



## **Mayoral Housing Affordability Ad Hoc Committee**

### **Housing Affordability Task Force Recommendations**

#### **Background**

On April 12, 2016, Mayor Cheri Farivar initiated the formation of an ad hoc Housing Affordability Committee. The committee was tasked with evaluating programs and initiatives to produce affordable units and preserve existing ones; make recommendations to the City Council and Planning Commission to create initiatives and codes to promote mixed-income development in neighborhoods across the city; and ensure a vibrant mix of housing options for people of all income levels.

The areas of investigation and evaluation included, but were not limited to:

- Study and determination of the demographic market sector(s) needing housing in and around Leavenworth. (Is the greater need rental housing or ownership?)
- Study of the many types of need for workforce housing, including:
  - ✓ long-term rental apartments and homes
  - ✓ short term rental apartment units
  - ✓ single-family homes available for purchase
- Initial data collection and identification of the existing housing stock within Leavenworth and the Leavenworth area.
- Modifications of regulations and development standards that strive to reduce land and building costs.
- Implementations of incentives that address housing affordability – Stimulate the development of new affordable rental and ownership housing units through incentive-based and cash-based cost offsets. Examples include providing additional housing units or reduced parking requirements in exchange for investor/owner commitment that units will remain affordable long-term or expedited permit review, impact fee, or utility connection fee reductions in exchange for affordable housing units.
- Modifications of regulations and development standards that expand the range of housing types – smaller stand-alone homes, multiplex units, Accessory Dwelling Unit (ADU), Small/Tiny homes, low rise apartment complexes, and micro apartments (apartments less than 500 square feet).
- Efforts that can be made to retain older housing stock – These units constitute a large portion of the existing housing supply that is affordable.
- Explore affordable housing investment funding: this fund would provide financing necessary to meet the funding gaps. Funding source could be grant programs or agencies currently working with housing affordability programs.

The Taskforce has met monthly; and the Taskforce and City Council commissioned and completed a Housing Needs Assessment by BERK Consulting. On December 13, 2016, BERK Consulting was hired to complete the Taskforce's "Housing Needs Assessment." The study was requested from the Mayor's Taskforce on Housing Affordability as a tool that would assist the Committee in identifying or confirming, what are the housing needs within the community and which populations within the community are the most affected with the current housing market. The BERK Team developed information on the household characteristics of the local population and develop information on the current housing inventory. The study area included the Cascade School District boundary. From this study, the Taskforce continued their objectives with a better and more defined scope and understanding.

Some key finding out of the study identified the following:

1. At least 36% of the housing stock within the study area is for seasonal, recreational, or occasional use.
2. A review of long-term rental listings revealed that only around 10 units are currently available. This indicates that the vacancy rate could be as low as 1% in the long-term rental market. A healthy housing market should have a 5% vacancy rate to ensure that all households can find a suitable new home when they need one.
3. Since 2013, median monthly rents have increased by 13% annually. This is significantly faster than even the hot housing market in Seattle. Low vacancy appears to be putting significant pressure on the long-term rental housing supply and upward pressure on rents.
4. Almost a third of households are cost burdened. Three out of 10 households in the greater Leavenworth area spend more than 30% of their income on housing. One out of four renter households are severely cost burdened, or spending more than 50% of their income on housing.
5. Growing number of workers are commuting long distances.
6. Wages in the Leavenworth area are significantly lower than needed to afford local housing costs
7. 4 out of 10 residents are over 60 years old. 40% of the Cascade School District's population is 60 years or older. This has implications for the housing market since senior households have unique housing needs that need to be considered.
8. Student homelessness has increased.
9. Home production has not matched needs, particularly within the City of Leavenworth.
10. Zoning and public land ownership within the school district limits development potential. The potential for new workforce housing in and around Leavenworth hinges on 1) the availability of land for development, redevelopment, and infill and 2) the policies and regulations associated with the land that guide the density and type of development allowed. In the Cascade School District, much of the developable land is in rural areas with low density zoning that does not support workforce housing. Within the City and UGA, the amount of vacant developable land is limited.
11. Housing production in and around Leavenworth is constrained by environmental factors.
12. Providing services to housing in Leavenworth and the surrounding area is challenging.

## Renter Household Income and Rental Unit Affordability Gap (Cascade School District)

Ratio to 2015 Chelan County AMI (HUD, 2015)	Rounded (1,000s) Income Ranges* (ACS)		Monthly Housing Budget*		Estimated Renter HHs* (ACS)		Estimated Gap	
	Low	High	Low	High	Count	Percent	Units Offered	over/ (under)
\$56,700								
Under 30%	\$0	\$17,000	\$0	\$425	263	27%	108	-155
30 - 50%	\$17,000	\$28,000	\$425	\$700	187	19%	124	-64
50 - 80%	\$28,000	\$45,000	\$700	\$1,125	140	14%	283	143
80 - 100%	\$45,000	\$57,000	\$1,125	\$1,425	97	10%	150	53
100 - 120%	\$57,000	\$68,000	\$1,425	\$1,700	72	7%	128	56
120% or Over	\$68,000		\$1,700		217	22%	108	-109
<b>Total</b>					<b>975</b>	<b>100%</b>	<b>900</b>	<b>-76</b>

## Owner Households by Income Category (Cascade School District)

Ratio to 2015 Chelan County AMI (HUD, 2015)	Rounded (1,000s) Income Ranges		Estimated Owner HHs	
	Low	High	Estimated HHs	Percent
\$56,700				
Under 30%	\$0	\$17,000	422	15%
30 - 50%	\$17,000	\$28,000	206	7%
50 - 80%	\$28,000	\$45,000	544	19%
80 - 100%	\$45,000	\$57,000	369	13%
100 - 120%	\$57,000	\$68,000	470	16%
120% or Over	\$68,000		860	30%
<b>Total</b>			<b>2,872</b>	<b>100%</b>

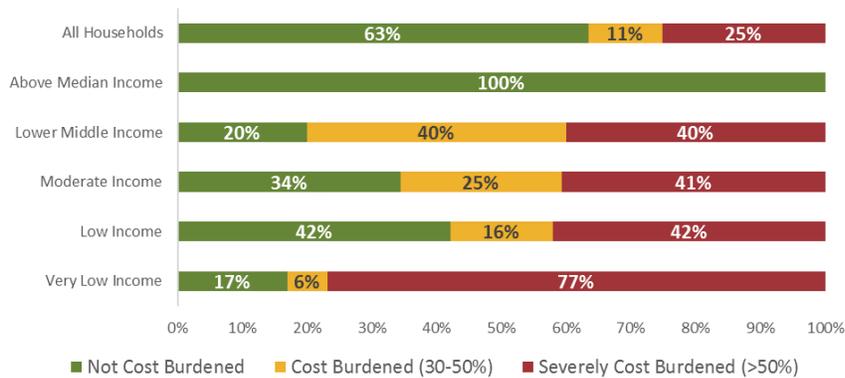
### BERK Team Recommendations:

Leavenworth has a significant workforce housing shortage. Solutions to many of Leavenworth's housing challenges may need to be focused within city boundaries. The City's control over zoning, building codes, and development incentives provide it with the most effective policy levers for encouraging the production of units to serve the local workforce instead of the demand for vacation homes, second homes, and short-term rentals. Actions such as restricting the usage of homes as short-term rentals and incentives to provide affordable multifamily homes in exchange for increased density or property tax exemption could help channel market demand towards meeting the most pressing housing needs. The City should also consider examining and addressing barriers to infill and redevelopment within city limits, including allowable density and City requirements and processes.

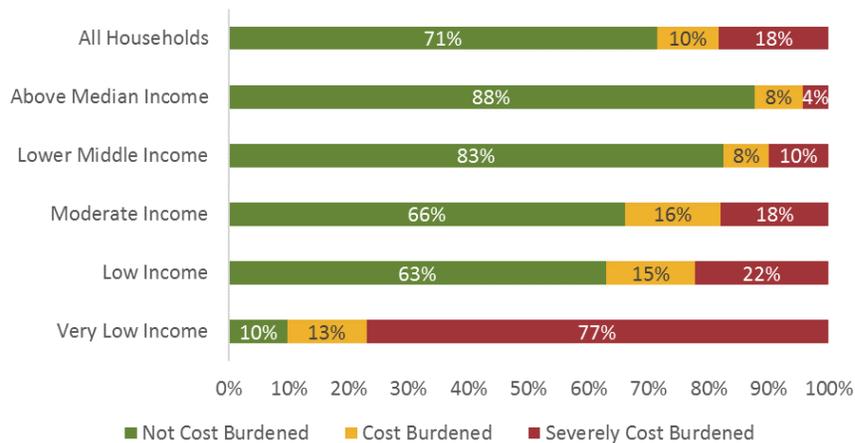
### Cost Burden by Housing Tenure (Leavenworth-Lake Wenatchee CCD)



### Renter Cost Burden by Income Category (Leavenworth-Lake Wenatchee CCD)



### Owner Cost Burden by Income Category (Leavenworth-Lake Wenatchee CCD)



In addition, and central to the Taskforce thoughts, it became evident that market factors could not be controlled by the City. The Taskforce further understood that if the City encouraged new affordable housing, that outside purchasers with the resources beyond local families, would continue to consume homes for “second” homes or would be “absentee” owners. With this in mind, the Taskforce believed that the positive merits to create and encourage affordable housing outweighed this fact.

The Taskforce developed four study groups to look at various components of the housing market and develop potential recommendations that will need further study and development. The four groups were: Zoning & Code Changes, Design, Financing/Funding Sources, Regional Solutions. On April 20, 2017, each of the study groups presented their findings and/or recommendations to the Taskforce. On May 18, 2017, the Taskforce reviewed and modified the recommendations.

**The following recommendations are topics of study. Although there may be specific details included, such are used to focus or point to the area of interest. The scope may expand or contract as the recommendations are considered, refined, and/or prioritized.**

### **Zoning & Code Changes Recommendations**

- a. Review standards and criteria to allow for innovations for a Planned Unit Development (PUD)
  - i. Reduce or remove the 5-acre minimum. Consider no size limits.
  - ii. Allow density bonus
  - iii. Define “public good” to include affordable housing
  - iv. Establish what Leavenworth defines as affordable housing
  - v. No conversion of accessory structure or garage to ADU (must be permitted first)
- b. Review Multifamily and Residential Zoning.
  - i. Review lot standards.
  - ii. Review what can be done to promote the development of existing vacant multifamily zoned lands? These maybe be large acreage tracts or individual lots
  - iii. 30-ft width Zones
  - iv. Yard setbacks
    - v. Building modulation standards and/or architectural features that allow for visual improvements (no unobstructed walls to full height with small lots below 6,000 sqft – no ‘boxes’ for homes)
  - vi. Sub-lot (infill – see common wall section)
  - vii. Revise “single family residential” to “dwelling unit” districts
  - viii. Consider the inclusion of triplex / 4-plex within differing zones and the possible use of a Conditional Use Permit (CUP)
  - ix. Increase areas zoned multifamily
    - x. New zoning district
    - xi. Change setbacks

- i. Snow storage and/or hold snow on roof
    - ii. Mechanical equipment
    - iii. Emergency Services Access
  - c. Common wall construction/zero lot line building standard.
    - i. Create code language to allow for smaller lot ownership on shared wall construction site (condominium, Binding Site Plan, and setbacks) (Look to examples in East Wenatchee and Arlington for additional options)
    - ii. Common wall agreements
    - iii. The open side may need additional area (greater setback)
  - d. Change parking and access standards.
    - i. Review alley access as the primary / optional access
      - i. No new alley construction; or
      - ii. clear standards for existing for use (density threshold – then street)
    - ii. Set standards for allowing access from alleys (snow storage).
    - iii. Allow for the creation of private alley / easement?
    - iv. Review and/or remove standard that stops “backing on to city streets” for multifamily (non-residential) development. (Small scale 4-plex maximum?)
    - v. Review parking standards and criteria with consideration of snow storage and other aspects for additional units (may need more parking with high compact density)
    - vi. Off-site parking/common/cluster parking
    - vii. If allowing parking in rear with an approved alley, then allow a reduced front setback. Establish criteria.
    - viii. Consider “sea of parking” with parking / access changes for the front.
  - e. Revise Cluster Subdivisions
    - i. Density bonus
    - ii. Admin process
    - iii. Clarify criteria and standards
    - iv. Clarify phased subdivisions.

**Design Recommendations:**

- a. Explore and consider the “townhome” construction and private land ownership as an alternative to the “condominium” model.
- b. Consider modification of the current code language to allow for two ADU’s on property’s or allowing triplexes to be considered on Low Density Residential (RL 6,

- 10, 12) Zones. Consideration needs to be given to lot size, lot coverage and parking requirements.
- c. Develop code language for common wall construction. Also consider a requirement of requiring a 7-foot setback on side yard opposite of the common wall construction.
  - d. Consider creating incentives for the construction and development of less than 700 SF homes.

### **Financing/Funding Sources Recommendations:**

- a. Consider the creation of a revenue generating funding source, either a “tax” or “fee” Special Use Permit (SUP) pass-through on local businesses to create a funding source that will be dedicated to addressing housing affordability for Leavenworth’s workforce housing needs.
- b. The City should explore an added fee for services or property tax charged to seasonal, recreational, or occasional use properties. The Leavenworth Housing Assessment Study identified that over 36% of the housing stock is for “seasonal, recreational, or occasional use” (Cascade School District). Nationally, the increasing number of seasonal homes as a percentage of the housing stock has been shown to have two possible correlating effects on housing affordability. One is in pushing housing prices higher within the market place which affects the housing costs for local residents and the other is in increasing peak demands for City services. While current Washington State laws do not provide this option, the City may want to consider this a priority lobbying request to the State Legislature.
- c. Explore the creation of a program that requires the construction of new hotels or commercial property to provide for the construction of affordable workforce housing units or a fee in lieu of option.
- d. For housing developments, the City should consider requiring that a portion of the homes built meet an affordability standard. This maybe 10% to 20% of the homes built within the development. To encourage this development the City could provide density bonuses to the developer, creation of a fee in lieu of “Affordability Bank” or the construction of off-site “affordable home” development. The City will need to define “affordability standard”.
- e. Many State and Federal programs may provide funding for home or rental development however that may not target the population with most housing needs within Leavenworth workforce populations. (80% of median or lower).
- f. The City may want to investigate Revised Code of Washington (RCW) 82.14. This legislation authorizes a 1/10 of 1% increase to the local sales tax focused on affordable once approved by a vote of the people. The funds are targeted at specific populations that may not be the population most in need identified in the Housing Assessment Study. Prior to a voter decision the City may want to lobby the legislature to modify the legislation to allow for the use of these funds for a wider population. Currently only the County can implement this sales tax option, it becomes available to cities after October 9, 2017 if the county has not initiated.

- g. City may consider an investment in a small pilot project to address multiple needs. One example would be the purchase of dilapidated homes, demolition of property and making the land available for an affordable housing building project.
- h. The City should investigate an option that identifies a percentage charge on alcohol sales within the corporate City limits. As of this time there is no legislation that imparts this power to cities.
- i. Review tax increment / abatement. Use to meet City defined affordable housing needs with 10-year consideration.
- j. Review adding additional .25% to current Real Estate Excise Tax (REET) for property purchases within the City.

### **Regional Solutions Recommendations:**

The regional solutions team concurred with the BERK study “the City’s control over zoning, building codes, and development incentives provide it with the most effective policy levers for encouraging the production of units to serve the local workforce.” Although there is opportunity for partnerships, addressing the current need may be more effectively accomplished by working with the resources within the City. The Task Force desired the City to reach out to the County and other cities to seek housing opportunities.

### **Next Steps:**

Upon acceptance of the final recommendations above by the Taskforce at the June 15<sup>th</sup>, 2017 meeting, these recommendations will be placed on the August 8<sup>th</sup>, 2017 City Council’s Study Session Agenda for review and consideration. Members of the Taskforce will be asked to present their findings and recommendations to the Council at this Study Session. After deliberation and guidance by the Council, the Zoning & Code Changes and Design Recommendations will be brought forward to a Regular Meeting for inclusion into the Planning Commission (PC) Docket - 2017 Cycle of Amendments. Although, there is a placeholder for “Housing recommendations and/or study from the Mayoral Affordable Housing Ad Hoc Committee” Council action to direct the PC to proceed with the above is needed. Upon amendment to the PC Docket, the PC will be asked to begin their study and deliberations toward changing the Leavenworth Municipal Code, subsequent public meetings where the community is invited to comment, and public hearings. This timeline is yet to be determined. This is due to the existing workload of the PC and priorities of the Council. Upon final public hearings and required notices (public process), the Amendments to the Leavenworth Municipal Code will be transmitted to Council for final review and Adoption. Within this process, a Taskforce recommendation is for the City Council to identify a process or other mechanism to address the Financing/Funding Sources and Regional Solutions Recommendations.