners along the proposed corridor to gauge interest in LIDs or latecomer processes.

### **D. Future of RAIDs**

The Rural Areas of more Intense Development (RAIDs) of Island County have the potential to offer lower cost housing and crucial services to the southern part of Whidbey and to Camano. Current rules about developing RAIDs, embedded in the state Growth Management Act, make it difficult to realize this potential.

This is a problem for many rural counties in the state, where the GMA's one-size-fits-all, binary approach to planning (urban, rural and nothing in between) is inappropriate. Island County could join with other counties in the state to propose new approaches to RAIDs (or LAMIRDs in other counties) that the Legislature could adopt to ease the shortages of housing and local services in rural areas.

As the state grows, there is no reason not to create new incorporated areas. RAIDs would be the logical places to do that. The GMA should not be thought of as freezing in time the current pattern of cities, but should leave open the possibility of creating new ones where there is demand for higher density housing.

1. Identify housing potential in RAIDs. Based on existing infrastructure and services, identify the potential for housing development in RAIDs. Develop community-building scenarios that envision ways to create a sense of place and an economic rationale for further expansion of the RAIDs.
2. Explore incorporation. For RAIDs with existing commercial services, it may make sense to consider incorporation. Once incorporated, a former RAID could be in a position to expand infrastructure, improve services and create a stronger sense of community.
3. Partner with other counties. Most GMA counties have RAIDs or LAMIRs that have development potential. Some of these counties, Mason, in particular, are hobbled in their ability to thrive because of a lack of incorporated area. Explore the larger picture of rural development with these counties to develop approaches that would require state legislation.

### **E. Buildability analysis of land inventory**

The land inventory process that GMA requires is a very imprecise undertaking. It is generally understood that not all land that is theoretically available for development inside UGA is, in fact, developable. There may be unmapped sensitive areas, access problems and ownership problems that prevent development. The high cost of developing small parcels often makes infill land uneconomic. All of these factors should be included in city and county land inventories. Mostly, however, these factors are not included.

Jurisdictions should draw on the expertise of builders, land developers and realtors to do a deeper dive into the land inventory of Island County. This might include a sampling of land identified as buildable to determine if unknown factors are in play on a subset of parcels, providing some indication of the prevalence of such issues across the UGAs. It might also include modeling of the cost of developing smaller parcels, parcels without readily available infrastructure, and parcels that have unique and challenging features.

1. Use property records to create a complete listing of lands considered vacant and redevelopable, including all relevant information on zoning, parcel size, current uses, utility availability and sensitive areas. To the extent feasible, map these parcels.
2. Choose a random sampling of parcels in each zoning category and analyze for buildability. Consider physical limitations (both permanent and subject to mitigation), market limitations and ownership barriers.
3. Based on the sample of parcels, create an estimate of the amount of development capacity that has a high likelihood of being feasible from a development perspective.

### **F. Mid-level density**

The housing stock in Island County consists overwhelmingly of two models: low density single family housing and higher density multi-family housing. There is an emerging market for housing between these two models, which has become known as the “Missing Middle.” In the past 20 years communities around the state have experimented with various housing models that range from about 12 to 25 units/acre. These housing forms are ground related, have surface parking (usually in garages), and generally use clustering plans to maximize the utility of open space. Models include cottage clusters, duplex/triplex clusters, row houses and townhouse clusters.

These housing types meet the needs of households that want ground-related housing (i.e. a front and back door to the ground) but are less concerned about the amount of space they occupy. Many of these developments are sold fee-simple, so buyers have the confidence in the value of their investment, since it includes a legal parcel.

These models, which have been built at a wide range of price points, are aimed at empty nesters and retirees, but can also work for young families. Cluster developments in Dupont have been successful with military families from JBLM. Clustering can provide opportunities for creative use of open space for stormwater management.

1. Capacity baseline measure. Examine the current zoning of target areas to determine the existing capacity for townhomes, cottage clusters, duplex/triplex and other mid-level density forms. In this process, assume that multi-family zones (R-2, R-3, R-4) could accommodate these forms.
2. Economics of development under current zoning and regulation. Assuming that some capacity is found in existing multi-family zones, evaluate the economic feasibility of building these forms within this capacity. Consider land prices, development and impact fees, land development costs and scaling as well as construction costs.
3. Market feasibility under current zoning and regulation. Assuming the economics determined in step 2, will the market support product at prices (per square foot) that would need to be sought to make development feasible? Given land and development costs, under what conditions will a developer find it advantageous to build ground-related mid-level density product as opposed to more conventional multi-family forms?
4. Alternate capacity. If in steps 1 through 3, it appears that development of mid-level density forms would not be financially feasible, consider provisions that would allow these forms in single-family (R-1) zones. Approaches to this include: (a) dispersal requirements (number of these developments in a given area, or minimum distance between such developments); (b) maximum floor area ratios (FAR) for total development; (c) unit size restrictions.

Any approach to allowing alternative uses of existing single family zoned land needs to be tested for market feasibility to ensure that the alternative development scenarios are financially attractive. In other words, a developer should anticipate at least as high a return on an alternative project as with a conventional one.

5. Field trips. An effective tool for exploring these housing forms has been “field trips” to sites around the Puget Sound region that have used them successfully. Many planning and design approaches were tried from the mid-1990s to the mid-2000s. With 10 to 20 years of community development, resales and physical aging, it is possible to see which forms have been most successful over time.

A number of communities in the Puget Sound area have used demonstration programs to explore alternative, mid-level density housing forms. Under a demonstration program the local government retains strict control over what projects get built, helping to ensure quality. Experience from the demonstration can be used to craft a long-term approach.

## **G. Manufactured home parks**

Across the state, manufactured home parks offer the largest category of permanently affordable housing. According to the state Department of Licensing, Island County has 18 licensed parks with about 975 spaces. Preserving these parks and maximizing their capacity should be a priority.

Most manufactured home parks were built from the 1950s through the 1970s, generally on septic systems and often with their own wells. This infrastructure is now aged and often failing. Many parks struggle to fit newer home styles into parks designed for narrow single-wide homes, and, as a result, end up with haphazard and inefficient arrangements of homes. And while most parks are well-maintained, some are blighted and viewed as a negative feature of neighborhoods.

Local governments and non-profits should work with park owners to upgrade infrastructure, accommodate new homes to replace obsolete ones and ensure long-term economic viability of parks. Many original owners are aging out of active ownership, and housing advocates should work with families to ensure continuity of ownership and operation.

1. Institute friendly code enforcement. Local governments should be proactive about ensuring the safety and maintenance of mobile home parks. Regular code enforcement actions, accompanied by compliance assistance, will help keep parks from deteriorating.
2. Encourage resident acquisition. Active public and private efforts are underway to enable manufactured home park residents to purchase their park should it come up for sale. The demographics of these parks do not always permit purchases, but this option should be actively encouraged where appropriate.
3. Maintain local ownership. When parks come up for sale, communities should attempt to identify local investors willing to purchase those parks and maintain them as safe, affordable communities.