

Countywide Housing Affordability Taskforce (CHAT)

July 20, 2007

Meeting Notes

*(*copies of all handouts/draft reports are available at cob.org)*

Member Names: Seth Fleetwood Co-Chair, Terry Bornemann Co-Chair, Charlotte Eastman-Pros, Derek Long, John Shorthill, Hart Hodges, Larry West, Nancy Larsen, Ted Mischaikov, Jon Soine, Paul Schissler, Barbara Brenner, Don Gischer, Ralph Black, Gail de Hoog, John Harmon, Gary Reid

Members Absent: John Soine, John Shorthill

Officials/Staff Names: Tim Douglas, Pete Kremen, Dave Cahill, Greg Aucutt, Shannon Victoria, Preston Burris, Samya Lutz, Gary Williams,

Officials/Staff Absent: Tim Douglas, Pete Kremen

Introductions

Terry Bornemann chaired the meeting. There were approximately 15 members of the public present. Tom Beckwith and members of his consulting team joined the group.

1. Approval of June 22, 2007 and June 29, 2007 Notes

Terry Bornemann moved and Nancy Larson seconded the approval both June 22, 2007 and June 29, 2007 meeting notes. All in favor, motion carried unanimously.

2. Inclusionary Zoning

Tom Beckwith will be explaining inclusionary zoning. There was a brief discussion clarifying that the Taskforce would have an open discussion regarding targets at the July 27th meeting.

Tom said there are two methods to inclusionary zoning. It is either voluntary or mandatory. The concept is to either ask or require a certain portion of a project includes a certain number of affordable units. Historically, voluntary programs have not produced as many units unless there are subsidies. Mandatory inclusionary zoning has to have enough offsets to make it feasible for the developer to make a profit on the development.

Most jurisdictions do an economic feasibility analysis. The purpose of this is to identify what will give the developer a return on their investment and what offsets will work. Some of the offsets have been used are:

- Density Bonus
- Unit Size Reductions
- Relaxed Parking Requirements
- Design Flexibility
- Fee Waivers
- Fee Deferrals
- Fast Track Permits

Ralph Black asked if the density bonuses are codified. Tom said it is codified so that the developer can have a level of predictability. Charlotte Eastman-Pros asked if this can be easily done by the City. Marilyn Vogel said it could be a 6-9 month process to present to council for approval.

Gail de Hoog said this is not just for the City but the County as well. The same things won't work for both. As it currently stand the County cannot receive services such as sewer and water until properties are annexed. There may be a need for an interlocal agreement tying to services.

Tom said a lot depends upon basic zoning. The City has density designed by area, except downtown which does not have density requirements. It was asked if the City could implement a standard density throughout the City. Terry Bornemann so that wouldn't be possible. The City is broken down into different neighborhoods some of which are built to maximum density.

Adding density either automatically or with discretion is politically driven. Economically very few builders are interested in any density increase. Ted Mishaikov commented he would not be interested in mandatory inclusionary zoning.

Gary Reid said if the City were to have mandatory requirements in our current environment, it would not be affordable for builders. There are many environmental restraints and strong neighborhood opinions regarding infill in their neighborhoods.

Tom continued

Inclusionary set asides – A percentage of units in a development are to be set aside for low-income housing.

Project trigger - Inclusionary zoning is based upon project size.

Income targets – Developers are asked to provide affordable housing units for a specified income groups. In some cases, housing authorities are authorized to purchase units to serve even lower income households.

On site versus off site construction – This method allows developers to either build affordable units within larger developments, while other programs allow developers to build the units off site. Historically off site construction tends to create a “ghetto”. However, due to cost of land and underlying improvements building on site may not be feasible in some cases.

It was asked if there is a way to prevent the “ghetto”. Tom said the developers could pay the City a fee and then the City can develop the site. It is important to identify the proper receiving areas when doing off-site development.

Similarity and compatibility – This is an ordinance that expects affordable housing units in a mixed use building look the same from the outside as the rest of the development.

Terms of affordability – Most inclusionary zoning programs require 30 years of ownership of units and 45 years or more for rentals.

Cost to jurisdiction - This approach includes few hard costs beyond the cost of administering the program. Lost revenue can result in an impact on the General Fund.

There was a conversation about the cost to the developer being a major concern. If the developer is unable to make a profit inclusionary zoning will not make sense.

Ted said inclusionary zoning policies in the past have not ensured the developers will make a profit. There needs to be some kind of guarantee. Developers can't have properties waiting without a safety net. Ted asked if the City would be willing to guarantee to purchase back any properties that are left vacant or he is unable to sell.

Tom continued.

Some of the misconceptions about inclusionary zoning are: (detailed definitions available in document provided by Tom)

- Inclusionary zoning discourages private development
- Inclusionary zoning commits in illegal "taking"
- Inclusionary zoning promotes overdevelopment and congestion
- Private developers are not responsible for producing affordable housing

Barbara asked about in-lieu fee.

Tom said the in-lieu fee must be the same as the actual cost to construct the unit. Otherwise people will pay the lesser. In-lieu fees can get into GMA questions. Usually in-lieu fee is equal to cost of unit. In theory in-lieu fee should be equal to cost to build so the transfer can result in a unit being built elsewhere. Some jurisdiction put a penalty on in-lieu fee because they want to have the unit built by the developer, not paid to fund for the jurisdiction to build.

There were mixed opinions regarding inclusionary zoning being a viable tool for Bellingham. Tom said he is just giving the variables. It will be up to the Taskforce to decide if they would recommend this to the Councils.

Seth asked if a tool could be crafted. It is easy to talk about this subject generically. He suggested the numbers be run and the Taskforce should have some visual impacts of different scenarios using this tool. John Harmon said if this tool were utilized it would have to be crafted to fit Bellingham's environment. Research of similar communities would be necessary.

Gary R. believes this is the wrong tool for the community. He feels the Taskforce needs to focus on fundamental items that affect the cost of housing such as the market. Wages are not matching the rate of inflation. Gary said he feels it creates a permanent underclass.

Paul said he agrees that the high housing cost comes from the increased demand and is unsure if there is an end to that. He doesn't agree that a permanent underclass is created. The purpose of affordable housing is to enable people to have affordable shelter without being bogged down by a mortgage or rent. This includes a variety of classes of people.

Ted said to attempt to integrate affordable units in a new downtown Bellingham development project could cost near \$300,000 for a unit to be built. How can that become affordable? He said there has to be subsidies. There is a major cost gap. Also, socially it makes the most sense to put families where they can become a part of the community.

Gary said there is another problem with looking at developers to carry this burden. With inclusionary zoning, the community is looking at developers of new construction which representing 5% of houses sold to create a solution of 100% of the problem. This is unfair to look to the developer to provide the subsidy where people living in a unit five years are making \$100k when sold. On the same unit the developer makes \$10k a unit. There is a need to look at more equitable bases.

Public comment:

Perry Eskridge, Washington State Association of Realtors, said the issue of inclusionary zoning is a hot button in the realty environment. From what he has seen, other communities that have been successful using inclusionary zoning as a tool already have a lot of other tools in place. Washington State does not have a lot of affordable housing tools, Whatcom County doesn't have many and Bellingham has some. He feels until the other tools are in place inclusionary zoning should be put on the back burner.

Next week

Steve Price will have the inventory report prepared. Tom will have a matrix of the tools the Taskforce has reviewed and what would be necessary to utilize these tools. There will be a discussion regarding target numbers and priorities.

Adjourn