

Middle Housing in Lake Forest Park: Updated Recommendations for Future Code Updates

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To Mark Hofman, Community Development Director, Lake Forest Park
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Introduction

Leland Consulting Group (LCG) was retained as part of a consultant team led by SCJ Alliance to assist the City of Lake Forest Park in updating its zoning regulations to comply with new state mandates requiring cities to allow a variety of middle housing types (HB 1110) and make increased allowances for ADUs (HB 1337), through a Middle Housing Grant from the Washington Department of Commerce. As part of this work, LCG produced a *Middle Housing Feasibility and Recommendations Report* which studied potential locations where middle housing infill could be most effectively added to existing development in the city, outlined a wide range of considerations around middle housing typologies and associated zoning standards, and provided recommendations on options the city could take to allow or incentivize middle housing beyond the baseline requirements of HB 1110, should the city so choose.

As the Planning Commission, staff, and SCJ have worked through the code updates in late 2024 and early 2025, the Planning Commission has expressed interest in both completing the code update process to meet all necessary state requirements by the June 30, 2025 deadline as well as exploring potential future code changes that can further incentivize middle housing, particularly tied to affordability, in the coming years. This memo outlines key recommendations and case studies on:

- **Incentives for Affordability**
- **Dimensional Standards**
- **ADU location**

The considerations and case studies in this memo can be used to inform future regulatory updates and changes to help Lake Forest Park increase the availability and affordability of a wider variety of housing types, beyond the baseline requirements of HB 1110 and HB 1337. Further study will be required to ensure these strategies are appropriately tailored to Lake Forest Park's unique characteristics and needs.

Incentives for Affordability

Types of Incentives

The city has expressed a goal of increasing affordable homeownership opportunities. Middle housing can provide one useful path towards this goal through direct affordability requirements and through the creation of smaller units that are less expensive to develop and maximize the use of valuable land. Specific incentives to consider in future code updates include:

- **Affordable Unit Density Bonus** – Allow additional units per lot beyond the minimum, in exchange for those units being made available to households earning below a specific income level, such as 80 percent AMI. This type of “inclusionary zoning” is commonly used in multifamily projects, and more recently has also been applied to middle housing in Washington and elsewhere. For example, under HB 1110, larger cities (Tier 1 and

Tier 2) are required to allow additional density if some units are affordable at 60 percent AMI for rental housing and 80 percent AMI for ownership housing. This type of bonus must be carefully considered and calibrated to the local housing market because although providing a bonus of additional units can generate additional revenue for a housing developer, requiring the developer to provide housing at below-market rates may affect financial feasibility, preventing units from being built altogether if not paired with other incentives such as those discussed below to offset the reduced revenue from the affordable units.

- **Fee Reductions or Waivers – Reduce or waive permitting or development review fees, impact fees, and/or expedite review for projects which include affordable units.** Many jurisdictions across the state and country have adopted this sort of program, which can help offset the lost revenue from affordable units at minimal cost to the city compared with other funding schemes. When paired with other bonuses such as increased building height or floor-area-ratio, this can be an especially impactful tool.
- **Parking Reductions – Reduce or eliminate off-street parking requirements for developments which include affordable units.** Requiring 1.5 parking spaces per unit per Lake Forest Park’s current code is likely to negatively impact the feasibility of middle housing development, especially on lots constrained by environmental issues and/or tree coverage. The city could consider tying the number of spaces to the number of bedrooms, with lower parking requirements for smaller studio and one-bedroom units that are rented or sold at an affordable price. Although Lake Forest Park has significant environmental constraints and areas of the city that lack adequate on-street parking, some reductions for affordable housing in appropriate areas tailored to unit size could help increase the potential for affordable unit construction.
- **Height Bonus – Allow additional height in exchange for the provision of affordable units.** Although Lake Forest Park’s height limit of 30 feet is sufficient for some three-story structures, an increase to 35 feet or greater in exchange for affordable units could increase flexibility for unique projects which have a smaller footprint and are less disruptive to existing tree canopy and critical areas.
- **FAR Bonus – Create a system of Floor Area Ratio (FAR) bonuses which increase with the number of units, and/or with the provision of affordable units.** Adjusting FAR with each additional unit encourages middle housing by reducing the potential for extremely large single-unit homes and providing more flexibility in the configuration of multi-unit structures. FAR bonuses can vary by zone or target area. The Washington Department of Commerce’s model code for middle housing in Tier 1 and 2 cities recommends a minimum FAR of 0.6 for a single-family home increasing by 0.2 for each additional unit up to six units. In Portland, FAR starts at a base of 0.4 for single family homes and increases by 0.1 for each additional unit up to four units.

Financing and Other Considerations

Since affordable unit density bonuses are required in Tier 1 and Tier 2 cities, Commerce’s [Middle Housing User Guide](#) contains a chapter on the feasibility and financing of affordable middle housing and a useful section on considerations for affordable housing program implementation, which specifically discusses options for administering affordable homeownership programs. Such programs can be challenging to administer for cities since they require ongoing management of affordable units. Commerce suggests that local housing authorities or regional partners could be engaged to assist cities with limited resources in administering such a program. Additionally, Community Land Trusts (CLT) are another option for encouraging affordable homeownership. In this model, a nonprofit land trust owns the land and homebuyers purchase the homes, entering into long-term, renewable land leases. The CLT oversees the buying and selling of the homes to ensure they remain sold at affordable rates through caps on appreciation. In the greater Seattle area, [Homestead](#) CLT has assisted more than 300 first-time homebuyers and currently has 246 homes in trust across the region, both in new developments and existing homes purchased by the CLT. Similarly, in Skagit County, the [Home Trust of Skagit](#) has built several neighborhoods in cities across the county as well as owning a number of scattered site

homes. These organizations demonstrate the potential for CLTs to both develop new housing as well as preserve affordability of existing housing stock in the region.

Another consideration would be for Lake Forest Park to establish its own funding source for affordable housing, such as an affordable housing trust fund which could be funded through new or existing tax revenue and support the construction of affordable housing through direct subsidies or land purchases, which could be donated to CLTs or other developers of middle housing.

Case Studies

Affordable housing density and FAR bonuses, fee exemptions, and municipal funding are common tools used to promote the development of affordable housing in multifamily projects across the country. As noted previously, Washington now requires Tier 1 and Tier 2 cities to provide affordability density bonuses for middle housing, but these requirements have not yet been adopted in most jurisdictions, making it difficult to study their implementation. Such provisions are also relatively rare in smaller cities such as Lake Forest Park. On the other hand, Portland, OR has been exploring such programs around middle housing for several years, long enough to provide useful information on the results of implementing middle housing and infill incentives. Additionally, Tigard, a suburb of Portland with a population of about 55,000, has recently adopted a new funding mechanism for middle housing specifically. On the other end of the spectrum, San Juan County, WA has a number of affordable housing density bonuses in rural and low-density settings that show an interesting application of the principle. These case studies are discussed below.

Tigard, OR

Middle Housing Revolving Loan Fund

The City of Tigard in Washington County, Oregon created a Middle Housing Revolving Loan Fund in 2021 seeded by funds from the American Rescue Plan. The goal of the fund is to increase the feasibility of middle housing in the city, including cottage clusters, courtyard units, four-plexes, and other small-form residential housing. The program provides short-term construction loans to developers building for-sale middle housing. The loans range from \$500,000 to \$4,500,000 (up to 90 percent LTV) and have an interest rate of six percent. To qualify for the loan program, a minimum of 30 percent of units must be offered to sale for qualified buyers at no more than 100 percent AMI through organizations including Proud Ground, Habitat for Humanity, or the Portland Housing Center.

Portland, OR

FAR & Unit bonus

Portland offers two different types of affordability bonuses for middle housing. While the Residential Infill Project (RIP) allows up to four units on low-density residential lots throughout the city, six units can be built if half of the units are affordable. In addition, FAR increases with the number of units and for buildings with one to four units, and there is an FAR bonus if at least one unit is affordable. The table below shows the base and bonus FAR for different structure types in the city's low-density zones. To qualify for the bonus, the affordable unit(s) must be affordable to households at 60 percent AMI.

	R20	R10	R7	R5	R2.5
1 dwelling unit	Base: 0.4:1 Bonus: N/A	Base: 0.4:1 Bonus: N/A	Base: 0.4:1 Bonus: N/A	Base: 0.5:1 Bonus: N/A	Base: 0.7:1 Bonus: N/A
2 dwelling units	Base: 0.5:1 Bonus: 0.6:1	Base: 0.5:1 Bonus: 0.6:1	Base: 0.5:1 Bonus: 0.6:1	Base: 0.6:1 Bonus: 0.7:1	Base: 0.8:1 Bonus: 0.9:1
3 dwelling units	Base: 0.6:1 Bonus: 0.7:1	Base: 0.6:1 Bonus: 0.7:1	Base: 0.6:1 Bonus: 0.7:1	Base: 0.7:1 Bonus: 0.8:1	Base: 0.9:1 Bonus: 1:1
4-6 dwelling units	Base: 0.7:1 Bonus: 0.8:1	Base: 0.7:1 Bonus: 0.8:1	Base: 0.7:1 Bonus: 0.8:1	Base: 0.8:1 Bonus: 0.9:1	Base: 1:1 Bonus: 1.1:1

Source: City of Portland.

The original RIP went into effect in August 2021, while RIP2 (which allowed for an additional FAR increase for buildings with four or more units) went into effect in July 2022. The number of fourplexes built since this change has increased significantly, with 224 fourplex units permitted between 2022 and 2024.

Homebuyer Opportunity Limited Tax Exemption (HOLTE) & SDC Exemption

Portland offers two programs aimed at supporting the development of affordable homeownership – the Homebuyer Opportunity Limited Tax Exemption (HOLTE) Program and the SDC Exemption Program. The HOLTE program provides a tax exemption up to 10 years if a unit is sold at an affordable price to a household making no more than 120 percent AMI. The sale price cap is currently \$455,000. Builders apply for the HOLTE program prior to attaining a building permit, and buyers submit an income verification application at the time of closing. Subsequent homebuyers must also submit income verification in order to maintain the tax exemption.

The SDC Exemption Program reimburses developers for SDC charges if a home is sold to a household making no more than 120 percent AMI. The sale price cap is the same as for the HOLTE program, and the homebuyer must submit a compliance verification form at least 10 days before closing. The SDC Exemption Program can also be used for rental housing if the tenant’s household income is no more than 60 percent of AMI.

Between 2018 and 2024, the City received applications for these programs for 555 units in low-density zones in High Opportunity and Vulnerable Census tracts.

San Juan County, WA

Affordable Housing Density Bonus and CLTs

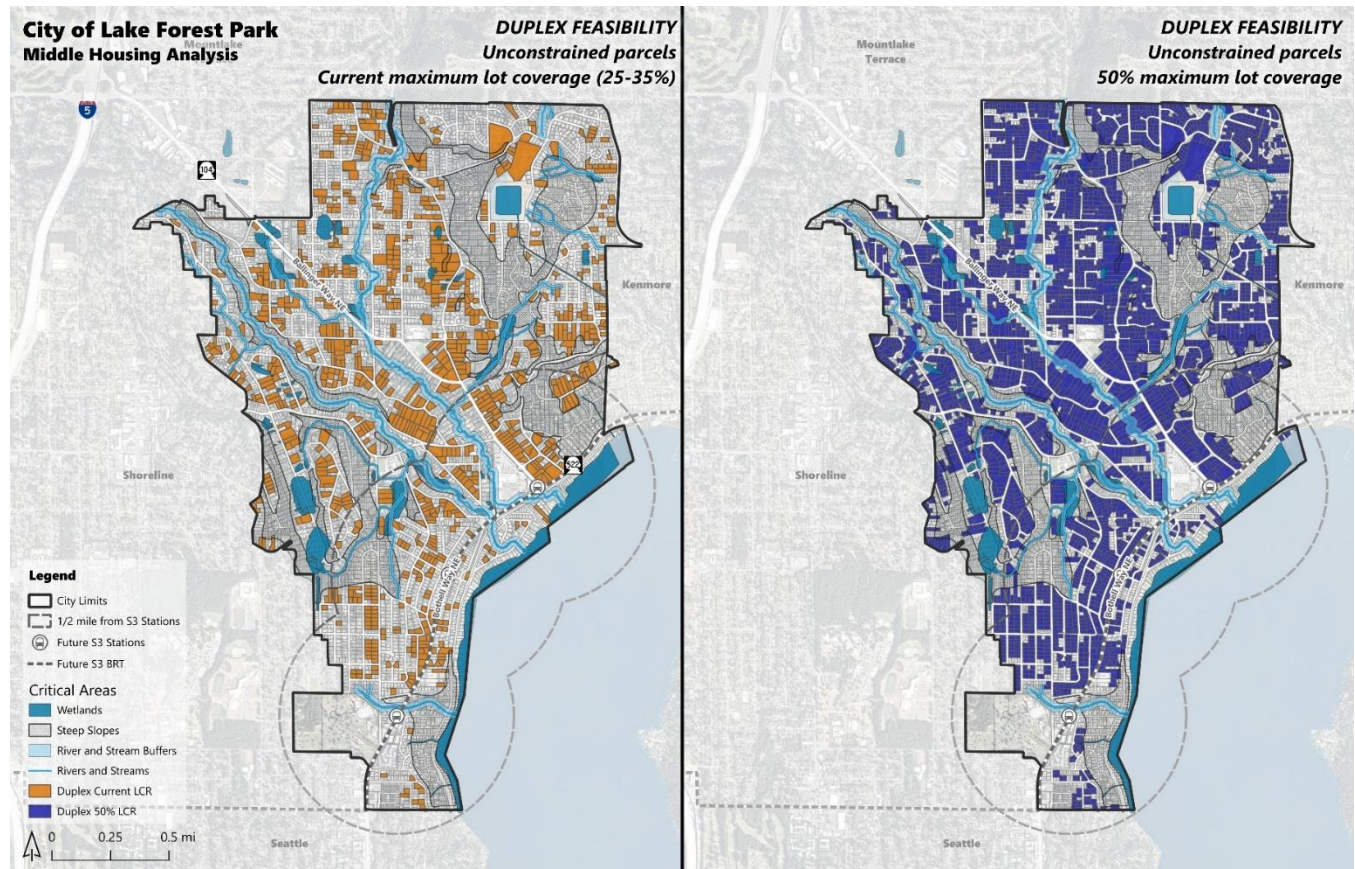
The San Juan Islands are primarily rural, with some pockets of density in the Town of Friday Harbor and two Urban Growth Areas (Eastsound and Lopez Village). The county code has a variety of density bonuses tied to affordable housing at very low densities, such as a bonus of up to 6 additional units per acre (from the base density of 6 units per acre) for the provision of affordable units in Lopez Village. Rural areas have similar bonuses at even lower densities, such as an increase from 0.5 units per acre to 2 units per acre in Deer Harbor Hamlet. These bonus programs have been utilized by Community Land Trusts for the provision of deed restricted affordable housing, serving low- and moderate-

income households, particularly in the Eastsound and Lopez Village UGAs. Several of these projects are in cluster developments of small, detached homes, demonstrating a unique approach to affordable housing regulation tailored to the environmental constraints in a lower-density semi-rural setting where limited density increases can still assist nonprofits in creating needed affordable housing stock. San Juan County has a particularly robust CLT infrastructure, with [Lopez CLT](#) and [OPAL](#) building innovative affordable housing developments on Lopez and Orcas Islands, respectively. In fact, nearly all of the subsidized affordable housing in the county is built by CLTs.

Dimensional Standards

Lot Coverage Ratio

Lake Forest Park's zoning code allows maximum lot coverage of between 25 and 35 percent in single-family zones. These requirements limit the potential number of lots in the city where middle housing can be developed. One future code consideration would be to increase the maximum allowed lot coverage to 50 percent for middle housing types, which would open up the potential on more lots throughout the city. The map below shows lots where it would likely be possible to develop a duplex under current lot coverage requirements on the left, and under a 50 percent maximum lot coverage scenario on the right, assuming 4,000 square feet of land would be required for a duplex. These estimates only take into account total lot size rather than a detailed dimensional analysis of parcel characteristics, but give a general overview of the city's capacity for middle housing. Although the city may not wish to increase maximum lot coverage to 50 percent in all zones, this analysis suggests that an increased maximum lot coverage in the smaller-lot zones (RS-10, RS-9.6 and particularly RS-7.2) would notably increase the capacity for duplexes in desirable areas for middle housing.

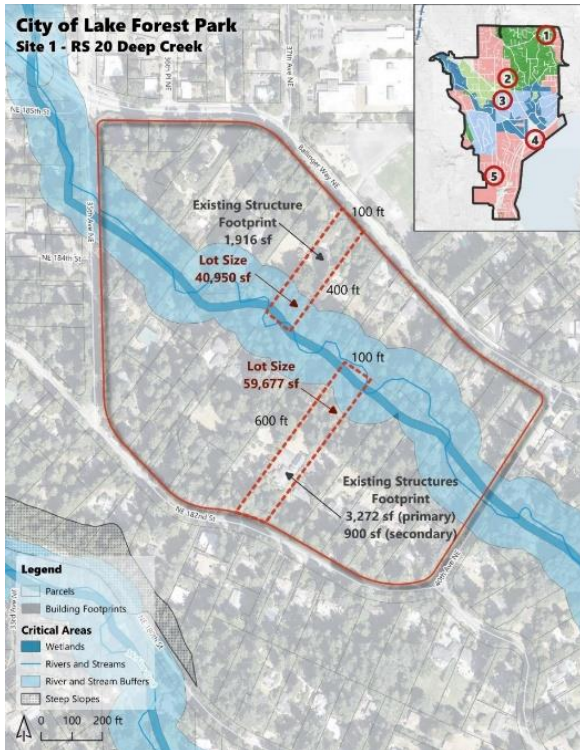


Street Frontage Requirements

In addition to lot coverage, another potential future consideration could be to adjust street frontage requirements. Currently, the city's single family zones require between 60 and 75 foot of street frontage. This could prevent potential lot splitting for middle housing. Given the unusual size and orientation of lots in some areas of Lake Forest Park, the city could consider decreasing or removing these street frontage requirements to enable more flexible use of available land, particularly on deep lots where the creation of a flag lot could lead to more housing opportunities without significantly changing nature of the built environment.

ADU Location

Many of the residential lots in areas of Lake Forest Park are wooded and include long driveways that conceal houses from the street, such as the examples shown in the map at left below. Currently, ADUs are only allowed behind the main structure. The city could consider allowing ADUs to be built in front and/or side yards as well as rear yards. This would potentially reduce impacts to the tree canopy and enable the construction of new housing on more lots, without significant changes to the built environment.



Conclusions

In addition to the base requirements which Lake Forest Park will be adopting in June 2025, the city has the opportunity to explore a variety of options related to increased allowances for middle housing, keeping in mind the Planning Commission's goals to prioritize the provision of affordable homeownership opportunities in the community:

- **Incentives for Affordability**
 - Require the provision of affordable units in exchange for increased density of units per lot beyond the duplex minimum.
 - Consider incentivizing the provision of affordable units through fee reductions or waivers, parking reductions, and height or FAR bonuses, to ensure feasibility.
 - Explore potential funding mechanisms for affordable housing such as an affordable housing trust fund.
- **Dimensional Standards**
 - Consider increasing lot coverage ratio and reducing or eliminating street frontage requirements to increase available parcels for affordable housing construction.
- **ADU location**
 - Consider allowing ADUs in front of or beside existing structures to increase available parcels for ADU construction, particularly given Lake Forest Park's unusual lot sizes and shapes.