



City of Lacey, Washington

Lacey Planning Commission Meeting Agenda

Refer to the bottom of the agenda for meeting information.

Wednesday, June 12, 2024

6:00 PM

Council Chambers and Online

1. Call to Order

2. Roll Call

3. Land Acknowledgment

We, the City of Lacey, are on the ancestral land of the Tribal People of the Treaty of Medicine Creek, including the Nisqually Indian Tribe and Squaxin Island Tribe. We acknowledge, and remember those Tribal People not recognized today who were absorbed or relocated into other tribes for survival. We recognize the ancestors and their descendants who are still here. We recognize and respect the Tribal People of the Treaty of Medicine Creek as the traditional stewards of this land since time immemorial and their role today in taking care of these lands in perpetuity. We recognize and have the responsibility to call attention to the histories of dispossession, forced removal, and abridged treaty rights that allowed our nation, state, and city to develop as they have today. We recommend that community members read the Medicine Creek Treaty of 1854.

4. Approval of Agenda and Consent Agenda Items

- A. Approval of Agenda
- B. Approval of May 22, 2024 meeting minutes
 - 1. May 22, 2024 Minutes

5. Public Comment

Refer to the bottom of the agenda for instructions on how to provide public comment.

6. Commission Members' Reports

7. Department Report

8. Public Hearing

- A. **6-Year Transportation Improvement Plan: Martin Hoppe, Transportation Manager.**

1. The Planning Commission will conduct a public hearing on the proposed 2025 Six-Year Transportation Improvement Plan and make a recommendation to the City Council.

Transportation Attachments

9. New Business

10. Old Business

A. Middle Housing Update: Jennifer Adams, Housing Coordinator.

1. Staff will provide an update briefing to the Planning Commission on an analysis of Lacey's Comprehensive Plan related to complying with legislative requirements pertaining to middle housing. No action is necessary as this an update briefing only.

Middle Housing Attachments

B. Climate Program Update: Linsey Fields, Climate and Sustainability Coordinator.

1. Staff will brief the Planning Commission on the City's climate and sustainability program.

11. Communications and Announcements

A. Planning Commission Schedule

12. Next Meeting - June 26, 2024

13. Adjournment

Attendance and Public Comment

Attend Remote or In-Person

The public may attend the meeting in-person, or you may view or listen to the meeting using one of the following platforms:

In-Person Council Chambers at Lacey City Hall
420 College Street SE, Lacey, WA 98503

Zoom: https://us02web.zoom.us/webinar/register/WN_odWmTnq_RTi8weaMt2TmPQ

Website: <https://cityoflacey.org/government/public-meetings/>

Facebook: <https://www.facebook.com/cityoflacey>

YouTube: <https://www.youtube.com/watch?v=431VKAJy-S0>

Cable: Channel 77 with your local cable provider

Phone: (888) 788-0099 or (877) 853-5247 (Webinar ID 848 6703 0053)

Verbal Public Comment



Those wishing to provide verbal public comment may do so in-person or by Zoom:

In-Person: Use the sign-up sheet located at the meeting location.

Zoom: Preregister using the following Zoom link no later than two hours prior to the meeting:

https://us02web.zoom.us/webinar/register/WN_odWmTnq_RTi8weaMt2TmPQ

Instructions and access details will be provided once registration is complete.



MINUTES

Lacey Planning Commission Meeting
Wednesday, May 22, 2024 – 6:00 p.m.

Lacey City Hall Council Chambers - 420 College St SE – and via Zoom

Meeting was called to order at 6:00 p.m. by Jeff Gadman

Planning Commission members present: Jeff Gadman, Daphne Retzlaff, Kyrian MacMichael, Judith Doyle, Gail Madden, Spencer Zeman, Elliot Kirk and Tonya Moore. Staff present: Ryan Andrews, Hans Shepherd, and Erin Skelley

Jeff noted a quorum present. Daphne read the Land Acknowledgment.

Judith Doyle made a motion, seconded by Gail Madden amending the agenda to switch the New Business items. Gail made a motion, seconded by Daphne Retzlaff to approve the minutes from April 10, 2024. All were in favor, both motions carried.

- 1) **Public Comments:** Karen Fraser presented a water study put on by the League of Women Voters.
- 2) **Commission Members Reports:** Kyrian reported that she attended the Lacey City Council work-session at which the Neighborhood Commercial Zones were discussed. Gail was also in attendance via zoom and was concerned that the discussion centered around multifamily dwellings and townhomes instead of more commercial enterprises that the community wanted.
- 3) **Department Report:** Ryan Andrews reported that the City Council reviewed the Planning Commission's recommendations on Neighborhood Commercial Zones (NCD). The Council has asked staff to provide more analysis regarding affordable housing and if it could be shifted to other floors beyond the first floor. They are also considering expanding the multifamily tax exemption, but staff will recommend that be more of a city-wide discussion and not neighborhood specific. Ryan also reported that he, along with Vanessa Dolbee and Sarah Schelling conducted a ceiling height investigation via bicycle in Proctor, Ruston and Dupont. They found that 15' was flexible, but the 12' ceilings also work depending on the tenant. Staff will analyze the new data.
- 4) **New Business:**
 - a) **Comprehensive Plan Outreach: Ryan Andrews, Planning Manager;** Ryan provided an overview of the public engagement plan in development for the Comprehensive Plan Update including a high-level schedule, outreach strategies and communications, and branding.
 - b) **Critical Areas Ordinance Update: Hans Shepherd, Senior Planner;** Hans provided an introductory briefing on the update to the Critical Areas Ordinance required as part of the Comprehensive Plan Update to incorporate legislative changes and best available science.
- 5) **Old Business:** None
- 6) **Communications and Announcements:** Ryan Andrews provided the Planning Commission schedule.
- 7) **Next Meeting:** June 12, 2024
- 8) **Adjournment:** 7:05 PM

To hear the full discussion of a specific topic, or the complete meeting, watch the recorded video available on YouTube <https://www.youtube.com/watch?v=GwxNVsu7LeA>



PLANNING COMMISSION
May 28, 2024

SUBJECT: 2025 Six-Year Transportation Improvement Program (TIP)

RECOMMENDATION: Hold a Public Hearing for the proposed 2025 Six-Year Transportation Improvement Program and make a recommendation to the City Council.

TO: Planning Commission

FROM: Scott Egger, Director of Public Works *SE*
Aubrey Collier, City Engineer *AC*
Martin Hoppe, Transportation Manager *MH*

FISCAL NOTE: The funds shown on the TIP do not obligate the City to any specific amount of matching dollars

PRIOR REVIEW: Annual Requirement

BACKGROUND:

The City is required to prepare an annual Transportation Improvement Program (TIP) and submit it to the Washington State Department of Transportation (WSDOT) and Thurston Regional Planning Council (TRPC). The primary purpose of the TIP is to track transportation grant funds and regionally significant projects. The funds shown on the TIP do not obligate the City to any specific amount of matching dollars. All projects on the TIP are consistent with the Transportation Comprehensive Plan.

The Public Hearing is scheduled for June 12, 2024.

NEXT STEPS:

Option 1: Approve the proposed 2025 Six-Year Transportation Improvement Program and recommend approval to the City Council.

Option 2: Recommend modifications to the Transportation Improvement Program.



LACEY
Public Works - Engineering

LACEY CITY COUNCIL

Mayor Andy Ryder
Deputy Mayor Malcolm Miller
Lenny Greenstein
Michael Steadman
Carolyn Cox
Robin Vazquez
Nicolas Dunning

DATE: May 28, 2024
TO: Interested Citizen
FROM: City of Lacey Public Works Department

CITY MANAGER

Rick Walk

SUBJECT: City of Lacey Six-Year Transportation Improvement Program

Each year the cities and counties in the State of Washington are required to submit their Six-Year Transportation Program. A draft summary of the proposed program for years 2025-2030 is attached.

The City Council, Planning Commission, and your Public Works staff appreciate your continuing interest and support. A public hearing to take testimony on the Six-Year Transportation Program will be held during the Planning Commission meeting on Wednesday, June 12, 2024, at 6:00 p.m. Meeting may occur in person, remotely, or a combination of both.

The purpose of the public hearing is to give citizens an opportunity to testify to the Planning Commission regarding the program. Any interested citizen may testify. Anyone who cannot attend the meeting may give testimony in a letter addressed to: Lacey Planning Commission, 420 College St. SE, Lacey, WA 98503 or e-mailed to randrews@ci.lacey.wa.us. If your comment is received before the hearing, it will become part of the public record. Prior to the hearing, information regarding the proposal may be obtained from the Lacey Community and Economic Development Department at City Hall; or you may phone (360) 491-5642.

Please call me at 491-5600, and I will be happy to answer any questions you may have about the program.

Sincerely,

Martin A. Hoppe, PE, PTOE
Transportation Manager

Enclosure



2024 SIX YEAR TRANSPORTATION IMPROVEMENT PROGRAM SUMMARY

Current Process	LACEY STIP ID	PROJECT TITLE	2025 Total Project Cost
Planned	11-010	Carpenter Rd Capacity and Safety Improvements Pacific to Shady Lane	\$ 5,400,000
Planned	11-013	Marvin Road from Britton Parkway to Columbia Drive	\$ 19,000,000
Planned	11-014	Martin Way / I-5 Interchange Improvements	\$ 52,000,000
Planned	11-015	Carpenter Road Widening from Martin Way to Britton Parkway	\$ 23,000,000
Planned	11-016	Rainier Road from Yelm Hwy to South City Limits	\$ 3,500,000
Planned	11-018	Britton Parkway -- Phase II	\$ 2,500,000
Planned	11-021	College Street Corridor Improvements	\$ 46,000,000
Planned	11-024	Yelm Highway Improvements from Ruddell Rd to Amtrak Bridge	\$ 6,000,000
Planned	11-025	Martin Way East Roadway Improvements	\$ 6,000,000
Planned	11-026	Lacey Hawks Prairie Business District (LHPBD) Commercial Corridors	\$ 11,000,000
Pending CN Grant	19-001	College St Corridor -- Phase 3 (College St and 16th Ave Roundabout)	\$ 13,500,000
Planned	20-002	Willamette Dr and Campus Glen Dr Roundabout	\$ 2,000,000
Total TIP Costs			\$ 189,900,000

Current Phase	Projects to be Removed from TIP (Funds Obligated)
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 Indicates Changes



PLANNING COMMISSION STAFF REPORT

06/12/2024

SUBJECT: Middle Housing

RECOMMENDATION: Receive a briefing on staff review of the Comprehensive Plan for policies supporting middle housing. No action is needed from the Planning Commission as this is a briefing only.

TO: Lacey Planning Commission

STAFF CONTACTS: Vanessa Dolbee, Community & Economic Development Director *VLD*
Ryan Andrews, Planning Manager *RA*
Jennifer Adams, Housing Coordinator *JA*

ATTACHMENT(S): Attachment A - Planning for Middle Housing | Comprehensive Plan Analysis

**PRIOR COUNCIL/
COMMISSION/**

COMMITTEE REVIEW: Planning Commission Briefing: February 28, 2024

BACKGROUND:

On February 28, 2024 staff briefed the Planning Commission on new legislative requirements to draft and adopt a Middle Housing ordinance no later than 6 months after its periodic Comprehensive Plan update, required by Revised Code of Washington (RCW 36.70A.130). In order for jurisdictions to feasibly implement the new requirements, funding was provided through grant application (administered by the Department of Commerce) for jurisdictions to obtain fiscal support necessary for policy work. Lacey was the recipient of a \$75,000 middle housing grant (the maximum award).

While the City of Lacey is ahead of general middle housing trends, with the expansion of middle housing unit permissibility within the low and moderate density zones, additional measures must be taken to effectively comply with all new regulations.

REVIEW:

During the initial briefing with the Planning Commission, the following was provided as a general timeline of process steps, and important statutory provisions that the city must plan for and reflect in its Comprehensive Plan and other guiding housing documents such as the Housing Action Plan (2021). In addition to Comprehensive Plan updates, appropriate revisions

to the Lacey Municipal Code (LMC) such as the Land Division (Title 15) and Zoning (Title 16) will be critical.

Statutory Provisions | Summary

Middle Housing

Engrossed Second Substitute House Bill 1110 (2023)

- Cities with population 25,000 - 75,000 must allow at least two middle housing units per lot; in all areas zoned predominantly residential.
- Must allow four units per lot, if at least one unit is reserved as affordable housing. Affordability provisions defined by the Bill require monthly housing costs including utilities do NOT exceed 30 percent of household income. In addition. Income limitations require that rental housing must be no greater than 60 percent of the AML, while owner-occupied housing no greater than 80 percent AML.
- Must allow zero lot line short subdivisions where the number of lots created is equal to the unit density required. For example, a fourplex could be split into four sections to create four ownership opportunities that include a living unit and the land underneath the unit (known as Fee Simple).

ADUs

Engrossed House Bill 1337 (2023)

- Allow at least two ADUs on *all* lots that allow for single-family homes within a UGA
- Allows cities and counties to offer incentives for the development or construction of ADUs within a UGA.
- Prohibits municipalities from requiring ownership of any unit with an ADU.

Middle Housing Grant | Timeline

The Middle Housing Initiative has a multi-phased process approach spanning across a 1.5-year period and informed by a timeline of events and deadlines. Staff has worked with Commerce to identify five project objectives - each with a specified date of completion. Project timeline for deliverables specific to the middle housing grant is as follows:

Phase I	02/15/2024	Develop a public engagement plan
Phase II	06/15/2024	Internal staff review of Comprehensive Plan and other housing related Plans.
Phase III	06/15/2025	Draft middle housing development regulations
Phase IV	06/15/2025	Submit public engagement results report
	06/01/2026	Final date to Adopt a Middle Housing Ordinance

PHASE II PROCESS | Comprehensive Plan Analysis | Middle Housing Inclusion

The process for the *Phase II deliverable* (due to Commerce), involved a thorough *staff* analysis of the city's Comprehensive Plan, the Housing Action Plan (2021), Affordable Housing Strategy (2019) and the County-Wide Planning Policies where applicable.

Primary objectives of the internal staff review were to identify policies, strategies and narrative (text) that either support or challenge the inclusion of middle housing (in their current iteration), provide a rationale for findings, and suggest initial recommendations for updates where needed for future compliance.

The internal staff review serves *only* as an “exercise” in the grant process, and will be solely used to inform all subsequent steps prior to final adoption of a Middle Housing Ordinance. The deliverable prepared for Commerce does *not* represent *final* decisions for the city. The process utilized a spreadsheet method to organize the work and provide rationale and recommendations. The following typology was recommended by Commerce, and consistently applied during the review process:

- **“S” - Supportive** | The policy is valid and supports achieving the GMA goals for middle housing. There is a need for the policy, and/or it addresses the inclusion of middle housing.
- **“A” Approaching** | The policy can help achieve the GMA goals for middle housing but may be insufficient and require additional or alternative language to include middle housing.
- **“C” Challenging** | The policy may challenge the jurisdiction’s ability to achieve the GMA goals for middle housing. The policy’s benefits and burdens should be reviewed to optimize the ability to meet the policy’s objectives while including middle housing in the scope of the policy.
- **“NA” Not Applicable** | The policy does not affect the jurisdiction’s ability to achieve GMA middle housing goals.

Initial findings indicate that the city’s Comprehensive Plan *generally* uses inclusive language and promotes strategies to support diverse housing opportunities across various needs and incomes, middle housing infill where possible, increased connectivity between housing and services and commitment to sustainability in the community’s housing landscape.

Further conversations will be needed to determine final recommendations for areas where direct or potential barriers were found for the effective inclusion of middle housing development. Certain terms and definitions could also be revisited such as *single-family homes* and *middle housing*.

NEXT STEPS:

Staff is beginning Phase 3 of the process work - to similarly conduct a thorough analysis of the Lacey Municipal Code. The first objective will be to identify areas in the LMC where updates will be necessary to effectively comply with House bill 1110 middle housing.

Phase 3 will involve further public and stakeholder engagement.

Staff plans to reconvene with the Planning Commission in mid to late Fall 2024.



Planning for Middle Housing

Comprehensive Plan Analysis

Phase Two Deliverable

I. Overview

The City of Lacey received grant funds to support policy work required to comply with state regulations pertaining to middle housing. As part of the grant application, a phased approach to the work was proposed and approved by the Washington State Department of Commerce. Commerce is providing assistance to local jurisdictions and administering the disbursement of grant funds.

The City of Lacey identified and proposed a phased approach to completing the necessary work that was found critical to achieving the end goal – the adoption of a city-wide Middle Housing Ordinance. Such adoption will need to take place no later than June of 2026.

The first phase of this review was submitted and approved in February of 2024, and outlined the City's plan for public engagement. The second deliverable, due to the Department of Commerce in June of 2024, focuses on the process of reviewing the City's Comprehensive Plan and other guiding housing documents. Such a review was deemed appropriate as a starting point to aid in a thorough understanding of the current plans (documents) the city uses to guide and uphold its community vision and objectives. A more detailed discussion of the documents reviewed in this process will be addressed further in this document.

Table 1, serves to recap the phased approach to the *work* and required deliverables, and suggests that the city is on track with its approach to address and prepare for new middle housing regulations.

Phase	Deliverables Department of Commerce	Timeline
Phase 1 - Develop Public Involvement Plan/Approach	Public Involvement Plan	Spring 2024
Phase 2 - Complete an examination of the Comprehensive Plan and policies related to middle housing and the implementation of HB 1110.	Draft amendments to the Land Use and Housing Elements of the Comprehensive Plan supporting the implementation of middle housing in HB 1110.	Early Summer 2024
Phase 3 - Prepare a code audit of existing amendments and those necessary to implement HB 1110. Begin drafting code amendments to meet HB 1110 requirements.	Draft middle housing development regulations and updated codes/ordinances.	Early Summer 2024
*Wrap up of public engagement	Public engagement results report with informational materials used to engage the public.	Early Summer 2025
Phase 4 - Adopt middle housing development regulations	Adopted Middle Housing Ordinance (development regulations). Adopted amendments to the Land Use and Housing Elements of the Comprehensive Plan supporting the implementation of middle housing in HB 1110.	Summer 2025 - Winter 2025

Table 1. Project Phases

Note. While the Phase 2 deliverable indicates draft amendments to the Land Use and Housing Elements of the Comprehensive Plan, additional conversations with stakeholders concluded that due to the concurrent work with the city's Comprehensive Plan update, this goal is not yet fully achievable. Thus, only initial findings within reviewed documents indicating where text amendments could or must be considered to appropriately include for new middle housing regulations - have been provided.

The overarching intent of the Phase 2 work was therefore to complete an examination (analysis) of the City of Lacey's Comprehensive Plan and policies either directly or potentially related to the inclusion of middle housing and the implementation of legislative directives, for example House Bill 1110 - *Minimum Development Densities in Residential Zones* (discussed in further detail in section V.).

The initial comprehensive plan analysis aimed to prepare relevant points of discussion pertaining to how the city can encourage and ease development of middle housing as called for in the Revised Code of Washington (RCW) 36.70A.600. Final intentions for the city will be to appropriately amend the relevant sections of the comprehensive plan to embrace

and reflect main tenets of middle housing within the city limits and urban growth areas, and where such areas are predominately zoned for low and moderate residential development.

Historically, in Lacey, such residential zones have seen prevailing development of traditional single-family homes (with more recent permissibility for duplexes and triplexes in some areas). Such changes to the comprehensive plan to accommodate additional housing varieties must also carefully account for and minimize impacts to adjacent uses and should provide implementation strategies that align with the community's current and future vision to meet a diverse range of housing demands and needs.

II. Importance of Analysis

Review (analysis) of Lacey's Comprehensive Plan for compliance with middle housing regulations was essential for several reasons, including but not limited to:

- **Ensure Legal Compliance:** New middle housing regulations often come from state-level mandates or legislative changes. By reviewing the comprehensive plan, the City can ensure that policies, goals and regulations align with new legal requirements and help prevent potential legal challenges while keeping the city in good standing with state authorities.
- **Promote Housing Diversity:** Middle housing regulations are designed to increase housing diversity by allowing more housing options that reach a broader and varied scope of needs and incomes. Reviewing and updating the comprehensive plan ensures that these housing types are integrated into the City's overall development strategy and aligned with the community vision.
- **Facilitate Sustainable Growth:** Incorporating middle housing into the comprehensive plan supports sustainable growth by encouraging higher density in targeted areas, and more efficient land uses. This can reduce patterns of sprawled development, support public transit use, make better use of existing infrastructure and infill opportunities, and ultimately support and create sustainable living patterns within communities.
- **Enhance Community Resilience:** Middle housing options can increase community resilience by providing more affordable and flexible housing choices. This is particularly important in addressing housing shortages and affordability issues, ensuring that a broader segment of the population has access to suitable housing.

Applying a **typology** (systematic classification) when reviewing the comprehensive plan for middle housing compatibility was also beneficial for the following reasons:

- **Clarify Concepts and Categories:** Typologies help break down complex concepts into clear understandable categories. Thus, typologies may make it easier to analyze and discuss different aspects of the plan, and assist in common understanding across stakeholders - of the terms and concepts used.
- **Identify Gaps and Opportunities:** A Typology can highlight gaps in the existing plan or regulations by identifying different housing types, land uses, or development patterns allowed or found in various zones and planning areas. This is helpful in understanding where updates are needed to further comply with new middle housing regulations. In addition, opportunities exist to better meet community needs and vision.
- **Support Consistent Decision-Making:** By providing a structured framework of review, typologies help ensure that decisions for middle housing policy are/will be consistent and aligned with the broader goals and objectives of the City that commonly include community vision, public and stakeholder input, and compliance with state (and other) regulations.
- **Encourage Communication and Engagement:** Using a typology can improve communication with the public and other stakeholders by providing a clear, visual representation of how the work was done and highlight outcomes of the work. This can facilitate a well-informed community by way of effective and engaged discussions.

III. Internal Staff Review

The analysis served as an internal staff review *only* and does not directly bind the City to the recommendations seen in the process documents (spreadsheets). The work was conducted by planning staff specializing in housing policy. Due to the nature of the internal review, no public or other forms of outreach are required concurrent or subsequent to the work.

Any proposed text amendments will need to gain support from the community, stakeholders, and appropriate boards and elected officials. It is anticipated that due to the concurrent process of the Lacey Comprehensive Plan update period, any such text amendments necessary for middle housing inclusion, will be formally addressed as part of

the engagement steps of the comprehensive plan update process. Therefore, the work for the Phase 2 deliverable for the middle housing policy grant, shall serve primarily to provide foundational findings.

Documents Included in Analysis

Documents reviewed were in their most current version and are expected to undergo updates across *all* elements once a revised iteration of the comprehensive plan is approved and implemented for the next planning period. However, it is important to note that in addition to informing the comprehensive plan for possible updates related to middle housing – staff findings from the analysis will support the subsequent phases. The following list contains the relevant documents (plans) reviewed to achieve the initial analysis:

- City of Lacey | Comprehensive Plan (2016) | I. [Introduction](#) – Land Use
- City of Lacey | Comprehensive Plan (2016) | II. [Profile](#) – Land Use
- City of Lacey | Comprehensive Plan (2016) | III. [Community Vision](#) – Land Use
- City of Lacey | Comprehensive Plan (2016) | IV. [Planning Areas](#) – Land Use
- City of Lacey | Environmental Element (2016) | [5.3 Transportation and Land Use](#)
- City of Lacey | Economic Development Element | [Lacey Community Market Study](#) | Final Report (2015) | *Section 6. Economic Development Opportunities*
- City of Lacey | Comprehensive Plan (2016) | [Housing Element](#)
- City of Lacey | Comprehensive Plan (2016) | [Utilities Element](#)
- City of Lacey | [Affordable Housing Strategy](#) (2019)
- City of Lacey | [Housing Action Plan](#) (2021)

In addition to the above listed documents, a review of the most current Thurston County - Wide Planning Policies was conducted to assess the consistency of middle housing policies with those established in the greater region, and, specific to the Urban Growth Area for the City of Lacey. It is important to note that Thurston County is also in their comprehensive planning update period and an updated version to policies is underway. However, for the purpose of the exercise, the most current iteration was reviewed.

- Thurston County | [County-Wide Planning Policies](#) (2015)

IV. Summary of Findings

The analysis performed found the following general conclusions that either currently support the inclusion of middle housing, or may pose as current or future challenges to

further requirements for jurisdictions to reduce barriers for middle housing production and inclusion.

Supportive Findings

The City generally acknowledges the following, across plans reviewed, that indicate the need for middle housing inclusion:

- Population growth has occurred and will continue to occur and such growth will spur changes in the current housing landscape.
- Historically, single-family dwellings have been desired in the housing market and have dominated the housing landscape.
- There is a growing demand for a more heterogeneous housing landscape to ensure housing for all residents with a diversity of housing needs, and income levels.
- Land use patterns could be amended to accommodate a greater diversity of housing opportunities.
- Zoning updates could be considered to accommodate a wide-ranging housing stock.
- Developable land within the city limits is limited and creative approaches to providing necessary housing units will need to be considered and implemented to meet the needs.
- There is potential within most planning areas - appropriate for higher densities.
- Infill housing development should be encouraged where feasible and appropriate.
- Appropriate engagement should occur to be sure the city is supporting community goals and aligning with community vision and needs regarding housing opportunities.
- Increases in density should work in concert with environmental protection best practices.
- Increases in density should work in concert with providing necessary and appropriate infrastructure.
- Increases in density should work in concert with transportation planning and aim to support the highest level of multi-modal transportation options.
- Increases in density should work in concert with goals to create communities and neighborhoods that are well served by transportation and within close proximity to services.
- Increases in density should work in concert with primary goals to promote communities and neighborhoods with high levels of connectivity/walkability.
- An appropriate array of incentives should be offered to promote desired types of housing in targeted areas.
- Expansion of the Multi-family Tax Exemption should be considered to attract more development of desired housing units.

- More recent provisions have been moderately helpful in promoting a more diverse housing landscape such as the allowance of duplexes and triplexes in most residential zones.
- A streamlined approach to accessory dwelling units and pre-approved designs has been moderately helpful in promoting additional units of housing in many residential areas in the city limits.
- Additional allowances for housing variety are needed to further middle housing goals and mandates.
- Development should seek to limit a sprawling impact but creatively assess opportunities within the city limits.
- Administrative review of development proposals is helpful to development timelines.
- Reducing parking requirements may help promote opportunities for increased housing production.

Challenging Findings

The city generally acknowledges the following across plans reviewed, that indicate existing or potential challenges for middle housing inclusion:

- Due to a historically sprawling development trend, many homes are on large lots and may be limited to further development.
- Sprawling development trends have posed barriers to efficient and far-reaching public transportation options.
- Sprawling development trends have made connectivity and walkability challenging to achieve in many areas.
- Limited public transportation options make convenience goals difficult to achieve.
- Infrastructure is costly and presents challenges in certain areas where land could otherwise be appropriate for housing development.
- Housing providers generally find it difficult for small scale projects to meet revenue goals.
- Incentives are not always enough to direct needed housing development.
- Design regulations can challenge a housing providers ability to produce housing units that meet diverse income levels.
- Disadvantages could exist by the expansion of the MFTE – such as burden on other area tax-payers and decreased city revenue.
- Development requirements such as set-backs, and maximum lot coverage ratios pose challenges to increasing density in many established neighborhoods.
- Parking minimums have historically posed challenges to certain types of housing development.

- Market indicators suggest that single-family homes will remain in high demand and current areas of the city's comprehensive plan still favor or emphasize single-family development.
- Barriers *do* exist that present a variety of challenges to achieving desired housing diversity.

Additional Considerations

The City may want to revisit some of the terms and definitions in its comprehensive plan regarding middle housing, to ensure clarity, relevance, and compliance with current regulations and community needs. For example, consideration could be given to the use and definition of *single-family* dwelling or homes, or establishing clarity around ambiguous terms such as *quality* or *rigorous* design standards - may be necessary to effectively include middle housing regulations and to meet desired housing goals.

V. Related Legislation | Middle Housing

While recent state legislation specific to housing will impact comprehensive plan updates in Washington counties and cities – the analysis focused on the main tenets of those that inform new middle housing mandates. Bills considered specific to middle housing include:

- E2SHB 1110 | Minimum Development Densities in Residential Zones
- EHB 1337 | Engrossed House Bill | Accessory Dwelling Units
- ESHB 2321 | Engrossed Substitute House Bill | Minimum Residential Density Middle Housing

E2SHB 1110 | Minimum Development Densities in Residential Zones

The main principles of E2SHB 1110 include increasing housing development opportunity and variety in areas currently and predominately comprised of single-family homes, and loosening development constraints that traditionally have hindered alternative housing varieties such as duplexes, triplexes and accessory dwelling units.

While the City has made progress in advancing middle housing goals ahead of the passage of E2SHB, the City must adopt further policies to fully comply with all new mandates.

The state has offered a definition of middle housing that reads:

“Middle housing” means buildings that are compatible in scale, form, and character with single-family houses and contain two or more attached, stacked, or clustered homes including

duplexes, triplexes, fourplexes, fiveplexes, sixplexes, townhouses, stacked flats, courtyard apartments, and cottage housing.”

To comply with the Bill’s mandates, the City will need to revise and amend local regulations to allow for a greater number of units and increased housing types found in predominately residential zones. The following table developed by the Washington State Department of Commerce identifies Lacey as a Tier Two city – based on current population above 25,000 and less than 75,000 within the city limits. The City must therefore plan for the following:

TIER TWO	Unit Minimum Standards	Near a Major Transit Stop	With Affordable Housing
	Minimum number of middle housing units that must be allowed per lot in predominately residential zones	Minimum number of middle housing units that must be allowed per lot within 1/4 mile walking distance of major transit stop in predominately residential zones	Minimum number of middle housing units that must be allowed per lot with affordable housing in predominately residential zones where density in applicable zone does not otherwise allow this number
Tier TWO: Cities with population of at least 25,000 but less than 75,000 E2SBH 1110, sec. 3(1)(a)	2 dwelling units/lot unless zoning permits higher densities and intensities	4 dwelling units/lot, unless zoning permits higher densities and intensities	4 dwelling units/lot if at least 1 unit is affordable, unless zoning permits higher densities and intensities

Table 2. Tier Two city. Units/lot

Measures will be necessary to adopt a broader allowance of housing within existing and new neighborhood landscapes to allow six of the nine types of middle housing varieties listed in the state’s definition.

In addition, the city will be required to introduce allowances for Unit-Lot Subdivisions. Slightly similar to a traditional condominium ownership model, a Unit-Lot subdivision will enable the individual sale of units within a housing structure (known as Fee Simple). For example, a triplex could have three individual owners where each owner has purchased a single unit and the land underneath the unit. This will allow more opportunity for home ownership smaller scales while expanding affordability across incomes, for those seeking an alternative to single-family dwelling ownership.

Other provisions of E2SBH include adequately addressing and planning for the following:
Note. These provisions will be assessed more completely during Phase 3 - *Lacey Municipal Code audit.*

- Adequate water and public sewer

- Required parking restrictions including no on-site parking standards applied to middle housing units located within a half-mile of a major transit stop.
- Design review limitations which allow a jurisdiction to apply only administrative review opposed to a design review board.
- SEPA exemption: a State Environmental Policy Act categorical exemption is established for regulations that remove parking requirements for new middle housing development projects.
- Exceptions to density requirements: There are a very limited number of exceptions where a municipality does not need to accommodate middle housing, such as for lots designated with critical areas and their buffers.
- Alternate density requirements: A city may choose to limit implementation of the density requirements to 75 percent of lots that are primarily dedicated to detached single-family houses, subject to specific conditions included in the new state law.

EHB 1337 | Engrossed House Bill | Accessory Dwelling Units

In addition to encouraging more options to achieve middle housing density requirements, jurisdictions may choose to count accessory dwelling units (ADUs) toward density requirements as expressed in E2SHB 1110, though they have the option not to. Currently, the City does NOT count ADUs in total density.

Engrossed House Bill 1337 (EHB 1337) further relates to expanding housing options by reducing barriers for construction of such housing units that may provide a smaller living footprint and reach more income levels by enabling lower cost development.

As a Tier two city, Lacey will be required to comply with the following provisions of EHB 1337:

- Allow at least two ADUs per lot in all GMA urban growth areas
- Do not require owner occupancy
- Allow separate sale of ADUs
- Revise off-street parking requirements for ADUs
- Set maximum size limits at no less than 1,000 square feet
- Reduce barriers from setbacks and other related regulations
- Limit use of design standards
- Reduce or waive permit application fees, impact fees, system development charges, and other ADU-related fees where applicable

ESHB 2321 | Engrossed Substitute House Bill | Minimum Residential Density Middle Housing

Additional legislation impacting middle housing was recently passed and will be in effect as of June 6, 2024. The Engrossed Substitute House Bill 2321 (ESHB 2321) further modifies and

minimally amends provisions for middle housing set forth in the Revised Code of Washington (RCW 36.370A.030).

In short, the most substantial change proposed in ESHB 2321 applies to density requirements for lots with critical areas or their buffers, and limits the exemption of middle housing requirements to only *that portion of a lot, parcel or tract* impacted by such critical areas or their buffers (excluding critical aquifer recharge areas where a single-family home is allowed - provided appropriate aquifer maintenance plans are established).

Though additional clarification and modification is stated in this Bill regarding middle housing development near major transit – the City should not be impacted by these provisions - as currently the City does not have such transit areas as defined in the Bill.

VI. Policy Analysis | Applying a Typology

To review the City's Comprehensive Plan elements and guiding housing documents– a narrow lens (focused on middle housing) was applied using a specific typology as a tool to identify any current policy's ability to support or challenge middle housing development within the City limits and in the urban growth areas.

The typology suggests a range between supportive and challenging. Therefore, many existing policies were found to be partially supportive while also partially challenging, or other combinations of the typology *scores*. Even in such situations, the analysis served as a guide for the overarching conversation that is whether Lacey policies are currently sufficient to meet new mandates or if changes could or must be made to strengthen support for the inclusion of middle housing regulations.

For the purposes of the internal staff review – initial analysis aimed to assess the level of support for inclusion of middle housing development and provide a *rational* for scoring each policy per the typology framework.

Questions developed by the Washington State Department of Commerce, provided a helpful framework that was used to capture and address the City's current level of support or challenges around middle housing inclusion. In addition, the questions helped to establish the need of the City to amend, enhance, create or repeal policy to effectively support and comply with middle housing development regulations.

Note. The framework, has been used by other jurisdictions in Washington such as the City of Sumner (in response to 2024 House Bill 1220 requirements, analysis of Racially Disparate Impacts (RDI) which the questions were initially developed for).

These questions included:

- Is the policy effective in accommodating needed middle housing?
- Does the policy contribute to or pose exclusion for middle housing?

- Who benefits and who is burdened by the policy?
- Does the current policy prohibit the state, regional or local goals to produce more housing units of varying size, form and cost?
- Does the policy enhance the possibility of housing units that will accommodate a broad range of income levels?
- Will the current policy iteration be sufficient to fully comply with new middle housing regulations?

The typology was applied to each document that was included in the staff analysis (see page 4 – Documents Included in Analysis) and found generally relevant to middle housing inclusion.

The evaluation (scoring typology) established a criterion for each score and included the following four options:

- **“S”** – Supportive
- **“A”** – Approaching
- **“C”** – Challenging
- **“NA”** - Not Applicable

The analysis largely revealed that many policies, strategies or portions of text (narrative) had multiple typology scores such as when a policy was identified as supportive in nature, though could also be enhanced (approaching) to strengthen its level of support. In other circumstances a policy may have been found to be both supportive of middle housing inclusion but potentially challenged when considering other policies, objectives, or goals impacting housing development trends in the City and the UGA.

Though some policies were found sufficient, others will need further review and input from stakeholders to appropriately modify for compliance and align with Lacey’s overall community visions and goals.

Table 3. *Evaluation Criterion*, provides the criterion for each of the options listed above.

Criteria	Evaluation
The policy is valid and supports achieving the GMA goal for middle housing. There is a need for the policy and/or it addresses the inclusion of middle housing.	"S" Supportive
The policy can help achieve the GMA goal for middle housing but may be insufficient and require additional or alternative language to include middle housing.	"A" Approaching
The policy may challenge the jurisdiction's ability to achieve the GMA goal for middle housing. The policy's benefits and burdens should be reviewed to optimize the ability to meet the policy's objectives while including middle housing in the scope of the policy.	"C" Challenging
The policy does not affect the jurisdiction's ability to achieve GMA middle housing goals.	"NA" Not Applicable

Table 3. Evaluation Criterion

VII. Examples of Analysis | Applying the Typology Comprehensive Plan | Housing Element (2016)

Goal 1: Have sufficient number of single-family dwelling units, multifamily units, and group and special need housing to provide a selection of rental and home ownership and affordable housing opportunities for *all* persons.

Evaluation Score: **"S"** – Supportive, **"A"** – Approaching & **"C"** – Challenging

Rationale

- **Supportive:** This goal does not inherently present challenges for middle housing inclusion but supports housing variety that could serve various populations with diverse needs, and stresses that opportunities should exist for all persons. Diverse options can help fill diverse housing gaps. Middle housing may also be considered multifamily units where four or more units are developed under the same ownership such as a fourplex or fiveplex. In addition, under new middle housing regulations - a fourplex (for example) must allocate one unit for affordable housing per income requirements established in House Bill 1110. Middle housing can also encourage more opportunities for home ownership at smaller scales due to such provisions as the Unit-Lot Subdivision – a new regulation.
- **Approaching:** This goal could be strengthened by including middle housing as a viable and desirable option for meeting housing variety needs that exist between single-family dwellings and multifamily units. Middle housing can be more affordable than single-family; thus, this goal could be enhanced with mention of middle housing in filling affordability gaps.
- **Challenging:** A few challenges could potentially exist with balancing the distribution of housing types. The emphasis on single-family and multifamily units might overshadow the need for specific middle housing types, which can serve as a bridge between the two.
Due to the expense of infrastructure to support more housing, and zoning regulations that might favor larger multifamily developments, obstacles may exist in certain planning areas or zones that prohibit furthering middle housing varieties; weakening the ability to provide sufficient housing varieties to serve various needs.

Recommendations

Though the goal does not require a direct revision in order to support the main tenets of middle housing inclusion, consideration could be given to enhance the goal by including middle housing varieties in the *list* for sufficient housing provisions. This would strengthen the claim that the City aims to provide a selection of options for *all* persons.

Example | Rephrasing of Goal

"Have a sufficient number of single-family dwelling units, middle housing units (such as duplexes, triplexes, townhomes, and accessory dwelling units), multifamily units, and group and special need housing to provide a diverse selection of rental and home ownership opportunities. Ensure affordability for all income levels to promote inclusive and sustainable communities."

Goal 1. Policy A: Provide opportunities for development of all housing types to accommodate future needs for each type of housing.

Evaluation Score: “S” – Supportive

Rationale

- **Supportive:** This policy does not inherently present challenges for the inclusion of middle housing, rather, it encourages development opportunities for the future needs of *all* housing types.

Recommendations

Though the policy could face challenges due to the ambiguities of if, where, and how development will occur, and/or if housing types will be distributed with a balanced approach, the policy is broad enough in nature that no *direct* negative impact to middle housing inclusion exists. There are no recommendations for revision.

Housing Element Narrative | Suggestions for Update

Narrative (text) was included in the comprehensive plan analysis. Though the following original text implies support for middle housing varieties and is generally supportive of the development of a variety of housing types, the text could be enhanced and improved with the following suggestion:

Original Text | Housing Element | Introduction

“While single-family neighborhoods have remained a staple in Lacey, the number and variety of multifamily housing choices have slowly increased in the last several years, including in mixed use developments. The comprehensive plan calls for distribution of a range of housing types to provide for the housing needs of Lacey’s full demographic profile. The plan also proposes the use of compact mixed-use housing forms to provide conservation of buildable land resources and opportunity for a range of housing styles and choices.”

Example Revision

“While single-family neighborhoods have traditionally remained a staple in Lacey’s housing landscape, the number and variety of multifamily housing choices, including middle housing options such as duplexes, triplexes and townhomes, have slowly increased in recent years, including in mixed-use developments. The City’s Comprehensive Plan calls for the distribution of a wide range of housing types to meet the housing needs of Lacey’s diverse demographic profile. The Plan also advocates for the use of compact mixed-use and middle housing forms to conserve

buildable land resources and provide opportunities for a variety of housing styles and choices to accommodate a broader span of needs and incomes while aligning with the City's goal to enhance housing affordability and accommodate diverse housing preferences."

VIII. Summary

Overall, the staff analysis of Lacey's Comprehensive Plan and related housing documents was a crucial and helpful process to assist planning for middle housing regulations. The analysis will be used to inform subsequent process steps and serve as a foundational point of reference for conversations across stakeholders, where input in the decision-making process will be necessary to comply with new middle housing regulations in a way that best aligns with overarching City visions and housing goals.

City of Lacey Staff:

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6/3/24

CITY OF LACEY PLANNING COMMISSION WORK SCHEDULE

**Planning Commission Meeting
June 12, 2024**

1. **Public Hearing:** Transportation Improvement Program
2. **Work Session:** Housing/Climate Program Updates

Packets due: June 7, 2024

**Planning Commission Meeting
June 26, 2024**

1. **Work Session:** Comp Plan Public Engagement Plan
2. **Work Session:** Public Comment Policy

Packets due: June 21, 2024

**Planning Commission Meeting
July 10, 2024**

Meeting Canceled

Packets due: July 5, 2024

**Planning Commission Meeting
July 24, 2024**

Packets due: July 19, 2024