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PREFACE

With the rise of homelessness, lack of affordable housing, and lack of services for citizens throughout the United States, including Anacortes, the City Council established the Housing Affordability & Community Services (HA&CS) Committee in January 2016 to tackle some of these tough issues. The HA&CS Committee brought community leaders and citizens together on April 21, 2016 with the goal of developing a strategic plan to improve housing affordability and make recommendations on budget allocations to social services. One outcome of the incredible participation is the Strategic Plan which provides a beginning for our city and citizens to create a more equitable and healthy community.

We thank all the participants who provided input on this plan including, but not limited to, the great citizens of Anacortes, Anacortes Housing Authority staff and Board members, Skagit County Public Health Department and HUD.

MISSION, VISION & COMMITMENTS

Vision Statement

Creating successful partnerships and programs to improve access to suitable affordable housing, foster better community health, and quality of life for those of lesser means.

Mission Statement

Develop quality affordable housing opportunities for lower income individuals and families to promote healthy living, working, and aging in Anacortes.

Strategic Commitments

Consistency with community vision: align housing strategies regarding affordability and availability to those expressed in the Comprehensive Plan and to community needs.

Prioritizing inclusivity and cooperation: Include all and build a culture dedicated to equity and excellence through:

- **Inclusiveness:** encourage broad community representation and participation in the work to be done, and
- **Cooperation:** engage and support other local, county, state, and federal agencies to accomplish shared goals and initiatives.

Transparency: be clear and accountable in our actions.

Fiscal responsibility: invest wisely in projects and programming that help achieve our housing affordability goals and community resources.

Solicit diverse views: Seek out recommendations from community members and other interested parties and incorporate the feedback into decisions and outcomes.

Identify contributing factors to lack of housing and services: use data to determine desired outcomes and deliverables.

BACKGROUND

Strategic Plan

The City Council established the Housing Affordability & Community Services (HA&CS) Committee in January 2016 with the goal to develop a strategic plan to improve housing affordability and make recommendations on budget allocations to social services. The HA&CS Committee invited citizens and community leaders involved in the lives of low income residents to join in a discussion and develop strategies to address the barriers to achieving a mix of housing for these residents. Committees formed to help identify obstacles as well as available services and to help determine gaps in available resources. The outcome of that work is the following Strategic Plan which sets forth the goals, strategies and action items to guide the City in implementing its affordable housing policy.

This Strategic Plan will work to implement many of the housing goals established in the 2016 Comprehensive Plan and will focus primarily on the needs for the lower income segments of our community.

OUTLINING THE NEEDS

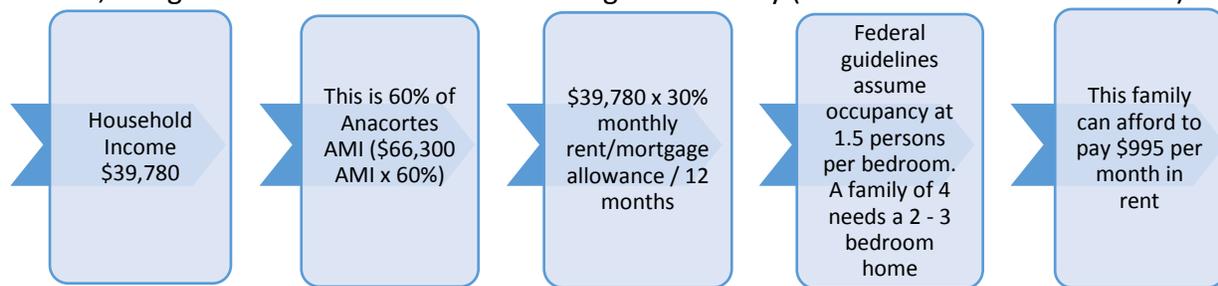
According to HUD 2014 CHAS (Comprehensive Housing Affordability Strategy data sets), nearly 33% of Anacortes households are housing cost burdened.¹ Families who pay more than 30% of their income for housing are considered cost burdened and may have difficulty affording other necessities such as food, clothing, transportation and medical care.²

What Does Affordable Mean?

Current AMI (Area Median Income) and Eligibility (Mount Vernon/Anacortes 2017 - \$66,300³)

Income Category	1 person household	2 person household	3 person household	4 person household	5 person household	6 person household	7 person household	8 person household
Extremely Low Income – ≤30% AMI	\$13,950	\$16,240	\$20,420	\$24,600	\$28,780	\$32,960	\$37,140	\$41,320
Very Low - 31%-50%	\$23,250	\$26,550	\$29,850	\$33,150	\$35,850	\$38,500	\$41,150	\$43,800
Low –51%-80%	\$37,150	\$42,450	\$47,750	\$53,050	\$57,300	\$61,550	\$65,800	\$70,050

What a particular household can afford is expressed in terms of area median income, adjusted for family size, as in the below example. The current median yearly income for a family of 4 in Anacortes is \$66,300. If the household wage earner(s) brings in less than that, say at the 60% level, they would earn \$39,780 (this is a bit more than the Very Low income category in the table above). That household can afford to spend as much as \$995 per month, including utilities, using the standard formula for housing affordability (no more than 30% of income).



In Anacortes, there are few homes and apartments that could accommodate this family for \$995 or less per month. As of April 2017, an informal poll of property managers in Anacortes

¹ https://www.huduser.gov/portal/datasets/cp/CHAS/data_querytool_chas.html

² https://portal.hud.gov/hudportal/HUD?src=/program_offices/comm_planning/affordablehousing/

³ <https://www.huduser.gov/portal/datasets/il/il2017/2017summary.odn>

shows 1 bedroom apartments are listing at approximately \$900 with 2 bedroom apartments typically listing between \$1200 and \$1400 per month.

Due to rising rents and stagnating wages, even when people work full time, they often struggle to afford rent. Data compiled by the National Low Income Housing Coalition, provides that a person paid the minimum wage of \$11 per hour would have to work 69 hours per week to afford a modest 1 bedroom rental in Skagit County.⁴

How Many People in Anacortes Need Affordable Housing?

Skagit County Public Health Department provided a compelling report on rental housing needs in Anacortes, using data from the 2010-2014 American Community Survey for Anacortes (HUD/CHAS⁵). The data below does not take into consideration the number of bedrooms needed for particular family sizes, access issues for low-income households, or those households not currently living in Anacortes but wish to. Nevertheless, it provides an important starting point for considering the rental housing needs in our community.

% of Area Median Income (AMI)	# of Renter Households	% of Overall Renter Households	# of Rental Homes Affordable to this Population	% of Overall Rental Stock Affordable to this Population	Homes Needed to Meet Current Need
0-30% AMI	495	21%	305	13%	190
30-50% AMI	395	16%	255	11%	140
50-80% AMI	425	18%	1,100	46%	-675 ⁶
80% AMI and above	1,085	45%	710	30%	375

This data shows that there is a mismatch between the existing housing supply and the needs of Anacortes’s residents. 37% of the residents earn less than half the area median income, but only 24% of the housing stock is affordable to this group. Included in this data are the 182 subsidized units managed by the Housing Authority, which currently has a 5 to 8 year waitlist for one bedroom apartments. On the other hand, there is an over-abundance of rentals at the higher end of the income category (those in the 50% plus AMI). Due to the housing supply gap at lower level incomes, the units suitable for those with higher incomes are being occupied by the lower income families which are far too expensive and subsequently put them in a cost burdened situation, according to HUD.

In order to meet existing needs, an additional 330 rental units affordable to households at less than 50% AMI would be required in Anacortes (chart above, column 6, 0-50% AMI). These households represent the City’s seniors on limited incomes, service workers struggling month-

⁴ <http://nlihc.org/oor/washington>

⁵ <https://www.huduser.gov/portal/datasets/cp.html>

⁶ This number indicates there are more rentals available in this income bracket than renters.

to-month, and other important members of our community who risk being priced out of our community, forcing them to spend more on childcare and transportation because they cannot afford to live where they work.

Current and Projected Housing Needs

What is the Total Current Need plus the Projected Need through 2036 for affordable housing? As presented above, the current need for affordable homes in Anacortes to accommodate the families in the 50% or less income categories is 330. According to the 2015 Berk Study (“Skagit County Affordable Housing Needs”)⁷, this translates to nearly 971 new housing units to meet our current and projected needs through 2036 for affordable housing.

The State Office of Financial Management develops growth targets for each county based on its forecast for statewide growth over the next 20 years. Skagit County and its cities work collaboratively to allocate the targets to the cities and the unincorporated county. Countywide, the overall growth targets through 2036 are for 35,751 new residents and 15,998 new jobs. For Anacortes, the initial 20 year growth target (2016 – 2036) identified for planning purposes is 5,895 new residents and 2,076 new jobs. This translates to an average growth of 295 new residents and 104 new jobs each year.⁸ The current population estimate for Anacortes is 16,780 (OFM, 2017)⁹.

GOALS & STRATEGIES

Comprehensive Plan Goals

In accordance with the 2016 Comprehensive Plan Goals – Housing Element Goals & Policies, the following list provides possible strategies for developing and preserving affordable housing in Anacortes.

Goal H-3. Housing Affordability. Provide for a range of housing opportunities to address the needs of all economic segments of the community.

Policy H-3.1. Encourage preservation, maintenance, and improvements to existing affordable housing.

- Maintain inventory of existing affordable housing which may have sunseting tax credits and facilitate outreach for reapplication.
- Encourage energy efficiency and other measures of sustainability in new and preserved housing to reduce costs for residents.

Policy H-3.2. Develop meaningful, measurable goals and strategies that promote the development of affordable workforce housing to meet local needs and monitor progress toward meeting those goals.

- Develop innovative strategies and programs around serving specific community needs.

⁷ https://www.skagitcounty.net/HumanServices/Documents/Housing/HousingNeed_CityProfiles.pdf

⁸

<http://www.cityofanacortes.org/docs/Planning/2016CompPlan/3rdFinalVersion/FinalCombined2016CompPlanForWeb.pdf>

⁹ http://www.ofm.wa.gov/pop/april1/ofm_april1_population_final.pdf

- Look for opportunities to co-locate housing with other civic projects and/or employers.
- Consider creation of an Artist/Tech/Design/Intern-in-residency program.

Policy H-3.3. Support non-profit agencies and public/private partnerships to preserve or develop additional housing for very low, low and moderate income households.

- Partnership to develop key community assets – work with Anacortes Housing Authority, Family Center, Skagit Home Trust, and other local agencies to rehabilitate, upgrade and create more housing to accommodate households in need.

Policy H-3.4. Support both rental and ownership forms of affordable housing in a variety of types and sizes.

- Streamline Accessory Dwelling Unit (ADU) processes – revisit definitions and permitted placement.
- Create education and outreach opportunities for owners of ADU’s about the value of adding to the rental market as opposed to short term/vacation rentals.

Policy H-3.5. Locate affordable housing throughout the city and especially in areas with good access to transit, employment, education, and shopping.

- Consider using land in residential zones for city-sponsored housing; e.g. Container Village or Land Trust project.
- Consider blended densities in conventional single family zones, etc.
- Review multiple scenarios for sub-area plan and development agreements to encourage a mix of use, e.g.
 - All city-owned residential with multiple housing options
 - Recreation area, meeting space, mixed housing
 - Mixed commercial and residential

Policy H-3.6. Consider a housing levy to provide ongoing funding for affordable housing.

- Poll the public on the support of a voter-backed housing levy.

Policy H-3.7. Consider developing an inclusionary zoning program as a means of increasing the city’s affordable housing supply.

- Determine strategies for inclusionary development including a possible “fee-in-lieu” application.

Policy H-3.8. Require that affordable housing achieved through public incentives or assistance remains affordable for the longest possible term.

Policy H-3.9. Evaluate land owned by the City and other public entities for use for affordable housing utilizing a community land trust,-or similar, -type model.

- Sell city-owned property to create funding for affordable housing projects.
- Utilize city-owned property to provide undeveloped land for affordable housing projects.
- Permit co-housing e.g. dormitory, tiny village, shared-space living, boarding houses.

Policy H-3.10. Develop and implement a detailed affordable housing program that identifies specific actions to increase the supply of housing that is affordable to low to middle-income individuals and families.

- Determine relevant regulatory measures, such as expedited permitting for multi-family development, reduced impact fees and general facility charges per RCW, and harmonize these goals with our Development Regulation update.
- Review multiple scenarios for sub-area plan and development agreements to encourage a mix of uses such as commercial and residential.
- Create a city-sponsored acquisition account for land in the R-4 zone that is suitable for multi-family or cottage housing.
- Make surplus or underutilized land available at reduced or no cost for affordable housing developments.
- Create incentive programs for landlords to keep housing below the market rate, educate on voucher programs.

Goal H-4. Special Needs. Provide housing options for special needs populations, including independent living for seniors, assisted living, memory care, drug & alcohol rehab and mental health facilities.

Policy H-4.1. Provide accommodation throughout the city for housing for people with special needs and avoid concentrations of such housing.

- Partnership with Housing Authority and Anacortes Family Center.

Policy H-4.2. Encourage the development of senior-friendly housing opportunities, particularly in areas near services and amenities.

- Provide advocacy to SCOG and SKAT about the particular needs of seniors in our community.

Special Needs Housing includes homes suitable for and occupied by people with one or more limitations, such as a physical or mental disability, long-term illness, or alcohol or drug issues. Examples include adult family homes, assisted living facilities, and group homes for people with developmental disabilities.

Policy H-4.3. Promote a range of housing types for seniors; e.g., adult family homes, skilled nursing facilities, assisted living, and independent living communities.

- Determine inclusionary zoning.

Policy H-4.4. Support ways for older adults and people with disabilities to remain in the community as their housing needs change by encouraging universal design or retrofitting homes for lifetime use.

- Work with Home Owner Associations (HOA's) to encourage updating bylaws to allow ADUs to accommodate live-in caretakers.

Policy H-4.5. Promote the provision of support services, including transportation options, to allow seniors and those with special needs to remain in their own homes or non-institutional settings.

- Support agencies and programs that enable seniors to 'age in place.'

Policy H-4.6. Support public and private housing and services for people who are homeless.

- Support and collaborate on Skagit County's Permanent Supportive Housing initiative.

Goal H-5. Regional Collaboration. Actively participate and coordinate with other agencies in efforts to meet regional housing needs.

Policy H-5.1. Encourage local and regional affiliations and alliances to provide affordable housing.

- Partnerships to develop key community assets - work with Anacortes Housing Authority and Anacortes Family Center.

- Partner with Shannon Point and the Marine Tech Center to provide student housing opportunities.
- Partner with local employers to create work-force housing.

Policy H-5.2. Explore local and regional funding options to support development of housing for low- and moderate-income households.

- Skagit HOME Consortium, CDBG options – leverage multiple year awards for city-sponsored development or partnership opportunity.

Policy H-5.3. Work with other jurisdictions and health and social service organizations to develop a coordinated, regional approach to homelessness.

- Partner with Skagit County in the “Building a Skagit County Housing Affordability Strategy.”
- Advocate for shared planning efforts with state and federal leaders - include in annual Legislative Priorities.

Goal H-6. Monitoring. Implement Housing Element goals in a manner that is efficient and transparent.

Policy H-6.1. Evaluate and report on how the goals and policies of this Housing Element are being achieved.

- Work with housing providers and reach out to residents in need to determine whether goals are being met and if not, why.
- Evaluate annually which strategies have been employed and how successful they have been, how many new units have been created and how many existing units have been retained.

Policy H-6.2. Monitor housing supply, type and affordability, including progress toward meeting a proportionate share of the countywide need for affordable housing for very low-, low-, and moderate-income households.

Policy H-6.3. Monitor local data and routinely reassess and adjust policies, strategies and regulations to improve effectiveness of programs to meet local housing needs

- Determine goals for number and type of units to be created annually. Greatest need is single bedroom and studio apartments.

WHERE DO WE FIND THAT FUNDING?

Building housing affordable to low income households requires public subsidy, often from a number of local, state, and federal sources. There are a number of strategies Anacortes can pursue to dedicate local funding toward affordable housing, including:

- Consider a housing levy to provide ongoing funding for affordable housing.
- Offer developers incentives such as increased height or floor area ratio in exchange for fees to support affordable housing.
- Leverage regional, state and federal grants such as the Skagit HOME Consortium and Community Development Block Grant program.
- Look for private investors and those willing to participate in a federal tax-credit program.
- Leverage or sell city-held land to create housing projects in the R-3 and R-4 zones.
- Utilize non-cash subsidies, such as credit enhancements and city bonding.

- Make surplus or underutilized city land available at reduced or no cost for affordable housing developments.
- Create a revolving housing fund to support 4% tax credit projects.
- Explore ways to increase usage of HUD vouchers (HOME Consortium).
- Continue to prioritize affordable housing projects for expedited development review and permitting.

REGULATIONS

The city's regulatory role is to eliminate barriers to the development of affordable housing, and encourage its production. The city's challenge is to find the right balance between regulations that ensure quality development without discouraging affordable housing. Staff will consistently update these regulations to ensure there are as few barriers as possible to providing high quality affordable housing. New regulatory options to stimulate affordable housing production include:

- Develop parking regulations specific to affordable housing, with the possibility of reducing parking requirements for certain types of development.
- Be flexible with development standards to promote infill by allowing alternatives such as narrower streets, modified parking requirements, one-way streets, and/or low-speed streets to meet those standards where full compliance with standards is not feasible or desirable. (Policy T-2.28 – 2016 Comp Plan)
- Encourage energy efficiency and other measures of sustainability in new and preserved housing to reduce costs for residents.
- Fee Reductions or Waivers. Consider reducing or waiving fees for housing developments that will house individuals making 80% or less AMI at the City Council's discretion.
- Offer development incentives and/or fee reductions such as increased height, floor area ratio if tied to affordable housing development or payment of a fee-in-lieu to an affordable housing fund.
- Inclusionary zoning – require a given share of new construction is set aside to be affordable for low to moderate income households in exchange for development incentives.
- Develop a Multi-family Tax Exemption (MFTE) to stimulate affordable housing production. Washington state law authorizes this program, which offers a limited 12-year tax exemption from ad valorem property taxation if 20% of the housing is affordable.

ADDENDUM

This Addendum will be updated annually to set the goals for the particular year. The progress and accomplishments for the goals set in this Strategic Plan will be reviewed annually by the Housing Affordability and Community Services City Council Committee

(Committee members will be appointed each year)

GOALS FOR 2017-2018

1. Develop and Approve Strategic Plan.
2. Development Regulations – Inclusionary Zoning (IZ) regulations/In-Lieu Fees, height density bonuses, fee waivers, MFTE.
3. Create a matrix to measure accomplishments and monitor number of available affordable units.
4. Explore creation of an “affordable housing tax” assessed on short term rentals.
5. Assignment of management for affordable housing projects to ensure affordability.
6. Development of Homeless Strategic Plan Addendum.
7. Explore opportunities for a permanent supportive housing facility housing 25-30 individuals.

DEFINITIONS/ABBREVIATIONS

4% Tax Credit Projects: The 4% credit is typically claimed for rehabilitated housing and new construction that is financed with tax-exempt bonds. Like the 9% credit, the 4% credit is claimed annually over a 10- year credit period. The actual credit rate fluctuates around 4%, but is set by the Treasury to deliver a subsidy equal to 30% of a project's qualified basis in present value terms.

Accessory Dwelling Unit (ADU): An accessory dwelling unit or detached accessory dwelling unit (sometimes called a mother-in-law apartment) is a separate living space within a house or on the same property as an existing house.

Adult Family Homes: residential homes licensed to care for up to six non-related residents. They provide room, board, laundry, necessary supervision, and necessary help with activities of daily living, personal care, and social services.

Area Median Income (AMI) - the household income for the median — or middle — household in a region.

Assisted Living Facilities: a system of housing and limited care that is designed for senior citizens who need some assistance with daily activities but do not require care in a nursing home.

CDBG: Community Development Block Grant – a HUD program. The Community Development Block Grant (CDBG) program is a flexible program that provides communities with resources to address a wide range of unique community development needs. The CDBG program provides annual grants on a formula basis to 1209 general units of local government (entitlement communities) and States. The City of Anacortes is an entitlement community which allows it to received CDBG funding. The CDBG entitlement program allocates annual grants to larger cities and urban counties to develop viable communities by providing decent housing, a suitable living environment, and opportunities to expand economic opportunities, principally for low- and moderate-income persons.

CHAS - Comprehensive Housing Affordability Strategy (by HUD).

HOME Consortium - The HUD HOME Investment Partnerships Program (HOME) provides formula grants to States and localities that communities use - often in partnership with local nonprofit groups - to fund a wide range of activities including building, buying, and/or rehabilitating affordable housing for rent or homeownership or providing direct rental assistance to low-income people. HOME is the largest Federal block grant to state and local governments designed exclusively to create affordable housing for low-income households. Anacortes is a participant in the Skagit HOME Consortium.

Inclusionary Zoning - also known as inclusionary housing, is an American term which refers to municipal and county planning ordinances that require a given share of new construction to be affordable by people with low to moderate incomes.

Multi-family tax exemption (MFTE) – provides a tax exemption on new multifamily buildings in exchange for setting aside at least 20% of the homes as income and rent restricted. The value of eligible multifamily housing improvements is exempted from property taxes for 8 or 12 years. Only multiple unit projects with 4 or more units are eligible for either the 8 or 12 year exemption, and only property owners who commit to renting or selling at least 20% of units as affordable housing units to low and moderate income households

are eligible for a 12 year exemption. If the property use changes in a manner inconsistent with program requirements before the 8 or 12 year exemption ends, back taxes are recovered based on the difference between the taxes paid and the taxes that would have been paid without the tax exemption. (MRSC)