# Adequate Provisions Analysis

## 1. INTRODUCTION

RCW 36.70A.070(2)(d) requires jurisdictions planning under the GMA to include in their comprehensive plan a housing element that "[m]akes adequate provisions for existing and projected needs of all economic segments of the community, including:

> (i) Incorporating consideration for low, very low, extremely low, and moderate-income households;
>
> (ii) Documenting programs and actions needed to achieve housing availability including gaps in local funding, barriers such as development regulations, and other limitations;
>
> (iii) Consideration of housing locations in relation to employment location; and
>
> (iv) Consideration of the role of accessory dwelling units in meeting housing needs."

This Appendix builds on the Housing Needs Assessment in Appendix A-1 and the Land Capacity Analysis (LCA) in Appendix A-2. The LCA found sufficient zoned acreage to accommodate Sequim's housing targets at all income bands, as determined by the Department of Commerce and Clallam County. This Appendix begins with Commerce's Adequate Provisions checklists which document potential barriers to housing production on the zoned acreage identified in the LCA, and continues with an analysis of Sequim's existing subsidized housing inventory, a gap analysis of potential funding levels needed to develop the quantity of affordable units needed to meet housing targets, a list of potential sources of funding for those subsidized units over the planning horizon, information on the process of affordable housing funding at the local and statewide level, and feedback from Sequim's development community to identify specific issues facing local developers regarding the feasibility and development of subsidized units in the city.

## 2. BARRIER REVIEW CHECKLISTS

In their August 2024 *Guidance for Updating Your Housing Element* (also known as "Book 2"), the Department of Commerce developed checklists for jurisdictions to evaluate regulatory, process, financial, and land constraints to the development of affordable housing. These checklists for moderate-density housing, low- and mid-rise housing, PSH and emergency housing, and ADUs follow. Concurrently with this Comprehensive Plan update, the City is adopting revisions to Title 18, Sequim's zoning code, in response to the identified challenges and barriers in this analysis. The rightmost column documents these updates and zoning changes intended to remove the identified barriers to the development of housing at all income bands.

**Exhibit B1: Moderate Density housing barrier review checklist**

| Barrier | Is this barrier likely to affect housing production? (yes or no) | Why or why not? Provide evidence. | Actions needed to address barrier. | Zoning Updates to be Adopted Concurrently with Comprehensive Plan |
|---|---|---|---|---|
| **DEVELOPMENT REGULATIONS** | | | | |
| **Unclear development regulations** | No | Development regulations are clear and publicly available, though it is slightly confusing that standards are located in the "Purposes of Districts" section of the code. | If code is ever reorganized, consider making it clear where use and standard tables can be found. | Title-wide updates for consistency and clarity to make a more uniform zoning ordinance. |
| **Prohibiting some moderate density housing types, such as:**<br>○ Duplexes<br>○ Triplexes<br>○ Four/five/six-plexes<br>○ Townhomes<br>○ Cottage housing<br>○ Live-work units | No | Multifamily structures up to four units are allowed in the R4-8 zone. Manufactured homes and manufactured home parks are allowed in this zone as well. | While not required, staff have included updates in a draft Title 18 to remove potential barriers based on feedback from developers wanting to | Updated R4-8 to R4-9 to allow slight increase to residential densities. Also recalibrated how maximum density is calculated, switching from net density to gross density. This will allow attached housing to |

| Barrier | Is this barrier likely to affect housing production? (yes or no) | Why or why not? Provide evidence. | Actions needed to address barrier. | Zoning Updates to be Adopted Concurrently with Comprehensive Plan |
|---|---|---|---|---|
| ○ Manufactured home parks | | | build these types of units in the current R4-8 zone. | potentially achieve full max density more effectively than traditional detached housing – which creates more of an incentive for these types of units. The City has also included a new "Cluster Housing" development type modeled after cottage housing to ensure max density can be reached when building smaller detached housing. Updates to Planned Residential Development section will provide another path to more efficiently realize maximum density. |
| **High minimum lot sizes** | Possibly | The minimum lot sizes in the DMU zone range from 5,400 SF for a single family home to 12,000 SF for a fourplex. In the R4-8 zone, administratively density is capped at 6 du/acre (gross). | Consider allowing fourplexes on 10,500 SF lots (the minimum lot size for a triplex). | In the R4-9 (formerly R4-8) zone, density is capped at 9 du/acre (gross). Lot sizes are proposed to drop to 4,840 SF for detached and 3,630 SF for fee simple attached |

| Barrier | Is this barrier likely to affect housing production? (yes or no) | Why or why not? Provide evidence. | Actions needed to address barrier. | Zoning Updates to be Adopted Concurrently with Comprehensive Plan |
|---|---|---|---|---|
| | | | | housing in standard developments. Cluster Housing will allow this to further drop to 3,000 SF. PRD lots could go as low as 2,500 SF and allow a density of 10 du/acre. The density cap in the DMU zone was removed. |
| **Low maximum densities or low maximum FAR** | No | Density is governed by minimum lot size rather than density or FAR. See above for additional comments. | | Density calculations have been refined for clarity. |
| **Low maximum building heights** | Possibly | The maximum building height for multifamily in the R4-8 zone is 25 feet (two stories). This could negatively impact the feasibility of three- and four-unit buildings. | Consider increasing the height limit to 35 feet (three stories). | No proposal to increase the height within the R4-9 zone. However, other measures have been taken to increase unit potential on lots, including decreasing setbacks, increasing lot coverage maximums, and decreasing open space requirements. |

| Barrier | Is this barrier likely to affect housing production? (yes or no) | Why or why not? Provide evidence. | Actions needed to address barrier. | Zoning Updates to be Adopted Concurrently with Comprehensive Plan |
|---|---|---|---|---|
| **Large setback requirements** | No | The required setbacks are not overly large. | | Rear setbacks have been reduced to 10 feet, and side yard setbacks have been reduced to 5 feet. |
| **High off-street parking requirements** | Yes | Two parking spaces are required for each dwelling unit in the R4-8 zone, regardless of size. | Consider tying the required parking to the number of bedrooms per unit, with fewer required spaces for a studio or one-bedroom than for a larger, family-sized unit. | Single family detached will still require 2 spaces per unit. Multifamily is proposed to be 1.5 spaces per unit. Studio units are proposed to be 1 space per unit. Permanent supportive housing and emergency housing have no parking requirements. Parking studies can be provided to request reduced parking requirements for all development types. |
| **High impervious coverage limits** | Yes | The maximum lot coverage in the R4-8 zone is 40 percent. This significantly limits what can be built on site, and is likely to be a barrier for three- and four-unit buildings. | Consider removing the maximum lot coverage and regulating coverage on site through a combination of existing | Standard development lots in the R4-9 (formerly R4-8) will be allowed 60% lot coverage. Cluster and PRD lots will allow 65%. |

| Barrier | Is this barrier likely to affect housing production? (yes or no) | Why or why not? Provide evidence. | Actions needed to address barrier. | Zoning Updates to be Adopted Concurrently with Comprehensive Plan |
|---|---|---|---|---|
| | | | setbacks and open space requirements. | |
| **Lack of alignment between building codes and development codes** | No | There does not appear to be a lack of alignment between building and development codes. | | |
| **Other (for example: complex design standards, tree retention regulations, historic preservation requirements)** | Yes | Multifamily properties with two or more buildings are required to include play spaces with play equipment that are not within required landscaped areas or setbacks. | Consider changing this requirement to only apply to properties where there is not a park within a half mile, and allow play spaces within landscaped/open space areas. | Open space and playground requirements have been significantly updated. Playgrounds are no longer required, and open space on multifamily developments (not including fee simple lots) have been reduced. |
| **PROCESS OBSTACLES** | | | | |
| **Conditional use permit process** | No | An administrative conditional use permit is required for moderate density housing in the R4-8 zone. This is a lower bar than a typical conditional use permit. | | |
| **Design review** | Possibly | Design review is required for all new commercial, industrial, mixed | Consider removing the design review requirement | The City has revised design standards to be |

| Barrier | Is this barrier likely to affect housing production? (yes or no) | Why or why not? Provide evidence. | Actions needed to address barrier. | Zoning Updates to be Adopted Concurrently with Comprehensive Plan |
|---|---|---|---|---|
| | | use, and residential structures with more than four dwelling units. | in zones where five- and six-unit multifamily buildings are allowed. | clearer, in alignment with state law. |
| **Lack of clear and accessible information about process and fees**[1] | No | Information about process and fees is easily accessible | | |
| **Permit fees, impact fees and utility connection fees** | No | Fees are based on the size and intensity of the structure. | | |
| **Processing times and staffing challenges** | Yes | Over the last several years, there has been high turnover at the City's planning department. This has the potential to slow processing, especially during periods of transition. | Ensure that the permit processing system is set up so that the departure of one staff member does not have a significant negative impact on processing times. Consider utilizing an on-call planner for emergencies. | A permanent Community and Economic Development Director has been hired and department staffing has been stabilized. This has increased consistency for permitting and other inquiries. |
| **SEPA process** | No | The SEPA process in Sequim does not appear to be more onerous than in other communities. | | |

[1] For example: guidance resources are unclear or difficult to find, no digital permit tracking system, staff do not provide fee estimates or permitting time estimates are unavailable or inaccurate.

| Barrier | Is this barrier likely to affect housing production? (yes or no) | Why or why not? Provide evidence. | Actions needed to address barrier. | Zoning Updates to be Adopted Concurrently with Comprehensive Plan |
|---|---|---|---|---|
| **LIMITED LAND AVAILABILITY AND ENVIRONMENTAL CONSTRAINTS** | | | | |
| **Lack of large parcels for infill development** | No | There are large parcels throughout the city suitable for infill development. | | |
| **Environmental constraints** | No | There are no significant environmental constraints impacting land availability. | | |

**Exhibit B2: Low-Rise or Mid-Rise housing barrier review checklist**

| Barrier | Is this barrier likely to affect housing production? (yes or no) | Why or why not? Provide evidence. | Actions needed to address barrier. | Zoning Updates to be Adopted Concurrently with Comprehensive Plan |
|---|---|---|---|---|
| **DEVELOPMENT REGULATIONS** | | | | |
| **Unclear development regulations** | Possibly | Generally, development regulations are clear. However, development standards for some zones (i.e., EOA) are difficult to find in the code | Improve code organization to make development regulations easier to find | Title-wide updates for consistency and clarity to make a more uniform zoning ordinance. |
| **High minimum lot sizes** | No | There are no minimum lot sizes in the applicable zones. | | |
| **Low maximum densities or low maximum FAR** | No | The DMU I zone has a maximum FAR of 1.0 while DMU II has a maximum FAR of 0.7 (before bonuses). The average lot size in these zones is around 0.3 acres, allowing for a building of up to 13,000 SF per current regulations. However, the amenities that confer bonuses are not likely to be direct threats to feasibility. | | FAR is no longer being utilized. Development intensity will be entirely determined by bulk and dimensional standards. |
| **Low maximum building heights** | Only in DMU zone | The height limits in the CMU and EOA zones allow for four-five story buildings. However, the DMU zone | Ensure that articulation and step-back requirements for upper | Step back requirements have been removed entirely. |

| Barrier | Is this barrier likely to affect housing production? (yes or no) | Why or why not? Provide evidence. | Actions needed to address barrier. | Zoning Updates to be Adopted Concurrently with Comprehensive Plan |
|---|---|---|---|---|
| | | has upper floor step-backs and articulation requirements that make development more challenging, and could impact the actual achievable FAR. | floors in the DMU zone do not limit the allowed density in these zones. | |
| **Large setback requirements** | Only in CMU zone when adjacent to single family | The CMU zone requires a 0' side and 10' rear setback on most lots, but requires a 20' setback when adjacent to R zones. | Consider reducing the required setback for parcels adjacent to R zones in the CMU zone to 10". | |
| **High off-street parking requirements** | Yes | The CMU and EOA zones require 1.5 spaces per unit, regardless of unit size. The CMU zone also requires an additional guest parking space for every ten units. | The parking requirements should be tied to the unit size, as in the DMU zones, which require 0.5 spaces for studios and 1 space for larger units. | Multifamily units must provide 1.5 spaces per unit. Studios 1 space per unit. The Downtown has more on-street parking opportunities which allows for a slight decrease. |
| **High impervious coverage limits** | No | Limits are based on stormwater, parking, and landscaping requirements | | |

| Barrier | Is this barrier likely to affect housing production? (yes or no) | Why or why not? Provide evidence. | Actions needed to address barrier. | Zoning Updates to be Adopted Concurrently with Comprehensive Plan |
|---|---|---|---|---|
| **Lack of alignment between building and development codes** | No | There is no lack of alignment between building and development codes | | |
| **Other (for example: ground floor retail requirements, open space requirements, complex design standards, tree retention regulations, historic preservation requirements)** | Possibly | In the DMU zones, there are some requirements for ground floor transparency. Depending on the feasibility of commercial space in these areas, this could create a barrier to development. | Ensure that ground floor transparency / active use requirements are flexible enough to encourage development even when the retail environment is challenging. | Transparency requirements will only apply to nonresidential buildings. |
| **PROCESS OBSTACLES** | | | | |
| **Conditional use permit process** | No | Conditional uses are not required for housing in these zones. | | |
| **Design review** | No | Allowed uses go through A-1 or A-2 reviews, which are administrative. | | |
| **Lack of clear and accessible information about process and fees** | No | Information about process and fees is easily accessible | | |
| **Permit fees, impact fees and utility connection fees** | No | Fees are based on the size and intensity of the structure. | | |

| Barrier | Is this barrier likely to affect housing production? (yes or no) | Why or why not? Provide evidence. | Actions needed to address barrier. | Zoning Updates to be Adopted Concurrently with Comprehensive Plan |
|---|---|---|---|---|
| **Process times and staffing challenges** | Yes | Over the last several years, there has been high turnover at the City's planning department. This has the potential to slow processing, especially during periods of transition. | Ensure that the permit processing system is set up so that the departure of one staff member does not have a significant negative impact on processing times. Consider utilizing an on-call planner for emergencies. | Updates to City's permit processing code (SMC 20.01) was updated in 2026. On-call planning consultant was established in Fall 2025. |
| **SEPA process** | No | City SEPA fees scale with the value of a project, directions are clear and not out of line with typical requirements. | | |
| **LIMITED LAND AVAILABILITY AND ENVIRONMENTAL CONSTRAINTS** | No | There is adequate land capacity to meet city housing needs | | |
| **Lack of large parcels for infill development** | No | There are large parcels throughout the city suitable for infill development. | | |
| **Environmental constraints** | No | There are no significant environmental constraints impacting land availability. | | |

**Exhibit B3: Supplementary barrier review checklist for PSH and emergency housing**

| Barrier | Is this barrier likely to affect housing production? (yes or no) | Why or why not? Provide evidence. | Actions needed to address barriers. | Zoning Updates to be Adopted Concurrently with Comprehensive Plan |
|---|---|---|---|---|
| **DEVELOPMENT REGULATIONS** | | | | |
| **Spacing requirements (for example, minimum distance from parks, schools or other emergency/PSH housing facilities)[2]** | Possibly | Per 18.56.60, " The hearing examiner must find that the essential public facility and/or special use will be located, planned, and developed in such a manner that the essential public facility and/or special use is not inconsistent with the health, safety, convenience, or general welfare of persons residing or working in the city" | Ensure that there are clear and objective standards that do not include excessive spacing requirements. | There are no spacing requirements. |
| **Parking requirements** | Possibly | There are no specified parking requirements for emergency shelters or PSH. | The City should not require parking for emergency shelters, and requirements should be very low (lower than multifamily) for permanent supportive housing, as | No parking is required for emergency housing or PSH. Parking studies can be utilized to determine parking needs on other projects. |

[2] Note that RCW 35A.21.430 expressly states requirements on occupancy, spacing, and intensity of use may not prevent the siting of a sufficient number of permanent supportive housing, transitional housing, indoor emergency housing or indoor emergency shelters necessary to accommodate each code city's projected need for such housing and shelter under RCW 36.70A.070(2)(a)(ii). The restrictions on these uses must be to protect public health and safety.

| Barrier | Is this barrier likely to affect housing production? (yes or no) | Why or why not? Provide evidence. | Actions needed to address barriers. | Zoning Updates to be Adopted Concurrently with Comprehensive Plan |
|---|---|---|---|---|
| | | | PSH residents are typically less likely to own a vehicle. | |
| **On-site recreation and open space requirements** | | | | |
| **Restrictions on support spaces, such as office space, within a transitional or PSH building in a residential zone** | No | Most multifamily zones allow offices, service providers, etc. Public services and facilities are allowed in R4-8 zones. | | |
| **Arbitrary limits on number of occupants (in conflict with RCW 35A.21.314)** | No | There do not appear to be limits on the number of occupants in conflict with RCW 35A.21.314 | | |
| **Requirements for PSH or emergency housing that are different than the requirements imposed on housing developments generally (in conflict with RCW 36.130.020)** | Yes | There are no references to PSH in the code. Emergency housing requires a special use permit. These permits have additional requirements beyond typical uses, such as multifamily housing. | Allow PSH and emergency housing in all areas where multifamily housing is allowed. Explicitly refer to these uses within the code and ensure that they are subject to the same regulations as housing. | PSH, emergency housing and transitional housing are all now included and incorporated into the zoning code. |
| **Other restrictions specific to emergency shelters, emergency housing, transitional housing and** | No | | | |

| Barrier | Is this barrier likely to affect housing production? (yes or no) | Why or why not? Provide evidence. | Actions needed to address barriers. | Zoning Updates to be Adopted Concurrently with Comprehensive Plan |
|---|---|---|---|---|
| **permanent supportive housing** | | | | |

**Exhibit B4: Accessory dwelling unit barrier review checklist**

| Barrier | Is this barrier likely to affect housing production? (yes or no) | Why or why not? Provide evidence. | Actions needed to address barriers. | Zoning Updates to be Adopted Concurrently with Comprehensive Plan |
|---|---|---|---|---|
| **DEVELOPMENT REGULATIONS** | | | | |
| **Consistent with HB 1337 (2023)**<br>○ Must allow two ADUs on each lot in urban growth areas;<br>○ May not require the owner to occupy the property, and may not prohibit sale as independent units, but may restrict the use of ADUs as short term rentals;<br>○ Must allow an ADU of at least 1,000 square feet; | Yes | Just one ADU is currently allowed; ADUs are capped at 850 square feet or 60% of primary unit size (whichever is smaller); one paved parking spot is required; | Ensure that ADU code is aligned with the requirements in HB 1337 | ADU consistent with HB 1337 codes have been adopted in current code SMC 18.21 as part of a Supplemental Housing chapter adopted in early 2026 and will be incorporated into updated code as a |

| Barrier | Is this barrier likely to affect housing production? (yes or no) | Why or why not? Provide evidence. | Actions needed to address barriers. | Zoning Updates to be Adopted Concurrently with Comprehensive Plan |
|---|---|---|---|---|
| ○ Must set parking requirements based on distance from transit and lot size;<br>○ May not charge more than 50% of the impact fees charged for the principal unit;<br>○ Must permit ADUs in structures detached from the principal unit;<br>○ May not restrict roof heights of ADUs to less than 24 feet, unless that limitation applies to the principal unit;<br>○ May not impose setback requirements, yard coverage limits, tree retention mandates, restrictions on entry door locations, aesthetic requirements, or requirements for design review for ADUs that are more restrictive than those for principal units;<br>○ Must allow an ADUs on any lot that meets the minimum lot size required for the principal unit;<br>○ Must allow detached ADUs to be sited at a lot line if the lot line abuts a public alley, unless the city or county routinely plows snow on the public alley; | | owner is required to occupy the property. | | standalone chapter in Draft Title 18. |

| Barrier | Is this barrier likely to affect housing production? (yes or no) | Why or why not? Provide evidence. | Actions needed to address barriers. | Zoning Updates to be Adopted Concurrently with Comprehensive Plan |
|---|---|---|---|---|
| ○ Must allow conversions from existing structures, even if they violate current code requirements for setbacks or lot coverage; and<br>○ May not require public street improvements as a condition of permitting ADUs. | | | | |
| **Unclear development regulations** | No | Development regulations are clear and publicly accessible. | | |
| **Large setback requirements** | No | The setback requirements for the principal unit apply to ADUs - the setback requirements in the R4-8 zone are not overly restrictive. | | |
| **Off-street parking requirements** | Yes | Per HB 1337, parking requirements should account for lot size and distance from transit. Sequim requires one off-street space per ADU, in | Revise parking requirements to meet the standards of HB 1337. | One space is still required; however, no parking is now required within a half mile of the City's downtown transit facility. This facility does |

| Barrier | Is this barrier likely to affect housing production? (yes or no) | Why or why not? Provide evidence. | Actions needed to address barriers. | Zoning Updates to be Adopted Concurrently with Comprehensive Plan |
|---|---|---|---|---|
| | | addition to the required parking for the primary structure. | | not meet the definition considered under HB 1337 for a major transit facility but are adopting the standard for the facility that Sequim does have. |
| **Other (for example: burdensome design standards, tree retention regulations, historic preservation requirements, open space requirements, etc.)** | No | There are no additional requirements for ADUs that would have a significant impact on feasibility. | | |
| **PROCESS OBSTACLES** | | | | |
| **Lack of clear and accessible information about process and fees** | No | Information about process and fees is clear and publicly available. | | |
| **Permit fees, impact fees and utility connection fees that are not proportionate to impact** | Yes | Transportation impact fee for ADUs are 54 percent | Ensure that permit and impact fees | ADU permits are being evaluated project-by- |

| Barrier | Is this barrier likely to affect housing production? (yes or no) | Why or why not? Provide evidence. | Actions needed to address barriers. | Zoning Updates to be Adopted Concurrently with Comprehensive Plan |
|---|---|---|---|---|
| | | of the fee for a single family residence (HB 1337 includes a 50 percent cap). | for ADUs are no more than half of fees for a single family residence. | project, with City staff ensuring that fees are capped at no more than 50 percent of the fee for a single-family residence. This review will continue until the City has officially updated its fee schedule. |
| **Processing times and staffing challenges** | Yes | Over the last several years, there has been high turnover at the City's planning department. This has the potential to slow processing, especially during periods of transition. | Ensure that the permit processing system is set up so that the departure of one staff member does not have a significant negative impact on processing times. Consider utilizing an on-call planner for emergencies. | Updates to City's permit processing code (SMC 20.01) was updated in 2026. On-call planning consultant was established in Fall 2025. |

## 3. SUBSIDIZED HOUSING INVENTORY

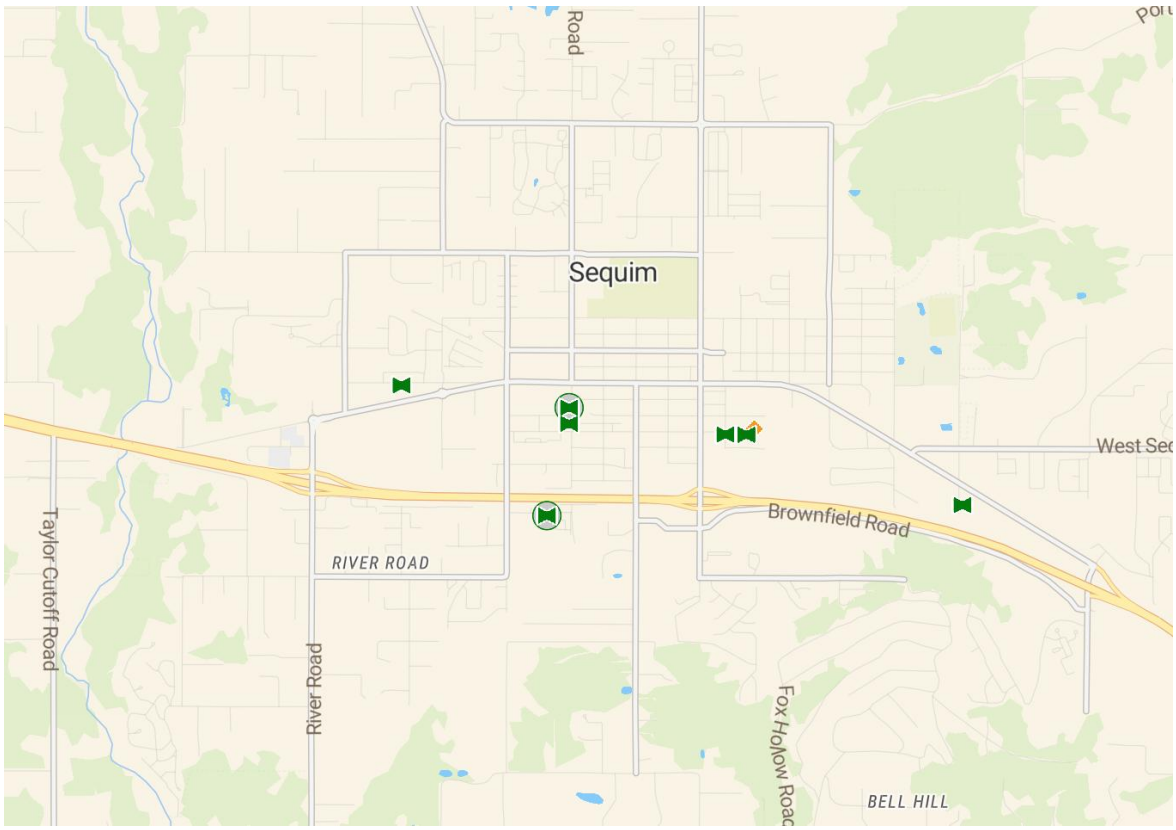
Sequim has 478 units of subsidized housing, mostly serving households earning 60% AMI and below, and all built before 2010. The Pioneer Villa Apartments are a project-based Section 8 project serving a variety of low-income levels. The table and map below show details and the locations of these units.

**Figure 1. Subsidized Housing Units in Sequim**

| Project | Units | AMI | Year Built |
|---|---|---|---|
| Suncrest I | 43 | 60% AMI | 2009 |
| Sea Breeze Apartments | 41 | 60% AMI | 2009 |
| Mountain View Apartments | 72 | 60% AMI | 2009 |
| Suncrest Village | 36 | 60% AMI | 1994 |
| Vintage at Sequim | 116 | 60% AMI | 2007 |
| Pioneer Villa Apartments | 34 | Section 8 | 1980 |
| Elk Creek Apartments | 136 | 60% AMI | 2008 |
| Total | 478 | | |

*Source: PolicyMap*

**Figure 2. Subsidized Housing Locations in Sequim**




*Source: PolicyMap*

## 4. AFFORDABLE HOUSING FUNDING GAP

Although the Land Capacity Analysis in Housing Appendix A-2 shows land capacity at an aggregated 0-80% AMI income band, units at various disaggregated income bands below 80% AMI will require different amounts and sources of subsidy in order to be built on the acreage where the LCA found there to be sufficient zoned capacity for the housing types needed to serve these households. The Department of Commerce estimates that, as of 2023, the cost of developing a subsidized unit in Clallam County would be $359,266. Applying this to Sequim's housing targets would show a need for **$152.5 million** in subsidy over the planning horizon, or **$30.5 million** per year. However, it is particularly likely that the lower-income units will need to be subsidized, and it is possible that some smaller market-rate units could meet the need in the 50-80% category. Therefore, the subsidy is shown for each income band below:

**Figure 3. Subsidy Gap Analysis for Sequim**

| | 0-30% PSH | 0-30% Non PSH | 30-50% | 50-80% |
|---|---|---|---|---|
| Units | 280 | 623 | 568 | 227 |
| per Unit Cost | $ 359,266 | $ 359,266 | $ 359,266 | $ 359,266 |
| Total Subsidy Needed | $ 100,594,480 | $ 223,822,718 | $ 204,063,088 | $ 81,553,382 |
| Yearly Subsidy Needed | $ 5,029,724 | $ 11,191,136 | $ 10,203,154 | $ 4,077,669 |

## 5. SOURCES OF AFFORDABLE HOUSING FUNDING

The Washington Department of Commerce requires that cities ensure that there is adequate land capacity for housing across income levels, as discussed in the LCA in Housing Appendix A-2. However, subsidies are also needed to ensure and assist that there is adequate housing to support households at income levels below 80 percent AMI. The following sections discuss the potential funding sources for the subsidy shown above which will be needed in order to cover the significant funding gaps for housing at all of the disaggregated income bands, starting with Commerce's checklist of local option tools for affordable housing, followed by a discussion of other funding sources. **It is outside the purview of a comprehensive plan to identify exactly which sources of funds will be used to build exactly which units**, since development costs, developer's sources of funds, and interest rates will fluctuate over the next 20 years in ways that are impossible to predict at present. However, this analysis outlines a variety of potential funding sources that the city has implemented or is considering in order to fill these funding gaps. Significant contributions from other entities, such as the state and the Low Income Housing Tax Credit will also be needed.

## Exhibit B5: Checklist for local option tools for addressing affordable housing funding gaps

| Local option tools for addressing affordable housing funding gaps* | Implementation status | Plans for implementation |
|---|---|---|
| **Housing and related services sales tax (RCW 82.14.530)** | Clallam County implementation. | |
| **Affordable housing property tax levy (RCW 84.52.105)** | No implementation by City. | Unsure at this time. |
| **REET 2 (RCW 82.46.035) – GMA jurisdictions only and only available through 2025** | No. | Not applicable after 2025. |
| **Affordable Housing Sales Tax Credit (RCW 82.14.540) – was only available to jurisdictions through July 2020** | Yes, the City has implemented this tax credit. | Will continue. Sequim City Council is working to understand where these funds could be best utilized. Based on conversations with affordable housing developers, it is likely that a program covering fees for affordable housing developments is likely a high-priority use. |
| **Lodging Tax (RCW 67.28.150 and RCW 67.28.160) to repay general obligation bonds or revenue bonds** | Yes, the City has a lodging tax. | Will continue |
| **Mental Illness and Drug Dependency Tax (RCW 82.14.460) – jurisdictions with a population over 30,000** | Clallam County implementation. | |
| **Donating surplus public lands for affordable housing projects (RCW 39.33.015)** | No surplus public lands are available at this time. | Can consider if/when the City has surplus lands. |
| **Impact fee waivers for affordable housing projects (RCW 82.02.060)** | SMC 22.12.040 for Park Impact Fees. | Will likely continue and will consider adding transportation impact fees. |
| **Application fee waivers or other benefits for affordable housing projects (RCW 36.70A.540)** | Has partnered with affordable housing providers on CHIP grant. | Will continue as opportunities are available. |

| Local option tools for addressing affordable housing funding gaps* | Implementation status | Plans for implementation |
|---|---|---|
| **Multifamily Tax Exemption (MFTE) with affordable housing requirement (RCW 84.14)** | Not at this time. | May be considered by City Council after comprehensive plan process. |
| **General funds (including levy lid lifts to increase funds available)** | Yes. | Will continue. |

* Some tools may be unavailable for certain jurisdictions. For example, only GMA jurisdictions can use REET 2, or the surrounding county may have already implemented the housing and related services sales tax. See MRSC's summary of Affordable Housing Funding Sources for more details and the Association of Washington Cities (AWC)/MRSC booklet on Homelessness & housing toolkit for cities (2022).

### Inclusionary Zoning

Another potential strategy to address housing needs across income bands is **inclusionary zoning (IZ)**, which is when a jurisdiction requires that all or some subset of new housing developments include some share of below market rate units. Often IZ programs require that 10 percent or more of units in apartment buildings over a certain size are affordable to households making no more than 60 or 80 percent of area median income.

The operational mechanism behind IZ is that the rent from the market rate units in the development will subsidize the feasibility gap created by requiring below market rate units. While there are some markets where the market rent is high enough to subsidize the affordable units these market conditions are typically limited to the highest-cost cities and are generally temporary. If market rents plateau, the gap between affordable and market rents decreases, and/or the cost of development increases, market rents are no longer high enough to sufficiently subsidize the affordable units. In other words, even a well-crafted IZ program will have the effect of discouraging new development under most market conditions. Often, recalibrating IZ programs is necessary on a regular basis, but typically this happens after the market has already changed, meaning that there is a significant opportunity cost to implementing IZ of homes not built when the market would have otherwise supported them.

The effectiveness of IZ has been studied by a number of researchers in recent years. Although a large number of affordable units have been created nationwide through these programs, the effects on property markets are not always positive. Several studies in California found that cities with IZ requirements have higher market-rate housing prices and did not appreciably increase housing production.[3] Another recent study found similar results in the Washington D.C. area as well as finding that optional bonus programs provided for developers under IZ programs were often ineffective and underutilized.[4]

Recent decisions from the Growth Management Hearings Board (GMHB) cite language stating that "jurisdictions must use the tools at their disposal to create the conditions that make it feasible for developers to build the kinds of housing needed at all income levels." **The implementation of IZ in Sequim would run counter to this objective**. In Sequim, the main challenge impacting the availability of homes across income bands is the overall lack of new construction of apartments and middle housing. This is largely because of high construction costs, a limited pool of developers who know how to build apartments, and a construction labor shortage on the peninsula. The feasibility challenges caused by these conditions would be exacerbated by requiring below-market rate units in new apartment developments, resulting in fewer new housing units across income bands. Because of this, Sequim is not pursuing an IZ program at this time.

[3] Ramakrishnana, Kriti, Mark Treskon and Solomon Greene. "Inclusionary Zoning: What Does the Research Tell Us about the Effectiveness of Local Action?" Urban Institute, January 2019.
[4] Hamilton, Emily. "Inclusionary Zoning and Housing Market Outcomes." Cityscape, Vol. 23, No. 1, Regulatory Reform and Affordable Housing (2021).

Additional information about barriers to housing development in Sequim can be found in Section 6 below and the *Housing and Economic Analysis* prepared by Leland Consulting Group in 2025.

### Additional Affordable Housing Tools

RCW 36.70A.070(2)(d) states that cities must make adequate provisions for existing and projected housing needs of all economic segments of the community, including "Documenting programs and actions needed to achieve housing availability including gaps in local funding, barriers such as development regulations, and other limitations." By referencing **gaps in local funding**, the State Legislature acknowledges that cities are not on their own required to provide the resources to ensure that all needed affordable housing units are feasible.

Per Commerce's *Guidance for Updating Your Housing Element v3.4 (January 2026)*, "typically, most affordable housing funding comes from state and federal sources. However, local funding can also play an important role." The most common tool used to subsidize affordable housing is the Low Income Housing Tax Credit (LIHTC) program. This is a federal program through which corporations purchase credits to offset their tax burdens. The price of credits is determined by demand – when corporate tax rates are relatively low, as is the case in 2026, the demand for credits decreases and the amount of money available for low income housing subsidies decreases. The money generated from these purchases is then allocated to state agencies that award them to projects through two programs, one that funds a smaller share of the gap and one that funds a larger share. In the past, the program that funds the smaller share was not subject to a competitive awards process, but as demand has increased both programs are now competitive in Washington.

Each state has its own criteria for how these funds are allocated. In Washington, LIHTC funds are competitive, with jurisdictions grouped into geographic funding pools. Developers in Washington apply for funding for specific projects through the Department of Commerce, which has a scoring rubric it uses to determine funding allocations. While this rubric prioritizes projects that include housing units affordable to the lowest-income households (those making less than 30 percent AMI), there is no guarantee that in a given funding cycle developers will apply for units affordable to income levels that directly align with the needs or state-mandated targets of a given jurisdiction. In addition, even though this is by far the largest pool of money for affordable housing subsidies, there is not enough funding through this program to subsidize all of the affordable housing units jurisdictions need to meet their targets.

While cities like Sequim can help reduce the feasibility gap through the programs and funding sources listed in the table above, ultimately **the LIHTC program is a much more significant determinant of what affordable housing gets built where**. As described above, Sequim has little control over this program. The City cannot set federal corporate tax rates, does not have control over HUD allocations, does not have the power to design the rubric the Department of Commerce uses to score projects, and cannot force developers to target specific AMIs in their applications.

Book two of Commerce's guidance on HB 1220 requirements includes a detailed list of potential non-local funding sources to support the development of new housing for low-income households from various state and federal agencies. Relevant potential sources of affordable housing funds for new development include:

- The Washington Housing Trust Fund
- Connecting Housing to Infrastructure Program (CHIP)
- Low-Income Housing Tax Credit Program (LIHTC)
- WSHFC Multifamily Bond Programs
- WSHFC Bond Financing for Non-Profit Facilities
- WSHFC Land Acquisition Program
- HUD Section 811 Project Rental Assistance (PRA) demonstration
- New Market Tax Credit Program
- Rural Community Assistance Cooperation (RCAC)

## 6. SEQUIM LOW-INCOME/AFFORDABLE HOUSING DEVELOPERS/PROVIDERS INTERVIEW SUMMARY

As part of this Comprehensive Plan update, the Leland Consulting Group team conducted two focus groups with low-income housing developers and providers from Sequim and the greater Northern Olympic Peninsula on December 16 and 19, 2025. This section summarizes the conversations and takeaways from these sessions. The focus group participants were:

- Timothy Dalton – Clallam County
- Sharon Maggard – Serenity House of Clallam County
- Colleen Robinson – Habitat for Humanity
- Wendy Sisk – Peninsula Behavioral Health
- Annie O'Rourke – Peninsula Housing Authority

### Past and Current Projects

Participants described a variety of low-income housing projects that they have been involved with or are currently working on in Sequim and/or Clallam County, including:

- Managing rental assistance programs in Sequim.
- Replacing the Sunbelt Apartments with 36 units of housing for chronically homeless residents with disabilities earning under 30 percent AMI.
- Developing a 45-unit multifamily project in Sequim serving families at 80 percent or below AMI, permanently affordable through a land trust model, as well as a 45-home detached single-family community within Clallam County/Carlsborg serving up to 120 percent AMI for up to 25 percent of the homes, and the remainder affordable at 80 percent AMI or below.

- Completing a previous market-rate project that was underway, now converted into an affordable homeownership project.
- Managing a five-bedroom transitional living home.

**Barriers to Below Market-Rate Development**

Participants noted that Sequim has significantly less low-income housing than Port Angeles. To some degree, this reflects the presence of more services for low-income residents in Port Angeles, as well as a larger population of lower-income residents there. However, participants did note other Sequim-specific barriers to affordable housing development in the city, including:

- *High costs of construction in Sequim.* Developers estimated the cost of developing in Sequim at around $360,000 per unit for market-rate apartments, and up to as much as $400,000-450,000 per unit to build fully subsidized affordable housing.
- *Expensive connection fees and building fees* in Sequim compared to Port Angeles, especially considering Port Angeles' new fee waivers. Per unit fees are between $25-30,000 per unit in Sequim, and about half that much in Port Angeles.
- *Challenging design standards* that dictate color, landscaping, roof structure, and other elements that greatly increase project costs.
- *Lack of available land* for multifamily housing in Sequim, particularly compared to Port Angeles where there is more space for tax-credit funded projects which need to be at least 70 or so units to be feasible.
- *Prevailing wage requirements* for publicly funded projects. This is a challenge for all projects that receive federal funding and is not specific to Sequim.
- *Lack of local experts in multifamily development.* Participants described challenges in hiring commercial electricians, carpenters, and other labor, as well as a lack of local builders with multifamily experience due to the city's remote location, which also dissuades out-of-town developers from building in Sequim.
- *Process challenges*, including instability in city staff, delays in permitting, a laborious process getting approval from the city, and a lack of flexibility for affordable developers.
- *A lack of education and clear, accessible guidance from the city* for nonprofits, first-time developers, or others without extensive development experience.
- *State-level challenges,* particularly new energy requirements and electric vehicle charging requirements which add to construction costs.
- *Community sentiment against* subsidized housing, large families, and multifamily housing in general.

**Incentives**

Participants were asked about incentives that would improve feasibility or ease of low-income housing development in Sequim. In general, they agreed that increased density, potentially up to at least 10 units per acre, would be key to unlocking more development. They also expressed interest

in flexibility around setbacks, lot coverage, and particularly parking requirements, as well as impact fee reductions such as those offered in Port Angeles.

**Housing Market and Needs**

Several conversations included discussion of the housing needs on the Peninsula in general, and the relationship between housing needs and HUD-determined income levels (typically expressed as a percentage of County Area Median Income (AMI)). Overall, there is a great need for low-income housing in the County that can serve households earning 80 percent of the AMI or lower, with nearly 3,000 applicants on the Peninsula Housing Authority wait list, the majority of whom earn 60 percent AMI or below (note that waitlists are generated by *property* and not by *individual*, therefore this number is likely an overcount of individuals who likely place themselves on waitlists for more than one property). Participants described an inability for people to move up the "housing ladder" from renting an apartment to eventually owning a home, due to the lack of affordable starter homes in the area (i.e. smaller or lower-cost opportunities for first-time homebuyers transitioning from renting to owning a home). Additionally, the income range of subsidized housing at or around 80 percent AMI at which many providers, particularly Habitat for Humanity, operate, is a narrow window that does not capture a lot of the need in Clallam County, and also presents challenges for residents when their income rises and exceeds that threshold, since there is still a lack of housing in the 80-120 percent AMI range as well.

**Design Standards**

Design standards were a topic of much discussion. Participants questioned the true goal of the standards, and noted that transparency, modulation, color, and particularly articulation add significant costs to affordable housing in Sequim. Participants emphasized that every "turn" in a foundation (such as those required for façade articulation) add significant cost to a project. With costs already extremely high for building affordable housing on the peninsula, this poses a significant barrier. When asked about relaxed design standards or exemptions for affordable housing, participants voiced concerns about stigmatizing low-income residents as well as the potential for increased administrative burden for staff and developers, instead advocating a relaxation of design standards overall in the city.

**Takeaways/Suggestions**

- *Provide educational opportunities* and clear guidelines (i.e., a "development cheat sheet") for nonprofits or other entities with limited experience to learn about the entitlement and permitting process as well as assistance in applying for applicable state or other funding sources that are administered through the city.
- *Reduce permitting times* which can cause rapid increases in costs, and provide timely responses to communications.

- *Consider a Multifamily Tax Exemption program for affordable apartments.* MFTE programs are used across the state to help reduce the costs of subsidized multifamily development.
- *Provide utility and/or parks fee waivers* for multifamily housing.
- *Reduce parking requirements* for subsidized units, particularly considering reduced vehicle ownership among lower-income populations and those in supportive housing.
- *Reduce stringency of multifamily design standards* in the city.
- *Provide permit-ready plans* for small multifamily buildings, such as those provided in Port Angeles.
- *Provide incentives or exceptions to development standards* as authorized by state law, for developers of long-term low-income housing.

**Barriers to Multifamily Development**

In addition to conversations with affordable housing providers, Leland also interviewed market-rate housing and commercial developers as part of the *Housing and Economic Analysis* completed for the City of Sequim in 2025. The goal of these interviews was to understand barriers to market-rate development in Sequim. The major barriers identified were related to regulations (including land use and zoning), fees, permitting, and infrastructure. For multifamily housing, the major barriers described by these developers included:

- Fire safety standards
- Design review requirements
- Impact fees
- Lack of clarity during the permitting process
- Zoning limitations such as height restrictions or prohibitions on multifamily development in the EOA, RC, and HTLI zones

While the City does not have the ability to change fire safety standards, zoning and design review requirements are already being addressed through the comprehensive planning process, and impact fees will be revised subject to new state requirements.

**Implementation and City Actions Based on Housing Developer Feedback**

In response to the feedback received from developers and interviews (both affordable and market rate housing), the City has identified actions that can help address some of the barriers discussed above, through forthcoming changes to the zoning code which will be adopted concurrently with this Comprehensive Plan Update. These actions are detailed below, and represent additional work the City is undertaking to reduce barriers to development in Sequim specifically, based on local feedback:

| Barrier Identified by Stakeholders | City Action |
|---|---|
| ***Challenging Design Standards*** | Have included exceptions to design standards for affordable housing projects, mainly for wall plane articulation and lengths of roof spans. These are physical building requirements that we heard cause the greatest increase in building costs. Simplified building, site design standards and amenity requirements for multifamily market developments. |
| ***Lack of Available Land for Multifamily Housing*** | As part of the zoning code updates that the city is adopting concurrently with this Comprehensive Plan Update, there is a new Affordable Housing Exception in SMC18.110.030. This allows affordable housing projects to seek exemptions from density limits, minimum lot size, maximum lot coverage, setback requirements, height limits, parking requirements, and allowed uses in the underlying zone. This essentially means that pending Council approval, affordable housing serving income bands lower than 80% AMI could be built in any zone in Sequim. This new Affordable Housing Exception effectively increases by a significant quantity the available land in Sequim on which a developer, working with the City Council, could build housing serving lower income bands. |
| ***Low Density in the R4-8 Zone*** | In addition to increases in density, that could allow projects to reach 10 du/acre in the R4-9 (formerly R4-8) zone (no other zone has a density limit), affordable housing providers can request exceptions to density requirements as part of their proposal. |
| ***Design Standards*** | Building design is still an important part of development in Sequim, but have included exceptions specifically for some of the items discussed - such as modulation in wall planes and roof lengths. |

| | |
|---|---|
| ***High Parking Requirements*** | Applicants can submit a parking study requesting fewer parking stalls. PSH and Emergency housing does not require parking. |
| ***Need for Incentives to Fund Affordable Housing*** | The Affordable Housing Exceptions section of code in SMC 18.21, and will include it as a standalone chapter in 18.110 of the draft update. The authorities we used for the Affordable Housing Exceptions are RCW 35.83.030, RCW 36.70A.540, and the city's housing goals by authorizing exceptions from some development standards for qualifying low-income and affordable housing units. Exceptions authorized by this section apply only to qualifying affordable units and do not apply to market-rate units. |