

April, 2008

Whatcom County Council
311 Grand Avenue
Bellingham, Washington 98225

Pete Kremen
County Executive
Whatcom County

Bellingham City Council
210 Lottie Street
Bellingham, Washington 98225-4089 City of Bellingham

Daniel V. Pike
Mayor

Regarding: Community Forum on Strategies to Meet Countywide Affordable Housing Goals – CHAT Recommendations

Dear Council members, Mayor Pike and County Executive Kremen:

As a result of your concerns about affordable housing, sixteen community members were jointly appointed in 2007 to a Countywide Housing Affordable Task Force (CHAT) to review and develop policies and strategies for meeting countywide affordable housing goals with the assistance of city and county staff and a consultant team. Since then, we have held:

- over 27 CHAT working sessions,
- conducted focus group and workshops with real estate professionals, lenders, builders, and non-profit organizations,
- conducted additional personal interviews with key housing market participants,
- reviewed our findings and strategies with the Whatcom County Small Cities Association – and each city council or planning commission, and
- conducted a mail-out/phone-back survey of 200 countywide registered voter households.

Following is a brief summary of our major findings and recommendations that resulted from this process.

Major findings

The federal government estimates an average household should pay no more than 30% of all household income (including all wages, salaries, pensions, stock and bond interest, and other income) for housing costs (including rent or mortgage payments, utilities, insurance, and other incidentals) if a household is to be able to pay for food, health, clothing, transportation, and other basic needs.

At the present time (2007), Whatcom County has a population of 186,479 persons that reside in 74,455 households countywide (the county or countywide refers to the total county including all cities and unincorporated areas of the county).

Approximately 18,785 households or 25% of all countywide households are paying more than 30% of their total household income for housing. Approximately 10,180 households or 14% of all countywide households are paying more than 50% of their total household income for housing.

As a result of these conditions, we find the county and cities must adopt a countywide housing action plan that addresses rising housing costs for all kinds of housing products, for all kinds of households, for all areas of all cities and the county – ***if we are to adequately house our residents and***

successfully support our own continued economic development and quality of life.

Recommended actions

We believe we must adopt the following policies and programs outlined in this document that provide housing that is affordable for all countywide resident households – and to develop strategies for assisting with housing solutions for households that cannot live affordably (those paying more than 30-50% of their household income for housing).

Retain older housing stock

We must retain older housing stock – estimated to be approximately 10,763 single family and 5,364 multifamily units built before 1930 - throughout the cities and unincorporated county as these units constitute a large portion of the existing affordable housing supply. We should utilize a wide variety of innovative approaches including:

- grants,
- no and low interest loans,
- no and low interest loans as liens due at the time of sale or inheritance, and
- land trusts where the title to the property is acquired and the property is placed in a land trust with the purchase proceeds used to rehab the housing units.

Retain and replace mobile and manufactured homes

We also must retain and/or replace older mobile and manufactured homes – estimated to be 9,535 units – especially within the unincorporated county as these units also constitute a significant portion of the existing affordable housing supply. We should utilize a wide variety of aggressive approaches including:

- grants,
- no and low interest loans
- retaining existing mobile home parks where feasible and practical, and
- develop new mobile home parks to retain or increase this low cost housing option.

Deliver new housing products

In addition to retaining existing affordable housing stock, we must also stimulate the development of new affordable rental and for sale housing units using the following innovative and aggressive methods:

- **utilize federal and state housing tax credits** – providing affordable and market rate rental and for sale housing units for all types of households,
- **package and issue request-for-proposal (RFP competitions)** – for projects that create mixed income communities that include affordable housing and assisted households as well as market rate units comprised of:
 - **conventional stick-built housing products** - on infill sites in innovative designs and arrangements like cottage housing and mixed use developments, and
 - **innovative projects** – for housing products (especially modular) in innovative design and construction arrangements that have not been introduced in the local market in order to provide high quality examples,
- **adopt voluntary inclusionary zoning provisions** – on a countywide basis encouraging affordable and assisted housing units in mixed income projects using the following incentives:
 - **bonus off-sets** – that increase density, reduce parking, and vary height and site coverage provisions in manners that are consistent

- with a project's neighborhood setting yet effectively off-set the cost of providing affordable units in the project,
- **cash off-sets** – that expedite permit review schedules, reduce or waive permit fees, reduce or waive traffic, park, and school impact fees, reduce or waive utility connection fees that effectively off-set the cost of providing affordable housing units in the project,
- **utilize land trusts** – where the land is acquired and leased for the rehabilitation of existing units and the development of mixed income single and multiple family housing products with no or low lease interest payment schedules for assisted households.

Improve zoning and building policies and regulatory measures

All cities and the county have initiated a number of actions that manage rising housing costs and growth impacts on a countywide basis. Such actions include measures that cluster housing to reduce environmental impacts and site development costs; allow innovative housing and mixed-use projects to increase site and cost efficiencies; adopt performance related design and development standards to improve the quality of the housing product and reduce development costs – to name a few. In addition, the cities and county have also amended codes to allow accessory dwelling units, cottage or small lot houses, duplex and townhouses, manufactured and modular housing products that reduce costs and provide a wider variety of rental and purchase options.

In addition to the measures listed above, the cities, county, non-profit, and for-profit housing market participants must also adopt the following measures to further reduce costs and increase choice. Each one of these program approaches will involve costs to the public in some manner, some approaches costing more than others, and some programs having more impacts on housing costs and public policies and funds than others.

Note - we believe all of these proposed actions listed in this summary of our recommendations must be done if we are to ultimately manage further cost increases in housing and implement affordable housing strategies. However, we realize it may not be possible or practical to try and implement all of these proposed policy and regulatory measure actions at the same time. Therefore, we have indicated (with highlighted text) those policy and regulatory actions we consider to be most critical and impacting on the eventual realization of our strategies, and therefore, that should be accomplished as soon as possible.

- **stimulate economic development** – to increase wages and salaries so that county households can afford to pay rising housing costs,
- **sponsor education and mentoring classes** – on how to budget housing expenses, qualify and obtain mortgages, maintain and repair housing, and remodel, expand, and build their own housing units,
- **create a catalogue of pre-approved building plans** – that may be used by builders and private property owners to reduce review times and permit fees,
- **adopt measures that reduce land costs** – including performance based design standards, planned unit developments (PUDs), infill developments, and transfer development rights, but as highest priority:
 - **increase high density zoning districts,**
 - **allow accessory dwelling units (ADUs)**
 - **allow smaller lot and cottage housing**
 - **allow infill development**

- *adopt measures that reduce labor and material costs* – including performance based building codes and manufactured/modular design standards,
- *adopt measures that reduce operating costs* – including measures that use energy efficient building codes, materials, appliances, and power sources,
- *adopt measures that reduce infrastructure development costs* – including low impact site development standards,
- *conduct RFP competitions* – including the packaging of prototype sites, pre-design and pre-approval of development plans, establishment of performance and participation criteria, and management of common improvement programs,
- *adopt affordable housing incentives* – including density bonuses, reduced parking requirements, variable height and site coverage, expedited permit review schedules, permit fee reductions, parking and traffic impact fee reductions, and utility connection fee reductions when project developments provide affordable housing units for low-income households,
- *retain accountability and follow-up* – by compiling and issuing annual reports on the results of these programs for review by the County and City Councils and the modification to the programs listed above on an as-needed basis.

Create a housing action plan organization

In order to effectively implement and monitor progress on the action items listed above, we recommend you establish a permanent housing action plan committee to coordinate, oversee, and implement the projects and programs identified above and to report their progress to you on a frequent basis for your actions appropriate.

Create a housing trust fund

We realize that the county and cities, like all jurisdictions in Washington State must structure fiscal policies to reflect recently adopted restraints on the use of property, license, and other taxes for the financing of general governmental services including any funds spent on affordable housing strategies. We also realize that in light of recent economic trends, county households are not eager to approve any additional funding measures including those which may help facilitate affordable housing strategies.

Nonetheless, an effective affordable housing program that will reduce housing costs for all households, and for those households in most need in particular, requires some form of revolving financial assistance over and above what can be created from existing federal and state housing assistance programs, city and county programs, non-profit, and voluntary for-profit efforts.

Therefore, you must establish a revolving trust fund to provide financing necessary to meet the funding gaps necessary to effectively implement the programs and measures which we can realize from federal and state housing assistance programs, city and county programs, non-profit, and voluntary for-profit efforts.

Seattle effectively established such a program using a special 6 year property tax levy for affordable housing that has been renewed multiple times by city voters for such a purpose. The program provides gap financing for affordable and elderly housing projects that is overseen by a Housing Advisory Committee that reports to Council on a bi-annual basis.

We recommend you pursue adoption of such a program on a countywide basis for Whatcom County and all of the cities using a special property tax levy and/or a reallocation of the real estate excise tax (REET) proceeds.

In conclusion

We believe the county and cities must adopt the measures we have outlined above for a countywide housing action plan that addresses rising housing costs for all kinds of housing products, for all kinds of households, for all areas of all cities and the county - ***if we are to adequately house our residents and successfully support our own continued economic development and quality of life.***

We realize the enormous effort and measurable costs that will be involved, and pledge as a group, as participating organizations, and as individuals to work to support your efforts to the extent necessary to see the effective resolution of this effort.

Respectfully submitted,

Countywide Housing Affordable Task Force (CHAT)

Whatcom County Councilmember, Co-Chair - Seth Fleetwood
Whatcom County Councilmember (alternate) - Barbara Brenner
Bellingham City Councilmember, Co-Chair - Joan Beardsley/Terry Bornemann
Bellingham City Councilmember (alternate) - Don Gischer/Stan Snapp
Alliance Properties - Ralph Black
Bellingham/Whatcom County Housing Authority - John Harmon
Developer - Ted Mischaikov
Gary Reid Homes, Inc - Gary Reid
Habitat for Humanity - John Shorthill
Kulshan Community Land Trust - Paul Schissler
Northwest Youth Services - Gail de Hoog
Sustainable Connections - Derek Long
Whatcom County Small Cities, Mayor of Sumas - Bob Bromley
Whatcom-Skagit Housing - Nancy Larsen
Wells Fargo - Charlotte Eastman-Pros
Western Washington University (WWU) - Hart Hodges
Windermere Realtors - Jon Soine
Whidbey Island Bank - Larry West