

AGENDA

DES MOINES CITY COUNCIL
ECONOMIC DEVELOPMENT
City Council Chambers
21630 11th Avenue S, Des Moines, Washington
Thursday, May 25, 2023 - 4:00 PM

Economic Development Committee:

Deputy Mayor Traci Buxton; Councilmember Jeremy Nutting; Councilmember Vic Pennington

CALL TO ORDER

- Item 1. APPROVAL OF SEPTEMBER 22, 2022 MINUTES
[09.22.22 ED Committee Minutes Draft](#)
- Item 2. BOND UPDATE
City Manager will provide details.
- Item 3. HAP BRIEFING
Staff will walk through the Draft Housing Action Plan and Strategic Recommendations and Actions for the Committee input.
[HAP Briefing](#)
- Item 4. REVIEW OF HEIGHT LIMITS IN THE DOWNTOWN
Staff will *provide an overview of building height limits in the D-C zone and discuss options to facilitate development in the downtown core.*

ADJOURNMENT

DRAFT MINUTES

**Economic Development Committee Meeting
Thursday September 22, 2022
4:00 p.m. – 4:50 p.m.
Council Chamber**

Council Members

Jeremy Nutting, Chair
Vic Pennington, Vice Chair
Traci Buxton

City Staff

Michael Matthias – City Manager (CM)
Tim George – City Attorney
Bonnie Wilkins – Chief Administrative Officer
Denise Lathrop – Community Development Director
Beth Anne Wroe – Finance Director
Eric Lane – Economic Relief & Resource Coordinator/Planner II
Jodi Grager – Admin Asst II

Guests: Mayor Matt Mahoney and Councilmember Gene Achziger
Ken Rogers, Quarterdeck Owner and Mackenzie Meyers, Quarterdeck Manager

Meeting was called to order at 4:01 p.m.

1. Approval of 08.25.2022 Minutes

Minutes approved as submitted.

2. Marina Redevelopment

CM Michael Matthias gave a brief update regarding the Fast Ferry pilot project. He described an increase in ridership revenue after the Seattle Times article (*Take the fast ferry to Des Moines for lunch – there might be orcas en route*, 09.14.22). Anecdotally, CM Matthias cited an increase in restaurant patronage. He stated that a report with the inaugural season's statistics and recommendations will be presented to Council in the near future. CM Matthias used this opportunity to invite the Committee to the Community Meeting Marina Redevelopment Open House on 09.27.22. He described this meeting as an opportunity to present the updated version of the project and a good chance to check in with the community considering the last meeting was three years ago. City Attorney Tim George reminded the Committee that a conversation regarding the Quarterdeck lease extension took place in June. He stated that rather than extending a Quarterdeck lease with the current owner, Ken Rogers, it was decided to start negotiations with Mackenzie Meyers, the proposed new owner. this item will be shared in more detail with the Municipal Facilities Committee later this evening with a presentation to full council in October.

3. Housing Action Plan

Community Development Director Denise Lathrop described the next steps in the process of working to provide initial deliverables to the Housing Action Plan such as the public participation plan. Staff will provide opportunities for informal community conversations during soccer games scheduled through the Parks and Recreation Department. More formal opportunities will be arranged later this fall and winter of 2023. Our consultants are working on fine tuning the details. Director Lathrop will be providing quarterly council updates and policy discussions feeding the housing

element of the Comprehensive Plan:

(https://www.desmoineswa.gov/departments/planning_and_building/plan_development/comprehensive_plan)

A Public Hearing will be scheduled in May/June 2023 with a second reading of the draft Housing Plan. The Housing Needs Assessment provides quantitative data for analysis to assist with implementable strategies. Initial findings indicate the City has recently experienced a population growth with more economic diversification and increasing housing costs. There is a large housing need for incomes of 80% or less of the area median income (AMI). The Department of Commerce published new legislation (HB1220) to provide guidance in meeting the new housing goals and the updated requirements. The preliminary guidance suggests adding 3,800 housing units with targets for different income brackets. Staff will be reviewing strategies to meet those requirements. Director Lathrop discussed recent construction developments within the City and their varied affordability. CM Matthias indicated the conversation includes population density, home ownership and rental opportunities without stereotyping income levels.

4. 2024 Comprehensive Plan Periodic Review and Update

Director Lathrop provided a brief overview of upcoming efforts and requirements of for the update of the Comprehensive Plan. The City received a \$125,000 non-competitive grant for the work required. She anticipates consultants will author a work program to be submitted as part of the grant requirements. There is a new requirement to collaborate with the indigenous people of the area. The City has previously established a relationship with the Muckleshoot Tribe through the work on Sound View Park. This update will be housing heavy due to recent legislation. The Department of Commerce has funds available to investigate Middle Housing, which staff may pursue depending on results of our Housing Action Plan. Other items for consideration:

- Racial equity providing housing choice requirement
- Climate change direction
- Survey and community feedback

5. PSRC Transit Oriented Development Webinar and Walking Tour

Director Lathrop shared that Puget Sound Regional Council will be hosting a transit-oriented development event on October 21st that will explore innovative techniques and best practices to build and sustain equitable transit communities. PSRC has reached out to Des Moines planning staff to discuss the walking tour route at the Kent/Des Moines Link Light Rail Station Area across Pacific Highway from Highline College. She will share more information when a tour route map has been determined. CM Matthias mentioned that Director Lathrop recently attended a Planning Directors' Conference where there was great interest in Des Moines projects and development. He thanked Director Lathrop for her leadership and congratulated her on the recognition from her peers.

Adjourned at 4:36 p.m.

Respectfully submitted by, Jodi Grager, Public Works Administrative Assistant

memo

To: City Council Economic Development Committee
From: Denise Lathrop, AICP – Community Development Director
Date: May 18, 2023
Re: Draft Housing Action Plan

On May 4, 2023 the City Council was briefed on the Community Development Department's work to develop a Housing Action Plan (HAP). On May 12, 2023, the Draft HAP was published for public comment and is available for review on the project website: <https://desmoineshap.com/>

The HAP identifies strategies, actions, and policy tools to create enough housing options to meet our community's needs. The Plan is divided into four sections:

- Part 1: Introduction
- Part 2: Summary
- Part 3: Goals, Objectives, and Recommendations
- Part 4: Implementation

Parts 1 and 2 discuss the purpose of the HAP, the public participation process, demographics and housing need, while Parts 3 and 4 focus on the goals, strategies, actions, and policy tools to create enough housing options to meet our community's needs.

Staff seeking the Committee's input on Part 3 and Part 4 of the HAP (Exhibit 1) which provide the frame work goals and strategies that could be implemented and/or facilitated by the City.

Part 3: Goals, Objectives, and Recommendations

3.1. Overview

This Housing Action Plan identifies short and long-term actions that will serve to develop the city in a way to encourage new housing and preserve existing housing for the variety of residents located in Des Moines. The goals outlined below were developed based on community input and findings identified from the Housing Needs Assessment.

3.2. Goals

Goal 1. Improve access to housing.

The Des Moines community emphasized the need for greater access to housing for vulnerable population groups such as low-income households, homeless individuals, and community members that don't meet all the requirements for acquiring shelter.

It is important for the city to develop partnerships with organizations that provide programmatic and financial support for residents that need help accessing these resources and housing. These types of organizations include non-profit housing providers, community organizations, faith-based organizations, and regional partners. The city should continue participating in regional efforts to addressing regional housing needs and advocate for South King County specific solutions when appropriate.

Goal 2. Mitigate displacement.

Des Moines households have experienced rising housing costs, while incomes have not increased at the same rate. This has created a housing affordability crisis for renters and homeowners where they are spending a greater share of their income on housing with less disposable income for other needs such as food, travel, and health care.

This makes preservation of existing affordable housing important while also providing some financial assistance to residents to help them stay in their homes and community. Several strategies to help renters and homeowners to stay in their homes include regulatory changes, partnerships with existing housing providers, and both direct and indirect financial assistance.

Goal 3. Increase the supply of housing.

The City of Des Moines needs to considerably increase the supply of housing for households across the income spectrum, but most importantly for households with low incomes. While the city does not control private sector investment, it does control public policy that guides the type of private investment that gets built. The city should use the powers it controls such as development regulations to promote the development of a wide array of housing types including exploring different incentives to create affordable housing.

Goal 4. Support the preservation and creation of affordable housing.

The city’s role in providing affordable housing begins with finding ways to eliminate barriers for constructing this housing type that is needed in the community. There are several ways that the city can participate to promote more affordable housing development which include exploring new development incentives, amending the development code, and coordinating the acquisition and rehabilitation of existing affordable housing units.

3.3. Strategic Recommendations and Actions

Five priority strategic recommendations were identified to achieve the Housing Action Plan goals. Each recommendation includes a range of actions that the City can undertake during the short-term implementation horizon of the plan. These strategic recommendations arose as the best opportunities for responding to immediate needs while also establishing a system for the City to continue its work for the long-term as part of the Comprehensive Plan update in 2024.

The strategic recommendations correspond to the four Housing Action Plan goals. The following table cross-references the goals with the strategic recommendations.

Strategy	Goal 1. Improve Access to Housing	Goal 2. Mitigate Displacement	Goal 3. Increase the Supply of Housing	Goal 4. Support the Preservation and Creation of Affordable Housing
<i>Strategy 1. Support and create new partnership to address housing needs.</i>	✓	✓		✓
<i>Strategy 2. Support the acquisition and preservation of income-restricted rental housing by housing partners.</i>		✓		✓
<i>Strategy 3. Amend the development code to support housing options.</i>		✓	✓	
<i>Strategy 4. Remove regulatory barrier to support the development of a variety of housing types.</i>	✓	✓	✓	
<i>Strategy 5. Reduce development costs for affordable housing.</i>	✓	✓	✓	✓

Strategy 1. Support and create new partnership to address housing needs.

Description:

The City has long-standing partnerships with several regional housing providers and advocacy groups that provide essential housing programs and education to all income groups but most importantly to low-income households who are most vulnerable to changes in the housing market. There are instances where Des Moines residents are not eligible for specific housing related programs provided by its partners. It is vital that the city identify gaps in the programs and services offered by outside organizations but that may not be provided to Des Moines' residents.

Implementation Actions:

- Review and identify gaps in housing programs/services that are administered through the city versus those provided by partner organizations and available to Des Moines residents.
- Continue partnering with SKKHP to provide housing programs not currently administered to Des Moines' residents. These may include but not limited to:
 - Emergency rental assistance
 - Tenant right's counsel
 - Tenant education and training
 - Landlord education
 - Weatherization programs
- Explore partnerships with housing providers to increase access to housing programs by Des Moines residents. The programs could complement or supplement SKKHP on-going work and may include expanding the City's relationship with the Multi-Service Center (MSC).
- Continue to coordinate with county and regional agencies on affordable housing needs.
- Promote and facilitate new opportunities for collaboration within the different housing providers and social services.
- Coordinate with housing partners and create a centralized webpage in the city's website to host all programs and services that Des Moines residents can access through the city and partners.

Considerations:

- Seeking additional programmatic assistance to Des Moines residents from existing housing providers may require additional funding commitment from the city.
- Consider funding an additional staff position to coordinate housing programs

Households Supported: Low-income and middle-income.

Strategy 2. Support the acquisition and preservation of income-restricted rental housing by housing partners.

Description:

Subsidized or income-restricted units are crucial in a community because they provide affordable housing options for low- and moderate-income households, who may otherwise struggle to afford market-rate housing. This ensures that individuals and families have access to safe and decent housing, which is essential for their well-being and ability to participate in their communities. The Housing Needs Assessment identified that in the next 10 years three, privately-owned, low-income housing tax credit (LIHTC) developments will have their affordability requirement expire. The affordability expiration will allow the property owner to raise the rents to market-rate, potentially displacing the current households. Acquisition of these affordable housing units by housing providers such as the King County Housing Authority will ensure that these units remain affordable permanently.

Implementation Actions:

- Proactively track the expiration of the subsidy for LIHTC properties.
- Collaborate and coordinate with regional partners and housing providers to identify organizations that might be willing and able to acquire the properties if the owners seek to sell or convert them to market rate.
- Identify long-term funding sources (i.e., housing trust fund) for the acquisition of future LIHTC properties.

Considerations:

- The city may consider reaching out to the property owners of LIHTC properties before the end of the affordability period to offer technical assistance with preservation options and make them aware of any city or county programs or incentives available to support maintaining affordability.
- The city should consider proactive coordination with housing providers to develop educational and technical assistance to tenants of LIHTC properties when the affordability is about to expire and potentially provide relocation assistance.

Households Supported: Low-income.

Strategy 3. Amend the development code to support housing options.

Description:

Strategically rezone areas within the city to allow for a variety of housing types such as missing middle housing—townhomes, duplexes, triplexes, quadplexes, and cottage clusters—that can help encourage the development of higher-density housing as well as the development of affordable homeownership housing types. The City of Des Moines is considered a ‘land locked’ with no opportunities to expand the city limits. This limits the city’s ability to accommodate future residential growth. Allowing a greater number of housing types to be built and at higher densities will ensure that the city can accommodate future population growth.

Implementation Actions:

- Review and evaluate residential zones where missing middle housing types could be allowed by right to support broader Housing Action Plan goals.
- Review and explore simplifying residential zoning designations where similar housing types are allowed or will be allowed.
- Use national best practice development standards for missing middle housing types as a starting point for updating zoning regulations for these housing types. These may include amending code regulation related to parking minimums, maximum density, maximum height, and setbacks.

Considerations:

- Use the 2024 Comprehensive Plan Update as an opportunity to integrate major zoning and code changes.
- Consider rezoning residential zones that could support additional housing capacity without the need of substantial infrastructure improvements such as sidewalks, water and sewer, and infrastructure to minimize development costs.

Households Supported:

Low-income, middle-income, and high-income.

Strategy 4. Remove regulatory barriers to support the development of a variety of housing types.

Description:

The City’s role to encourage housing development begins with the development regulations it controls and finding ways to eliminate barriers for the construction of housing. Zoning and land use regulations as well as design standards can add additional costs to new development that can ultimately render a project financially unfeasible. Amending or removing these regulations can yield great benefits such as more housing production and potentially lower housing cost to the end consumer.

Implementation Actions:

- Remove or reduce minimum parking requirements for ADUs, townhomes, duplexes, multifamily and other missing middle housing types.
- Remove required guest parking requirements in residential zones.
- Review and amend minimum lot sizes, open space requirements, building height, setbacks, and design standards.

Considerations:

- Use the 2024 Comprehensive Plan Update as an opportunity to integrate major zoning and code changes.
- Consider removing or reducing regulatory barriers in areas or zones near frequent transit where higher density development can complement the transit facility.

Households Supported:

Low-income, middle-income, and high-income.

Strategy 5. Reduce development costs for affordable housing.

Description:

The Housing Needs Assessment identified that Des Moines has a need for more affordable housing units that are affordable for low-income residents who earn at and below 80 percent of the area median income (AMI). Typically, the housing market builds housing that is affordable to households with income of 80 percent of AMI and above, while affordable housing types for low-income households generally require some type of government subsidy or support to incentive the creation of this housing. Removing regulatory barriers and providing incentives to developers to build affordable housing is one of the tools that the city has control over.

Implementation Actions:

- Create an expedited building permit process for affordable housing developments.
- Remove or reduce minimum parking requirements for affordable housing.
- Remove required guest parking requirements for affordable housing.
- Review and amend minimum lot sizes, open space requirements, building height, setbacks, and design standards.
- Explore regulatory incentives (i.e., density bonus, maximum height, fee waiver, etc.) to support the creation of affordable housing.
- Consider re-establishing the multi-family tax exemption (MFTE) program with an evaluation of the requirements and incentives to increase the use of the program within the city.
- Consider using city owned land for the development of affordable housing through a competitive RFP process.
- Explore using real estate excise tax (REET 3) as a funding source for affordable housing development.
- Explore ways to partner with faith-based organizations and institutions to develop affordable housing.
- Coordinate citywide projects with anticipated affordable development to provide necessary infrastructure needs for the project.

Considerations:

- Consider funding a part-time or full-time position to coordinate with housing partners and state agencies to identify funding opportunities for the creation and preservation of affordable housing.

Households Supported:

Low-income, middle-income, and high-income.

Recommendations for Future Actions

The following actions, while important and useful, are recommended for the City to consider in the future as or long-term objectives. Some of these recommendations are broad, with the intent that in the future the city might have clarity of how to potentially implement these recommendations or further consider as staff resources are available.

- **Support Preservation of Manufactured Home Parks.** Manufactured home parks play a significant role in providing naturally occurring affordable housing in the city. Preserving manufactured home parks can help address the affordable housing crisis, support vulnerable population groups and helps with mitigating displacement pressures of possible redevelopment of existing manufactured home parks.
- **Develop Pre-Approved Plans for ADUs and Middle Housing.** Consider lowering the barriers to Accessory Dwelling Units (ADU) and middle housing typologies (i.e., cottage clusters, townhomes, and plex development) by providing a pre-approved set of plans for designs that, if used by a developer or homeowner, would lead to streamlined approvals and reduced permitting schedule. Pre-approved plans can reduce the need for architectural assistance, reducing costs and eliminating barriers to the development of these housing types, encouraging more participation from homeowners or smaller-scale developers.
- **Explore Working with Community Land Trusts.** Building affordable housing for homeownership requires different considerations to ensure long-term affordability, beyond the first sale. One way to achieve this is through land trusts, which are managed by a nonprofit organization that holds land in perpetuity and sells or leases housing on the land at below-market rates. This helps achieve below-market pricing since the land is not included in the housing price. Land trusts are commonly used to support affordable homeownership and the City's role may involve partnering with existing nonprofit organizations that operate land trusts or developing its own land trust. The City could participate in a community land trust by assisting with land acquisition through land banking or providing funding to support housing development.

- **Explore a Local, Revolving Funding Source to Support Affordable Housing Development.** While the City of Des Moines has limited funds available to financially support affordable housing development, there are opportunities to create a local funding stream. For example, the city could explore a housing levy or a housing trust fund to direct funds for the creation of affordable housing within city limits. Direct financial support is one of the most effective ways to supporting affordable housing developments to closing the financial gap.
- **Explore Creative, Low-cost Housing Solutions to Serve People Experiencing Homelessness.** In partnership with non-profit organizations and service providers, explore innovative ways to provide shelter to houseless individuals such as repurposing motels for emergency and permanent supportive housing, examining building tiny homes on publicly owned land, and the possibility of building a permanent shelter with services.



Part 4: Implementation

4.1. Overview

Achieving the goals outlined in this Housing Action Plan will require new and deeper partnerships with non-profit organizations, new policies, land use development code changes, and possibly zoning code changes.

The following table provides specific actions the city can pursue to implement the five strategic recommendations.

<i>Action</i>	<i>Priority</i>	<i>Level of Effort (Staff Time & Cost)</i>	<i>Action Type</i>
Strategy 1. Support and create new partnership to address housing needs.			
Review and identify gaps of what housing programs are administered through the City versus those provided by partners to Des Moines residents.	Immediate (1-2 years)	Moderate \$\$	Administrative
Continue to partner with SKKHP to provide housing programs not currently administered to Des Moines’ residents these may include to but not limited to: <ul style="list-style-type: none"> • Emergency rental assistance • Tenant right’s counsel • Tenant education and training • Landlord education • Weatherization programs 	Immediate (1-2 years)	Moderate \$\$	Administrative
Seek additional partnership with existing housing providers to provide housing programs to Des Moines residents for which programs could complement or supplement SKKHP on-going work.	Immediate (1-2 years)	Moderate \$\$	Administrative
Continue to coordinate with county and regional agencies on affordable housing needs.	Short-term (2-5 years)	Low \$	Programmatic
Promote and facilitate new opportunities for collaboration within the different housing providers and social services.	Short-term (2-5 years)	Low \$	Programmatic
Coordinate with housing partners and create a centralized webpage in the city’s website to host all programs and services that Des Moines residents can access through the city and partners.	Immediate (1-2 years)	Low \$	Programmatic

<i>Action</i>	<i>Priority</i>	<i>Level of Effort (Staff Time & Cost)</i>	<i>Action Type</i>
Strategy 2. Support the acquisition and preservation of income-restricted rental housing by housing partners.			
Proactively track the expiration of the subsidy for LIHTC properties.	Short-term (2-5 years)	Low \$	Programmatic
Collaborate and coordinate with regional partners and housing providers to identify organizations that might be willing and able to acquire the properties if the owners seek to sell or convert them to market rate.	Short/Long-term (2-5 years)	Moderate \$\$	Programmatic
Identify long-term funding sources (i.e., housing trust fund) for the acquisition of future LIHTC properties.	Long-term (5+ years)	Moderate \$\$	Regulatory
Strategy 3. Amend the development code to support housing options.			
Review and evaluate residential zones where missing middle housing types could be allowed by right to support broader housing action plan goals.	Immediate (1-2 years)	Moderate \$\$	Regulatory
Review and explore simplifying residential zoning designations where similar housing types are allowed or will be allowed.	Immediate (1-2 years)	Moderate \$\$	Regulatory
Use national best practice development standards for missing middle housing types as a starting point for updating zoning regulations for these housing types.	Immediate (1-2 years)	Moderate \$\$	Regulatory
Strategy 4. Remove regulatory barrier to support the development of a variety of housing types.			
Remove or reduce minimum parking requirements for ADU's, townhomes, duplexes, multifamily and other missing middle housing types.	Immediate (1-2 years)	Moderate \$\$	Regulatory
Remove required guest parking requirements in residential zones.	Immediate (1-2 years)	Moderate \$\$	Regulatory
Review and amend minimum lot sizes, open space requirements, building height, setbacks, and design standards.	Short-term (2-5 years)	Moderate \$\$	Regulatory

<i>Action</i>	<i>Priority</i>	<i>Level of Effort (Staff Time & Cost)</i>	<i>Action Type</i>
Strategy 5. Reduce development costs for affordable housing.			
Remove or reduce minimum parking requirements for affordable housing.	Immediate (1-2 years)	Moderate \$\$	Regulatory
Remove required guest parking requirements for affordable housing.	Immediate (1-2 years)	Moderate \$\$	Regulatory
Create an expedited building permit process for affordable housing developments.	Short-term (2-5 years)	Moderate \$\$	Regulatory/Programmatic
Review and amend minimum lot sizes, open space requirements, building height, setbacks, and design standards.	Short-term (2-5 years)	Moderate \$\$	Regulatory/Incentive
Explore regulatory incentives (i.e., density bonus, maximum height, fee waiver, etc.) to support the creation of affordable housing.	Short-term (2-5 years)	Moderate \$\$	Regulatory/Incentive
Consider re-establishing the multi-family tax exemption (MFTE) program with an evaluation of the requirements and incentives to increase the use of the program within the city.	Short-term (2-5 years)	Moderate \$\$	Regulatory/ Incentive
Coordinate citywide projects with anticipated affordable development to provide necessary infrastructure needs for the project.	Short-term (2-5 years)	Low \$	Administrative
Consider using city owned land for the development of affordable housing through a competitive RFP process.	Long-term (5+ years)	Moderate \$\$	Incentive
Explore using real estate excise tax (REET 3) as a funding source for affordable housing development.	Long-term (5+ years)	Moderate \$\$	Incentive/Revenue
Explore ways to partner with faith-based organizations and institutions to develop affordable housing.	Long-term (5+ years)	Low \$	Programmatic