

WHERE WILL WE LIVE?



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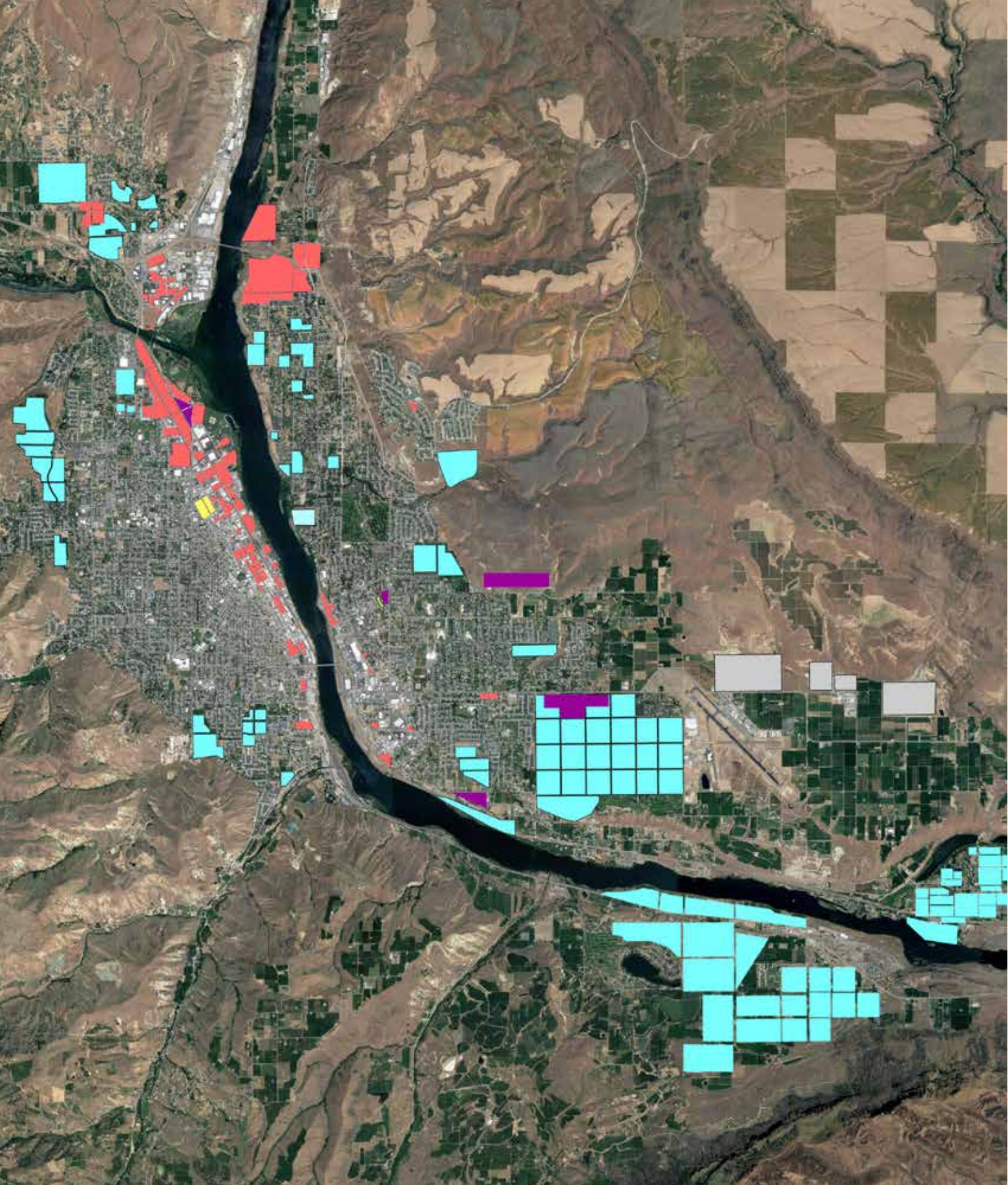
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Introduction

The work of the Our Valley Our Future Housing Solutions Group and the recommendations contained in this report are an outgrowth of an Our Valley game-changer project first unveiled in November 2016. This project, dubbed the Regional Housing Approach Game-Changer, was developed after Our Valley conducted extensive community outreach in 2015-16 that revealed residents clamoring for the development of more available housing. It is one of seven ‘game changer’ projects designed to accelerate the community’s long-term vision for the region.

Several major employers have reported they have been unable to fill job positions due to the lack of available and affordable housing in the community. The housing crisis also has forced families to double up in homes, and has led to a slowdown in real estate activity and thus economic activity.

As a result of these challenges, a Greater Wenatchee Urban Housing Study was conducted in 2016 by the cities of Wenatchee and East Wenatchee. The study found several key issues affecting housing affordability along with the lack of market-rate housing and multifamily housing. The multifamily market is characterized by low vacancy rates and overcrowding. The principle findings in the study illustrated a deficiency of approximately 1,600 market rate units (affordable to those households earning 120% of the Area Median Income); the presence of down renting in which households are occupying units that would normally be available to lower income households; housing mismatch in which many 3 and 4 bedroom

units are occupied by 1 or 2 person households; an increasing elderly population; and significant cost burdened households largely caused by the cost of housing being considerably higher than comparable Eastern Washington cities.

While there has been a recent uptick in the construction of homes and multifamily units, construction of new units has not kept up with a growing demand.

The lack of housing and lack of housing that is affordable to the majority of people is not just a Wenatchee area problem. Housing supply is generally deficient throughout the Nation and especially in the west and growing metropolitan areas. In general, the short supply of housing is related to national demographic trends and changing social values related to housing. For example, a significant number of Baby boomers and Millennials are seeking the same types of housing, generally low maintenance multifamily housing. This trend represents a resurgence in cities where services are easily accessible compared to the suburbs. The suburbs are also experiencing growth, especially in families seeking more cost effective housing. These trends are having a significant impact in states, such as Washington state, that are growing in population.

The difficulties experienced in the Wenatchee area are made worse by a hot real estate market in the Seattle and Portland metro areas. Sixty-five tower cranes were reported in Seattle alone in summer 2018. This activity has created a strong demand for construction companies and workers in Seattle and Portland, and has meant housing developers have little incentive to

PREVIOUS PAGE: HERE IS A LOOK AT PROJECTED CHANGES TO THE GREATER WENATCHEE AREA IN 25 YEARS. BLUE AREAS ARE NEW SINGLE-FAMILY HOUSING, PURPLE AREAS ARE 1- TO 2-STORY MIXED-USE BUILDINGS, RED AREAS ARE 3- TO 9-STORY MIXED-USE BUILDINGS, YELLOW AREAS ARE CONFLUENCE HEALTH PROPERTIES.



cross the mountains and put up new homes in Chelan and Douglas counties. Wenatchee is relatively isolated to begin with and does not have the benefit of being able to react to market demands to produce a high number of units in a two- to five-year time period. Wenatchee historically has not over built during hot real estate markets due to this factor. Additionally, Wenatchee's economy tends to trail the Seattle economy by one to two years, and thus, when there is a market downturn in Seattle, housing development in Wenatchee slows despite its slow response to market upturns.

These fundamental factors are important to consider in developing strategies around increasing the supply of housing in the Wenatchee area. The Our Valley Our Future recognition of housing as a game changer is a great first step in addressing these fundamental challenges on a local level.

OVOF HOUSING GAME-CHANGER

Our Valley's Regional Housing Approach Game-Changer called for a coalition of key stakeholders to address the region's critical housing market issues, including housing availability and affordability, and to advance local coordination and collaboration on a long-term regional approach to housing, involving a broad cross-section of organizations and interests. Further, this coalition was to research, recommend and support implementation of new housing market policies and tools.

Community leaders saw the Housing Solutions Group as a rare opportunity to develop common-sense tools to increase housing across the entire region, while also acknowledging the issue is complex and there are no easy answers.

The Regional Housing Approach Game-Changer was designed by Our Valley as a six-step approach. Here are the steps:

1. The first step was forming a Housing Ambassadors Group to advise Our Valley on the questions to include in a housing survey in 2017. The Housing Ambassadors Group was formed in May 2017 and included a broad cross section of the housing industry, including realtors, developers, builders, government planners, low-income and middle-income housing experts, lenders, renters, and major employers.

2. The next step was the housing survey, which Our Valley conducted in July/August 2017. More than 1,700 residents of Chelan and Douglas counties completed the 35-question survey, with 600 residents writing their own housing stories. The survey results clearly revealed the housing crunch is negatively impacting the community's economy and quality of life and that residents and businesses need help. Employers reported they can't fill jobs because housing is not available. Some residents are spending as much as 70 percent of their household income on housing. The survey also found 46 percent of the 1,700 respondents saying they had considered relocating within the past year due to the high cost of housing combined with a severely limited supply. (For key findings from the survey, see the Housing Survey section elsewhere in this report. For the entire survey results, please visit www.ourvalleyourfuture.org.)
3. In late September 2017, the survey findings were released at a "Where Will We Live Community Housing Forum" at Pybus Public Market. About 75 people attended the forum – a mix of community leaders and residents – and provided additional feedback on ways to add more housing units in the region.
4. A white paper on home construction cost disparities was researched and written to provide greater clarity on why housing prices are significantly higher in Chelan and Douglas counties compared to other communities in Eastern Washington. (For key findings from the white paper, see the White Paper on Home Construction Costs section elsewhere in this report. For the entire white paper, see the appendix in this report.)
5. In October 2017, Our Valley appointed the Housing Solutions Group, composed of a broad cross section of the housing industry and overall community. The Housing Solution Group's main task was to research and recommend new ways to add more middle-market housing (aka median-income housing) in Chelan and Douglas counties. The recommendations in this report represent the final work product of the Housing Solutions Group.

6. With the completion of this Our Valley Housing Solution Group report, the final step in this game changer is to present the recommendations contained in this report to policy makers and the overall community and to advocate for their adoption. The Housing Solutions Group anticipates this community outreach work to occur in fall of 2018.

FOCUS ON MIDDLE-MARKET HOUSING

The Housing Solutions Group decided to focus on middle-market housing – defined as housing affordable to households earning between 80 and 175 percent of the region's median housing income of \$51,845 (between \$41,784 and \$73,904 in Chelan and Douglas counties) – because it impacts a large number of people, some of whom cannot afford traditional single-family homes; will provide assistance to employers who are having difficulty filling jobs; and, in the process, free up more housing for low-income households, and thus benefit another segment of the housing market. As described in the 2016 housing study, down renting is a significant problem in the Wenatchee market in which units that would normally be affordable to lower income households are consumed by households that would occupy new market rate units if they were available.

To help research housing issues, the Housing Solutions Group formed four committees – Inventories; Communications; Barriers and Incentives; Regulations, Codes & Zoning

Between November 2107 and June 2018, the Housing Solutions Group and its four committees met a total of 31 times, with members devoting approximately 880 hours of time, to researching and developing a slate of recommendations that will help spur more housing in the region in the short- and long-term.

Along the way, the Housing Solutions Group was encouraged by the success of similar collaborative efforts in small- to medium-sized metropolitan areas around the country, including one in Bend, Ore.

As lead partner on the game-changer, Our Valley Our Future assisted the Housing Solutions Group with its tasks. This support included setting up, facilitating and recording meetings; communicating with members, elected officials and the community at large; providing written materials; writing, editing and printing this final report; setting up presentations with policy makers; and communicating findings in the final report to the media and overall community.





Our Valley Housing Solutions Group Overall Task

Research and recommend
new ways to add more
middle-market housing in
Chelan and Douglas counties

Middle-Market Housing Defined

Middle-market housing is defined as those affordable for households earning between 80 and 175 percent of the region's median household income of \$51,845, or between \$41,784 and \$73,904 in Chelan and Douglas counties. The federal government defines affordable as households spending 30 percent or less of their income on a mortgage or for rent.

There is no one specific type of middle-market housing. It includes single-family homes, apartments, triplexes and fourplexes, cottage homes, town houses, and modular homes. Many of these other housing types feature attractive designs and fit well in established neighborhoods or in new subdivisions. These housing types also are attractive to middle-income earners who perhaps cannot afford a traditional single-family home.

Renderings by modFORM LLC



Big House

A large structure that looks like a single-family home but is instead divided up into several apartments, with entrances to the apartments secluded and not obvious to the casual observer.



Cottages

A grouping of small, single family dwelling units clustered around a common area and developed with a coherent plan for the entire site. The cottage units may have other shared amenities.



Courtyard

A structure consisting of multiple side-by-side and/or stacked dwelling units accessed from a courtyard or series of courtyards. Each unit may have its own individual entry.



Detached Accessory Dwelling Unit

A small, self-contained structure located on the same lot as an existing single-family home.



Duplex

A small- to medium-sized structure that consists of two dwelling units, one next to the other, both of which face and are entered from the street.



FourPlex

A medium structure that consists of four units: typically two on the ground floor and two above with a shared entry.



Tiny House

A very small structure that is typically under 500 square feet in floor area, excluding lofts.



Townhomes

A small- to medium-sized structure, consisting of two to eight (usually) attached single-family homes placed side by side.



Live & Work

A small- to medium-sized attached or detached structure consisting of one dwelling unit above or behind a flexible ground floor space for residential, service, or retail uses.

Our Valley Our Future Housing Survey

AUGUST 2017

In July and August 2017, as part of this game-changer project, Our Valley Our Future conducted a regional survey to get a better idea of the housing issues facing residents. More than 1,700 people throughout the region completed the 35-question survey, including 400 who did so the first day. Among the questions in the survey were ones that asked respondents how much of their household income currently goes toward housing, what are the biggest challenges potential home buyers and renter are facing, what kind of new housing types and options they would support in the region, and whether they would help pay for new infrastructure tied to new housing.

As part of the survey, about 600 people also wrote short personal stories about the housing affordability and availability challenges they and others are facing in the region. Some of those personals stories have been reprinted in this report.

Key Survey Findings

(FOR THE ENTIRE SURVEY RESULTS, PLEASE VISIT WWW.OURVALLEYOURFUTURE.ORG)

71 percent of survey respondents said the issue of **housing availability and affordability** is “extremely important” for the community. Another 23 percent labeled it as “important.”

77 percent said the local housing market, **left to its own devices, will not correct the region's growing problems** with housing availability and affordability. A total of 12 percent said the housing market will do that eventually, and 11 percent said they weren't sure or didn't have an opinion.

Given housing costs and availability, **45 percent of the respondents said they have considered relocating** to another city within the past year, while 49 percent said they had not. 6 percent said they weren't sure or had no opinion.

Survey respondents cited an **inadequate supply of reasonably priced homes** and an inadequate supply of homes in general as the greatest challenges to buying a home today.

Survey respondents cited an **inadequate supply of rental units**, followed by the poor quality of available rental units, as the greatest challenges faced by renters.

Financial experts generally advise people not to spend more than 30 percent of their income on housing (either mortgage or rent). But 46 percent of survey respondents indicated **they are spending more than 30 percent of their household income on housing** – including 23 percent spending more than 40 percent. Nationally, a family of four spent an average of 26 percent of their income on housing in 2014, according to a report by the Pew Charitable Trusts.

Among residents who rent a home, **46 percent said they are paying more than they can afford**, 42 percent said they are paying what they can afford, and 11 percent said they are paying less than they can afford. That indicates that 11 percent could move into higher priced homes if they were available.

While adding more single-family homes and apartments remain the top choices, **nine in 10 survey-takers called for a greater diversity of housing types** in the region. They chose such types as town houses, row houses, cluster housing, fourplexes, tiny houses (i.e. single family homes of less than 400 square feet), and high-rise buildings. There was support, too, for apartment complexes to be built in towns outside the Greater Wenatchee Area.

Asked if they would be **willing to help finance new infrastructure** (roads, utilities) so that more land could be opened up for housing, 45 percent said they would, 23 percent said no, 22 percent said they were not sure or had no opinion, and 11 percent provided an alternative answer.

66 percent said new "in-fill" housing (new housing built in empty or redeveloped lots in existing neighborhoods) **should reflect the character of those existing neighborhoods and districts**. 13 percent said “in-fill” should not reflect the character of existing neighborhood, while 21 percent were not sure or had no opinion.

White Paper on Home Construction Costs

2017

In 2016, the City of Wenatchee and its partners commissioned a housing study to collect data related to the cost and availability of housing in the Greater Wenatchee Urban Area, which includes Wenatchee, East Wenatchee, Rock Island, Malaga and Monitor.

This study reached several findings, including the fact housing prices are significantly higher in the Greater Wenatchee Urban Area compared to other Eastern Washington cities. Questions have surfaced as to why that is so. To help answer those questions, Our Valley Our Future commissioned a white paper in 2018 to compare and contrast housing costs in an effort to quantify and explain cost differences, while also bringing to light barriers and opportunities.

In the white paper, single family housing information was collected from five markets: Wenatchee/East Wenatchee, Yakima, Ellensburg, the Tri-Cities, and Spokane.

Key White Paper Findings

(FOR THE ENTIRE WHITE PAPER, SEE THE APPENDIX IN THIS REPORT)

Building new homes continues to cost more in the Greater Wenatchee Urban Area than in Yakima, Ellensburg, the Tri-Cities and Spokane.

Land cost is not the sole reason for the cost disparity.

Land availability is a significant challenge, especially larger tracts of lands.

Labor shortage and contractor shortages contribute to higher profits and an inability to respond to market demands in the middle markets.

Material prices are noticeably higher in Chelan and Douglas counties.

Permit fees are generally **within the range** of other markets.

Median Home Values/Rent Prices (August 2018)

CITY	MEDIAN HOME VALUE	MEDIAN RENT PRICE
Wenatchee Metro Area	\$300,800	\$1,650
Ellensburg	\$260,700	\$1,636
Tri-Cities	\$251,400	\$1,500
Yakima	\$212,900	\$1,200
Spokane	\$193,300	\$1,295

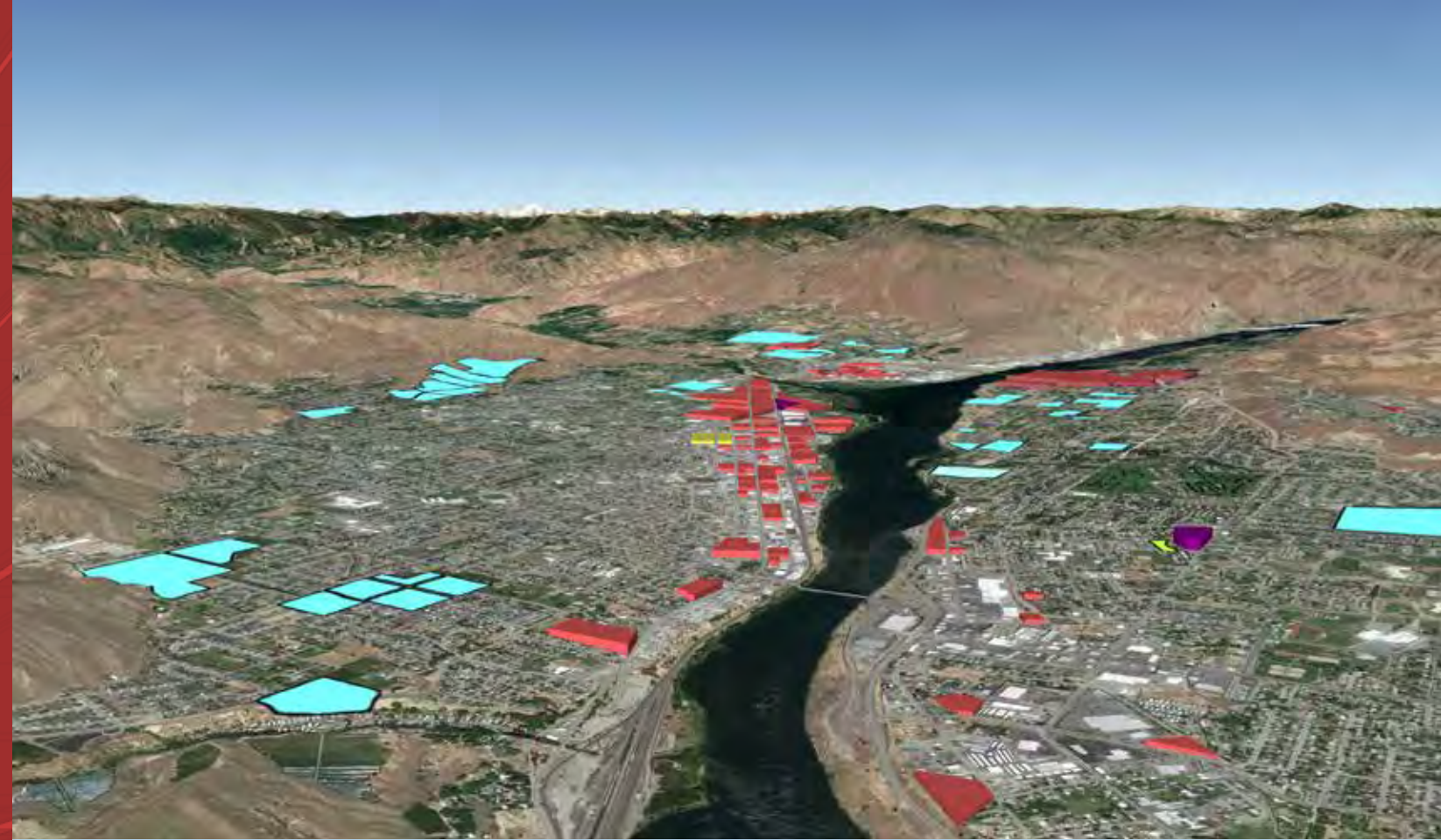
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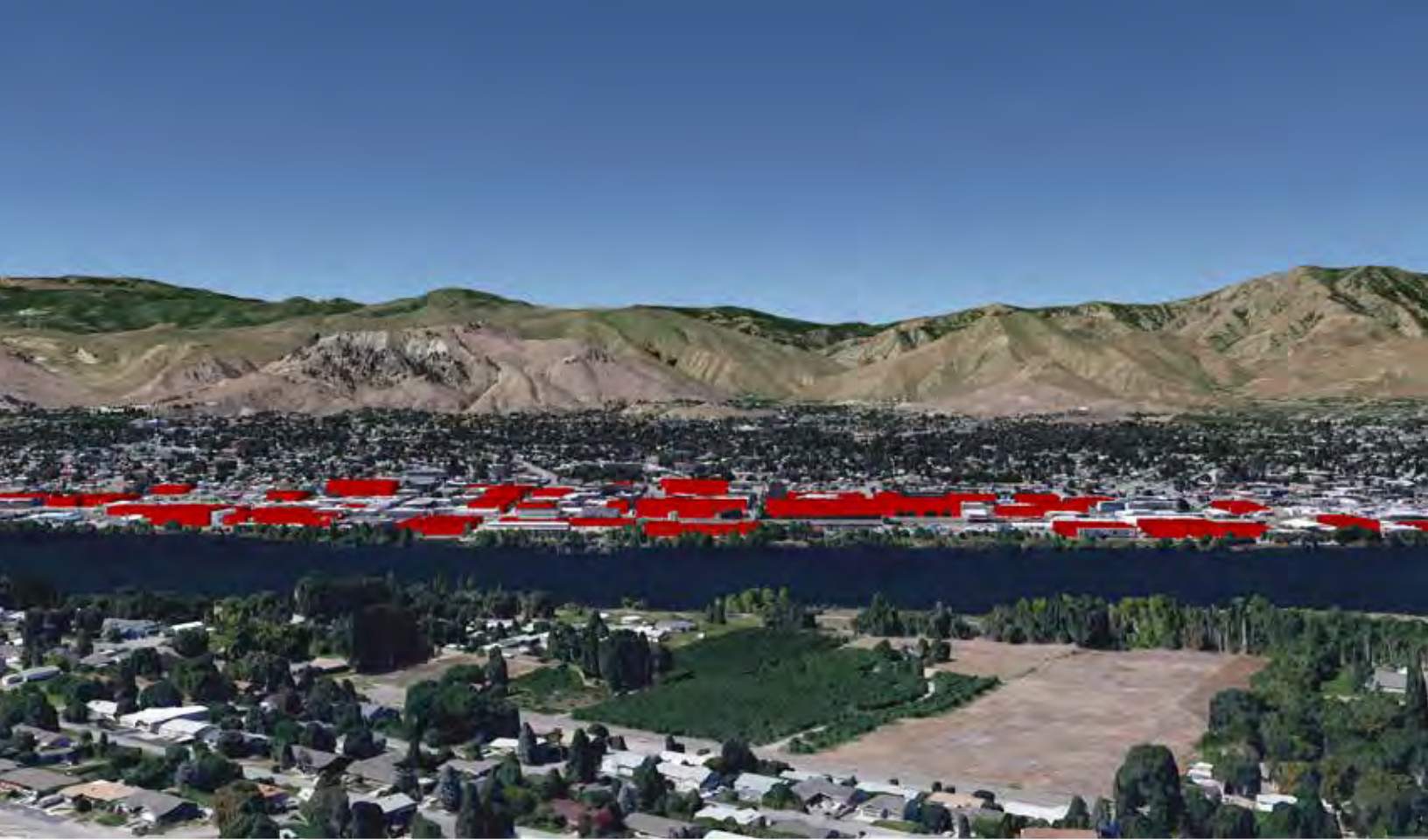
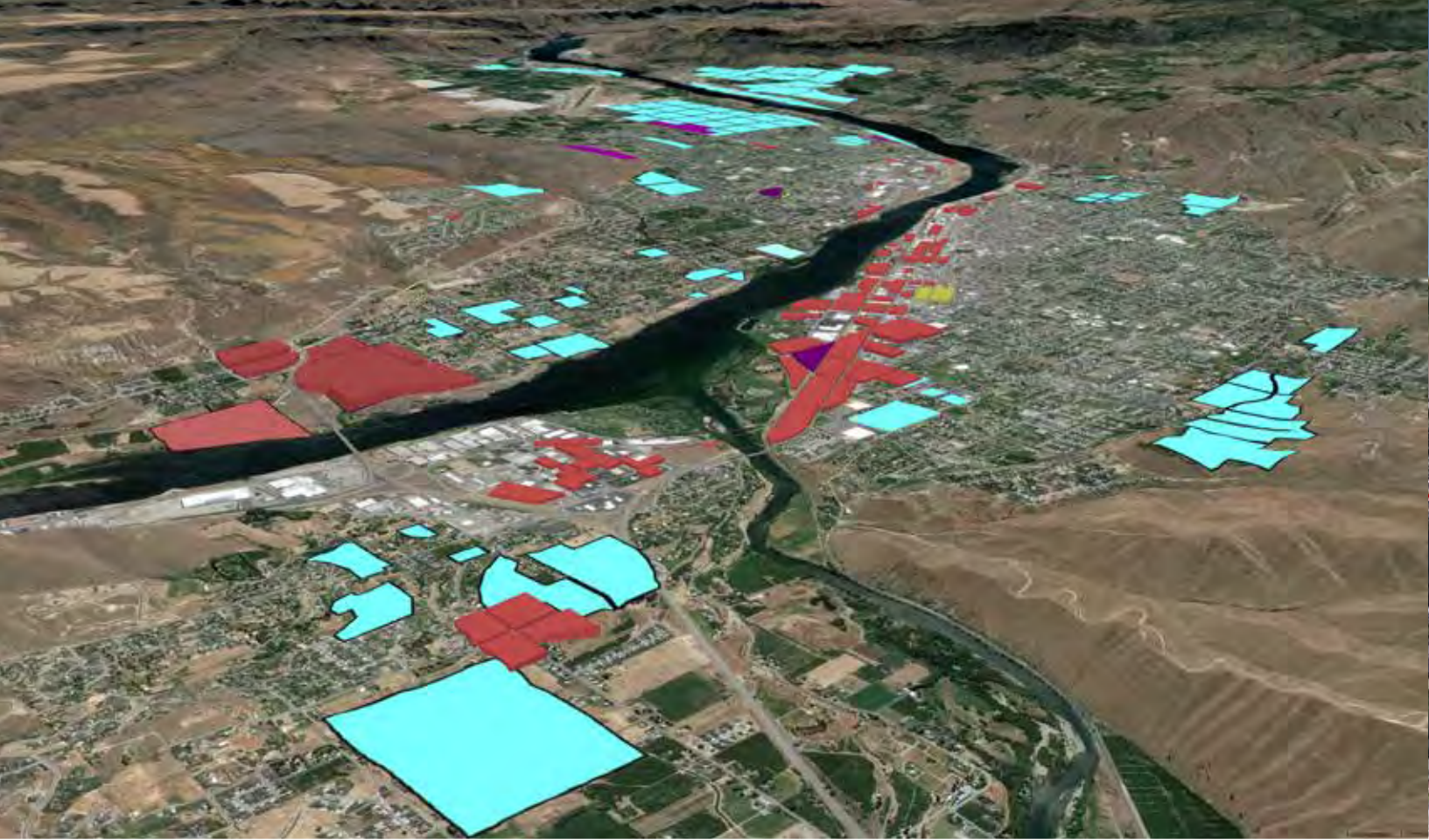


A Look at the Greater Wenatchee Area in 25 Years

With land for future development limited in the Greater Wenatchee Area due to topography, planners expect more multi-story buildings to accommodate future population growth. Based on current land-use zoning designations, here are several birds-eye views of what the community could look like in 25 years.

-  NEW SINGLE-FAMILY RESIDENCES
-  1-2 STORY MIXED-USE BUILDINGS
-  3-9 STORY MIXED-USE BUILDINGS
-  CONFLUENCE HEALTH
-  PARKS







Builders and developers believe there are many local regulations. Those who work in multiple jurisdictions also find differing codes among the agencies and districts, creating complexity and additional challenges as they work through the permitting process. In some cases, state development regulations – such as shoreline and stormwater codes – are being interpreted as less restrictive than local development regulations.

Streamlining codes and processes between jurisdictions needs to be a concerted effort, starting at the top. Hold a facilitated workshop for elected and appointed officials in all the jurisdictions to discuss development challenges and to streamline the permitting process. Coordinate and seek ways to make code uniform across all agencies and special districts in Chelan and Douglas counties. Hire a consultant or establish a committee of local professionals to review code, and eliminate unnecessary code elements in all jurisdictions (for a list of possible code changes, see appendix). Consider replacing code with tools that better match community needs and goals. Include community input.

TIMELINE: SHORT TERM

TASK 1.2

ISSUE

Businesses, government agencies and community members in Chelan and Douglas counties often aren't aware of the current state of the housing market and are thus not privy to opportunities and challenges.

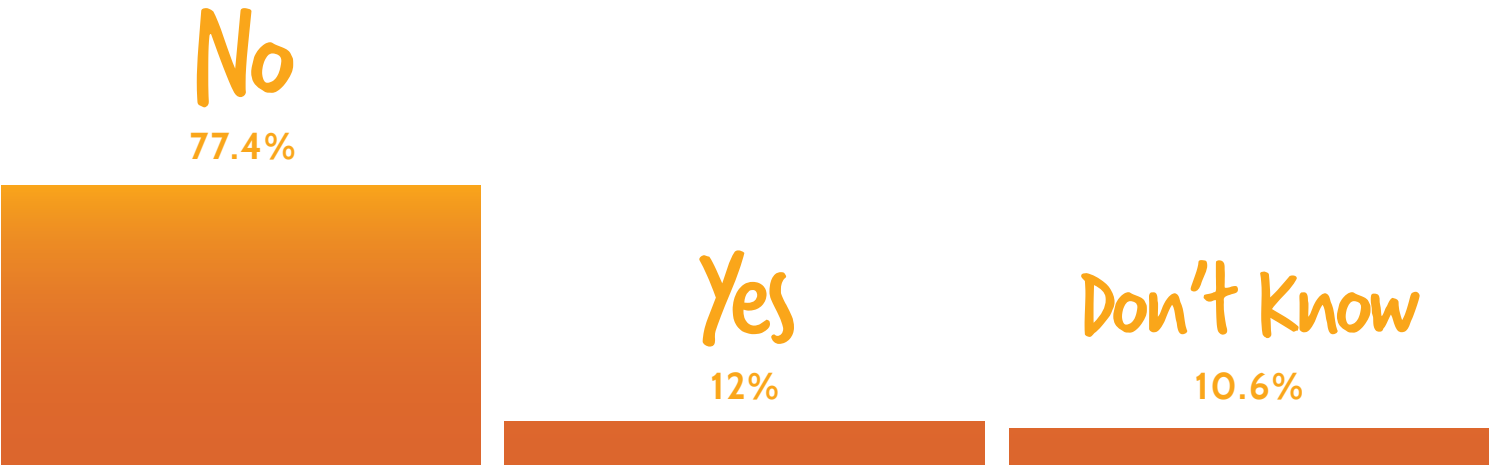
RECOMMENDATIONS

Compile and publish an annual housing report covering the two counties and all the cities. Include in this report a matrix of homes needed, applications turned in, homes built, buildable lands inventory, and limiting factors faced by jurisdictions and communities.

TIMELINE: ONGOING

Collaboration Needed

Do you think the housing market left to its own devices – without additional community involvement – will automatically correct problems with housing affordability and availability in Our Valley?



FROM THE AUGUST 2017 OUR VALLEY OUR FUTURE SURVEY OF 1,700 RESIDENTS



TASK 1.3



ISSUE

The lack of trades people and subcontractors in Chelan and Douglas counties is a factor in the rising cost of new homes.

RECOMMENDATIONS

Conduct a marketing campaign that tells the story of how trade jobs are good jobs. Encourage Wenatchee Valley College, high schools, organizations or private entities to offer a trades program.

TIMELINE: SHORT TERM



ISSUE

The permitting and due-diligence process can be long for short platting an infill lot or doing a planned development project, impacting the costs incurred by developers and builders, who want predictability and set timelines.

RECOMMENDATIONS

Encourage the Wenatchee Valley Chamber of Commerce and/or local economic development or housing groups to hire and appoint a liaison, who will help developers and builders navigate the permitting process and connect them with incentives or opportunities that support a project prior to pre-application, saving agency staff time and providing options for a clear path forward once the permitting process is started. Develop a library of prescriptive designs and plans, along with a protocol for efficient approval of the plans, pending site review.

TIMELINE: SHORT TERM

Undeveloped Land Inventory (March 2018)

	Undeveloped Acreage Within City Limits	Percentage of Undeveloped Acreage Within City Limits
Wenatchee	417	6%
Cashmere	69	12%
Leavenworth	65	9%
Entiat	656	55%
Chelan	2,089	35%
East Wenatchee	53	2%
Peshastin	0	0

SOURCES: CITIES, CHELAN COUNTY, DOUGLAS COUNTY



ISSUE

Innovative housing types are sometimes stifled by developers who use outdated Covenants, Conditions & Restrictions (CC&Rs) and believe there is not a market for other housing types.

RECOMMENDATIONS

An Our Valley Our Future survey of 1,700 residents in 2017 found a range of housing types are desired by citizens. Educate the development community and encourage them to use CC&Rs that promote density within the development. Show them the economic benefit of allowing density within the development and provide them a library of market-tested sections of CC&Rs to incorporate into their CC&Rs. Expedite development of projects that allow housing that is more dense than the ordinary single-family dwelling.

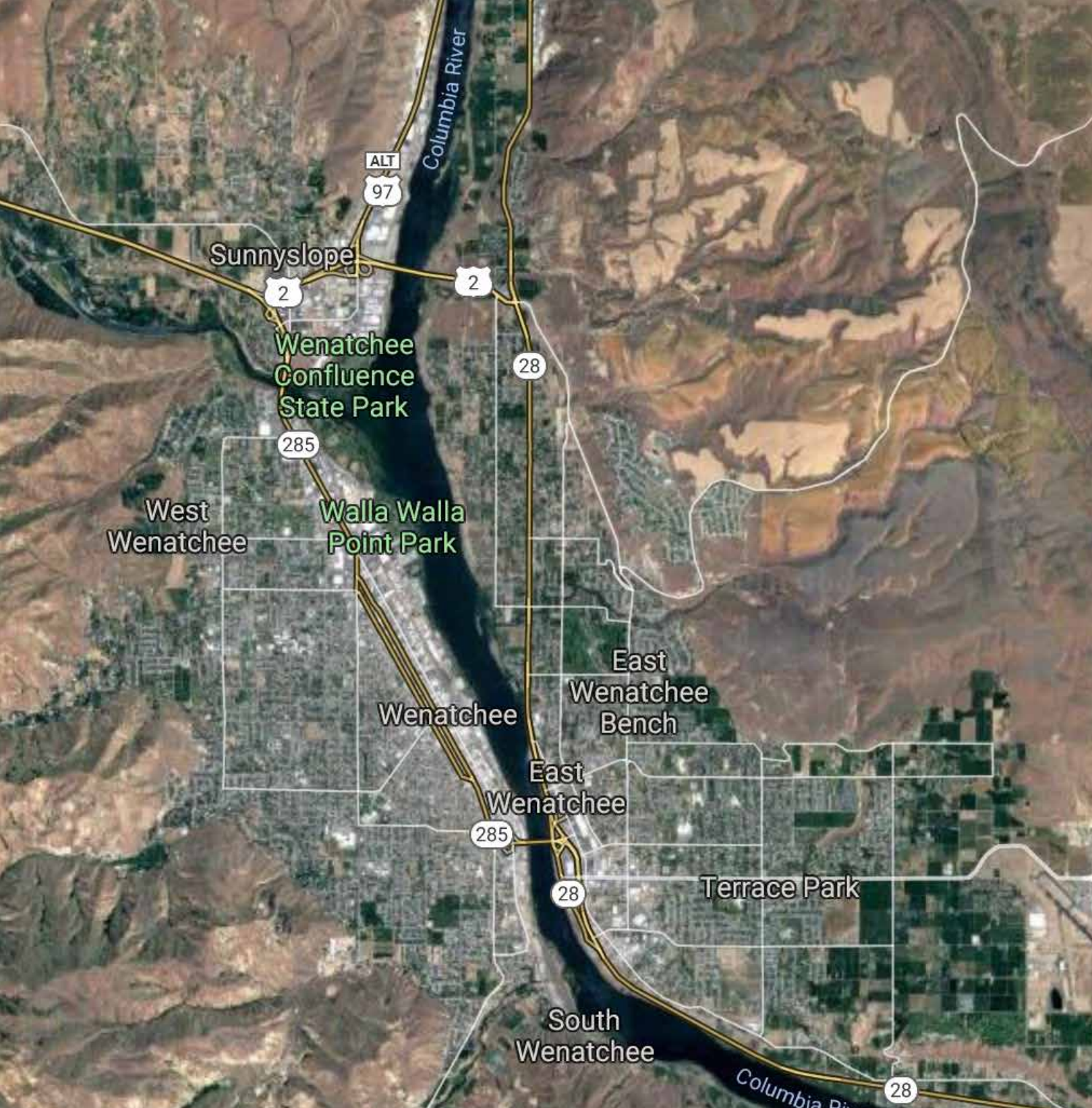
TIMELINE: SHORT TERM



"I am a mortgage professional and it's extremely challenging for borrowers to find a home and get it under contract in a price range under \$300,000. There is just not enough availability in our area."

Respondent in August 2017 Our Valley Our Future housing survey





RESIDENTS VIEW THE GREATER WENATCHEE AREA AS ONE COMMUNITY BUT THERE IS NO UNIFORM LAND-USE PLANNING OCCURRING ACROSS THE COLUMBIA RIVER AMONG JURISDICTIONS. EACH OF THE MAIN JURISDICTIONS – CITY OF WENATCHEE, CITY OF EAST WENATCHEE, CHELAN COUNTY AND DOUGLAS COUNTY – CREATE THEIR OWN COMPREHENSIVE PLANS, AND LAND-USE RULES AND REGULATIONS. IN ADDITION, DOUGLAS COUNTY HAS ADOPTED DEVELOPMENT REGULATIONS WITHIN THE CITY OF EAST WENATCHEE'S URBAN GROWTH AREA FOR LANDS THAT FALL OUTSIDE CITY LIMITS. CHELAN COUNTY HAS DONE THE SAME FOR THE CITY OF WENATCHEE'S URBAN GROWTH AREA.

TASK 1.6

ISSUE

In the face of continued population growth and of state Growth Management Act and county allocations, the lack of uniform land-use planning across jurisdictions in the Greater Wenatchee Area is hampering smart and cohesive development, contributing to a lack of housing in the region and negatively impacting the local economy and residents' quality of life.

RECOMMENDATIONS

Consider regional land-use planning

TIMELINE: LONG TERM

TASK 1.7

ISSUE

The Chelan-Douglas region is home to unique topography, critical areas, and modified ground, making it difficult and costly to develop some properties. For example, meeting stormwater requirements are difficult in many areas of Chelan-Douglas due to steep topography and clay soils. Mapping is not always accurate and consultants charge high rates to cover their exposure to liability.

RECOMMENDATIONS

Create a more predictable process, including better mapping and exemptions for areas that do not apply. Create regional stormwater systems, with the same standards and template, so developers can plug-and-play and not have to build smaller systems by themselves.

TIMELINE: LONG TERM



HOUSING SOLUTIONS GROUP RECOMMENDATIONS FOCUS AREA:

SETTING THE STAGE WITH INFRASTRUCTURE AND PARTNERSHIPS

ISSUE

The addition of infrastructure (roads, water lines, sewer lines, electrical substations) over the years has been uneven on the two sides of the Columbia River, with the Wenatchee side of the river much further along.

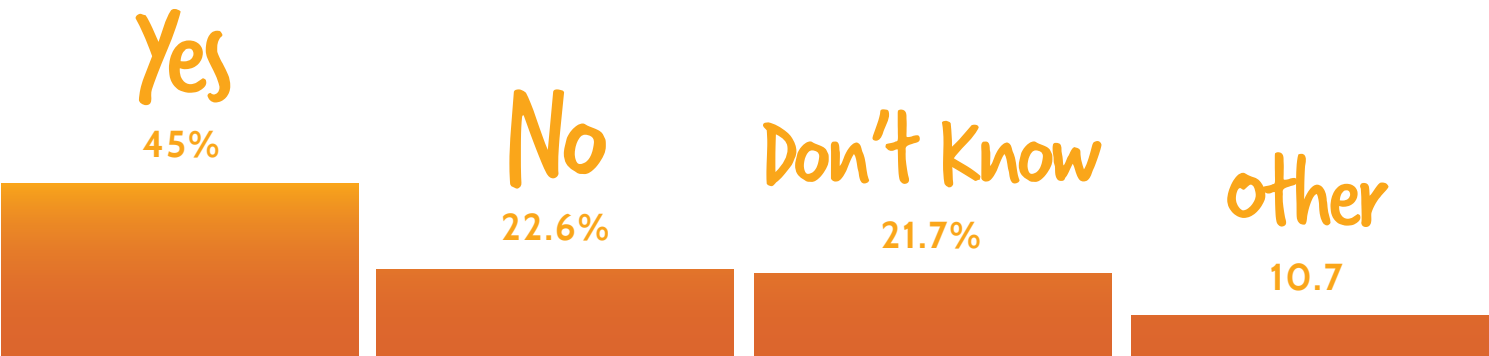
RECOMMENDATIONS

Building on the expectation that much of the region’s future growth will occur on the East Wenatchee side of the Columbia River, encourage a Douglas County leadership group to continue to explore ways for jurisdictions and special districts to leverage their resources to provide needed infrastructure.

TIMELINE: ONGOING

A Question for Taxpayers

As a taxpayer, would you be willing to help finance new infrastructure (roads, utilities) that will open up more land for housing (whether it be multi-family or single-family)?



FROM THE AUGUST 2017 OUR VALLEY OUR FUTURE SURVEY OF 1,700 RESIDENTS



“When (we) moved into the area, (we) had to live in hotel for one month before finding a rental unit that suited our family. We considered buying land and building a tiny home, but problems with sewer and electric hook-up and costs made it not possible.”

Respondent in August 2017 Our Valley Our Future housing survey

“We are in the process of building. The cost to bring in power, water, etc., has been really ridiculous and we haven’t even broken ground yet.”

Respondent in August 2017 Our Valley Our Future housing survey

ISSUE

Costs for developers and builders can be significant when they are required to put in infrastructure. This includes infill lot developers, who often find there is too much cost – such as relocating a power pole or upgrading a water line – for too few of lots. Utility connection fees also represent a significant cost in developing housing.

RECOMMENDATIONS

Work with and encourage the PUDs and other utilities and junior districts to invest in new infrastructure and fix old infrastructure, and not pass all or most of the cost down to developers and builders. Provide fee-in-lieu-of systems, reduce connection fees, or allow payment of connection fees for utilities and building permit fees at occupancy or one-half down at one-half occupancy. Utilize a housing tax rebate on the sales tax on construction to fund local infrastructure. Allow the bonding of infrastructure while houses are being built. Look at other financing tools that may reduce the initial outlay such as tax credits and public/private partnerships. Create financial incentives for infill, including having agencies provide critical infrastructure or cost shares. Keep capital facility plans up to date.

TIMELINE: LONG TERM

ISSUE

The breadth of the housing issue is very complex and needs a public-private alignment in order to solve the housing crisis.

RECOMMENDATIONS

Explore various opportunities for public-private partnerships that will bring new housing opportunities to the region. These new housing opportunities could include dense urban housing in places like downtown Wenatchee and opportunities for outlying communities where density is desired.

TIMELINE: LONG TERM

“I’m a landlord and I own and manage two 2-bedroom rentals in a triplex. These rentals are constantly in demand, despite that they are quite outdated. When I recently put one on Craigslist, I had more 20 responses in the first day or so. Most of the people were looking for anywhere at all to live. The lack of affordable housing (or housing at all) is truly one of the biggest issues to face our valley, and it will take an understanding of that from developers, jurisdictions, nonprofits, citizens and places of worship for anything to change. It’s everyone’s problem.”

Respondent in August 2017 Our Valley Our Future housing survey





HOUSING SOLUTIONS GROUP RECOMMENDATIONS FOCUS AREA:

FINDING THE LAND, BUILDINGS AND MATERIALS FOR NEW HOMES

ISSUE

Building materials – such as concrete, gravel, framing and piping – are costly in Chelan and Douglas and help drive up the price of new homes.

RECOMMENDATIONS

Arrange for experts to inform the community about alternative road types, building materials and innovative designs. Develop standards that will allow for smaller roads and thus result in the use of fewer building materials. Allow other options for materials, such as C900 pipe and straw bale (2018 IBC, Appendix S). Create connections for other businesses and vendors to service the region.

TIMELINE: SHORT TERM

“The cost of building supplies and construction costs are way too high for our city. Contractors that will build 1,200- to 1,600-square-foot homes are extremely difficult to find.”

Respondent in August 2017 Our Valley Our Future housing survey

TASK 3.2

ISSUE

Wenatchee is one of the densest cities in the state and will likely only get denser, meaning large subdivisions will need to be constructed elsewhere in the region.

RECOMMENDATIONS

Encourage comprehensive development, including factoring in transportation networks and schools. Encourage developers, builders and planners to consider building homes in East Wenatchee, Rock Island, Malaga, Entiat, Chelan, Cashmere, Peshastin and Dryden, all of which have large blocks of land that could be developed into housing.

TIMELINE: SHORT TERM



In an August 2017 survey, 1,700 residents were asked what housing types they would like to see more of in the community. Apartments in outlying communities such as Malaga, Rock Island, Entiat, Orondo, Monitor, Cashmere and Waterville ranked fifth among 17 choices in the survey.



TASK 3.3

ISSUE

Redevelopment of downtown buildings and lots into housing is challenging due to environmental, demolition and parking costs.

RECOMMENDATIONS

Create a public-private downtown development entity, such as what Boise has done (Boise Downtown Development Corporation) to manage parking and facilitate projects. Consider expanding the Wenatchee Downtown Association into the Wenatchee Valley Downtown Association and have it become this downtown development entity.

TIMELINE: SHORT TERM



TASK 3.4

ISSUE

The Greater Wenatchee Area community does not have many large swaths of land for subdivisions or multifamily complexes. Of the land that is developable, some of it is not available for sale.

RECOMMENDATIONS

Adjust the Urban Growth Area as allowed to open up more tracts of land, with accompanying services, for development. Consider creating incentives for land owners for properties in the UGA that are not developing. Allow for creative subdivisions and creative lot configurations, opening the way for townhouses, cottages, smaller single-family homes with unique designs, and other missing middle housing where infrastructure exists.

TIMELINE: LONG TERM





HOUSING SOLUTIONS GROUP RECOMMENDATIONS FOCUS AREA:

BROADENING OUR HOUSING TYPES

TASK 4.1

ISSUE

Two national trends will impact housing for years to come in Chelan and Douglas counties: The needs and interests of millennials and the coming surge of active seniors seeking housing other than large single-family homes. At the same time, the Chelan-Douglas market is outpricing lower-income and middle-income home buyers and spec homes are not being constructed. The homes that are being constructed tend to be the traditional single-family home. The financing for other housing types and developments can be difficult because there is little to compare locally.

RECOMMENDATIONS

Educate jurisdictions, developers, builders and financial institutions about these trends, including why they make financial sense, and encourage the construction of diverse housing types (such as townhouses, cottage housing, duplexes, fourplexes, multiplexes, courtyard apartments, bungalow courts, modular homes, lofts, tiny houses, accessory dwelling units, big house multifamily, and other housing types that are renewals and updates of designs from earlier generations). Utilize the Housing Solution Group's Report and other communication products to tell the story. Encourage local agencies to hire employees or retain consultants with professional expertise in other housing types so the impact is systemic. Set up a demonstration project, showing housing types being built in other communities in the U.S. Encourage agencies to enact incentives and assure infrastructure is in place that will lead to the construction of these housing types.

TIMELINE: SHORT TERM

Trends Impacting Housing

- The **55-plus demographic** is increasingly **opting to rent** rather than own their homes. Between 2009 and 2015, the number of renters over the age of 55 increased by 28 percent, according to U.S. Census Bureau data.
- Many **seniors** want to live within walking distance of shopping, cultural activities, parks and trails, health care, and in proximity to urban centers and neighborhoods, according to CNBC. And a significant number also want to live with like-minded individuals in their age cohort, and take part in organized activities.
- **Millennials (born between 1981 and 1996)** generally are reluctant to make major commitments during this stage of their lives. For example, many are delaying marriage or having children, according to a 2017 report from the National Association of Realtors.
- In 2016, **31 percent of millennials** were living with a **parent**, according to the U.S. Census Bureau.
- When millennials do leave their parents' house, they want to live close to work so they don't have to waste money on gas. And they're also mostly renting. In 2017, **65 percent of millennials who were heading a household were renting**, the Pew Research Center reported.
- Some millennials have enough capital to buy a home. According to the National Association of Realtors, **millennials were the largest generation of home buyers in 2017**, claiming 34 percent of the market.
- When a millennial buys a home, it is about evenly split between new construction and an existing home, Fortune Magazine reports. Regardless of the home, **they want good Internet service, smart home products, and open floor plans**, including space for a home office.

Desired Housing Types

What types of housing would you like to see more of in Our Valley? Select all that apply.

75.6%	Rental single-family homes	35.5%	Cluster housing with shared yards or common spaces
72.1%	Less-expensive single family homes for sale	29.3%	Tiny houses
70.8%	Rental apartments	28.5%	Condominiums
53.7%	Duplexes, fourplexes, and courtyard-style multi-family housing	28%	Active adult living housing, also known as "55+" housing
45.1%	Apartments in outlying communities (such as Malaga, Rock Island, Entiat, Orondo, Monitor, Cashmere)	23.8%	Senior housing, including independent living, assisted living, and nursing home facilities
43.4%	Downtown Wenatchee housing units (such as apartments or condominiums)	22.7%	Accessory dwelling units (ADUs)
42.9%	Housing for the homeless	20.3%	Single rooms for rent
42.8%	Row houses or town houses	16.3%	Manufactured housing/mobile homes parks
		12.1%	Mobile home parks

TASK 4.2

ISSUE

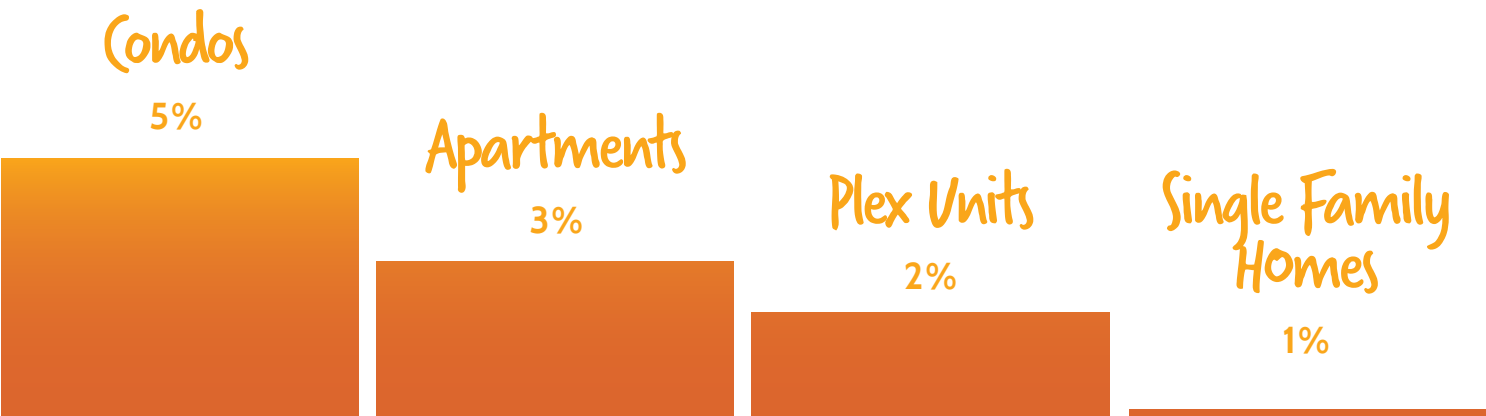
The lack of new multifamily housing has led to shortage of rentals and rising costs.

RECOMMENDATIONS

Educate and urge the City of East Wenatchee to implement a Multifamily Tax Exemption similar to what the City of Wenatchee has enacted. Encourage the state Legislature to allow smaller cities to be eligible for this same tax exemption. Seek other ways to provide incentives for developers to increase rental housing of all types.

TIMELINE: SHORT TERM

Greater Wenatchee Area Rental Vacancy Rate (June 2018)



PACIFIC APPRAISAL ASSOCIATES REAL ESTATE REPORT, JUNE 2018



TASK 4.3

ISSUE

Challenges such as exclusionary zoning and opposition from neighborhood groups can arise from the lack of understanding about new housing types.

RECOMMENDATIONS

Educate the housing industry, neighborhood groups and the overall community about housing types and options, utilizing town halls, workshops, presentations and visual aids.

TIMELINE: SHORT TERM, THEN ONGOING

A Question of In-Fill

Should new “in-fill” housing reflect the character of existing neighborhoods or districts and their housing stock?



FROM THE AUGUST 2017 OUR VALLEY OUR FUTURE SURVEY OF 1,700 RESIDENTS



TASK 4.4

ISSUE

Minimal FHA financing is available today for condos, undermining the entry-level homebuyer market. In addition, the state-required wrap insurance for condos exposes developers to an extended liability that spans several years beyond the standard state one-year liability for single family homes. The state Legislature has discussed the latter issue but it remains unresolved.

RECOMMENDATIONS

Continue to seek changes through FHA and the state Legislature.

TIMELINE: SHORT TERM, THEN ONGOING



"There is nowhere to downsize to. We lack creative infill for those seeking the core and we lack smaller homes of a different style. Over 55 active living communities and cottage living will be sorely needed."

Respondent in August 2017 Our Valley Our Future housing survey

Next Steps

The Our Valley Housing Solution Group's main task was to research and recommend new ways to add more middle-market housing in Chelan and Douglas counties. With the publication of this report, the Housing Solutions Group will take on its final step – presenting these recommendations to policy makers and to the overall community and advocating for their adoption.

The Our Valley Housing Solution Group is confident these recommendations will lead to a wave of new middle-market housing, providing all residents with a reasonable opportunity to live, work and play in this amazing place we call home.





Appendix

White Paper on Single Family Home Construction Costs

DATA FROM 2017, PUBLISHED IN JUNE 2018

AUTHORS:

Housing Values
Brian Vincent
PACIFIC APPRAISALS

Permit Data
Steve King
CITY OF WENATCHEE

BACKGROUND

The City of Wenatchee and its partners commissioned a housing study in 2016 to collect data related to the cost and availability of housing in the Wenatchee Urbanized area, which includes Wenatchee, East Wenatchee, Rock Island, Malaga and Monitor. The Housing Needs and Market Demand study can be viewed on the city website via following web address: www.wenatcheewa.gov/government/mayor-s-office/test.

This 2016 study reached several findings based on the data available. One conclusion confirmed was that housing prices are quite a bit higher in the Wenatchee Urban area compared to other Eastern Washington cities. The following table was provided in the 2016 study:

COMPARISON OF MEDIAN HOME VALUES (JUNE 2016)

Metro Area	Single Family Residences	Bottom Third of Home Values	Median Value per Square Foot
Wenatchee	\$275,000	\$181,900	\$196
Yakima	\$156,500	\$100,200	\$114
Spokane	\$183,300	\$119,800	\$132
Tri-Cities	\$216,300	\$144,500	\$141

As demonstrated in the study, Wenatchee’s income levels are comparable or even less than Spokane and Tri-Cities. This is critical in the bottom 1/3 median values for housing affordability.

Questions have surfaced asking if why the cost of housing in Wenatchee is higher than many other similar markets in the area. This paper is designed to compare and contrast housing costs in an effort to quantify and explain cost differences, while also bringing to light barriers and opportunities.

In this paper, single family housing information has been collected from five markets, including Wenatchee/East Wenatchee, Yakima, Ellensburg, Benton County and Spokane.

HOUSING COST ANALYSIS

Information sources are from various county assessors, aerial mapping, local multiple listing services and, in limited cases, real estate appraisers.

Search criteria is defined as follows:

- Data search occurred between October 2017 to February 2018.
- Homes built between 2016 and 2017, sold new in 2017
- Home sizes researched ranged from approximately 2,000 sf and 2,500 sf
- Spokane search required slightly larger homes due to lack of data.

DATA

Total sales price is defined as the price of a home, land, and amenities. In the Wenatchee Market, listings were also used and prices obtained from the NCWAR Multiple Listing Service.

Underlying land value was established using multiple criteria, including A) Last recorded land sale,; B) Neighboring lot sales; C) Realtor/Appraiser opinions; D) Percentage of land value versus total sale price.

Information has not been confirmed with market participants and has been relied upon using assessor/multiple listing service records as reported.

The Residual Sale Price (RSP) is defined as the Total Sale Price (TSP) minus the underlying land value.

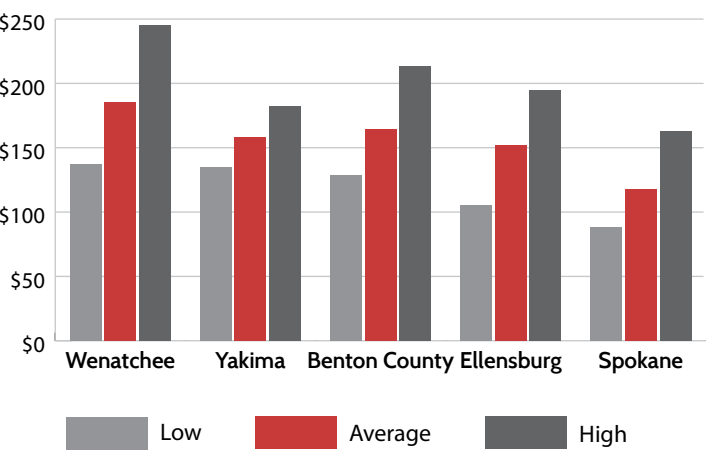
Sample Sizes:

Wenatchee	46
Yakima	13
Benton County	16
Ellensburg	18
Spokane	18

RESULTS

A number of charts will be presented showing metrics found in the five market areas and how they compare and contrast, beginning with Total Sale Price.

TOTAL SALE PRICE (\$ PER SQUARE FOOT)

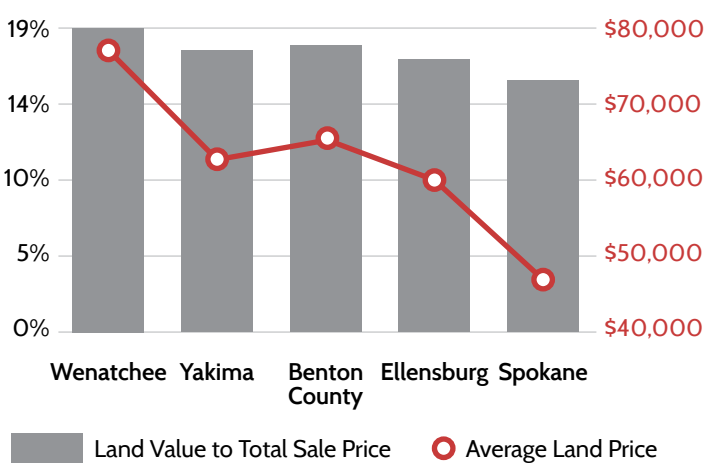


Information on sales has been collected and the previous chart indicates Total Sale Price (\$/sf) of building area. The Total Sales Price on average (orange) is highest in Wenatchee at \$185 per sq. ft. The low end of the range is Spokane noted at \$118 per sq. ft. The difference between Wenatchee and the other towns ranges from \$21 to \$67 p/sq. ft.

LAND

One of the larger components in a home sale is the land, which, if more expensive, could drive up the total sale price. The next chart shows both land prices and the ratio between land and Total Sale Price.

AVERAGE LAND VALUE AND RATIO

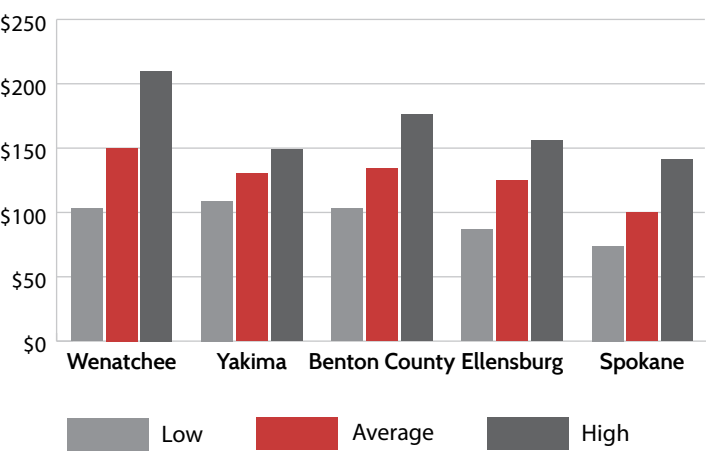


The Wenatchee Market does have the highest land value noted at \$77,500. Yakima and Benton County have the next highest land prices at \$64,000 and \$66,500 respectively. Ellensburg and Spokane have lower land prices. The ratio of land price to TSP price is relatively

consistent in all three markets ranging from 16% to 19%.

The following chart shows the Residual Home Value which does not include land value.

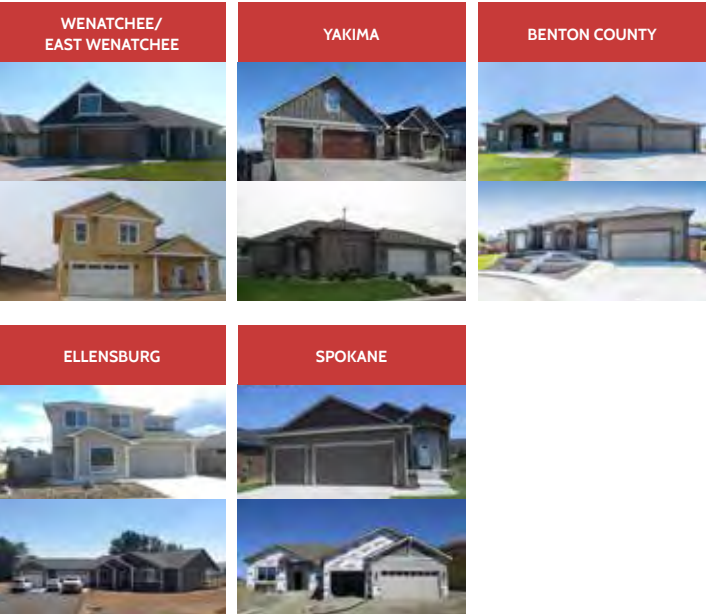
RESIDUAL HOME VALUE (\$ PER SQUARE FOOT)



As can be seen, even with land extracted, Wenatchee on average has the highest unit value noted at \$150 p/sf. This is \$16 to \$20 p/sf higher than Benton County and Yakima.

QUALITY

In an effort to determine if the difference in value is associated with quality, below are photos of homes in each market which reflect the average price.



House style, construction type, roofing, fenestration, and siding appear similar. There are a few differences in bump outs and other architectural features. Interior quality was not compared.



FRAMING PACKAGE PRICING

In an effort to compare framing package pricing, we submitted the same materials list to 4 lumber yards and the results are shown as follows:

Wenatchee/East Wenatchee	\$37,329
Ellensburg	\$33,500
Bendton County	\$32,869
Yakima	\$26,710
Spokane	NA

PLUMBING

Costs for rough-in plumbing are unknown at this time a 2,250 sq. ft. 3-bedroom, 2-bathroom average quality home. The Housing Solutions Group would ask that contractors in the community weigh in on these costs.

ELECTRICAL

Costs for rough-in electrical are unknown at this time a 2,250 sq. ft. 3-bedroom, 2-bathroom average quality home. The Housing Solutions Group would ask that contractors in the community weigh in on these costs.

TITLE AND ESCROW FEES

Title and escrow fees for a \$300,000 purchase price have been collected from the five communities. On average the Wenatchee Market is above all other markets. However, these costs do not appear to be a significant driver.

LABOR

The authors of this white paper were not able to obtain Information on labor costs for new home construction. It is recognized that labor is as much a cost as materials or permit fees. Generally, it is well understood that labor in the trades across the state and the nation is in high demand. Several factors impact the labor supply disproportionately in Valley. First, the booming economy of the Seattle Metro area is pulling labor resources with high paying jobs. Seattle at one time had 65 tower cranes up at one time. The housing crunch throughout the state makes the labor shortage especially acute in smaller urban areas. In addition, the electrical and HVAC trades in the area are impacted by data farm development in the surrounding area. Again, these projects pay premium wages pulling labor from housing construction.

DEVELOPER PROFIT AND MARKUP

Information on developer profit and markup is not readily available for this study. Businesses are not usually willing to share this data which is understandable. However, through deduction, the reader can see that the current market conditions are yielding much higher costs in the Wenatchee area. It is expected that during these market conditions, profit levels will be higher at the general and subcontractor level. Developers will share with you that these periods make up for the low periods when the economy is low. Given the Wenatchee area does not have national builder companies, profit levels are anticipated to be higher than in the comparable markets. This is in part due to scale and also in part due to the economy in this area generally being more stable than the large metropolitan areas. For example, the area almost never experiences overbuilding or a surplus of units on the market in the affordable cost ranges.

VOLUME OF BUILDING

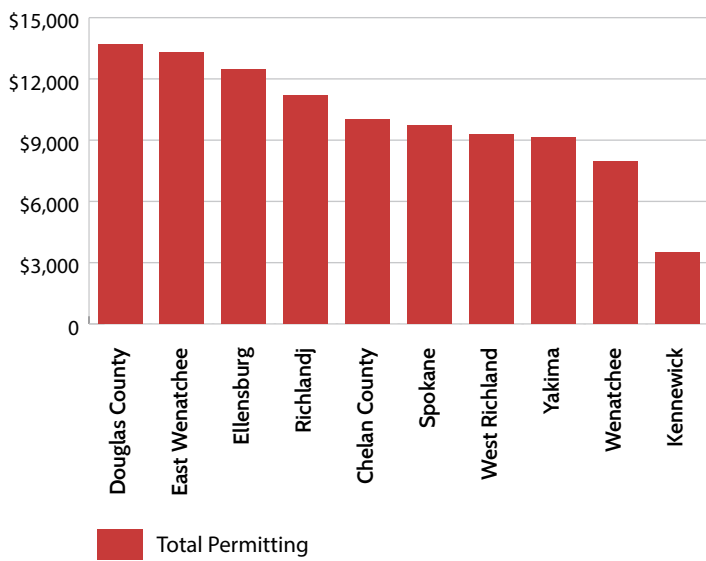
Like anything that involves production, the volume of units built may have an impact on the differences in the cost of homes. In areas where there are large tracks of land available to large scale developers, production can be higher leading to greater efficiency in construction. While no direct conclusions are made, it is interesting to note that the total number of permits issued in Chelan and Douglas counties (including cities) was 574 in 2016, according to US Census data. This added slightly less than 1.1% to the existing housing stock of 53,000 units in the two-county region. In comparison, Spokane County (including cities) issued permits for 3,596 units in 2016. This added 1.7% to their housing stock of nearly 210,500 units. This difference is significant in a period of a housing supply shortage.

According to local builders, spec building does not generally occur in the Wenatchee Valley anymore. While not confirmed, it is suspected that spec building or large scale developments occurs in the comparable cities. These concepts are provided only to provide discussion as potential reasoning adding to why the cost of construction is larger in Wenatchee.

PERMIT AND UTILITY FEE ANALYSIS

A portion of the development cost is permit fees. A survey of the comparison cities was performed in 4th quarter 2017. Information was collected for all fees for a new single family home including utility connection charges for a single family home ranging from 1,800 to 2,300 square feet. In general ,the following table illustrates that fees range between \$3,400 in Kennewick to \$13,982 in Douglas County with an average of all entities at \$10,024. The table provides a summary of total fees for a 2,000-square-foot house with a 420-square-foot garage. A detailed table is included in the appendix showing the breakdown of fees for each agency for varying house sizes. It is noted that fees depend within the jurisdictional area depending on local utility connection charges. This analysis assumes the most common situation where there is connection to utilities and the fees represent the average condition.

SINGLE FAMILY HOME PERMIT AND CONNECTION FEE COMPARISON



Jurisdiction	Total Permitting
Douglas County	\$13,670
East Wenatchee	\$13,275
Ellensburg	\$12,472
Richland	\$11,201
Chelan County	\$10,039
Spokane	\$9,699
West Richland	\$9,624
Yakima	\$9,147
Wenatchee	\$7,981
Kennewick	\$3,490
AVERAGE	\$10,024

DEVELOPMENT REQUIREMENTS

Permit fees are not the only way that government agencies impact the cost of constructing new housing units. The prior section of this white paper only addresses the direct cost of permitting in terms of fees. The purpose of this white paper is to determine if there are any noticeable differences between the Wenatchee Valley and the comparison cities.

In general, agency requirements impact the cost of developing new units in two areas 1) the land development or creation of a building ready lot; and 2) the actual construction of a housing unit.

Land development requirements are typically mandated by the State through various legislative actions such as adoption of the International Building Codes, the Growth Management Act, Shorelines Management

Act, and others. The land development requirements were not studied in depth in this white paper as it was outside the scope of work. Based on common knowledge of working with other agencies, generally all urban areas require installation of similar roadways, sidewalks, water, sewer, and stormwater facilities. All of these elements are standard urban services that make a neighborhood livable. However, there are some distinguishing factors in Wenatchee that provide extra challenges to complying with these requirements. These factors may include topography, requirements to extend utilities to access property (known as offsite improvements), critical areas due to slope and wetlands, and construction specific construction requirements. For example, developing stormwater controls in areas with clay soils is far more difficult compared to areas with sandy soils. This directly impacts the area required for stormwater ponds. Nevertheless, given the prices of lots in the Wenatchee area, it may be safe to assume that these requirements are not substantially different from the comparison cities. More work may be necessary to compare development standards if a more detailed analysis is determined to be valuable.

The second area of government requirements impacting cost is the application of building codes. The Wenatchee Valley and all of the comparison cities are required to implement the International Building Code. This requirement is mandated by the State of Washington. Building officials work together across the state to help understand how the code is implemented. Thus building code requirements, while they do impact cost, do not likely impact costs disparities between agencies especially for single family homes. This can be verified by builders and associations that work across multiple jurisdictions to see if homes are required to be built differently between jurisdictions.

CONCLUSIONS

The intent of this white paper was to provide base data for our market as well as comparable markets to help dispel myths about the costs that contribute to the housing disparity that exists in the Wenatchee area. In conclusion, all factors contributing to the cost of a home provide some incremental impact to the overall price. However, there are several key take aways as follows:

- Land cost is not the sole reason for the cost disparity.
- Permit fees are generally within the range of other markets.
- Land availability is a significant challenge, especially larger tracts of lands.
- Labor shortage and contractor shortages contribute to higher profits and an inability to respond to market demands in the middle markets.
- Material prices are noticeably higher in the Wenatchee market area.

The good news is that the community can respond to a number of these factors to improve upon each one through creating specific programs to make a difference. For example, creating programs to develop the labor force in preparation for the trades has been discussed amongst the Housing Solution Group.

The community and industry will need to be strategic in helping address the housing market challenges that have historically been present in this region. As the region grows, new opportunities avail themselves. This white paper should be used to help ensure that strategic actions are supported by data.



OUR VALLEY OUR FUTURE HOUSING SOLUTIONS GROUP

Housing Types Committee

FINDINGS AND RECOMMENDATIONS, MARCH 22, 2018

MEMBERS:

Duff Bangs WENATCHEE ARCHITECT	RJ Lott CITY OF ENTIAT COMMUNITY DEVELOPMENT DIRECTOR	Chris Phillippi WENATCHEE VALLEY HOUSING DEVELOPER AND ORCHARDIST	Jamie Wallace NCW ASSOCIATION OF REALTORS PAST PRESIDENT
Karen Francis-McWhite NORTH CENTRAL WASHINGTON ECONOMIC DEVELOPMENT DISTRICT EXECUTIVE DIRECTOR	Alicia McRae HOUSING AUTHORITY OF WENATCHEE AND CHELAN COUNTY EXECUTIVE DIRECTOR	Sherri Schneider COLUMBIA VALLEY AFFORDABLE HOMEOWNERSHIP EXECUTIVE DIRECTOR	Allison Williams CITY OF WENATCHEE EXECUTIVE SERVICES ADMINISTRATOR

FINDINGS AND RECOMMENDATIONS

Existing housing types. What existing housing types are there in Chelan and Douglas counties? Which ones are the most prevalent? Which housing types are missing or largely missing from the regional housing mix? Are there other important facts regarding this topic that should be noted?

- Single family homes
 - Limited timber
 - Straw bale houses (over 200 in NCW)
 - Shipping container houses (Icicle Road, Leavenworth)
- Limited number of duplexes, including some infill duplexes, but they fell out of favor in the late 1980s and early 1990s
- Riverside 9 in Wenatchee was the first larger apartment complex built in several years.
- No FHA-eligible condos, which undermine the entry-level homebuyer market.
 - The FHA stopped paying for condo re-certifications (\$2,800/per year)
 - The state-required wrap insurance for condos exposes developers to an extended liability that spans several years beyond the standard WA state 1 year liability for single family homes
 - The Low Income Housing Alliance has been working to change this.
 - The legislative session did not resolve this issue, though it was discussed.
- Conforming and non-conforming ADUs.
 - Detached [DADU] tend to be conforming.

- Basement or other attached ADUs have more non-conforming instances.
- Row Houses
- Townhouses
- Community Land Trusts (e.g. SHARE Community Land Trust in Leavenworth)
- Courtyard apartments (e.g. Evergreen Courtyard Apartments, Wenatchee)

FUTURE HOUSING TYPES

Which housing types make sense for Chelan and Douglas counties in the future, particularly when it comes to adding middle-market housing?

- A big “A-ha!” realization: many of the future housing types are renewals and updates of previous housing types from earlier generations.
 - Multi-generational homes by design
 - Rental cooperatives/co-housing (e.g. Rental cooperatives in Australia)
 - Big House Concept (6 units that appear like one big house)
 - Would provide multi-family infill that looks like a large house
 - Rooming Houses
- Limited Equity Co-Housing Cooperatives (e.g. Bay Area Coop Network)
- Live/work lofts in shopping centers and storefronts (e.g. Arcadia Micro Lofts in America’s oldest mall, and the West Seattle Live/Work/Retail at Rally)

- Cottage residential developments
 - Including on infill lots
 - Including Tiny House communities
- Modular homes on permanent foundations
- More DADUs

STRENGTHS/WEAKNESS

Where are we today with housing types in Chelan and Douglas counties? What are our strengths? What are our weaknesses?

- What’s stopping the new types?
 - NIMBY challenges
 - Exclusionary zoning
 - Multi-generational housing that includes individuals from different families can be challenged for homes zoned as single family.
 - Minimum housing size requirements (e.g. barring installation of tiny house on permanent foundation).
 - CC&Rs that have been reflexively added to developments, and often copy-and-pasted from other developments, but not customized for each.
- Market education and acceptance: Buyers do not always know the options and so they don’t know what they can ask for; realtors, builders and other industry professionals don’t want to be first in introducing new housing types.
- Builder competency about different types and methods, and willingness to build accordingly.
- Some need for professional expertise beyond the Wenatchee Valley: Who will pay to bring this expertise in for more systemic impact, rather than for one-off and individual projects?
- Lender bias and lack of awareness or lack of risk tolerance.

OPPORTUNITIES/CHALLENGES

Where are we going? What are key trends (local, state, national) that are driving the future of housing types? What are the challenges and opportunities going forward if the region is to increase the supply of middle-market housing?

- Trends that impact our recommendations
 - Millennial housing needs and interests
 - The forthcoming “Silver Tsunami” of active seniors and their increasing interest in housing other than the 3 bedroom/2 bath single family home popular with builders and lenders, requires proactive development of diverse housing types.
- Parking lot issues that arose
 - Need to better market when homeownership is appropriate, and when renting is a better option.
 - Example: Some owners in scattered-site CLTs often fail to keep up the property because of the minimal equity accrual that most CLTs require, and minimal education and preparation for the responsibilities of home ownership.

- With respect to housing assistance, whether for rentals or homeownership, it would be worthwhile to calculate and track the return on investment for the right kind of housing at the right time of someone’s life (e.g. Section 8, CLTs, down payment assistance).
- Need more landlord participation in Section 8 programs, in collaboration with case management.
- Financing construction, purchase & rehab of existing housing stock
 - Limited availability of FHA/USDA certified One Time Close lenders (only Christian Chamberlin at Bay Equity and Tom Derpack at On Q).
 - Limited availability of innovative down payment assistance programs:
 - Loftium - available on the west side; helps homebuyers afford down payments and mortgage payments, using AirBnB for extra bedroom(s) for up to 15 years.
 - Unison - invests 10% of the down payment in return for 35% of the equity at sale or refinance.
 - Crowdfunding down payments limited by the documentation requirements for gift funds (e.g. HomeFundMe).
 - Conventional down payment assistance programs do not appear to apply to affordable single family home construction, except when in collaboration with bulk developers (e.g. WA State Housing Finance Commission).
- Different Construction Methods & Materials
 - Limited Timber
 - Insulated Concrete Forms (ICF)
 - Straw Bale, hempcrete, cross-laminated timber and other natural methods
 - Modular and Manufactured Homes
 - Lag between building innovation and local code approval
- Regulatory and permitting challenges
 - ADU approvals for regular rentals or vacation rentals often require blocking the flow of air between the main and ADU units, and other potentially costly retrofitting.
 - Common challenges developers face as they navigate the engineering and permitting requirements, particular when the officials who must sign off do not have an engineering background
 - We may need to have an ombudsman facilitate reforming the permitting process with the multiple agencies and districts in the region, AND/OR have an audit of the existing process for the development of each housing type, using a “secret shopper.”
- Tiers of permitting difficulty with property development
 - Easiest: Building a single family home on an infill lot can be permitted rather quickly
 - Hard: Short platting an infill lot for new development of any kind
 - Hardest: Planned developments can take over a year to be permitted

Regulations, Codes & Zoning Committee

FINDINGS AND RECOMMENDATIONS, MARCH 22, 2018

MEMBERS:

Randy Agnew ROCK ISLAND MAYOR	Sally Brawley EASTMONT METROPOLITAN PARK DISTRICT EXECUTIVE DIRECTOR, EAST WENATCHEE PLANNING COMMISSION MEMBER	Sam Dilly WENATCHEE AREA LANDLORD, CHELAN COUNTY PUD PROJECT MANAGER	Pete Teigen LEAVENWORTH RESIDENT, UPPER COLUMBIA SALMON RECOVERY BOARD NATURAL RESOURCE COORDINATOR
John Alt ENTIAT CITY COUNCILMAN		Michael Howe CENTRAL WASHINGTON HOME BUILDERS ASSOCIATION GOVERNMENTAL AFFAIRS DIRECTOR	Scott Tiedeman WENATCHEE HIGH SCHOOL HISTORY TEACHER
Lori Barnett EAST WENATCHEE COMMUNITY DEVELOPMENT DIRECTOR	Glen DeVries WENATCHEE COMMUNITY DEVELOPMENT DIRECTOR, FORMER DOUGLAS COUNTY PLANNER	Rani Sampson WENATCHEE ATTORNEY	John Torrence TORRENCE ENGINEERING OF CASHMERE

GOAL

To suggest an irresistible regulatory structure for urban development

SPECIFIC TASKS OF NEEDS IDENTIFIED:

1. Hold a facilitated workshop for all elected and appointed officials in all the jurisdictions to discuss development challenges and try to streamline the process between jurisdictions. Include officials from all the special districts and members from the building, land development, and real estate community.
2. Review development regulations that are tied to state standards. Are there opportunities to reduce local standards where state standards are less restrictive? Examples in SEPA, shoreline codes, and stormwater regulations.
3. The GMA limits urban style development to urban growth areas. This restriction may have the effect of creating an artificial shortage of land available for housing. Jurisdictions should monitor buildout within the urban growth area to keep ahead of the need to expand the urban growth areas to accommodate population increases.

4. Multiple agencies. Coordinate and seek ways to make code uniform. There are agencies with requirements that may conflict with other agency standards. (Chelan County, Douglas County, Wenatchee, East Wenatchee, East Wenatchee Water District, Douglas County Sewer District, Chelan County PUD, Douglas County PUD, Washington State Department of Transportation, Douglas County Fire District, Chelan County Fire District, etc.).
5. The lack of rental housing is an issue. Seek ways to provide incentives for developers to increase rental housing of all types.
6. Build an achievable matrix for planning and building - if there are X number of homes needed and X number of applications turned in - what is the X number being approved and built. If it is a low number - why, what are the limiting factors? Identify what factors are beyond the control of the permitting agency.
7. Permitting agencies are encouraged to take advantage of the Lean Academy approach to provide more efficient staff time for review and evaluation of projects.
8. Establish uniform goals within an agency or jurisdiction to ensure that internal department reviews have consistent themes and outcomes. Identify areas where internal standards may conflict and modify to accomplish the overall goals of the agency and community.

9. Utility connection fees represent a significant cost in developing housing. Explore other options for paying for infrastructure improvements. Look at other financing tools that may reduce the initial outlay such as tax credits, public/private partnerships, etc.
10. We do not need more code, rather we need to either reduce code or consider replacing code with tools that better match community needs and goals. Rules and regulations should address building neighborhoods.
11. Review existing code. Establish committee of local professionals to review code, and eliminate unnecessary code elements. Include community input up front when developing code. Implement recommendations. Some code changes and themes that were identified:
 - a. Address all types of housing to encourage growth in the availability and variety of housing.
 - b. Build flexibility into design requirements. Provide flexibility in layout and design to encourage creative and alternative designs.
 - c. Eliminate old, outdated and unnecessary code sections.
 - d. Reduce off-street parking requirements for multifamily developments. They typically have less demand for parking.
 - e. Allow parking in the driveway to count towards required off-street parking.
 - f. If garages are accessed from an alley, allow reduced front yard setbacks.
 - g. Reduce lot size requirements for using the planned development style of project so that it can be used as an infill tool.
 - h. Evaluate allowing duplexes, triplexes, and fourplexes in the low density residential zone where they can be blended into the existing neighborhood character.
 - i. Evaluate options to increase accessory dwelling unit options. Is in necessary to have the restriction that the property owner reside in one of the units?

- j. Develop code for zero-lot line style developments that can be permitted without a planned development hearing process.
- k. Consider provisions to permit unit lot subdivisions.
- l. Provide alternate vehicular access provisions standards recognizing that not all lots need to abut public right of way. Develop standards for flag lots, access easements, shared driveways, or autocourts so they can be permitted outright rather than as a variance or planned development.
- m. Street development standards. Reconsider street design requirements, encourage development of “neighborhoods” rather than “streets.”
- n. Evaluate the requirement for open space within a development. This requirement may have the effect of reducing lots available for affordable housing, creating small, open space and recreation tracts that can become burdensome to maintain.
- o. Look at options for increasing density: such as density bonuses, cottage housing, small lot developments, etc.
- p. Develop code to encourage affordability in housing development. What types of incentives can be given for developers to provide affordable housing along with market rate housing.
- q. Provide opportunities to deviate from the code. There should be specific criteria for when administrative staff can approve a deviation and when it needs to be approved by a hearing body.
- r. Excessive time delays for permitting adds to the cost of development. Analyze the permit submittal process to identify change that will expedite project approvals and clarify the review process. Provide specific direction for submittals to reduce the need for multiple reviews eliminating the design-by-review practice.
- s. Pre-apps. Pursue a customer service oriented process. Find ways to make this part of the process more thorough and valuable to the applicant and the reviewing agencies.



Housing Barriers & Incentives Committee

FINDINGS AND RECOMMENDATIONS, MARCH 22, 2018

MEMBERS:

Matt Bergey SPRINGWATER HOMES	Keith Goehner CHELAN COUNTY COMMISSIONER
Ace Bollinger BOLLINGER CUSTOM HOME BUILDERS, CITY OF WENATCHEE PLANNING COMMISSION MEMBER	Keith Huffaker WENATCHEE CITY COUNCILMAN
	Steve King CITY OF WENATCHEE ECONOMIC DEVELOPMENT DIRECTOR

Lyle Markhart CITY OF WENATCHEE COUNCIL	Jon Port REAL HOMES
Amy Moubray MORTGAGE LOAN ORIGINATOR	Jamie Wallace WENATCHEE REALTOR AND NCW ASSOCIATION OF REALTORS PAST PRESIDENT
Kevin Overbay CHELAN COUNTY COMMISSIONER	

Identified barriers to home construction specific to Chelan and Douglas counties,along with identified incentives and strategies to reduce the barriers:

1. SHORT-TERM EFFORTS

- 1.1

Barrier: A long due diligence and permitting process; code requirements appear to change late in the development process.

Incentive: Agencies or regional economic development group provides an optional developer liaison service (see Bend, OR, for example). This helps developers understand code options and connects them with incentives or opportunities to support project prior to pre-app or submittal, saving agency staff time and providing options for a clear path forward once the permitting process is started.

Outcome: Reduced due diligence and permitting times and increased exposure to options and incentives. Suggest that this position work for the Chamber or an Economic Development Organization in the valley. This would help bring codes together. Potentially this would be funded through sales tax on construction and/or a fee for service and/or agency sharing incosts. Incentive and participation is necessary to be effective.

Incentive: Improved code and streamlined code with predictability

- Incentive:** Agencies hire on-call reviewer and add a price for service incentive.

Incentive: Allow bonding of public infrastructure while houses are being built

Incentive: Provide fee-in-lieu-of systems

1.2

Barrier: Cost of development

Incentive: Housing Tax Rebate to fund local infrastructure – Local Agency 0.85%, State 4.37%;

Incentive: Agency provides off-site improvements to make land more readily developable and reduce costs and time for land development. Sales tax on construction could help pay for liaison or streamlining of codes.

1.3

Barrier: Marketability for lower cost homes – market outpricing lower income buyers. Need spec building, but not desirable right now for developers. Too busy doing custom homes.

Incentive: Density incentives. Townhomes can emulate spec building. Need lower cost land –ready to develop to facilitate spec building.

1.4

Barrier: Financing for different development types – no comparable
- Incentive:** Work with successful housing project in other Washington cities – connect banks and developers. Work with Community Banking and participation programs. Use CRA credits to help with affordable housing.
- 1.5

Barrier: Lack of subcontractors

Incentive: Help startup companies ... help existing companies grow. Establish work demands for the foreseeable future to give predictability ... work with college and high schools to grow workforce in trades. Change perceptions about the trades. Make it an honorable profession.

Housing is one of the key private investments in a city. It is a worthy profession.

1.6

Barrier: Holding costs

Incentive: Improve predictability of development and timelines from start to sale to reduce holding costs. See liaison incentives.

Incentive: Allow payment of connection fees for utilities and building permit fees at occupancy or down payment at occupancy.

Incentive: Reduce utility connection fees in recognition of adding a customer to the system.
2. MID-TERM EFFORTS
- 2.1

Barrier: Differing codes and agencies

Incentive: Agencies work on development of similar code language across the region. Example – difference in how natural gas is handled. See above liaison (1.1 Incentive) as possible way to bring codes together.

2.2

Barrier: Topography and Critical Areas that are unique

Incentive: Predictable process for addressing. Exemption process for areas that do not apply. Better Mapping. Consultants provide high cost solutions to cover their liability. Are there standards that help with protections?

2.3

Barrier: Infill lot development due to lack of scale. Too much cost for too few of lots.

Incentive: Create financial incentives for infill. Agency provides critical infrastructure or cost shares. For example, the relocation of a power pole for a 3-lot short plat kills the project financially ... or upgrading a water line for fire flow.

2.4

Barrier: Land Geometry – Infill. The community does not have wide open land.

Incentive: Allow for creative subdivisions to address lot configurations, i.e. townhomes, cottages, missing middle housing, etc. City of Wenatchee has examples for flexibility.

2.5

Barrier: Multifamily – costs and land availability

Incentive: All agencies implement Multifamily Tax Exemptions where allowed.
- 2.6

Barrier: Material Costs, i.e. concrete, gravel, framing, pipe, etc.

Incentive: Develop standards that use less materials ... i.e. smaller roads. Allow options for materials, such as C900 pipe.

2.7

Barrier: Stormwater requirements, which are tough on steep ground or where soils do not infiltrate

Incentive: Create regional systems – plug-and-play for developer. Create templates and unify standards in the valley.

2.8

Barrier: Appraisal services are in high demand – out of town appraisers don't know the markets

Incentive: Develop local appraisal business capacity. Focus youth on opportunities. Develop more apprentices.

2.9

Barrier: Lack of public infrastructure – see inventory

Incentive: Public infrastructure extensions – reduces holding costs incurred through developer extensions.

2.10

Barrier: Shortage of large tracks of land – Greenfield development – Topographic challenges

Incentive: Move the UGA to open up more tracts of land. This will open up supply, and ease demand, hopefully driving the cost of land down.

2.11

Barrier: Diverse housing types – lack of market data

Incentive: Develop market through research of other similar markets and a market study to establish demand needs.

2.12

Barrier: FHA financing of condos no longer available

Incentive: Find alternative program ... i.e. Columbia Valley Housing Association
3. LONG-TERM EFFORTS
- 3.1

Barrier: Land tied up and not being sold or available for sale

Incentive: Create incentive to sell or negative incentive to hold. Implement a Vacant Land Tax or fee for all properties in the UGA that are not developing.

3.2

Barrier: Condo risks associated with insurance and lawsuits

Incentive: Develop state legislation providing regulation around class action lawsuits

Incentive: Encourage development of multifamily with the expectation of conversion to condos.

3.3

Barrier: Downtown redevelopment challenges, including environmental, parking, demolition costs, etc.

Incentive: Partner with agency to ensure sites get cleaned up.

Incentive: Seek market development for downtown living. See Boise for examples.

Incentive: Create a downtown development entity either through the WDA or a PDA or similar organization to manage parking and facilitate projects. See Boise Downtown Development Corporation.
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Housing Inventories Committee

FINDINGS, MARCH 22, 2018

MEMBERS:

Mae Hamilton
WENATCHEE REALTOR

Greg Olson
NUMERICA CREDIT UNION
LOAN OFFICER

Andrea Kunz
PIONEER MIDDLE SCHOOL TEACHER

Brian Vincent
CO-OWNER OF PACIFIC APPRAISAL
ASSOCIATES, LEAVENWORTH
RESIDENT

Cory Wray
WENATCHEE DEVELOPER

DATA COLLECTION:

- Existing and Planned Growth Management Boundaries
- Development and Infill Opportunities – Development: Lands measuring 5 acres or larger. Infill: Lands measuring less than 5 acres.
- Existing and Planned Infrastructure – Sewer and Water services
- Home Configuration – Historical trends on new housing

AREAS RESEARCHED:

- Wenatchee
- East Wenatchee
- Entiat
- Leavenworth
- Chelan
- Cashmere
- (Note: Minimal data found for Peshastin, Malaga, Rock Island)

WENATCHEE

- Wenatchee has the highest population density of the areas researched. (5.2 people/acre in town, 2.2 in the UGA).
- Within the city limits, developable land only accounts for 6% of total acreage or 417 acres, limiting large-scale development solutions.
- Infill opportunities are also limited, and parcels where infill is possible are primarily located in low-density zones. Our count shows approximately 314 residential lots left for Wenatchee.

EAST WENATCHEE

- East Wenatchee is the second largest city by population, but only 31% of East Wenatchee is within its city limits.
- Density within East Wenatchee is high (5 p/ac), but the large UGA makes it less dense overall (3.04 p/ac), and limits solutions for increasing that density. East Wenatchee has only 53 acres of developable land (2% of city)
- Similar problems exist for developing within the city limits, or for utilizing infill. Infill residential lot counts are 26.

CASHMERE AND LEAVENWORTH

- Cashmere has similar dynamics as Wenatchee, in terms of its density and available acreage for development. Density within the city limits is 5.16 people/acre, but 2.15 in the UGA, suggesting that there may be room for growth there.
- 12% of Cashmere’s acreage (69 acres) within the city is available for development in 5+ acre parcels.
- Leavenworth has a lower density, and a slightly larger UGA that could add additional units, but has limited large parcels (65 acres) available for development in the city limits.

CHELAN

- Chelan has a surprising amount of large blocks within the city that could potentially be developed. Our count indicated nearly 2,100 acres (35% of city) are undeveloped.
- Chelan has very low population densities (less than 1 person/acre) within its city limits, and 2000 acres in its UGA, indicating potential for growth.

ENTIAT

- Entiat has the highest percentage of developable land within its city limits of all cities surveyed, and the lowest density (0.99 p/ac).
- Entiat’s potential for growth is almost entirely within the city limits. There are 656 undeveloped acres in the city and, their UGA only adds 23 more acres, due primarily to geographic constraints.

HOUSING TRENDS

- House size and average lot sizes have both generally increased between 2012 and 2017, which are both trends that make increasing housing density difficult. There appear to be opportunities for building smaller homes as shown in the survey. 24% of survey respondents thought their ideal home would measure 1,250 to 1,750 sq. ft. Bedroom counts generally match survey results.
- Average Building Coverage Ratios (home size/site size) have increased in density leading up to 2015, but decreased in recent years. Higher ratios could allow for more density.
- Regionally, the price per square foot for houses is the most clear trend, increasing 7.8% annually.

Additional Resources

WENATCHEE URBAN AREA HOUSING STUDY, SEPTEMBER 2016

<http://www.wenatcheewa.gov/home/showdocument?id=15122>

LEAVENWORTH HOUSING NEEDS ASSESSMENT, MARCH 2017

<http://cityofleavenworth.com/col-assets/uploads/2017/03/Leavenworth-Housing-Needs-Final-03.13.17.pdf>

WASHINGTON STATE HOUSING MARKET, SECOND QUARTER 2018, UNIVERSITY OF WASHINGTON CENTER FOR REAL ESTATE RESEARCH

<http://realestate.washington.edu/wp-content/uploads/2018/08/2018Q2WSHMR.pdf>

FEDERAL HOUSING FINANCE AGENCY (FHFA) HOUSE PRICE INDEX REPORT, SECOND QUARTER 2018

https://www.fhfa.gov/AboutUs/Reports/ReportDocuments/2018Q2_HPI.pdf

MUNICIPAL RESEARCH AND SERVICES CENTER, FASTER PLAN TURNAROUNDS, AUGUST 2018

<http://mrsc.org/Home/Stay-Informed/MRSC-Insight/August-2018/Faster-Plan-Review-Turnarounds-Can-Happen.aspx>

CHELAN COUNTY COMPREHENSIVE PLAN, 2017-2037

http://www.co.chelan.wa.us/files/community-development/documents/comps_plan/2017%20Comp%20Plan/Attachment%20A%20-%202017-27%20Comprehensive%20Plan.pdf

DOUGLAS COUNTY COMPREHENSIVE PLAN, 2015

<http://www.douglascountywa.net/docs/default-source/tls/planning/growth-management/countywide-planning/ruralplan.pdf?sfvrsn=8>

WENATCHEE URBAN AREA COMPREHENSIVE PLAN, 2017-2037

<https://www.wenatcheewa.gov/government/community-and-economic-development/comprehensive-plan>

GREATER EAST WENATCHEE AREA COMPREHENSIVE PLAN, 2015-35

<https://www.east-wenatchee.com/Home/ShowDocument?id=3450>

NORTH END MASTER SITE PLAN, 2016, PORT OF DOUGLAS COUNTY

http://www.portofdouglas.org/images/sidebars/northend_subarea_plan_Adopted_Oct_2016_opt.pdf





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