



City of Bellingham City Council Special Meeting Minutes

06/13/2017, 6:30 PM

Mayor Kelli Linville
Council Members April Barker, Gene Knutson, Daniel Hammill, Pinky Vargas, Terry Bornemann, Michael Lilliquist and Roxanne Murphy

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www.cob.org/council
Bellingham High School Auditorium

The Town Hall can be viewed and meeting materials found here:
<http://meetings.cob.org/sirepub/mtgviewer.aspx?meetid=896&doctype=AGENDA>

Call to Order

Roll Call

Michael Lilliquist, Chair
Roxanne Murphy
Pinky Vargas
Gene Knutson
April Barker
Dan Hammill
Terry Bornemann

Committee Of The Whole

21646 1. [City Council Town Hall on Housing](#)

Council Town Hall June 13, 2017 **Bellingham High School**

Michael Lilliquist. The meeting is called to order. We are here to discuss affordable housing. Thanks for sharing your ideas. Everyone understands there is a housing affordability issue. We are looking for ideas on what we can do. The City has been working on this for some time and will continue to do so.

Marie Marchand. People are passionate about housing. Housing affordability ranks second in importance after homelessness in a recent survey of Bellingham residents. It is important that people are feeling safe at this discussion. Please don't obstruct anyone's view with signs. Please do not cheer or applaud or jeer. All voices matter. First, we will have a panel discussion with experts in housing. Second, we will have public comment. On the panel is Tedd Kelleher, who manages the Housing Assistance Unit at the Washington State Department of Commerce and leads homeless housing strategic planning. Rick Sepler is Planning and Community Development director for the City of Bellingham and also was planning and parks director at Port Townsend. He is President-elect of the Washington Chapter of the American Planning Association. Greg Winter is director of the Opportunity Council and was formerly director of the

Whatcom County Homeless Service Center. Rose Lathrop is Green Building and Smart Growth manager at Sustainable Connections.

Tedd Kelleher. At the Department of Commerce it has become clear that solving affordability is central to the department's mission. The entire agency is involved and the issue impacts all parts of the Department. For example, business recruitment is affected by high housing costs. Housing is affected by many factors. He has led community meetings around the state on this issue. Each area has its own concerns but many housing issues are common statewide. Since 2012, median for-sale housing prices are soaring in Washington and in other states, e.g. Texas. We have a relatively vibrant economy. Rents are also up. This can be seen in many cities including Salt Lake City, Dallas, and Vancouver, WA. In Washington State and in Whatcom County rental vacancy rates are below the national average. Washington rates have dropped steadily since 2010. When vacancy rates are below 5 or 6 percent, rents accelerate. Vacancy rates and rents are inversely related. If incomes also go up, this is not a problem. Median income in Washington has seen some recovery since the recession, but the income of the bottom 20% has not. Rent growth and income growth have diverged in Washington. A similar pattern is seen in Whatcom County.

For rental affordability, people are seen as "cost burdened" when their rents are more than 30% of their income. "Severely cost burdened" households pay more than 50% of their income for housing. In 2015, 200,000 Washington State households under 30% of median family income were severely cost burdened. For home ownership, paying less than 25% of income is considered affordable. Affordability is worse in the Puget Sound corridor but this is a problem in much of the state. In Whatcom County in 2011, between 36% and 40% of renters were considered cost-burdened.

Efforts to reduce homelessness have been overwhelmed by the affordability crisis. National research shows that for every 100 dollars increase in rent, there is a 14% increase in homelessness. Many other factors that might affect homelessness have been stable or improving in Washington State over the recent time period. Washington State is doing better on many social measures such as alcohol and drug dependence or family stability, and employment rates and education levels are going up. Construction and finance were depleted during the recession and are still catching up. Land use regulations and infrastructure constraints also act as a brake on new housing. In general, a good economy equals high cost housing. Washington led the nation in state GDP growth in 2016. Recently, the Whatcom/Skagit area economy saw the fastest upturn in growth on the west coast. In Washington there has been more job growth than housing unit growth. In a study of the San Francisco area, 1% job growth equals 1% growth in rent, 1% increase in new units equals 1.7% decrease in rent, while 1% growth in income equals 1% growth in rents. Fast growth of jobs and incomes balance out effects of new construction. Public policy alone can't maintain affordability and the market needs to respond. Building anything helps. Depreciation of existing housing stock helps. Small units are more affordable. Many types of units are now illegal in many areas, such as duplexes in single family zones. The governor has set up a State Housing Affordability Response Team and is working to identify proposals to solve the problem. Feedback

received from Washington communities is important.

Rick Sepler. The affordable housing Issue is very challenging. We have just passed a new Comprehensive Plan and associated regulations aimed at ensuring adequate land supply and capacity for new units. We currently have zoned capacity for 17,000 additional units. Building new infrastructure is also an important part of accommodating growth. We need to maintain our current levels of service for parks, police, fire, etc. Maintaining a high quality of life is important. The City also manages a housing levy that has resulted in many new units. The City is looking for agreement on how to proceed with new solutions to housing problems. A County Housing Affordability Task Force identified a number of solutions and some of these have been implemented. The Comprehensive Plan provided a challenge to find the best approach, especially for the most income challenged. We have engaged in permitting process reforms, have adopted an infill toolkit, and enacted incentives – including a multifamily tax exemption, reduction of system development charges in urban villages, and density bonuses. The City also has an urban village strategy. Inclusionary Zoning was studied but the local market was not yet ripe for this.

The private market is responding. Since 2006, 45% of all residential units in the City have been built in urban villages. Not all villages are seeing units, but it is a start. There have been 355 units built from the Housing Levy, and an additional 568 are under contract. This exceeds the original targets. For projects using the infill toolkit, there are 24 units completed, 13 units under construction, 9 units approved awaiting construction, and 377 units under review. Permit applications in general are up, including commercial projects. Still, we have very low vacancy rates. Other City efforts include changing development regulations so that 6 additional stories can be built over a concrete platform instead of 5. This is a complex issue and there is not a single solution. The City has a role but everyone needs to participate and the market needs to act. We need a wider range of housing types. We are looking for solutions used in other areas. These will need to be tailored to the community.

Greg Winter. Greg is the Executive Directive of the Opportunity Council, which serves Whatcom, Island, and San Juan counties. The problem is everywhere and may even be worse in places such as Island and San Juan Counties. The primary focus has been on the very low income. They are seeing a sudden rise in unsheltered individuals and families. This is both a market and an infrastructure failure. We need everybody's ideas to find solutions. His work started with affordable homeownership at Kulshan. We know how to respond but it is hard to scale up. Some solutions are out there. A planned Habitat for Humanity and Kulshan Land Trust project will be affordable to very low income homeowners, with mortgage payments below average area rents. We need all hands on deck. The Housing Levy is exceeding expectations. He sees tremendous potential in the community pulling together to solve this problem.

Rose Lathrop. Rose is Green Building and Smart Growth program manager at Sustainable Connections and also worked in private development at AIKI homes and has a public, a private, and a non-profit perspective. Her current mission is to support

healthy and efficient homes in vibrant neighborhoods. However, in existing neighborhoods there are often critical areas or utility issues, so some lots are hard to build on. It is also hard to hit needed affordability targets. A lot of builders are trying to do right thing. Building outside of town is not smart growth. Some good examples are out there. A Millworks co-housing project in Happy Valley was a good project in a single family zone. The co-housing code provides flexibility and more houses could be built. There is strong demand for more dense housing. People want to get on a list for new projects. People want to live in walkable neighborhoods near jobs and with transit and urban amenities. Some builders are working on infill, but most is in the multifamily zones. A project on Peabody Street resulted in 7 townhomes and 6 ADUs. This allowed people a flexible living situation that is not available with detached single family homes - such as receiving extra income from renting out the ADU or providing for an extended family. We need homes that are in-between apartments and detached single family types. Empty nesters need something in this range, and increased density can help with affordability. Low income populations need to be close to services and transportation. Compact urban design can increase affordability, improve transportation options and promotes a healthy lifestyle and social connections. Such developments can provide access to fresh foods and have an environmentally positive effect such as saving green spaces. Good design and appropriate scale won't destroy neighborhoods.

QUESTIONS SUBMITTED FOR PANEL.

Q: April McCabe. What can we do to prohibit discrimination against people who hold vouchers?

A: Greg Winter: When we have scarcity rents go up, and with more people per unit there is a seller's market. Since 2013 the number of owners willing to take Section 8 is down. A source of income discrimination ordinance would augment existing fair housing measures to add source of income as a protected category. This is being looked at locally.

Q: Wendy Harris. How do we know that more housing equals affordable housing?

A: Tedd Kelleher: He has looked at the literature. Adding supply will eventually reduce rents. If luxury units are not there, people with the most money start competing with others. Seattle still has low vacancy rates so even though lots of units are being built, it is not yet enough. Luxury units will eventually depreciate and become more affordable. In general, more supply helps.

Q: Rheanna Johnston. How can we use our housing policy to combat climate change?

A: Rose Lathrop. We are working with a regional advocacy group looking at net zero carbon buildings, and how to bring in incentives and eliminate barriers in the zoning code. In Bellingham the market is adding net zero homes on its own. People are demanding this. We will work with the City over next year to leverage the housing levy to include more green building incentives. Free technical assistance helps. Smaller footprint matters. More multifamily homes with shared walls helps. Passive houses are easier to construct if they have shared walls.

Q: Jill McIntyre Witt. In our conversations around housing how do we make sure to

include people who have less access to the process -- like young parents, immigrants who may have a language barrier, people who are working two jobs to pay rent, and people unfamiliar with the nuances of zoning laws?

A: Rick Sepler. We can always do better. We have explored traditional methods such as notices and public hearings, and we are now using technology to help publicize opportunities and share information. One thing that we can do is go visit new groups for outreach – such as at churches or in school cafeterias. We need to augment traditional means. Planning staff will go wherever they are needed.

A: Greg Winter: The Opportunity Council engages with a diverse set of people and the organization can work with the City to bring in new people.

Q: Dean Fearing. What incentives can a city provide for condominiums (market rate & affordable). Condos would be a great way to provide infill close to jobs and services but none are being built due to limited bank financing.

A: Tedd Kelleher. The main problem is that there is limited bank financing. This issue has been debated at the State Affordable Housing Board and there is not a consensus on the causes. Some argue that the state law is too friendly to lawsuits, others argue that the insurance companies are still skittish because of losses in the prior decade, and when new projects start to be built they will eventually come around. Condos can provide an affordable entry point. We can look at the laws. Incentives can be explored.

A: Rick Sepler. The main issue has been the liability around water incursion issues, and developers are switching to other housing forms such as row houses or townhomes to avoid the problem.

A: Greg Winter. One good idea might be to create a hybrid that looks like a condo but that is actually a coop under a shared equity model. A nonprofit owner would hold the mortgage and would provide an ownership share to tenants that occupy the building. This could provide units downtown.

PUBLIC COMMENTS

Marie Marchand. We will now take public comments. The City Council will be listening to this section and will have further discussion on issues raised tonight at the next Council meeting.

Michael Lilliquist. Please come down when your name is called. Each person has 2 minutes to speak.

Alan Crum. He moved to Bellingham from Seattle. When in Seattle he was on the verge of being homeless but was taken in by a family and was able to turn things around. He is on disability and Medicare and is on Section 8 and wanted to move to Bellingham. Most places here are either for students or do not take Section 8 tenants. We need protection as voucher holders, and we need tiny homes, and more infill.

Hanna Fishman. She is a member of the Bellingham Tenants union. She has a full time job and lives in Bellingham with a middle class job and could afford rent, but the rent went up 150 dollars and is unaffordable. She can't afford to be in City so will move out in the County and will spend more on gas and burn fossil fuels. She is lucky to be

able to move to the county, some can't find safe housing anywhere. The City needs to promote affordable housing. A Section 8 non-discrimination ordinance is a first step to a solution.

Michelle Stelovich. She works with people with developmentally disabilities. Developmentally disabled people have a problem. Often their leases are not renewed, and people are not taking Section 8. It is hard to find housing on a bus line. Some properties that are affordable are not maintained. Clients are afraid to say anything because their leases may not be renewed, there may be mold, etc. We need more rigorous inspections with teeth to them, and we need to make it so you can't say you don't take Section 8 housing.

[Council members introduced themselves]

Dana Briggs. He has been out of town 14 years in the Seattle area and moved back last August. He was severely cost burdened in Seattle and paid more than half his income for an apartment. This is not a policy issue but is an ethical issue -- do we want to have an economically diverse community? Are people with minimum wage jobs an integral part of the community? People are stressed beyond belief. We will find a way to do it if we want community.

Ben Larson. He is with the Bellingham Tenants Union. A solution is more transit-oriented development along transit lines. People can live close to work, restaurants, schools, etc. and we can reduce greenhouse gases and make housing more affordable. Transit access helps people move out of poverty. We need more missing middle forms of housing close to transit, with shared walls and lower construction costs.

Sam Grello. He was formerly employed in property management and is now a realtor and a renter. As a property manager they had 1,200 units and three tenants with Section 8 housing. Section 8 leads to extra work and leases can be delayed. If we had a source of income discrimination ordinance it would take care of the problem.

[Name not provided] She is a student and a renter and is frustrated with scheduling of the meeting. It conflicts with the hearing on the jail at the County Council. This diverts attention from an issue that needs pressure. Homelessness is connected to the jail discussion because we are incarcerating the homeless. We should turn down a jail sales tax. Homelessness is contributing to over-incarceration.

Nathan Barton. He is with the Bellingham Tenants Union. For some people the solution will be to leave Bellingham. He grew up near the airport in Alderwood. Things are too little too late for many people. In 2010 their dad had his house foreclosed, and had to live with him and his sister. Large companies have control and property owners are favored.

Carla Lee. She is a real estate lender and teaches first time homebuyer classes. Many are happy to start the buying process. After they get further into it they see they can't

afford to buy inside Bellingham even if they are above 80% of median income, or even at 100% of median. People do not want to buy apartment-style condos. They will buy in the County or in Skagit. Choices and priorities need to be made. We need to come together to solve this.

Jena Moores. She is a junior at Western and rents a home from Lakeway Realty. For 6 weeks there was a hole in floor of their only bathroom. Mold is growing and there are bugs. Lakeway did not respond to their repair requests. Front window locks are missing and they did not provide those. Despite the problems they still raised rents. In November a private inspector was sent out but problems were not solved. There needs to be consequences for these actions. We need more attention paid to rental issues.

Dan Dunne. He is President of the Board at Kulshan Community Land Trust and owns construction companies. His employees make \$20-30 per hour but they still have trouble buying homes. Kulshan is building a project along Telegraph road and the units have 2 or 3 bedrooms and will cost between \$175-200,000. We need City and state support to make it work. When someone purchases a home they vacate a rental.

Nancy Amole. She is disabled and homeless. She has a Section 8 voucher but most landlords won't take Section 8. Some such as the Royce group will take Section 8, but require that tenants meet a \$1000 per month income threshold. She always pays rent on time and does not smoke or take drugs. No one will work with her. Some rents in the market are past the Section 8 rent limit.

Bryan Jones. His daughter just graduated and she and her daughter moved in with him. His grandson has autism and needs to be in Bellingham Schools. Skagit-Whatcom Self Help housing is helping them build a new home. In Bellingham the workforce is competing with university students. We need more land supply or we will end up with longer commutes. We should encourage the private market to build more student housing. This takes students out of market.

David Zhang. He is a 14 year Bellingham resident. He completed undergrad and a graduate degree at Western in environmental studies but works in software engineering to afford to live in Bellingham. He bought and is refurbishing an old church on High Street. The water main increase costs to provide apartments were unaffordable. It can be brought to code for artist studios. The City could offer more incentives. He would like to offer lower rents but can't afford to. Development companies can do big properties downtown but we need more incentives for local people to own and provide rentals downtown.

April McCabe. She works at the Opportunity Council as a housing case manager and works with Section 8 families. She sees income discrimination against families with vouchers. We need to pass a source of income discrimination ordinance as a first step to solve this crisis.

Dave Edelstein. There are multiple affordable housing crises. Homelessness is acute.

We do not have a grip on where we are going. There is also a for-rent crisis. Property tax abatement for multifamily housing has helped hundreds of units to be built downtown. Next, there is an affordability crisis of for-purchase housing. The infill toolkit can help to produce new forms of housing for purchase. Another levy should support for-sale housing. If a revolving fund was created it could get paid back. He would vote for that. We need incentives, not more regulations.

Michael Shepherd. He bought his first home with help of the Kulshan Community Land Trust and owned it for 10 years. He sold it after building equity, and an affordable home is available for another owner. He now serves on the Kulshan board. He encourages the Council to work with the Port to ensure that affordable housing is part of the discussion in economic development, and to develop new waterfront units in the mixed income and affordable category.

John Moon. He works for Habitat for Humanity. Habitat believes in simple decent affordable places for everyone. The key is how we come together as a community. There are many partners in this such as the City planning department, and RMC architects and Wilson Engineering, who work with Habitat and Kulshan to help design and build these homes. The Telegraph Road project is a good one, and he thanked the Council for its support. Some of these units will have a mortgage of \$345 dollars a month which makes them available to a minimum wage earner.

Dean Fearing. This is an important forum. His daughter just graduated from college and he worries whether she can come back to Bellingham given the high prices. Kulshan has helped 187 families into homeownership. KCLT values its partnership with the City. The City needs to look at reducing the minimum lot size, or do away with that entirely. Accessory dwelling units are needed. We need expansion of the infill toolkit into single family neighborhoods. We also need incentives for homeownership downtown.

Andy Ingraham. He has lived Bellingham for 10 years. He is a school bus driver. Many young people are moving back in with their parents. He has found part time work to stay in the area. There is housing that is affordable but it is dubious under current regulation, such as 3 unrelated people or an ADU where the landlord does not live on the property. The City has mostly single family zoning and this is not accessible. The infill toolkit is not allowed there. The City should encourage ADUs and do away with boarding house restrictions. The community is changing and neighborhoods will change but it doesn't have to be for the worse.

Paul Schissler. Community learning is happening. The downside of a growing community is that it is more expensive. Rental costs are very high. What landlords will reduce rent by 10 to 20 percent to make things affordable? Very few. A mission driven organization will own property and rent it at a loss, or less than market rate. Half of the population needs housing at less than what the market will bear. There is a huge problem and the system is broken and the market has failed for those who cannot afford the market rate.

Kristin Johnson. Her brother has a developmental disability and lives in Matthei Place which is a Kulshan Land Trust development. People with developmental disabilities often live in substandard housing, or their lease is not renewed. We need a source of income protection ordinance. He brother participated in a Section 8 mortgage subsidy program. This program should be brought back. Ownership creates stability.

John Nobile. He has lived in the area 6 years after moving from Seattle. He has a problem. He wants to work with foster kids and needs a larger house with room for special accommodations. On a software engineer salary he can't afford what is out there. There is a need to change what is legal. Why is it impossible to build duplexes? Section 8 is a hassle and requires a risk, why would people want to do that? Thanks for the Town Hall. Many people who need a solution are not here, some may be at home with their family or working a second job. Many people will have to move to Ferndale to find housing.

Zach Brown. He lives here with his family. Please try everything you can to increase all type of housing units, and allow different lot configurations. The City should allow anything that will increase the housing supply. The current zoning of the City is excluding people.

Roger Alsmkaar. This forum should have been done during the comprehensive plan process. He is a land use consultant. Some decades ago, there were not enough regulations, now there are too many and they are too subjective. The lack of capital facilities is now a big problem. People know about arterials, sewer pump stations, fire stations. Developers have to pay for on-site facilities within a development such as streets and street lights and this raises the costs of housing. The burden should not all be placed on private developers and we need to find a solution.

Michael Chiavario. He has lived in Bellingham for 49 years. He own a home. His age, skin color, gender, and level of wealth all made it work. Affordable housing is a human right and is in many UN resolutions. We allow residential real estate to be developed as a speculative commodity which leads to inflated prices. We need to pass a resolution saying affordable housing is a human right, we should work with tenants union to support renter's rights, pass a resolution to prevent screening out tenants due to income source, expand land trust properties, and enact inclusionary zoning. We are moving toward segregation like in the deep south.

Russ Sapienza. He has been a Bellingham resident for 20 years. He considers himself to be severely cost burdened. Half of his income goes to rent. We need a community that has people from all incomes. If something happens he will end up homeless. We need more housing and more infill.

Eric Bostrom. Green, smaller, creative homes are needed. We need less regulation and permits and more incentives. Smaller units are more affordable. It can be done if there is a will to do it.

Chris Ritchie. He has been in Bellingham 15 years. He doesn't see a future of owning a home. A lot of younger people don't have a goal of homeownership. He is a single father and has a middle class job and would like a second bedroom for his son. He is lucky in that his rental home is in good shape with a good landlord. We need more tenant's rights and inspections. Housing is a human right, not just an investment.

Michael Lilliquist. Thanks to everyone. The Council will take further comments on this issue at ccmail@cob.org. We will gather comments and hold another work session on Monday. This meeting was filmed and will be on BTV and the City's YouTube channel.

Adjournment