

6/15/07

To: CHAT Members  
From: Consultant Team  
RE: Additional Data

The attached are summaries from the recently concluded group and individual interviews. In addition to general background information collected during the interviews we also collected much programmatic information from the housing service providers. This more detailed data will be made available to you in the next week or two.

## **STAKEHOLDER 1v1 INTERVIEWS AND FOCUSED TOPIC WORKSHOP MEETINGS**

### ***Preliminary Results***

**6/15/07**

Focused topic workshops were held for builders/developers, lenders, and realtors/property managers. Representatives for each group were invited to 90 minute sessions to share their observations, thoughts and suggestions.

Attendees were assured of the confidentiality of their comment and that no comments would be attributed. Below are the summary comments of each workshop. Many points were made several times or reinforced by others. If repeated the point is listed below only once.

### ***Builders/Developers Focused Topic Workshop 6/24/07***

#### Attendees

*Doug Ellis* Homestead Northwest, *Bob Libolt* Pacific Crest Partners LLC, *Chris Benner* Cabochon Construction and Development, *Jeff Hendrickson* Synergy Construction, *Ralph Black* Alliance Properties LLC, *Ted Mischaikov*, *Rick Dubrow* A-I Builders, *Dave Finet* Opportunity Council.

#### Comments:

- ✓ CHAT needs to define the problem. What is the issue?
- ✓ Is it the housing market's responsibility to solve the 80% of AMI housing affordability problem?
- ✓ Of the housing targets how many are targeted for the various income groups? 40%, 50% 80%, etc.
- ✓ Given current income levels new housing units should cost no more than \$160k to \$180k to be affordable
- ✓ If affordable single family homeownership is still a goal then all of the community's goals need to aligned to further this
- ✓ Broad agreement that given current conditions traditional (detached, small yard) housing can't be built at the affordable level
- ✓ Need to look to marketing smaller units - 900 s.f. to 1100 s.f.
- ✓ LAND COST is THE major issue.
- ✓ Traditional ratios of 1:3 land to house cost can't provide affordable units when an average lot is costing \$100k to \$150K
- ✓ 20% to 30% of housing cost are attributed to permitting and governmental regulations
- ✓ Impact fees should be paid at occupancy not at application
- ✓ Impact fees should vary depending not unit size
- ✓ Government needs to be clear, consistent and quick in regulating - not necessarily less regulation

- ✓ Not enthusiastic about inclusionary zoning – should look at King County experience
- ✓ Green smaller housing needs to be given preference by reviews to encourage use
- ✓ A land trust program based on a new excise tax or recording fee to used for affordable housing targets should be investigated
- ✓ CHAT outcome needs to be real and practical with clear follow up

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*Lenders Focused Topic Workshop 6/29/07*

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Attendees

*Carla Williams, Grace Peschek, Marjorie LaValley* Horizon Bank; *Jack DeCook* American Home Mortgage, *Marty Schroeder* Washington Mutual, *Linda Elliott* Wells Fargo, and, *Jennifer Hoines* USDA Rural Development –

Comments:

- ✓ The Land Trust model is not a wealth-building model.
- ✓ Land cost is a form of rent control.
- ✓ Concern that Bellingham will turn into “Carmel.”
- ✓ Need Home Buyer Education to start in middle and high school.
- ✓ . Need to change attitudes about material things and money earlier.
- ✓ It appears that many residents are self-employed – where are the jobs that pay the higher salaries?
- ✓ Previously 25 to 33% of income goes to house payments, now 40 to 45% is common and 60% is occasionally approved in some markets.
- ✓ New loan products have placed homebuyers into a very high risk category, and bankruptcy rates have escalated as a result (predatory lending).
- ✓ Current trend is to “return to fundamentals” where good credit scores and down payments are required.
- ✓ Cost of land development/infrastructure.
- ✓ Regulation is 20 to 25% of cost – must be passed on.
- ✓ Homestead can sell within the \$160K range as they purchased the land several years ago.
- ✓ Why does it cost \$18k for a 1500 s.f SFR building permit?
- ✓ Conflicting priorities and compounded well intentioned programs (fish, shorelines\*\*?, wetlands\*\*?, etc)
- ✓ Are we after wealth or housing?
- ✓ European model is to provide SFR for 80% of the population – which family may pass along the equity in their estate, as long as a family member resides in the home.

- ✓ Builder preferences are to not to build small – economies of scale. Prefer a 3:1 (house value to lot value).
- ✓ Only expensive lots remain available in B’ham/Whatcom County.
- ✓ Bill Krueger “Honey I Shrunk the Lot” similar to cottage style homes by DR Horton. Zoning and economics still need to work. Note that some neighborhoods have ‘down zoned’ (York and Wood neighborhoods). Krueger example: Orcas Island.
- ✓ Rents have not pushed up to match housing – but it will happen.
- ✓ If American Dream is gone, hope is lost – home is the security of the family, feel part of the community, equity trickles to generations. If gone, no middle class.
- ✓ Where is “lending” as an industry standing?
  - Will keep chasing demand; change programs to fit (i.e. 50 year terms,
  - Note: Wall Street kept buying marginal loan products, causing a market for ‘predatory lending products.’
- ✓ Given the CHAT mission
  - Incentives for builders to develop housing that are affordable. All banks have programs for special buyers, but math doesn’t work. Help needs to come from other source such as pricing.
  - Everyone has affordable housing programs but based on Median Income levels. If in underserved area, could modify programs such as reduce requirement for mortgage insurance.
  - Consider Feds reviewing what areas are “underserved.”. Consider changing current level of <80% of Median threshold to 120% of Median.
  - Have an aggressive ADU (accessory dwelling units) program.
  - Ask lenders to assist in marketing/education – USDA cannot advertise.
  - Educate at HS and college levels
  - Encourage builders to collaborate to create something that makes sense.

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*Realtors/Property Managers Focused Topic Workshop 6/29/07*

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Attendees

*Lylene Johnson* Muljat –; Windermere – *David Hovde, Douglas Wight, Bill Henshaw, Mike Kent,* and *Jon Soine* who is also President, Whatcom County Association of REALTORS®; and *Perry Eskridge*, Attorney and Political Affairs Director of the Whatcom County Realtor’s Association

Comments

- ✓ Kruger – speaker tonight (brought by Kulshan Community Land Trust) has interesting points, but implementation requires local regulations need to be changed. Local attitudes (will of the neighborhoods) are not open to this. For example: fire suppression requirements.
- ✓ Question: What’s happening with the housing market?
  - System is broken

- Councils (City/County) not agreeing on UGAs. Due to GMA, utilities and infrastructure cannot be extended. This is driving costs up on the limited supply of serviced lands.
- Urban Growth Forums appeared to have pre-conceived results
- ✓ Shoreline Management height limits (45')
- ✓ Dept of Ecology - increased size of stormwater detention - land remaining is too costly (>\$5/sf)
- ✓ Parks: 47 acres per 1000 population - unsustainable
- ✓ Regs such as required setbacks (25' is now 100') causes what was affordable to now not be affordable
- ✓ Some jurisdictions are able to deliver services (i.e., issue timely building permits) - why not similar in all jurisdictions?
- ✓ Be careful to observe Seattle's problems: they have created 56,000 jobs but only 12,000 home sites within the City
- ✓ Need to create and keep affordable housing for all workers not just those in poverty
- ✓ Work on Affordable Housing has been done for decades. Recommend these be incorporated into this process. Many action items are still relevant.
- ✓ Issues are with a full bureaucratic system - not just one agency. While all intentions are good (water, critical areas, GMA, etc), the culmination is not.
- ✓ Work with what is available to create affordable housing. I
- ✓ The current MH is now the modular, but modular is not incorporated into regulatory language so benefits are limited (i.e., "modular" not OK for MH Parks).
  - Example: Cabochon Construction & Development is building modular units that are very comparable to stick built. These units go into specifically designed developments.
- ✓ Question: what is gov't going to do to help people buy these units?
- ✓ Perceptions/political will of elected officials?
- ✓ Question: recent actions by neighborhoods (York, Birchwood, Lettered Streets, Chuckanut)
  - Suggestion: allocate affordable housing units by neighborhood - have them recommend how they might incorporate them (plan)
- ✓ It appears that local gov't doesn't want to provide housing that will attract new people.
- ✓ Strategy needs to be developed before we start to target the audience, price, who is backing the financing, etc. Create a climate or model of what affordable housing would look like.
  - Example: Kulshan has been offered a parcel setup for 37 units within our future development corridor. Offer is excellent but who will finance? They need funds to leverage/buy product and resell.

- Downside of Kulshan's program: unit remains affordable forever – how does the person realize the equity gain, as is allowed in Self-Help program?
- ✓ Solution lies in shrinking lots
- ✓ Young buyers want a yard, 3Bc/2Bth – they are buying the 70s split level homes and in Homestead developments.
- ✓ This will change the way Bellingham looks – cannot add 5000 affordable units and look the same
- ✓ Onerous process: short plat with density bonus automatically puts into long plat process.
- ✓ State: Mean income increasing, however single moms with kids is much less. Having stated criteria is a problem – one-size does not fit all.
- ✓ Incentives are available if the City was proactive in dealing with affordable.
- ✓ Need to treat everyone fairly, openly and honestly. Without these, private enterprise will not play. Anyone should be able to build affordable.
- ✓ Example: London city owned walk-ups (85% unemployment) – public areas not cared for while inside each unit was well maintained.
- ✓ Financing is the key: must have backbone to waive impact fees. **FHA 265 Program** (fund costs above bond issue). Need to maximize space or get financial incentives.
- ✓ Fannie Mae/Freddie Mac: offer reverse mortgages for first time home buyers.
- ✓ Currently, we're not building what the buyer can afford. Sudden Valley was affordable, now lots are gone.
- ✓ Question: what is our capacity to offer affordable housing? We are not the same as towns in Eastern Washington.
- ✓ Reminder: need to execute studies already completed – much still pertinent from past projects
- ✓ Trend: young, educated professionals are leaving as they can't afford to live here; and empty-nesters are only here part-time. Must have vital economics to keep professionals here.
- ✓ Permit fees are same for small units and large – need variable scale for those interested in building smaller unites. Currently, there is disincentive.
  - Example: \$35K impact fees on a 2500 sf lot
- ✓ Perception: “affordable housing” is a negative term. Assumption is that it is low quality and poorly maintained units.
- ✓ Question: are we working on a problem that has no solution?
- ✓ There is an ‘entitlement’ attitude about the types of homes we ‘should’ be able to buy and live in. However, this is unsustainable.
- ✓ “Affordable” means having choices for a wide variety of groups

- ✓ Issues: Sandwich generation (taking care of children and parents) and our changing demographics (i.e., living longer)
- ✓ Kruger concept: incorporate Planned Unit Developments (PUDs) into options.

Preliminary Results

## STAKEHOLDER 1v1 INTERVIEWS AND FOCUSED TOPIC WORKSHOP MEETINGS

Preliminary Results  
6/15/07

### 1v1 Non-Profit Housing Stakeholder Interviews

During the period May 7<sup>th</sup> to June 11<sup>th</sup> 2007 the following individuals were interviewed. The interviews were generally 45 minutes in duration and consisted of a series of 5 - 6 questions. Interviewees were asked to be candid and were assured that their responses would not be attributed to them in the final document. The non-profit housing providers were also asked to expand on the state of their organization, the details of the programs being provided in Whatcom County and the likely future direction of their organization. These detailed responses will be reported under separate cover.

Individuals interviewed included: *Bill Quehrn and Mary Dickinson*, Building Industry Association, *Nancy Larsen*, Whatcom Skagit Self Help Homes, *Paul Schissler* Ex. Dir. Kulshan Community Land Trust, *Susan Anderson*, Ex. Dir. Coalition for Healthy Communities, *John Harmon*, Bellingham Housing Authority, *Dave Finet*, Director Opportunity Council, *Steve Powers*, Archdioceses' Housing Authority, *John Shorthill*, Habitat for Humanity, *Dick Wilcoxon* Mobile Home Owners Association, *Marv Enfield*, Whatcom County farmer, *Janice Holt*, Womencare Shelter, *Dianne Pheir*, Lummi Nation Housing, *Gary Williams*, County Health Department, *Dick Skeers*, Whatcom County Builder.

Several additional individuals will be interviewed in coming weeks. They are; Project Hope & New Way Ministries Jim Grinell, Paul Purcell, Beacon Development, and Seb'nem Pura Nooksack Tribe Housing.

#### Question #1 - How would you describe the housing market here in Bellingham and Whatcom County?<sup>1</sup>

Comments:

- ✓ Market demands it/market gets it
- ✓ Cost increasing
- ✓ Outside money coming in
- ✓ Outside investment
- ✓ Lack of consistency, clarity, and certainty is lacking in governmental regulations
- ✓ Land in short supply
- ✓ Sprawl
- ✓ UGA growing too slowly
- ✓ People are paying too high a percent of income for housing
- ✓ Increasing commute times/expense
- ✓ Increasing demand for rentals
- ✓ Demand is driving affordable low income out

<sup>1</sup> Many answers were similar from interview to interview. If comment was repeated only one response is recorded here.

- ✓ Construction costs rising
- ✓ Rental rates not keeping pace with costs
- ✓ Wages not increasing with to match housing cost increases
- ✓ Affordable housing units not being built
- ✓ Other living expenses are rising

Question #2 - Why do you suppose this is occurring? Name three possible causes.

Comments:

- ✓ Material cost
- ✓ Lack of easily buildable
- ✓ Many fixed income residents
- ✓ Service industry wages
- ✓ Population increases
- ✓ Newcomers with large incomes
- ✓ Newcomers with large equities
- ✓ Unnecessary governmental fees and charges
- ✓ Poor planning
- ✓ Land cost skyrocketing
- ✓ NIMBYism slows projects down drives up costs
- ✓ Older homes being converted to affordable home purchases
- ✓ Older affordable housing not being replaced
- ✓ College students affect rental market
- ✓ Speculation
- ✓ Environmental regulations
- ✓ Fees
- ✓ Governmental interference
- ✓ Overly strict environmental standards

Question #3 - What do you see as the major roadblocks to adequate choice for the housing consumer?

Comments:

- ✓ Buyer's preference for larger and larger
- ✓ Uncertainty in permitting process
- ✓ Low incomes
- ✓ No overall economic development plan
- ✓ Long term affordability after purchase
- ✓ NIMBYism
- ✓ Lack of acceptance of alternative building types
- ✓ Lack of marketing alternative building types
- ✓ Cost of funds

- ✓ Cost of living overall
- ✓ Inadequate direct rental assistance
- ✓ Working poor don't qualify for much
- ✓ Automobile dependence
- ✓ Little community support for increased density

Question #4 What role should be played by government, lenders and builders in addressing the roadblocks?

Comments:

- ✓ Provide incentives to developers
- ✓ Plan county as a whole
- ✓ Carrot and stick landuse controls
- ✓ Be more receptive to alternative building techniques
- ✓ Lenders should retain a portion of loans locally
- ✓ Incorporate green building requirements
- ✓ Streamline permitting
- ✓ Reevaluate impact fees
- ✓ Acquire and service land for affordable housing
- ✓ Assist in existing building rehabilitation
- ✓ Establish a trust fund to acquire land
- ✓ Provide additional rent assistance
- ✓ Focus efforts on lowest income groups
- ✓ Support consumer education
- ✓ Create a predictable, consistent and fair review process
- ✓ Require builders to provide a certain number of affordable units

Question #5 - What would you like to see as the final product from the Task Force's work?

Comments:

- ✓ Doable/realistic/practical
- ✓ Deal with living wage issue
- ✓ Employer assisted housing
- ✓ Increase public transportation to affordable areas
- ✓ Comprehensive approach across income groups
- ✓ Assign follow up responsibility
- ✓ Create a consensus on action items
- ✓ Countywide in scope
- ✓ Minimize environmental impacts
- ✓ Incentives that are passed on to buyers
- ✓ A provision for displaced mobile homes

- ✓ Incentives for smaller and greener housing
- ✓ Clusters near employment
- ✓ Recognize interrelatedness of housing, employment and quality of life
- ✓ Local housing trust fund
- ✓ Ensure conformance with other policies
- ✓ Better coordination between groups
- ✓ A realistic role for Bellingham neighborhood groups
- ✓ Recognize the social costs of not acting
- ✓ Address loss of affordable housing over time
- ✓ Develop a clear definition of the problem

Preliminary Results