

Memo

To: Hal Hart, Community Development Director
Cc: Mayor Wiita; City Council; Planning Board

From: Tyler Quinn-Smith & Matt Campbell - Framework

Date: March 18, 2024

Re: Refined Sultan 2044 Growth Strategies

Overview

This memo summarizes the feedback received during the March 7th workshop on preliminary growth strategies to guide the 2024 Sultan Comprehensive Plan Periodic Update. Each strategy is expanded upon with a refined description, supporting background information, local or regional examples, and feedback gathered during the March 7 workshop. This memo also provides additional reference material on affordable housing and responses to questions posed by City Council and Planning Board members.

Growth Strategy Context

New State mandates, Snohomish County growth targets, and an affordable housing need allocation are among the many factors influencing the 2024 Sultan Comprehensive Plan Periodic Update. This update cycle is unprecedented: the comprehensive plan not only must plan for the Sultan's 2044 growth target (1,425 housing units and 1,329 jobs), but it must *plan for and accommodate housing affordable to all economic segments.* To do so, the City must demonstrate development capacity for housing types that are feasibly constructed at various levels of affordability.

Significant growth in Sultan since 2020 is recognized by Snohomish County as progress toward the City's initial growth targets. The table below shows that, based on local permitting data through December 2023, the City's remaining housing target is 879 units. The job growth target remains at 1,329 jobs due to no new jobs (with employers within the City) emerging over this period.





Figure 1 Estimated Progress Toward Sultan's 2044 Housing Need

Income Segment (% of AMI)			2024-2044 Remaining	
0-30% Non-PSH	201	0	201	
0-30% PSH	108	0	108	
30-50%	27	0	27	
50-80%	0	0	0	
80-100%	96	15*	81	
100-120%	293	0	293	
120%+	701	581**	120	

City of Sultan; Framework, 2024

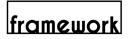
Parcel capacity estimates suggest that the City contains sufficient *gross capacity* for the remaining 879 housing units. However, most of this capacity exists in Low Density Residential (LDR) and Moderate Density Residential (MDR) zones-both of which only permit single-family detached homes, accessory dwelling units, and duplexes (MDR only). This type of capacity will not satisfy the City's housing need allocation for households earning 80-100% of the Area Median Income (AMI) and especially those earning 0-50% AMI.

Household income and monthly housing cost limits for a household of 4 in Snohomish County are listed below. Figures for all income segments are provided in **Questions and Answers from March 7 Workshop**.

Figure 2 Limits for household income and monthly housing costs for a household of four.

Income Segment (Snohomish County AMI)	Household Income (4 people)	Monthly Housing Cost (3-bedroom unit)		
30% AMI	\$29,200	\$759		
50% AMI	\$48,670	\$1,265		
80% AMI	\$77,870	\$2,025		
100% AMI	\$97,330	\$2,531		

U.S. Census Bureau, ACS 2018-2022 5-Year Data



^{*15} units in manufactured homes, duplexes, and fourplexes were assumed affordable to 80-100% AMI.

^{**581} single-family homes were assumed affordable to 120%+ AMI

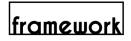


The Washington State Department of Commerce has provided guidance to support planning challenges like this. The following housing types are considered to be feasibly constructed for each level of affordability in moderate-cost communities like Sultan:

- Low-Rise Multi-Family Construction like 3-story walk-up apartments/condos, stacked flats, and multi-plex structures with 12+ units can typically be constructed for 0-80% AMI, including permanent supportive housing (PSH) and non-permanent supportive housing. Incentives and subsidies are required to ensure the deepest affordability (0-30% AMI).
- Accessory Dwelling Units (ADUs) like backyard cottages, in-law suites, or basement apartments can
 be constructed for 50-80% AMI. If cities decide to count ADUs in capacity estimates, Commerce
 advises assuming a maximum 5% participation across eligible lots because of the low interest expected
 among homeowners.
- Moderate Density Middle Housing like duplexes, fourplexes, townhomes, cottage clusters, and other house-scale multi-family buildings can typically be constructed for 80-120% AMI.
- Low Density Single-Family Housing like traditional detached homes can typically only be constructed for 120%+ AMI.

Considering the County-issued growth target, the County-issued housing need allocation for lower-income units, and guidance from the Department of Commerce, the City of Sultan must increase its capacity for low-rise multi-family construction and middle housing to ensure compliance. This can be accomplished by the following strategies, which have refined descriptions, local/regional examples, and initial workshop feedback in the following section.

- Residential development on religious-owned land
- Increased building heights for residential or mixed-use development
- Density bonuses in exchange for community benefits
- Middle housing
- Multi-family development on smaller lots

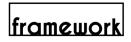




Growth Strategies Also Satisfy Local Need

Not only do the strategies under consideration address Sultan's 2044 growth targets for new homes and jobs and the County-issued housing need, but they can also encourage the types of homes and businesses that are desired locally. At a high-level, the strategies work to advance big ideas related to *economic development and community enrichment* and *improved infrastructure*. More nuanced local needs below-identified during community outreach and in the Existing Conditions Report-are also furthered by many growth strategies.

- A mismatch exists between unit size and household size. There is an excess of three-bedroom units based on the number of three-person households. A shortage exists for units with 2 bedrooms or less. Most of the housing typologies that could emerge under the growth strategies below like cottage clusters, duplexes, townhomes, and small walk-up apartments are much likelier to provide units with 1 and 2 bedrooms compared to larger, single-family homes. These housing types, however, can also provide larger family-sized units if regulated accordingly.
- Needs of senior residents and down-sizing couples. Many Sultan residents including seniors and older couples are finding their existing homes increasingly unaffordable and too large, especially as kids move out. Cheaper and more modest homes are likely outcomes with many, if not all, strategies and can be ideal for aging-in-place, especially if these homes are close to everyday needs.
- Workforce housing needs. As the City begins to absorb new employers from a variety of industries,
 the housing needs of new employees is becoming more pronounced. For example, the expected wages
 for new restaurant workers, cashiers, or daycare workers only amount to 50-80% AMI. These
 employees are most likely able to afford middle housing units, ADUs, or smaller apartments in small
 multi-family buildings.





Refined Sultan 2044 Growth Strategies

Residential Development on Religious-Owned Land

This strategy would enable Sultan's religious institutions to develop their surplus land with affordable multi-family housing. New State legislation passed in 2019 supports this concept:

Cities must allow an increased density bonus consistent with local needs for any affordable housing development of any single-family or multifamily residence located on real property owned or controlled by a religious organization if the housing development [is, at minimum, affordable to households earning 80% AMI. The project must remain exclusively affordable for 50 years]. - RCW 36.70A.545

While still in its early years of implementation, similar strategies across Washington are providing churches additional pathways to advance their community-oriented missions.

If pursued, this strategy would likely be implemented via an overlay zoning designation for religious-owned properties. The City would determine the allowable density of residential development and clarify reasonable spacing standards between any existing structures and new residential buildings.

Regional Examples

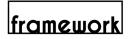
Some Western Washington communities have explored partnerships where religious institutions collaborate with developers or non-profits to convert underused land into affordable housing:

- Longview, WA: Donation of a 2-acre vacant lot adjacent to the church property to Housing Opportunities of Southwest Washington (HOSWWA), allowing for the development of 48 affordable housing units. Some of the units will be set aside for seniors, families and victims of domestic violence, and officials estimate buildout will be complete in April 2025.
- Bainbridge Island provides an additional 1.5-2 dwelling units per acre to eligible projects.
- Bremerton offers up to 50% density bonus for eligible projects via a conditional use permit and requires the applicant to coordinate with Kitsap Transit.
- Kenmore provides 1-2 additional units for every unit affordable to 0-50% AMI and offers expedited permitting via its <u>development agreement</u> process.

Initial Feedback & Considerations

Workshop attendees expressed support for this strategy. Specific comments included:

- There is a history of Sultan churches taking on similar projects
- Grace Fellowship owns property that is already of interest along Sultan Basin Road
- PSRC grant funding could make affordable housing more feasible
- Some successful examples combine this concept with a Community Land Trust





Increase Building Heights for Residential / Mixed-Use Development

This strategy adjusts existing zoning regulations to allow taller buildings in certain areas across Sultan. Current restrictions on residential and mixed-use development in the Sultan Municipal Code limit building heights to 30 feet. Due to construction techniques and the way building height is measured, these heights can only support 2- or 2.5-story structures. Single-family homes and smaller forms of middle housing are possible at this height, but mixed-use development, live-work units, and low-rise walk-up apartments are most feasible at three or four stories.

If pursued, this strategy could be implemented in several ways. The City could identify certain zones or locations within zones to allow for taller buildings. The City could also choose specific types of projects, such as a mixed-use building, to qualify for additional height. In any case, building heights of 35 to 45 feet is the likeliest scenario for affordable housing (0-50% AMI) or mixed-use development to occur.

Regional Examples:

- Anacortes increased allowable building heights in its R-4 zone from 35' to 40' to enable better designed 3-story residential development.
- Gig Harbor increased allowable building heights in its Downtown in 2013 to facilitate mixed-use development.
- Duvall is reviewing a 42-foot tall <u>mixed-use development proposal</u> for retail and office space in its downtown.
- <u>Fir Street Flats</u> in Bothell is a 3-story mixed-use fourplex that includes three apartments and one commercial space.

Initial Feedback & Considerations

Workshop attendees expressed some initial concern with this strategy due to the City's firefighting equipment. Specific comments included:

- Requires coordination with the fire department for taller vehicles, which are likely only able to reach 3 story structures
- Best location would be along Main Street/Downtown and US-2 corridor
- Not appropriate along Sultan Basin Road.





Density Bonuses

This strategy encourages community benefits like public art installations, affordable housing units, a small daycare, or other neighborhood amenities in exchange for increased densities or taller development compared to what is normally permitted. This arrangement acknowledges the financial challenges that come with building affordable housing units or a public plaza with a playground, for example, by providing cost-saving measures for developers who provide them.

If pursued, the City could implement this strategy in any number of ways. Appropriate areas or zones could be identified for implementation, then, most importantly, the City could decide on a specific list of community benefits to be considered for a density or height bonus. And finally, the City would decide how much the bonus would be: an additional floor of building height, a certain number of bonus units, or a specific percentage increase above what's typically allowed.

Another way of implementing this strategy would be to treat traditional market-rate developers and affordable housing developers differently. For example, many cities provide a 25-50% increase in density if 10-15% of the housing units are capped at 80% AMI or less. Affordable housing developers, on the other hand, might be granted >50% increase in height or density from the start since their projects entirely consist of units affordable to 50-100% AMI.

Regional Examples

- Housing Hope projects like <u>Twin Lakes Landing</u> and Beach Ave Apartments in Marysville, which provide housing to 60-80 families earning less than 50% AMI and on-site supportive services, are possible outcomes under incentive programs like density bonuses and land donations.
- Anacortes provides a <u>10-foot height bonus</u> (from 40 to 50 feet) in its R-4 zone in exchange for units smaller than 600 sqft or units affordable to families earning 50% AMI.
- Woodinville provides density bonuses in its central business district that allow up to twice the zoned limit of total floor area if affordable housing is included. Developers can either designate 10% of the units as affordable at 80% AMI, or 5% of units affordable at 50% AMI, to make a project eligible.
- Poulsbo has Affordable Low Income Housing Density Bonus Incentives for projects with 5 or more units, with a 20% bonus for projects with 10% or more units designated as affordable, stepping up to 25% density bonus for 15% affordable units, so long as they're guaranteed affordable for 20 years.

Initial Feedback & Considerations

Workshop attendees were unclear about the nuances of implementation and therefore slightly skeptical about this strategy. Comments included:

- Clarity in the code about the amount and type of public benefits will be critical
- Concern about developers "taking advantage" of the bonuses
- Concern about staff time spent developing and implementing this type of strategy





Middle Housing

This strategy would allow the construction of middle housing in more zoning districts across Sultan. These multi-unit or clustered housing types are typically compatible in scale with single-family homes and take the form of multi-plex housing (duplex through 6-plex), townhouses, courtyard apartments, and cottage clusters.

Local Examples

Many communities, including Sultan, have seen middle housing interspersed in residential neighborhoods for over 100 years. Recognizing the need to increase housing choice and affordability, several cities have relegalized duplexes, townhomes, fourplexes, and more in recent years with promising results. Some middle housing examples in Sultan were built before restrictions in the current zoning code.

• 640 Date Ave 1 bedroom

- o One-bed rental in 14-unit building
- o \$1149/mo = 65% AMI
- o Year built = 1977

800 4th St, # A

- o Two-bed rental in 4plex
- o \$1850/mo = 85% AMI
- o Year built = 1982

211 4th St

- o One-bed rental in a 5-unit building
- o \$1395/mo = 80% AMI
- o Year built = 1906, recent conversion

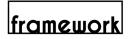
808 Pine St (single-family comparison)

- o 3-bed single-family home rental
- o \$2995/mo = 115% AMI
- o Year built = 1997

Initial Feedback & Considerations

Workshop attendees expressed support for this strategy. Specific comments included:

- Architecture/facades that align with the existing housing stock (gabled roofs, traditional siding, porches) would be most suitable.
- Appropriate for most of Sultan's neighborhoods-particularly those north of downtown and in the Sultan Basin and Rice Road areas north of US-2. The US-2 corridor should not be considered and instead be mixed-use focused.
- Appropriate parking management must be addressed in code.





Multi-Family Development on Smaller Lots

This strategy would make relatively minor development code adjustments to allow multi-family housing units on smaller lots throughout Sultan. The result would make lower-cost multi-family housing for renters and owners possible on more lots within the zones it is already allowed.

Under existing zoning, multi-family is allowed in Sultan's High Density Residential (HDR) zone, Neighborhood Commercial (NC) zone, and Urban Core (UC) zone. Development regulations require a minimum lot size of 8,000 square-feet for the first three units and 2,000 sqft for each additional unit. This translates to:

- 8,000 sqft lot for a triplex
- 10,000 sqft for a four-plex
- 14,000 sqft for a six-plex
- 26,000 sqft for 12-plex

In MDR and HDR zones, a duplex requires lot size of 1.7 to 2.2 times the size required for a single-family home.

This strategy, if pursued in the 2024 Comprehensive Plan, would not result in a major land use or zoning change. Instead, the project team would make a variety of minor revisions to development and dimensional standards to "right-size" the requirements for middle and multi-family housing types to make them more feasible in Sultan. For example, minimum lot size requirements would depend on the physical form of development rather than the number of units. Four free-standing cottages on a single lot would require a larger lot size than a stacked four-unit building (4plex) to ensure usable common space, adequate privacy and safety, and to reduce the ratio of impervious surfaces.

Local & Regional Examples

- Nonconforming: 640 Date Avenue has 14 units, which would require 30,000 sqft lot under current code, but is under 25,000 (0.57 acres)
- Nonconforming: 211 4th Street is a former single-family residence, divided into 5 apartment units. Would normally require 12,000 sqft lot, but is ~5,600 sqft
- Anacortes, WA: Triplex for sale on a 6,098 sqft lot (would be 8,000 in Sultan)
- Edmonds, WA: <u>314 3rd Ave S</u> is an 8 unit apartment building on a 8,700 sqft lot, which would require 18,000 sqft in Sultan over twice as much.

Initial Feedback & Considerations

Workshop attendees shared some skepticism about this strategy as it was initially presented. Comments included:

 Current projects being proposed would be just as feasible from a construction perspective on smaller lot sizes





Infill Housing

This strategy develops underutilized or partially-vacant parcels within existing areas to add new housing units. Prime candidates include single-family homes on large lots or vacant land in between developed parcels. Results include smaller "infill" homes that can be rented or sold, subdivided or as condos. Such outcomes can provide additional income for homeowners and make use of existing infrastructure.

Infill housing, if pursued as a strategy in the 2024 Comprehensive Plan, would not result in a major land use or zoning change. Instead, minor development standards for lot coverage, building spacing, parking, and other requirements would be updated to make infill housing more feasible and visually appealing in Sultan's existing neighborhoods.

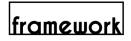
Local Examples

According to Community Development staff, there are 20 proposed infill units in Sultan for 2024. Many of these projects are just north of downtown and demonstrate how homeowners' creativity can result in more location-efficient housing of all shapes and sizes.

Initial Feedback & Considerations

Workshop attendees expressed support for this strategy. Specific comments included:

- Coordinating development with existing infrastructure, especially streets, alleys, and connections, should be addressed through the development code.
- Appropriate parking management must be addressed in code.
- Most suitable in older neighborhoods, as newer development tends to leave insufficient space for successful infill.





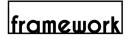
Manufactured Home Park Preservation

While not a growth strategy, the preservation of naturally occurring affordable housing is increasingly important across the State. This strategy would include policies to protect existing manufactured home parks in Sultan as affordable housing options, including measures to prevent redevelopment pressures and burdensome cost increases.

Initial Feedback & Considerations

This strategy was originally presented as "create more manufactured home parks," which was not supported by workshop attendees. Instead, a popular consideration was to preserve existing manufactured home parks. Specific comments included:

- Preservation is preferred over creation of new parks
- This housing type should not be restricted to seniors (55+), nor should it be the only option for seniors who want to stay in the community but can't afford to live in their existing homes
- Concern about hidden cost increases and the vulnerability that can come without land ownership





Accessory Dwelling Units (ADUs)

This strategy entails encouraging small, independent dwelling units located on the same lot as a standalone (single-family) home, either attached or detached. New State legislation (HB 1337), which requires all cities to allow two ADUs on all residential lots, means this strategy is already part of the 2024 Comprehensive Plan Update. Policy considerations such as the use of short-term rentals or creation of pre-approved building plans, however, are up for discussion as the project progresses.

Local & Regional Examples

- A downtown property owner in Sultan is interested in building a detached ADU behind their house. The
 new structure would become the primary residence and the existing, smaller home would be
 considered the ADU.
- Another Sultan property owner is advancing a project to restore a classic home, construct a detached ADU, and establish a short plat for a series of townhomes.
- Snohomish WA has adopted ADU regulations and produced <u>handouts for homeowners</u>
- Poulsbo sees ADUs as a key part of their affordable housing strategy, and has a <u>portion of their website</u> dedicated to educating and providing resources on ADUs.
- A handful of cities like <u>Leavenworth</u>, <u>Port Angeles</u>, <u>Lacey</u>, and others have adopted pre-approved ADU plans to streamline permitting and reduce building costs.

Initial Feedback & Considerations

This strategy was supported by workshop attendees. Specific comments included:

- Construction and design costs can be mitigated with a variety of pre-approved plans for ADUs.
- Concern about the interaction with AirBnb and short-term rentals.
- Appropriate parking management must be addressed in code.





Minimum Residential Densities

This strategy could establish minimum density requirements in any of Sultan's residential zoning districts to ensure more efficient use of land. If pursued, minimum residential densities would not result in a major land use or zoning change. Instead, minor development standards for lot size and density (dwelling units per acre) would be updated during the zoning code update portion of the project.

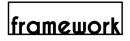
Regional Examples

• The <u>Laurels neighborhood</u> in Sammamish, which was a planned unit development, makes use of lots under 5,000 sqft and resembles the result of minimum residential densities for a single-family neighborhood. The result retains a natural setting while integrating more traditional single-family detached housing at about 9 units/acre.

Initial Feedback & Considerations

Workshop attendees expressed mixed opinions about this strategy. Specific comments included:

- Best when combined with other strategies such as middle-housing or planned development / subarea planning.
- Current code utilizes a maximum units per acre, which contradicts growth need and is sometimes not even achievable.
- Appropriate parking management must be addressed in code if lot sizes are reduced.





Planned Unit Development / Subarea Planning

A variety of strategies exist to improve development design and coordination on larger sites. Planned Unit Development (PUD) is both a regulatory process and development outcome. Generally, PUDs provide greater flexibility in the configuration of buildings and/or uses on a site compared to standard zoning provisions. Often, PUDs include the clustering of smaller lots, which reduce infrastructure costs, and provide usable open space with recreational amenities or protected natural areas, which benefit the larger community. PUDs are typically implemented on land under single-ownership.

Subarea planning is another strategy to ensure well-designed and coordinated across specific lots under single- or multiple-ownership. These often focus on neighborhoods, corridors, or downtowns. Mini subarea plans or master plans can be implemented at a smaller scale like a cluster of lots or at key intersections. In this case, planners, designers, and engineers work together to establish a master plan with sufficient infrastructure, transportation networks, open space, and development with a mix of uses.

If pursued, the City could identify general locations for future subarea planning on the Future Land Use Map. Implementation of PUDs would be formalized through provisions in the zoning/subdivision code.

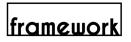
Regional Examples

- <u>Issaquah Highlands</u>: Incorporates community centers, fire facilities, parks, trails, and other amenities in addition to housing.
- <u>The Lookout</u>: PUD in Chelan with compact housing, protected natural areas, recreational amenities, and commercial uses.
- <u>Downtown Lake Stevens Subarea Plan</u>: Focused on creating new areas for employment growth, expanding retail opportunities, and revitalizing the core downtown area.

Initial Feedback & Considerations

Workshop attendees expressed interest in subarea planning, but didn't have time to discuss PUDs. Specific comments included:

- Subarea planning is an exciting prospect for certain districts; Downtown is one, the area along US-2 between Sultan Basin Road and Rice Road is another, and eastern commercial "node" outside the McDonald's is a third
- Coordinating a handful of parcels on Sultan Basin Road within and adjacent to the Commercial Neighborhood zone would be helpful, especially with public connections and trail systems
- Concern that subarea planning could signal price increases
- Concern that use restrictions could limit future possibilities for development





Residential/Mixed-Use/Commercial Development in More Areas

This strategy entailed relaxed zoning restrictions on certain land uses. Where appropriate, residential, mixed-use, and/or commercial development would be allowed in areas where it was previously prohibited.

If pursued as a strategy, the City could identify new areas to allow specific amounts or types of residential, mixed-use, or commercial development. For example:

- Residential development is currently an unpermitted use along most of US-2 (predominantly the Highway Oriented Commercial zone). The City could allow certain types of residential development, such as apartment/condo buildings in this area.
- Mixed-use development is currently a conditional use along most of US-2. The City could choose to allow certain types of mixed-use development, such as traditional residential over ground-floor commercial as a by-right use in this area.
- Commercial development is currently unpermitted in Sultan's residential zones (LDR, MDR, and HDR). The City could choose to allow specific types of commercial uses like small, neighborhood-serving corner stores, cafes, or daycare centers in any of these zones.

Regional Examples

Cities across Western Washington are allowing a mix of uses to coexist in more neighborhoods as calls for walkability and complete communities intensify.

- <u>Seven Coffee Roasters Market</u> and <u>Medina Grocer</u> are examples of small neighborhood-serving commercial businesses.
- <u>Camano Commons</u> provides a mix of businesses and services close to residential neighborhoods.

Initial Feedback & Considerations

Workshop attendees expressed interest in expanding the allowance of commercial and mixed-use development. Specific comments included:

- Mixing of uses would make for a more vibrant and connected community.
- Neighborhood-scale stores on Sultan Basin Road could reduce VMT and increase community connection. The Neighborhood Commercial zoning in this area could be expanded, especially considering adjacent landowners who have expressed interest in commercial or mixed-use projects.
- Appropriate commercial, like medical uses and services, could be appropriate along US-2 to the east.
- Main Street / Downtown should continue to focus on retail.
- Mixed-Use development is appropriate for Downtown and along US-2.
- Adequate parking management is needed for residents and commercial customers in any mixed-use development.





Live-Work Units

This strategy exemplifies vertical mixed-use development at a small scale. Live-work units are residential units (similar to townhomes) designed to accommodate both living and working spaces. Living and business spaces are typically fully separated from one another, and it's possible to have separate ownership of the residence and business space. This building typology is most appropriate for small business owners and remote workers. The most common business types are small offices, artist studios, and retail.

If pursued, the City would determine which zones live-work units should be allowed. Additional details like parking regulations, building standards, and more will also need to be discussed.

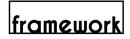
Regional Examples

• The Oaks Live-Work Townhomes in Battle Ground, WA include a bakery, learning center, and independent financial planning firm.

Initial Feedback & Considerations

Workshop attendees were supportive of this strategy but needed clarification about the distinction between live-work units and mixed-use development generally. Comments included:

- Best placement would be along Main Street (smaller scale, local retail).
- Should not be replacing existing buildings.
- Parking demand is likely less, but managing conflicts between residential and commercial parking is important.





Plan for Commercial Uses with Higher Job Density

This strategy includes an intentional selection of commercial uses that can simultaneously address community desires for economic development and destinations while facilitating a higher density of jobs needed to support the City's growth target. Some examples of commercial projects that create a high number of jobs per acre are educational or training facilities and healthcare centers.

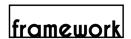
Regional Examples

- <u>West Sound Technical Skills Center</u> in Bremerton provides career and technical programming services to a wide range of student-aged kids. The number of full- and part-time employees for a small regional learning center is at least 70.
- <u>Dan's Food Market</u> in Leavenworth and similar small-to-medium sized grocers provide upwards of 50 jobs.
- <u>La Petite Academy</u> in Millcreek and other similarly sized daycare centers can support up to 20 full and part-time jobs.
- <u>McDaniel's Do-It Center</u> in Snohomish and other hardware stores can support up to 30 part- and full-time jobs.

Initial Feedback & Considerations

Workshop attendees were generally supportive of this strategy, but needed additional time to discuss the land use and other considerations to facilitate these uses in Sultan. Comments included:

- Vocational training facility could help with skilling young people and retain them in the area and provide jobs for educators, while also increasing job density.
- Undesirable commercial uses are public storage facilities (large footprint with very low employment)





Strategies Excluded from Further Discussion

Transfer/Purchase of Development Rights

• Rationale for exclusion: TDR complicates development in a community of this size and scale. Participation in Snohomish County's program is also said to be less effective. Preference to simply allow development outright if it's considered appropriate enough to allow via TDR.

Creation of more manufactured home parks

• Rationale for exclusion: Lower density than other forms of middle / affordable housing, concern about the vulnerability that comes with land ownership structure, hidden fees, and public perception. There's also low availability of land that's close to amenities.

Residential development on publicly-owned land

• Rationale for exclusion: Most public land is in the floodplain

Questions & Answers from the March 7 Workshop

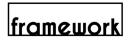
Why is affordable housing defined as spending no more than 30% of household income on housing costs?

The Department of Housing and Urban Development (HUD) estimates median family income every year for every area of the country. These estimates are used to calculate various income limits, which are defined as percentages of median family income, and vary by the number of persons in a household. HUD uses income limits to define low-income status and resulting eligibility for many of its housing assistance programs.

HUD uses a general rule for housing affordability is that a household spend no more than 30% of their gross income on housing and associated utilities. Households that spend more than 30% of their income on housing costs are considered cost burdened, while those that spend more than 50% of their income are severely cost burdened. Applying this rule to the Snohomish County Median Household Income of \$104,083 (ACS 2018-2022), monthly housing costs equal to 30% of gross income would be 30% x (\$104,083 / 12) = \$2,602 per month.

The Census Bureau also provides Median Income by Tenure, which reveals that Snohomish County homeowners have a median household income of \$124,840, while renters in the county have a median household income of \$67,595. Applied to these two groups, the 30% affordability rule for each household type shows the following affordability levels for homeowners versus renters:

- Owners: $30\% \times (\$124,083 / 12) = \$3,102$ per month.
- Renters: 30% x (\$67,595 / 12) = \$1,690 per month.





Not all household needs are alike, and this rule does not take every family's financial situation into account. For high earning households, say those making \$300,000 per year, \$7,500 per month on housing may be more than they want to spend. But for low earning households, say those making \$50,000 per year, that figure of 30% works out to \$1,250 per month, a number that may not be attainable at market rent rates. Thus, generally speaking, high earning households have more flexibility to find housing that suits their financial preferences, while low earning households are not offered comparatively inexpensive rent or ownership opportunities.

Why do mortgage lenders use a 40%+ income threshold when determining eligibility?

For those looking to secure a mortgage, lenders use a measure called the debt-to-income ratio, or DTI. Similar to the 30% rule, DTI is calculated off of gross income, and is intended as a means of assurance that a borrower is financially secure enough to make payments to a mortgage lender. This is the portion of a household's expenses that is claimed by the sum of all recurring monthly obligations, including mortgage and other housing expenses, credit card debt, car payments, etc.

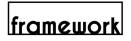
The exact DTI ratio will vary by lender and loan type, but in general a 36% DTI is considered ideal, and anything greater than 50% will make it difficult for a prospective borrower to secure a mortgage. However, DTI is not comparable to HUD's 30% affordability rule, as DTI includes obligations beyond housing costs. What is comparable to the 30% rule is "front-end DTI."

DTI is split into two parts, front-end and back-end DTI. The "front-end DTI" consists solely of housing-related costs, which is typically confined to the mortgage payment and utilities. "Back-end DTI" includes a household's non-housing-related debt repayment obligations in addition to the housing related costs.

Conventional mortgage lenders prefer to see borrowers with a front-end DTI of 28%, which is actually lower than the 30% rule for housing costs used by HUD. Other typical DTI breakdowns by loan-type include:

- Conventional loan: Typically 28% for front-end; for back-end, 36%, up to 45% to 50% for otherwise well-qualified borrowers
- FHA loan: Typically 31% front-end; back-end 43%, up to 57% with exceptions
- VA loan: No set limits: 41% recommended for back-end
- USDA loan: Typically 29% for front-end; for back-end, 41%, up to 44% with exceptions

Overall, we see that private lenders also prefer that mortgage borrowers pay 30% (or less) towards their total housing costs, similar to or even more conservative than HUD.





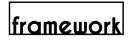
What is defined as affordable for each income level?

Affordability varies based on the median income in a given area, as well as the number of income earners in a given household. As such, it's common for entities like HUD to create an affordability matrix to illustrate median incomes by household size across the AMI spectrum. Applying HUD's methodology to Snohomish County's median household income of \$104,083 yields the following income by household size matrix:

		Household Size							
AMI	Classification	1	2	3	4	5	6	7	8
20%	Extremely Low Income	\$13,630	\$15,570	\$17,520	\$19,470	\$21,030	\$22,590	\$24,140	\$25,700
30%	Extremely Low Income	\$20,440	\$23,360	\$26,280	\$29,200	\$31,540	\$33,890	\$36,210	\$38,560
35%	Very Low Income	\$23,850	\$27,250	\$30,660	\$34,070	\$36,800	\$39,540	\$42,250	\$44,980
40%	Very Low Income	\$27,250	\$31,150	\$35,040	\$38,930	\$42,060	\$45,190	\$48,280	\$51,410
45%	Very Low Income	\$30,660	\$35,040	\$39,420	\$43,800	\$47,320	\$50,830	\$54,320	\$57,840
50%	Very Low Income	\$34,070	\$38,930	\$43,800	\$48,670	\$52,570	\$56,480	\$60,350	\$64,260
60%	LowIncome	\$40,880	\$46,720	\$52,560	\$58,400	\$63,090	\$67,780	\$72,420	\$77,110
70%	LowIncome	\$47,690	\$54,510	\$61,320	\$68,130	\$73,600	\$79,070	\$84,500	\$89,970
80%	Low - Moderate Income	\$54,510	\$62,290	\$70,080	\$77,870	\$84,120	\$90,370	\$96,570	\$102,820
90%	Moderate Income	\$61,320	\$70,080	\$78,840	\$87,600	\$94,630	\$101,670	\$108,640	\$115,670
100%	Moderate Income	\$68,130	\$77,870	\$87,600	\$97,330	\$105,150	\$112,960	\$120,710	\$128,520
115%	Moderate Income	\$78,350	\$89,550	\$100,740	\$111,930	\$120,920	\$129,910	\$138,810	\$147,800
120%	Upper Income	\$81,760	\$93,440	\$105,120	\$116,800	\$126,180	\$135,560	\$144,850	\$154,230
130%	Upper Income	\$88,570	\$101,230	\$113,880	\$126,530	\$136,690	\$146,850	\$156,920	\$167,080
140%	Upper Income	\$95,390	\$109,010	\$122,640	\$136,270	\$147,210	\$158,150	\$168,990	\$179,930
150%	Upper Income	\$102,200	\$116,800	\$131,400	\$146,000	\$157,720	\$169,450	\$181,060	\$192,780

U.S. Census Bureau, ACS 2018-2022 5-year Data

These income levels are then aligned with the 30% affordability metric to create various housing cost and affordability limits for that area. Again applied to Snohomish County, that income / affordability matrix would look as follows:





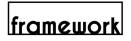
Housing Cost Affordability for Snohomish County									
	Unit Size Control of the Control of								
	Studio	1-Bedroom	2-Bedroom	3-Bedroom	4-Bedroom	5-Bedroom			
AMI	1.0 person	1.5 persons	3.0 persons	4.5 persons	6.0 persons	7.5 persons			
20%	\$340	\$364	\$438	\$506	\$565	\$623			
30%	\$511	\$547	\$656	\$759	\$847	\$934			
35%	\$596	\$639	\$766	\$885	\$988	\$1,090			
40%	\$681	\$730	\$876	\$1,012	\$1,130	\$1,246			
45%	\$766	\$821	\$985	\$1,139	\$1,270	\$1,402			
50%	\$851	\$912	\$1,095	\$1,265	\$1,412	\$1,557			
60%	\$1,022	\$1,095	\$1,314	\$1,518	\$1,694	\$1,869			
70%	\$1,192	\$1,277	\$1,532	\$1,771	\$1,977	\$2,180			
80%	\$1,363	\$1,460	\$1,752	\$2,025	\$2,259	\$2,492			
90%	\$1,532	\$1,642	\$1,971	\$2,278	\$2,541	\$2,803			
100%	\$1,703	\$1,824	\$2,190	\$2,531	\$2,824	\$3,115			
115%	\$1,959	\$2,099	\$2,518	\$2,910	\$3,248	\$3,582			
120%	\$2,044	\$2,190	\$2,628	\$3,037	\$3,389	\$3,738			
130%	\$2,214	\$2,372	\$2,847	\$3,290	\$3,671	\$4,050			
140%	\$2,384	\$2,555	\$3,066	\$3,543	\$3,954	\$4,362			
150%	\$2,555	\$2,737	\$3,284	\$3,796	\$4,236	\$4,673			

U.S. Census Bureau, ACS 2018-2022 5-year Data

The tables above can be interpreted together or separately. For example, consider a single person who works at a restaurant or grocery store. At \$20 per hour, or \$41,600 per year full time, they would be classified as between 60% AMI (\$40,880) and 70% AMI (\$47,690) according to the first table. At 30% of their gross income, their housing cost should top out in the same band, and fall between the 60% and 70% AMI bands in the second table. A 1 bedroom unit at 60% AMI should cost no more than \$1,095 per month, and at 70%, no more than \$1,277.

Does the City have to limit building permits according to its growth target and housing need (for each income band)?

No, the city does not need to limit building permits once its housing need has been met for a specific income segment. In the case of the housing need identified at the 80%-100% AMI level, for example, once 96 units of housing have been constructed affordable to that income band, that does not suddenly require a halt to construction for any additional units in that level. Put another way, the growth targets and housing need are minimum requirements for the plan. The 2024 Periodic Update must show the City has sufficient capacity to





support the gross figures (849 homes and 1,329 jobs) and housing need. It is okay to have parcel capacity beyond these numbers.

How do remote jobs fit into the mandated employment growth targets? Can Sultan account for its growing share of remote workers? Could more remote workers satisfy any part of the target?

Remote workers who reside in Sultan but whose physical office assignment or address is in another city are not counted towards the mandated employment growth targets. Only jobs created by Sultan-based employers are counted.

Economic activity, including employment, can influence local government revenue through business taxes, property taxes, and other means. Jobs located in a city contribute to that city's tax base, even if workers live elsewhere. Conversely, remote workers contribute to the tax base of their residence location by putting additional dollars into the local economy.

The rise of remote work, especially during and after the COVID-19 pandemic, has started to challenge these traditional metrics and may lead to changes in how employment data is collected and attributed to specific locations. Recognizing the economic contribution of remote workers and considering how to better reflect this in local economic statistics and planning is part of the challenges of the coming years.

At this point, Snohomish County has indicated that it will only consider new jobs created by Sultan-based employers as progress toward the City's employment growth target. This aligns with the State and regional (PSRC) growth strategies to co-locate housing and jobs. Remote work is only possible for a few industries. It is also not a ubiquitous form of work; most tech workers have a (time-limited) choice whether to work from home. As such, the State, PSRC, and Snohomish County see it as a responsibility of cities to facilitate job growth to provide more employment opportunities locally rather than assuming residents will commute to their work and to provide more goods and services that satisfy everyday needs.

Connecting economic development opportunities and employee wages with housing need

The 2044 Vision and Big Ideas indicate a strong desire for more everyday businesses in Sultan like restaurants, cafes, daycare centers, grocery stores, hardware stores, and more. Using 2023 State income data, the table below suggests a range of wages and corresponding income levels for a variety of jobs. Actual wages and workforce housing needs will vary depending on the type and size of business, but these data show how many occupations-restaurant workers, teachers, retail cashiers, barbers, and more are moderate-income earners who are most likely to afford a modest duplex unit, backyard ADU, or apartment in a small multi-family building compared to a single-family home.





	Annual Wage		Hourly Wage		AMI Band		
	75th			75th		75th	
	State Median	Percentile	State Median	Percentile	State Median	Percentile	
Job Title	Income	Income	Income	Income	Income	Income	
Art, Drama, and Music Teachers,	\$65,830	\$80,040	\$31.65	\$38.48	130%	158%	
Postsecondary	ψ00,000	Ψ80,040	ψ31.03	Ψ30.46	130%	130%	
Bakers	\$37,480	\$42,390	\$18.02	\$20.38	74%	84%	
Barbers	\$59,230	\$73,270	\$28.48	\$35.23	117%	145%	
Bartenders	\$37,580	\$62,350	\$18.07	\$29.98	74%	123%	
Career/Technical Education	\$63,350	\$77,560	\$30.46	\$37.29	125%	153%	
Teachers, Postsecondary	φ ο δ,350	\$77,560	φ30.46	φ37.29	125%	153%	
Cashiers	\$34,580	\$37,300	\$16.63	\$17.93	68%	74%	
Childcare Workers	\$35,260	\$39,890	\$16.95	\$19.18	70%	79%	
Dishwashers	\$35,130	\$39,400	\$16.89	\$18.94	69%	78%	
Education Administrators,	#120.0F0	#100 000	# 00.05	¢77.00	275%	318%	
Kindergarten through Secondary	\$139,250	\$160,980	\$66.95	\$77.39	2/5%	318%	
Education and Childcare							
Administrators, Preschool and	\$55,770	\$63,140	\$26.81	\$30.36	110%	125%	
Daycare							
Educational Instruction and Library	\$62,660	\$88,310	\$30.13	\$42.46	124%	175%	
Occupations	Φ6∠,660	\$88,310	φ30.13	Φ42.46	124%	1/5%	
First-Line Supervisors of Retail Sales	\$49,360	\$61,960	\$23.73	\$29.79	98%	122%	
Workers	\$49,360	Ф 61,960	Φ23./3	Φ29.79	98%	122%	
Food Preparation and Serving Related	\$36,000	\$43,520	\$17.31	\$20.92	71%	86%	
Occupations	\$36,000	Φ43,520	\$17.31	Φ20.92	7 1 %0	00%	
Healthcare Practitioners and	\$00 E20	\$104.200	\$46.41	\$59.76	191%	246%	
Technical Occupations	\$96,530	\$124,300	\$46.41	\$39.76	191%	246%	
Healthcare Social Workers	\$73,490	\$83,180	\$35.33	\$39.99	145%	164%	
Office and Administrative Support	\$44,920	¢=0.000	¢01.00	\$24.17	89%	99%	
Workers, All Other	Φ44,920	\$50,280	\$21.60	Φ24.17	89%	99%	
Retail Salespersons	\$35,740	\$38,580	\$17.18	\$18.55	71%	76%	
Waiters and Waitresses	\$36,350	\$58,640	\$17.48	\$28.19	72%	116%	

 ${\it Bureau of Labor Statistics, Occupational Employment and Wage Statistics.}$

State of Washington, May 2022

