APPENDIX A

HOUSING NEEDS ASSESSMENT

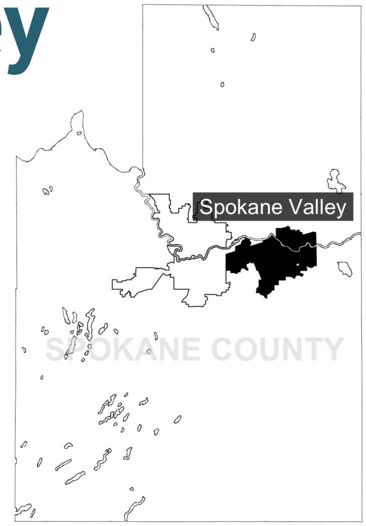
SPOKANE VALLEY

HOUSING ACTION PLAN

HOUSING NEEDS ASSESSMENT

SUMMARY REPORT, OCTOBER 2020

City of Spokane Valley



The City of Spokane Valley is developing a Housing Action Plan (HAP) to identify ways to meet housing needs now and into the future. The HAP is made possible due to a Washington State Department of Commerce Housing Bill 1923 Grant. The HAP will include strategies and implementing actions to encourage greater housing diversity and affordability, access to opportunity for residents of all income levels, and should address both affordable and market-rate housing needs. An initial step in the HAP process is to define the range of housing needs by analyzing the best available data that describes the area's housing and associated demographic, workforce, and market trends over the past few decades. This assessment helps answer questions about the availability of different housing types, who lives and works in the Spokane Valley area, and what range of housing is needed for all income levels through 2037, the planning horizon for the HAP which is also aligned with the 20-year growth target for the City of Spokane Valley Comprehensive Plan. Housing analysis is an important exercise since a community's housing needs tend to continually evolve based on changes in the broader economy, local demographics, and regulatory environment.

The City of Spokane Valley, like other communities in the Spokane County region, has changed and grown over the years, leading to greater demand for different housing types. Analyzing housing needs is complex because it represents a bundle of services that people are willing to or able to pay for, including shelter and proximity to other attractions (e.g., jobs, shopping, recreation); amenities (e.g., type and quality of home fixtures and appliances, landscaping, views); and access to public services (e.g., quality of schools, parks). Because it is difficult to maximize all of these services while minimizing costs, households must make decisions about trade-offs and sacrifices between needed services and what they can afford.

In addition, housing markets function at a regional scale, which makes it challenging for individual jurisdictions to adequately address issues without regional partnerships.

The following summary compares the City of Spokane Valley with Spokane County and the City of Spokane to provide a more complete picture of the county-wide housing landscape while also offering insights on localized versus regional trends, and a more nuanced view of housing market dynamics. Various U.S. Census Bureau, county assessor, and housing market datasets were used to assess the housing stock, workforce, demographics, and expected demand. The housing needs assessment findings are organized in the following topic areas:

- Executive Summary
- National Trends
- Spokane Valley Housing Trends
- Spokane Valley Demographics
- Spokane Valley Housing Affordability
- Spokane Valley Housing Needs Forecast
- Spokane Valley Workforce Trends
- Spokane County Trends

This document and analyses were produced by:

ECONorthwest
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Executive Summary

› Spokane Valley's population growth and housing development has remained steady for most of the decade. From 2010 to 2018, Spokane Valley's population grew by 7%, adding 6,055 new residents. (Demographics Section).

› The City of Spokane Valley needs about 6,660 new housing units by 2037 when its population is expected to reach about 109,913 people. This includes 1,463 housing units to address housing underproduction over the last decade. Around 351 units per year should be produced through 2037 to meet forecast housing needs which means slightly more would need to be built per year than the average produced from 2010 and 2019 (345 housing units built per year). Spokane Valley should continue to support robust housing growth and advance strategies in support of housing growth for a diversity of housing types and affordability levels. (Housing Forecast Section).

› Housing needs change over a person's lifetime. It is important to track shifts among the share of different age groups to better comprehend how housing needs change as community demographics fluctuate. Spokane Valley's millennial population (25-34 years) almost doubled, growing substantially from 10% to 15% of the population total (from 12,148 to 21,144 persons). Millennial population growth could explain the decline in Spokane Valley's median age to 35.2 years by 2018, a rate below the Washington State and Spokane County's median age of almost 38 years. (County Trends Section).

› Another growing sector is the senior population (65+). During 2012-2018, seniors grew from 13% to 15% of the total population settling at an estimated total of 20,910 persons, a total similar to the millennial population sector. Spokane County projections from 2020 to 2030 estimate that the 65+ population will expand from 18% to 22% of the total population – a trend that is consistent with other communities across the country. Homeownership rates increase as age increases and younger and older people are more likely to live in single-person households which tend to be smaller in size. The aging of the Baby Boomer generation (born 1946-1964) could generate greater demand for living assistance and low-maintenance middle housing options such as townhomes. (County Trends Section).

› Household incomes have increased in Spokane Valley. Spokane Valley's median household incomes for owners grew by nearly 25% between 2012 and 2018 (from $61,873 to $77,299). Renter incomes increased too by almost 12% from $34,417 to $38,498 during the same time period. Overall, these trends indicate increasing pressure on the already limited supplies of moderate and middle-income housing (60-120% AMI) and if they continue, will lead to increased financial hardships for households across the City. (Affordability Section).

› Population growth coupled with housing underproduction throughout Spokane Valley and the region has added pressure on an already limited housing supply and contributed to rising housing costs. While rents have grown more than 15% since 2010 in the city, home prices increased by more than 48%. The escalating cost of housing is a top concern for people finding very few options of housing affordable at their income level. Home-ownership is increasing becoming out of reach and when people cannot find housing fitting within their financial means, they can end up becoming cost burdened, meaning they pay more than one-third of their gross income for housing.

› Affordable housing problems have not affected all households evenly. Low and moderate-income households have been disproportionately affected. In fact, over 65% of extremely low-income households renting and owning were severely cost burdened, meaning paying more than 50% of their income on housing. In addition, 83% of low-income renters (30-50%), 56% low-income

Executive Summary

home owners, and over one-third of moderate-income (50-80%) owners and renters were cost burdened, meaning paying more than 30% of their income on housing. Overall, the low-to-moderate income households (less than 80% of AMI) tend to be more cost-burdened. (Affordability Section).

› Spokane Valley's housing stock mostly consists of single-family detached homes (66%) and lacks housing diversity needed to accommodate future demand particularly associated with aging baby boomers and young households forming. The city has a low supply (9%) of "missing middle" housing (e.g., townhomes, duplexes, quad homes, and cottages) which allows more seniors to downsize and remain in their community, while also providing more options for working families to get a foothold in great neighborhoods. (Housing Section).

› Between 2012 and 2018, the share of 2 and 4-person households grew in Spokane Valley, while the number of 1-person households fell. In contrast, the City of Spokane's share of 1 to 3-person households grew. This trend shows Spokane Valley's housing tilting towards 2-bedroom housing and larger family-friendly housing with at least 2 bedrooms. (Demographics Section).

› Spokane Valley's workforce, including around 51,305 workers, increased by 11% from 2010-2017. Growth in industry sectors with salaries below 100% AMI is fueling demand for moderate-to middle-income housing.

› As a result of the shifting demographics in Spokane Valley, at least 6,660 housing units are needed by 2037. If units are allocated based on recent income distribution trends, the majority of new housing units needed through 2037 would be for households earning over 100% AMI (56% of total units), and one-third of the total should be below 80% AMI. Overall, the findings indicate increased demand for moderate to middle-income housing options (60-120% AMI) that can mostly be met through single-family attached housing (e.g., townhomes and quad homes) and housing serving senior's needs.

Median Income Levels*

When examining household income levels, the Area Median Income (AMI) and Median Family Income (MFI) are helpful benchmarks for understanding what different households can afford to pay for housing expenses. Since housing needs vary by family size and costs vary by region, HUD produces a median income benchmark for different family sizes and regions on an annual basis. These benchmarks help determine eligibility for HUD housing programs and support the tracking of different housing needs for a range of household incomes.

- The median income value (100%) primarily used for this analysis is an annual income of $65,200 for a family of four (Spokane County rate for 2018).
- Below 30% of AMI is extremely low income (under $19,560), 30 to 50% of AMI is very low income ($19,560-$32,600), 50 to 60% of AMI is low income ($32,600-$39,120), 60 to 80% of AMI is moderate income ($39,120-$52,260), 80 to 120% AMI is middle income ($52,260-$78,240), and above 120% AMI is high income (above $78,240).
- To put these numbers into perspective, a dishwasher earns an estimated $26,580 per year on average and would be very low income. A pharmacy tech earns $40,940 annually and would be moderate income in the cities of Spokane and Spokane Valley metropolitan area.
- Income levels tend to vary throughout a lifetime and homeownership rates tend to increase as income increases.

**Source of AMI: Spokane County/US Housing and Urban Development (HUD), 2018, and Occupational Employment Statistics, US Bureau of Labor, 2019, Spokane-Spokane Valley Metropolitan.https://static.spokanecity.org/documents/chhs/programs/homeinvestment/2018-spokane-home-income-and-rent.pdf*

National Housing Trends

Key National Demographic Trends Associated with Housing

Nuclear family households, the predominant type of household of the mid 20th Century, shrunk from 40% in 1970 to 20% in 2018 while the share of single-person households increased from 15% in 1970 to 28% in 2018, to take over as being the most prevalent household type. This trend could lead to fewer persons per household which would increase demand for housing units.

In addition, around one-third of Americans between 18-34 years are living in their parent's homes (as of 2018) and the median age for first marriage increased to almost 30 in 2016. This trend could decrease housing demand for 18-34 aged persons or at least delay it.

America is aging, and the number of seniors will continue to grow over the next few decades to an estimated share of around 22% over age 65 by 2050. This is a big increase since only around 16% of US (and Washington state) residents were over 65 in 2018. Seniors are projected to outnumber children for the first time ever by 2035.

Nationwide, the Hispanic/Latino population is predicted to be the fastest growing racial/ethnic group over the next few decades and these households tend to include multiple generations, requiring more housing space. Over the coming decade, minorities will make up a larger share of young households and constitute an important source of demand for both lower-cost rental housing and home-ownership opportunities.

Note: The COVID-19 pandemic has affected the production of housing in many regions and the ability to pay for housing consistently which will likely exacerbate housing availability and stability. Parts of this analysis relied on pre-COVID data.

Sources: AARP (2018) Making Room for a Changing America, U.S. Census Bureau Annual Social and Economic Supplements 1950 and 1970, 2015 U.S. Census ACS, Washington State Office of Finance and Management, U.S. Census Bureau, 2019.

Spokane Valley Housing Trends

38,730

Number of total housing units as of mid 2020

Source: Spokane County Assessor, 2020

3,445

Number of housing units built between 2010-2019

Source: Spokane County Assessor, 2020

345

New housing units built on average every year since 2010

Source: Spokane County Assessor, 2020

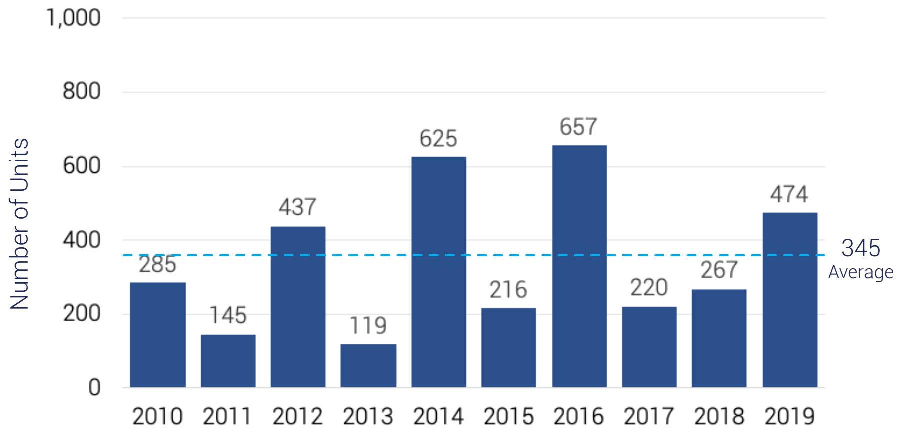
1.04

City Ratio of Housing Units to Households

› *Between 2010-2019*

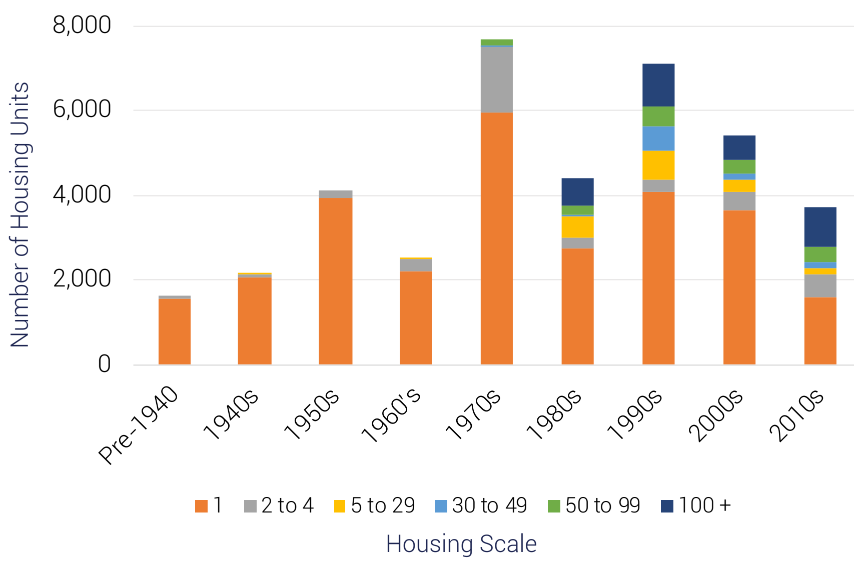
Source: Washington State Office of Finance and Management (OFM), 2019, ECONorthwest calculations. *Note: The housing units to household ratio should be above one since healthy housing markets should have more housing units to allow for vacancy, demolition, second/vacation homes, and broad absorption trends. Because Washington State does not have a regional approach to planning for housing production, ECONorthwest compared this city ratio to the Spokane County ratio of 1.07 to determine the amount of housing underproduction.*

Number of Units Built by Year, 2010-2019



Source: Spokane County Assessor, 2020

Housing Type Built by Decade, as of Mid-2020



Source: Spokane County Assessor, 2020. *Note: Housing with 5 or more units is considered multifamily and housing with 5 or less units is single-family*

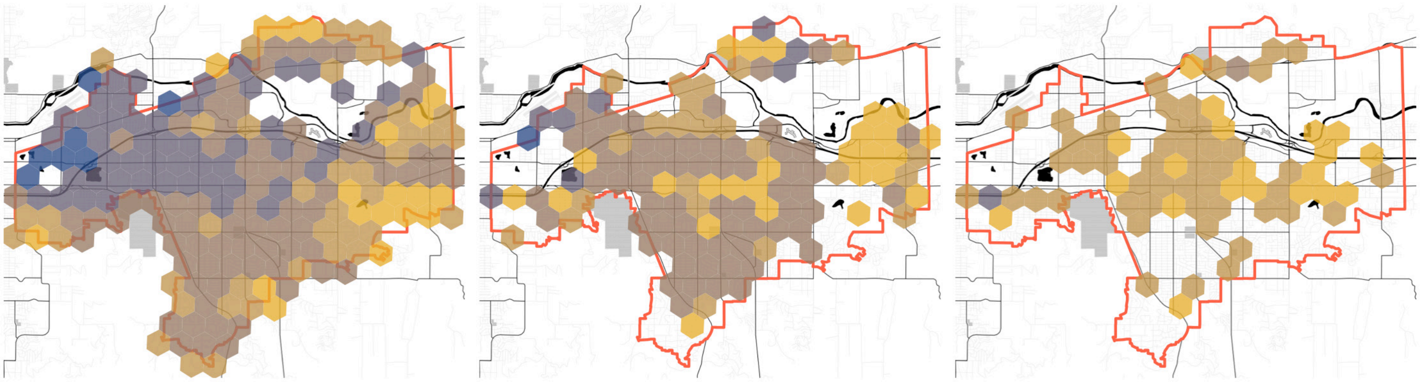
Share of Housing By Type, as of Mid-2020

Housing Type	Average Age	% of Housing
Single-family Detached	46	66%
Apartment/Condo	36	20%
Single-family Attached	38	9%
Mobile/Manufactured Home	38	5%

Source: Spokane County Assessor, 2020. *Note: Single-family attached includes duplexes, triplexes, and quad homes.*

Spokane Valley Housing Trends

Age of Housing by Type

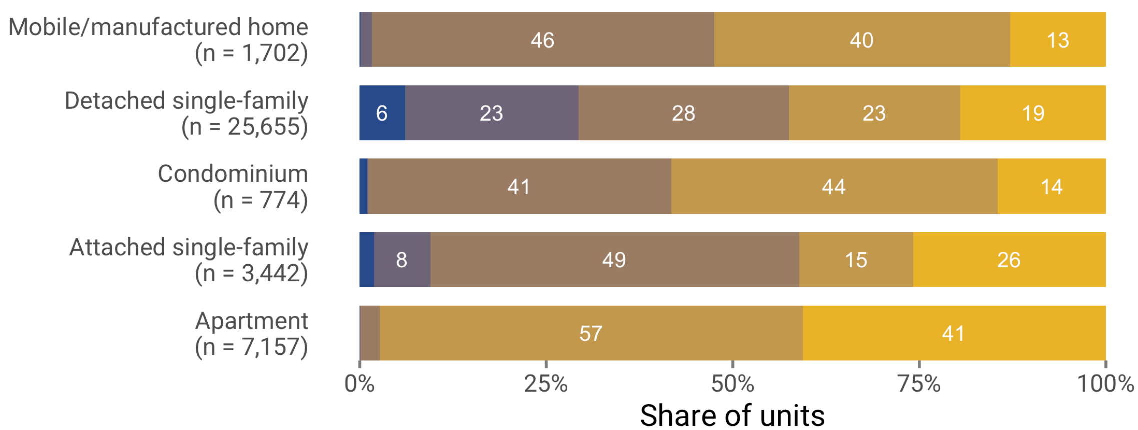


Single-Family Detached | Single-Family Attached | Apartment

Average Year Built: Pre-1940 | 1940-1959 | 1960-1979 | 1980-1999 | 2000-2020

Source: Spokane County Assessor, 2020

Type of Housing Built by Decade, as of Mid-2020



Year Built: Pre-1940 | 1940-1959 | 1960-1979 | 1980-1999 | 2000-2020

Source: Spokane County Assessor, 2020.

Spokane Valley Housing Trends

› *Overall, Spokane Valley lacks housing diversity particularly due to low supplies of single-family attached housing (comprising 9% of the total housing) such as town homes, triplexes, and cottages in single-family areas. The city could encourage the development of a variety of housing types and sizes to accommodate the diverse needs of residents through their changes in age and family size.*

Housing Units Built as of Mid-2020

Decade	Percent of Units
Before 1940	4%
1940's	6%
1950's	11%
1960's	6%
1970's	20%
1980's	11%
1990's	18%
2000's	14%
2010's	10%

Source: Spokane County Assessor, 2020.

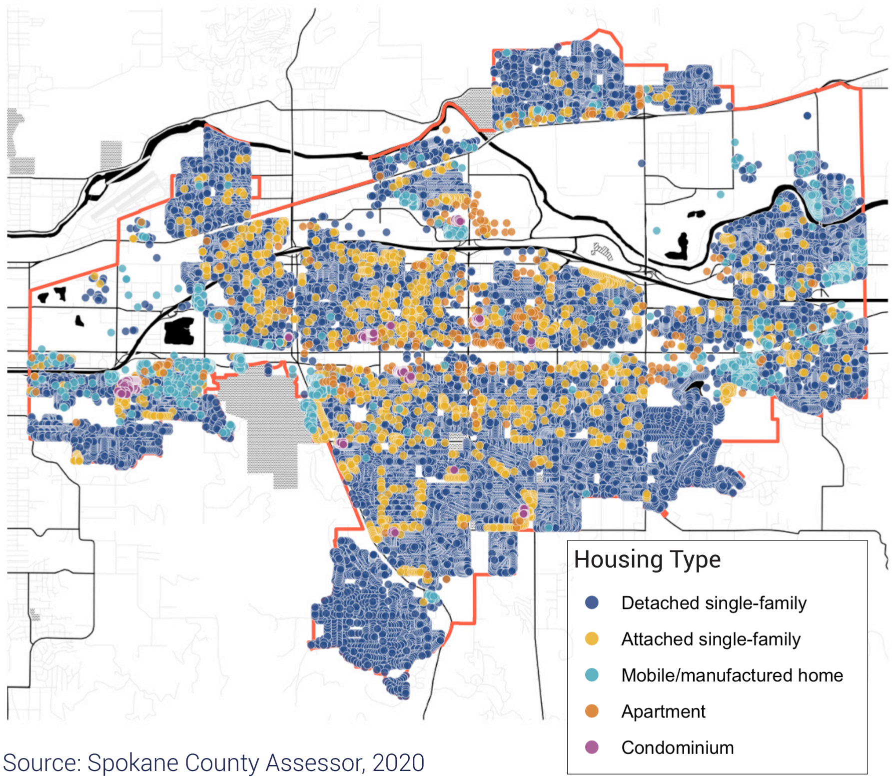
6%

Change in number of households

	2012	2018
Households	36,365	38,478

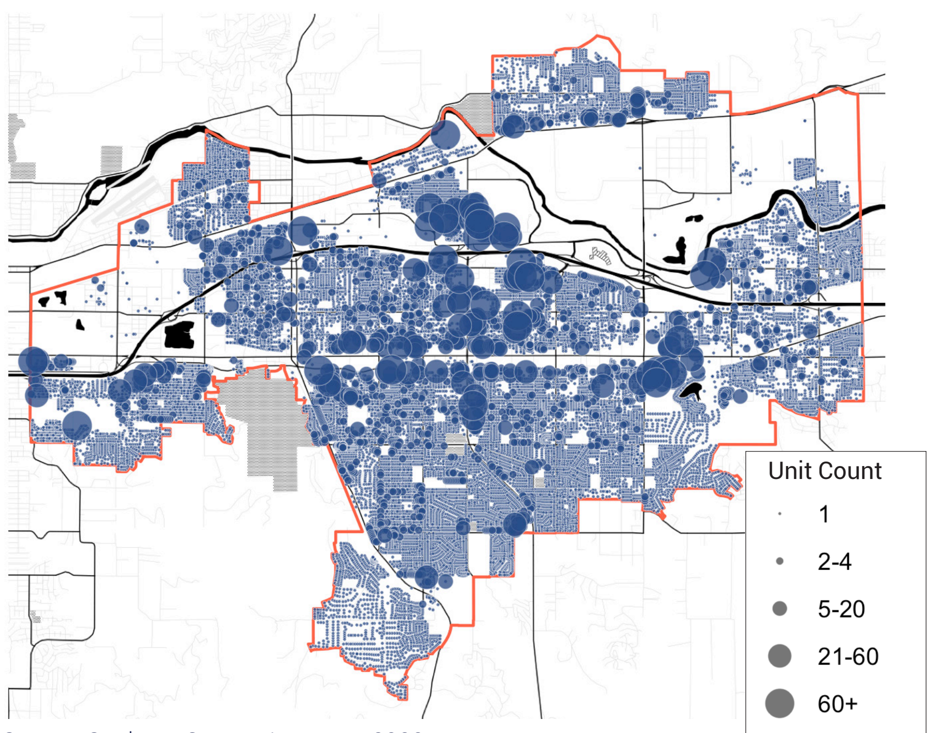
Source: OFM, retrieved in 2020

Housing Type



Source: Spokane County Assessor, 2020

Housing Unit Density



Source: Spokane County Assessor, 2020

Spokane Valley Demographics

7%

Change in population

	2010	2018
Population	89,755	95,810

Source: OFM, retrieved in 2019.

12%

Change in median renter Household income

	2012	2018
Median Income	$34,417	$38,498

Source: PUMS (2012, 2018). *Note: All values are in 2018 inflation-adjusted dollars.*

25%

Change in median owner household income

	2012	2018
Median Income	$61,873	$77,299

Source: PUMS (2012, 2018). *Note: All values are in 2018 inflation-adjusted dollars.*

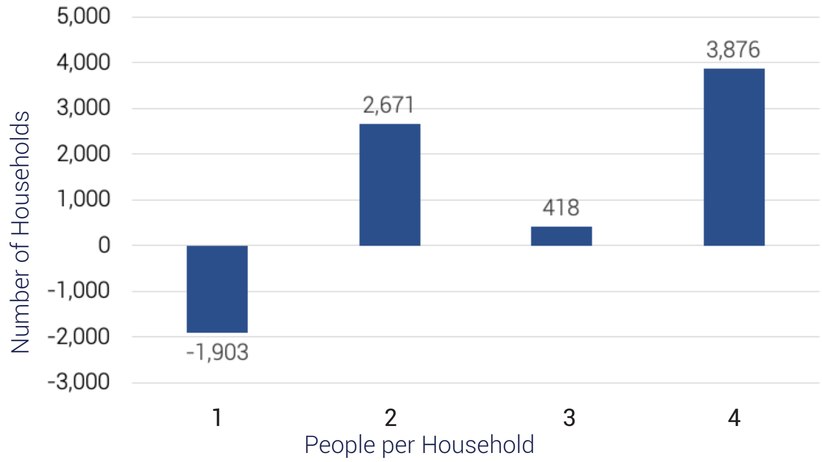
48%

Increase in median home sales price

	2010	2020
Median Sales Price	$202,461	$300,000

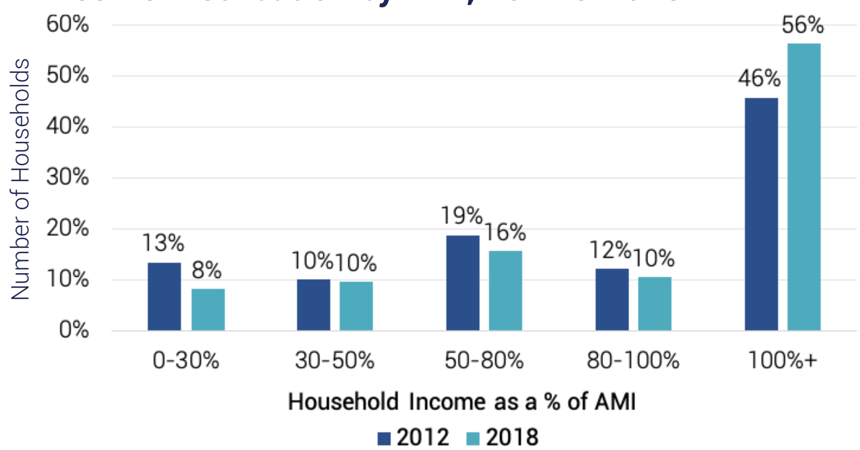
Source: Spokane County Assessor, 2020. Values are in 2020 inflation adjusted dollars. *Notes: A household would need to earn over 100% AMI to afford the 2020 median home sales price. The Zillow Home Valley Index shows a 59% increase between 2010-2020 to $283,374 for middle price-tiered homes.*

Change in Household Size, 2012 & 2018



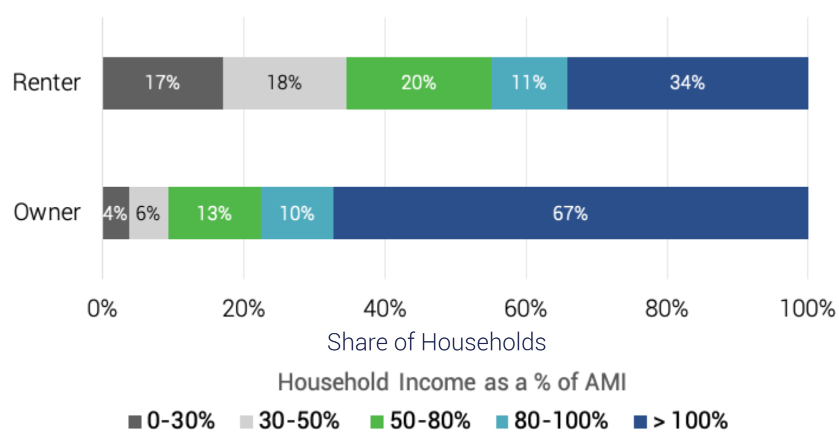
Source: PUMS (2012, 2018)

Income Distribution by AMI, 2012 & 2018



Source: PUMS (2012, 2018)

Income Distribution by AMI and Tenure, 2018



Source: PUMS, 2018

Spokane Valley Housing Affordability

Cost Burdened

› A household who pays more than 30% of their income on housing.

Severely Cost Burdened

› A household who pays more than 50% of their income on housing.

1,663

Number of income restricted housing units as of mid-2020

Source: ECONorthwest analysis of public affordable housing data. *Note: Restricted to low and moderate-household incomes.*

15%

Increase in average rent for 2-bedroom apartment

	2010	2020
Average Rent	$983	$1,131

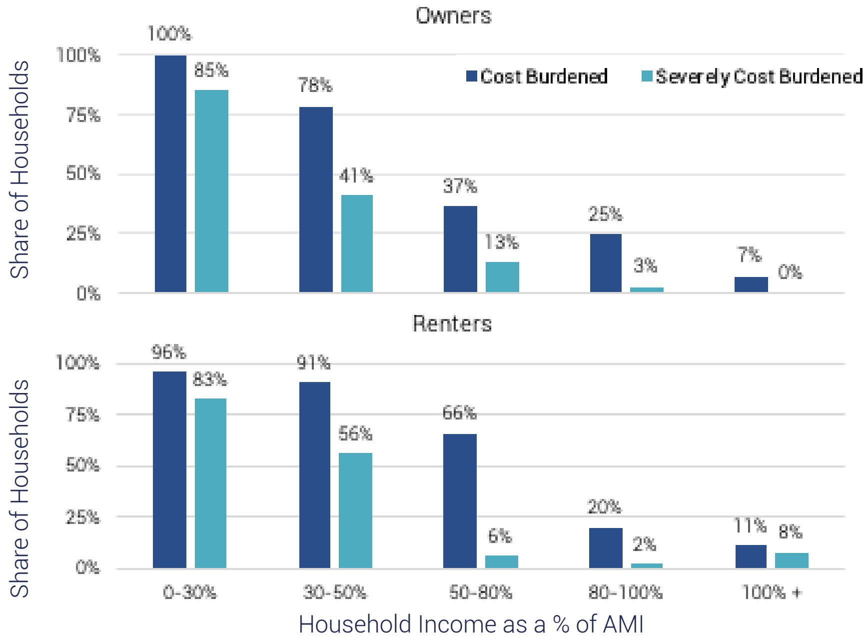
Source: Costar. All values are in 2020 inflation-adjusted dollars. *Notes: Average rents for a 2-bedroom apartment in Spokane County increased by 13% during the same time period. This 2020 average rent would be affordable to those earning 65% AMI or more.*

5.2%

2-bedroom apartments were vacant as of mid-2020

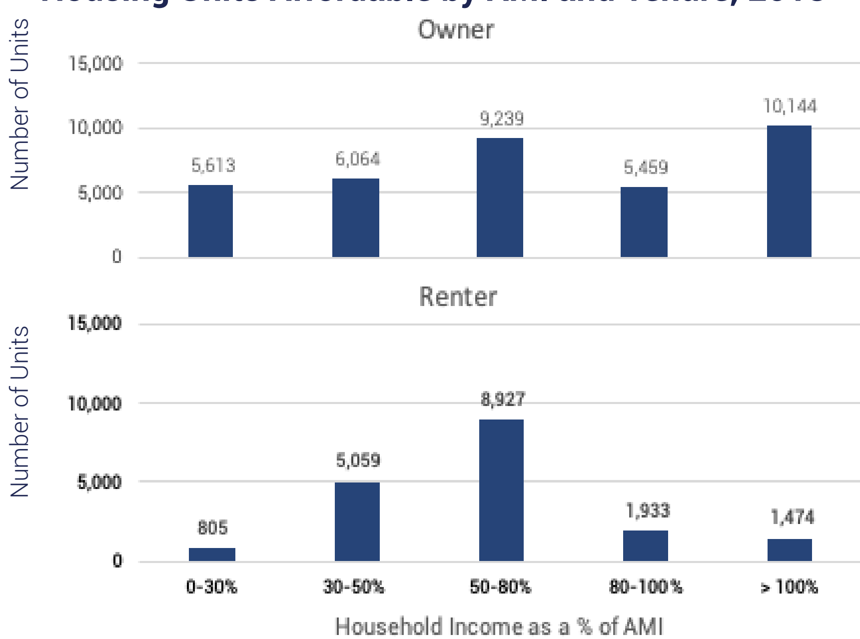
Source: Costar, Bureau of Labor Statistics. *Notes: On average during the last decade, the vacancy rate was 5.4% for 2-bedroom apartments. This is a standard rate of vacancy, indicating that the supply for this product type should be adequate to meet demand. This trend is similar to county and state rates.*

Share of Cost Burdened and Severely Cost Burdened Households by Tenure, 2018



Source: PUMS, 2018. *Notes: Low and moderate-income households below 50% AMI tend to be more cost burdened and higher incomes above 100% AMI less since their larger income go further to cover expenses. Owners tend to be less cost burdened due to mortgage lending stipulations; however it can occur when households with mortgages see income decline. Cost burden does not consider accumulated wealth and assets.*

Housing Units Affordable by AMI and Tenure, 2018



Source: PUMS, 2018

Spokane Valley Housing Affordability

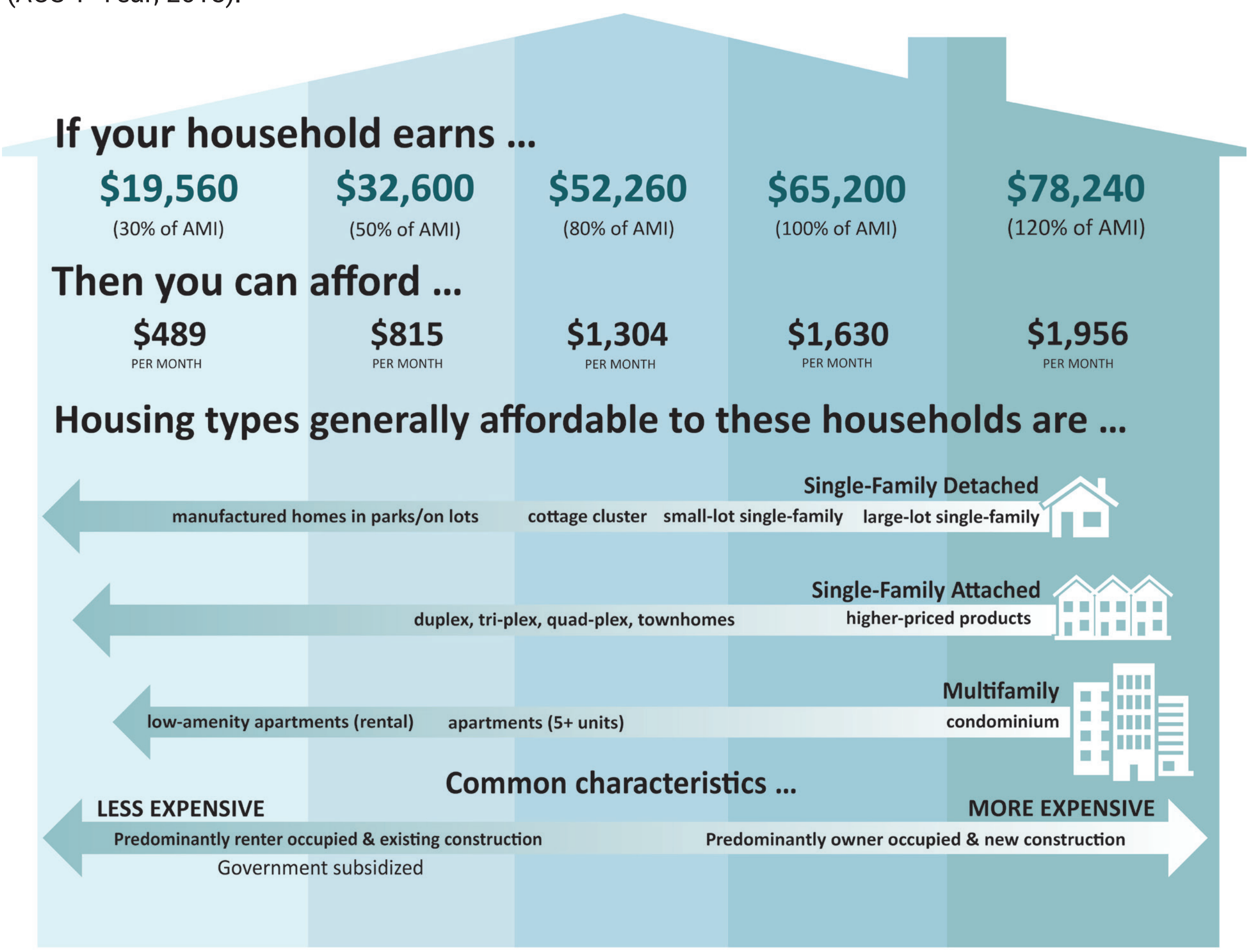
Financially Attainable Housing Types

Another way to evaluate housing needs is to consider the different types of housing generally affordable to different household incomes in comparison to the current housing stock. As shown in the below exhibit, the 2018 area median income was $65,200 for a family of four in Spokane County (100% AMI).

- Housing types affordable to households below this median annual income tend to be limited to apartments, manufactured homes, multiplexes (duplexes, triplexes, and quad homes) and townhomes. Much of this housing is rented, particularly when priced for lower income households earning below 80% AMI and most of the housing below 50% AMI (extremely low and very low income) tends to be government subsidized.

- **Around 44% of all the City of Spokane Valley households in 2018 need housing priced below the median income (100% AMI), yet this housing is inadequate since only 34% of the current housing stock includes multiplexes, townhomes, apartments, and manufactured homes.**

- Housing above the median income is predominantly newer construction and owner-occupied. This housing typically includes single-family detached homes, higher-priced single-family attached homes, and condominiums. Households earning above the median income tend to have more housing options available to them especially when considering that most of the current housing stock is single-family detached (around 66% in the City of Spokane Valley). Most Spokane Valley residents living in single-family detached housing own their home (86%) rather than rent (ACS 1-Year, 2018).



Source: ECONorthwest. *Note: All values are in 2019 inflation-adjusted dollars.*

Spokane Valley Housing Needs Forecast

109,913

Projected population by 2037 (medium projection)

Source: *Population Projections Appendix

742

Average annual population growth projected from 2018 to 2037

Source: OFM, 2019; *Population Projections Appendix; ECONorthwest calculation

6,660

Projected number of units needed by 2037

Source: OFM, 2019; *Population Projections Appendix; ECONorthwest Calculation

351

Average number of new units needed to add annually from 2019 to 2037

Source: OFM, 2019; *Population Projections Appendix; ECONorthwest Calculation. This number is higher than the 345 average housing units built from 2010-2019.

2%

Increase in annual housing production to reach 2037 housing need forecast

*City of Spokane Valley Appendix A: SEPA Analysis 2017-2037 Comprehensive Plan

Housing Units Needed Through 2037

Underproduction	Future Need	Housing Need
1,463	5,197	6,660

Source: PUMS, 2018; *Appendix; ECONorthwest Calculation.
Note: Underproduction is the estimated number of housing units needed to satisfy the housing shortfall over the last decade. Future need is the number of housing units needed from 2020 to 2037 (based on the OFM forecast)..

Housing Units Needed as a Share of Existing Stock

Existing Units	Housing Need	% of Existing Units
38,730	6,660	17%

Source: Spokane County Assessor, 2020; ECONorthwest Calculation

Housing Units Needed by AMI Through 2037, Based on 2018 Trends

AMI	# of Units	% of Units
0-30%	550	8%
30-50%	625	9%
50-80%	1,039	16%
80-100%	686	10%
100%+	3,760	56%

Source: PUMS, 2018;*Appendix; ECONorthwest Calculation

HUD Affordability Level by Housing Type, 2018

AMI	Studio	1-bed	2-bed	3-bed
30%	$342	$366	$440	$509
50%	$570	$612	$734	$848
80%	$912	$978	$1,174	$1,356
100%	$1,140	$1,222	$1,468	$1,695

Source: HUD, 2018. *Notes: The dollar values are for Spokane County and the AMI values were adjusted to include the family size that would be appropriate for the housing type. These are fair market rent values.*

Spokane Valley Employment Trends

Employment Trends

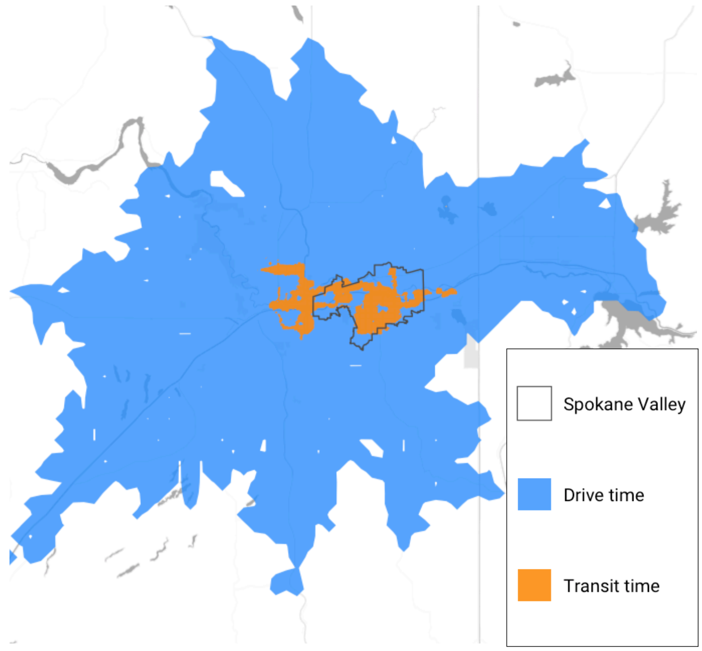
Understanding Spokane Valley's workforce profile and commuting trends helps provide insights on the housing needs of workers today and into the future. Factors such as job sector growth and the city's commuting patterns may have implications for how many people are able to both live and work within the city. If such factors indicate many people are commuting into the city for work, it could be possible that the city does not have enough housing to accommodate its workforce or enough housing matching their needs and affordability levels.

This employment profile for Spokane Valley highlights trends associated with workforce and wage growth.

- As shown in the employment table, an estimated total of 51,305 people are part of the workforce in the City of Spokane Valley as of 2017. Overall jobs grew by around 11% from 2010 - 2017 in the city.
- Among this total, the largest share works in retail trade (almost 20% of total), manufacturing (13%), and health care/social assistance sectors (12%).
- **Removing small job sectors (below 5% of the total), the employment sectors experiencing high increases in job growth between 2010-2017 were educational services (120%) and construction sectors (45%), both with an average salary below $50,000, which could indicate increasing demand needed for housing below 100% AMI (such as moderate-income housing).**

Access to Employment*

Transit and auto access to regional employment was derived using 45-minute travel sheds for each mode. ECONorthwest calculated the number of jobs available within these travel sheds in each industrial sector category for the Spokane County region (2-digit NAICS). The transit travel sheds originated from every transit stop within the city while the auto travel sheds originated from the center of all block groups in the city.



*Transit and drive time of 45 minutes or less, departing at 7:00 AM, mid-week

Source: US Census LODES database, 2017 and census block geometries, 2010; Spokane Transit Authority database; ECONorthwest Calculations.

This analysis demonstrates how a large majority of jobs are more accessible by driving an automobile rather than taking public transit. In total, 260,178 jobs are within a 45-minute drive from the City of Spokane Valley while far fewer jobs, estimated at 63,115, are located within the 45-minutes transit shed. One quarter of the jobs are available via transit compared to driving within 45 minutes or less from the original location. The denser urban areas within the small orange area could be analyzed for potential opportunities to include housing development that is more transit-oriented. Mapping out commute sheds can be useful for estimating the extent of the regional housing market since most employed home buyers and renters tend to search for units with their commute in mind.

Spokane Valley Employment Trends

Spokane Valley Employment Numbers					Access to Regional Employment	
Industry (2-digit NAICS Code)	**Employees % (2017)**	**# Change (2010-2017)**	**% Change (2010-2017)**	**Average Salary (2018)**	**% Jobs by Auto**	**% Jobs by Transit**
Agriculture, Forestry, Fishing and Hunting	1.1%	513	777%	$34,444	88%	19%
Mining, Quarrying, and Oil and Gas Extraction	0.2%	35	69%	$31,467	93%	14%
Utilities	0.6%	46	19%	$69,936	92%	21%
Construction	6.1%	978	45%	$46,683	93%	15%
Manufacturing	13%	-172	-3%	$46,532	96%	16%
Wholesale Trade	7.1%	684	23%	$44,029	98%	24%
Retail Trade	19.6%	-278	-3%	$33,904	97%	27%
Transportation and Warehousing	3.9%	375	23%	$49,020	97%	10%
Information	0.8%	-127	-23%	$40,373	97%	24%
Finance and Insurance	4%	343	20%	$43,927	99%	36%
Real Estate and Rental and Leasing	1.2%	59	10%	$31,836	97%	30%
Professional, Scientific, and Technical Services	2.8%	289	26%	$48,292	97%	31%
Management of Companies and Enterprises	1.2%	293	87%	$46,964	98%	24%
Administrative and Support and Waste Management and Remediation services	7.8%	600	18%	$31,520	97%	29%
Educational Services	7.1%	1,978	120%	$48,057	93%	22%
Health Care and Social Assistance	12.2%	-409	-6%	$41,440	98%	23%
Arts, Entertainment, and Recreation	0.3%	-116	-42%	$34,583	71%	9%
Accommodation and Food Services	7.5%	299	8%	$28,307	97%	26%
Other Service	2.5%	-102	-7%	$31,734	96%	24%
Public Administration	0.9%	-188	-28%	$52,425	97%	13%

Source: US Census LODES database, 2017 and census block geometries, 2010; ECONorthwest.
Note: Median earnings was sourced from ACS 2018 5-year estimates at the tract level, joined to jurisdictional boundaries and summarized as the median for each industry by jurisdiction. Several estimates are missing, likely due to insufficient numbers of employees within that industry/jurisdiction pair. The estimated total number of Spokane Valley employees in 2017 is 51,305. The 2019 average annual salary for Spokane County was $50,234 (includes all industries) and this means housing below 80% of the AMI would be affordable to those earning this average salary.

Spokane Valley Commuting Trends

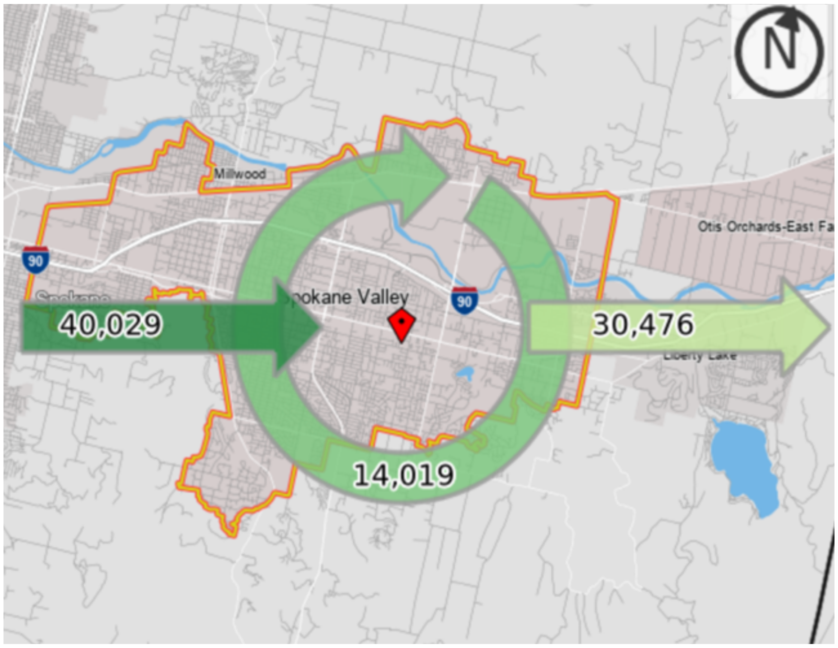
- Approximately 32% of Spokane Valley's workforce lived and worked in Spokane Valley in 2017. This share increased above 2010 levels (26%).

- Around 40,029 workers (74%) of the total City of Spokane Valley workforce live elsewhere and commute into Spokane Valley for work while 30,476 workers (26%) live in Spokane Valley and commute elsewhere for their work.

- Among those working outside of Spokane Valley, 37% work in Spokane, 5% work in Liberty Lake, 2% work in Seattle, and 2% work in Coeur d'Alene, Idaho. Around 1% of the workforce commutes to Airway Heights, Post Falls Idaho, , and Cheney. The remaining 19% commutes to other locations.

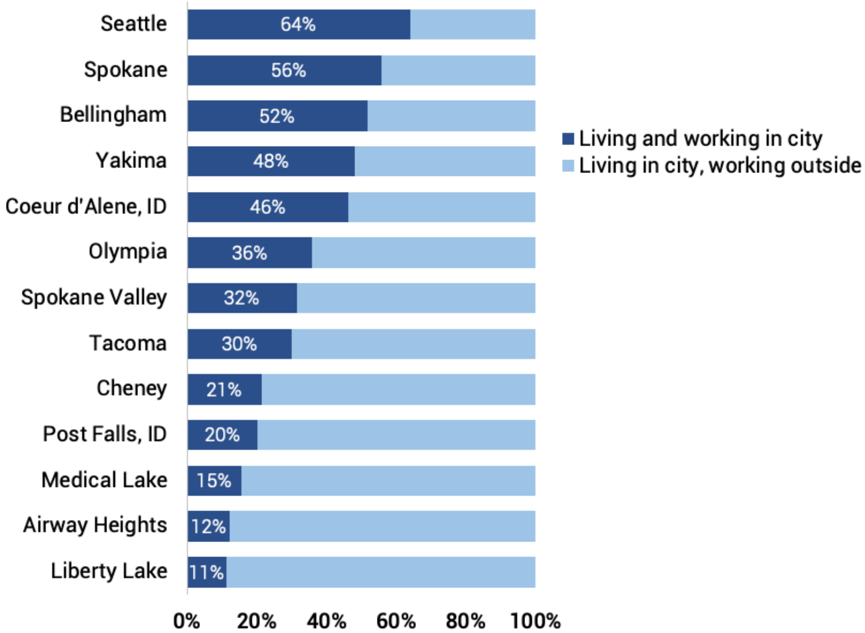
- The high rate of commuting to the City of Spokane Valley could be due to a shortage of affordable housing or suitable housing not meeting the needs of the workforce or it could mean they prefer living elsewhere in the region.

Commuting Flow, 2017



Source: US Census LODES database, 2017; Census On the Map. *Note: Dark green arrow is showing persons commuting into town (40,029) and the light green arrow (30,476) shows persons commuting out of town.*

Commuting Trends, 2017



Source: US Census LODES database, 2017; Census On the Map

Spokane County Trends

8%

Change in population

› *Between 2010 and 2018*

	2010	2018
Population	471,221	507,950

Source: OFM, retrieved in 2020

7%

Change in number of households

› *Between 2012 and 2018*

	2012	2018
Households	196,529	209,897

Source: OFM, retrieved in 2020

21%

Change in median renter Household income

› *Between 2012 and 2018*

	2012	2018
Median Income	$28,726	$34,749

Source: PUMS (2012, 2018). *Note: All values are in 2018 inflation-adjusted dollars.*

9%

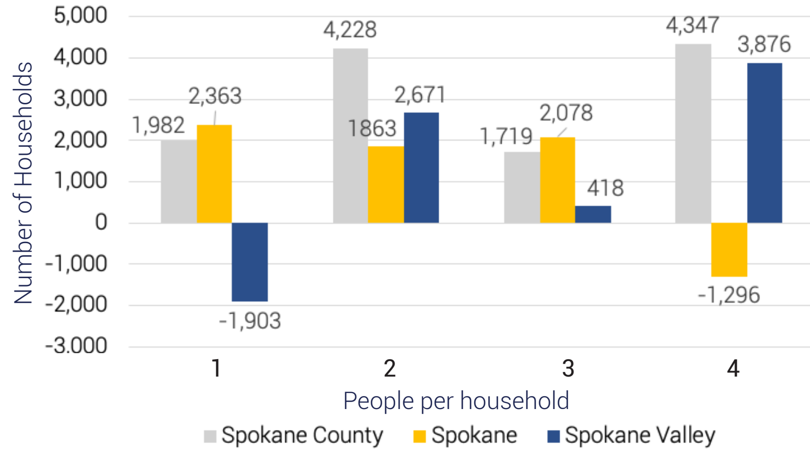
Change in median owner household income

› *Between 2012 and 2018*

	2012	2018
Median Income	$68,833	$74,969

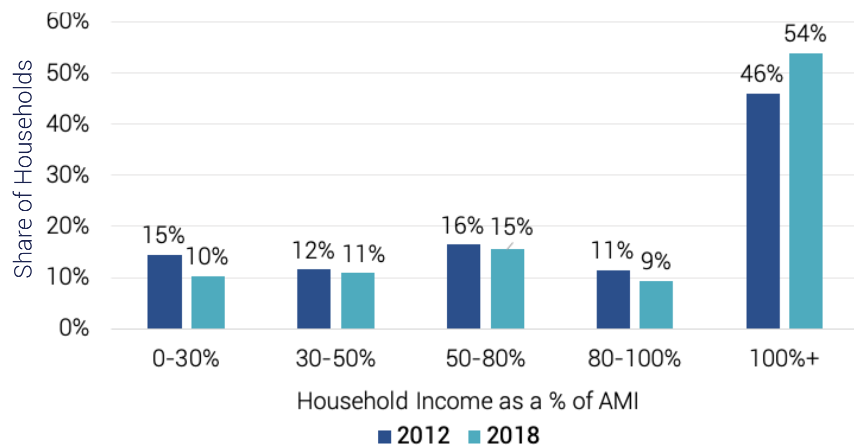
Source: PUMS (2012, 2018)

Change in Household Size, 2012 & 2018



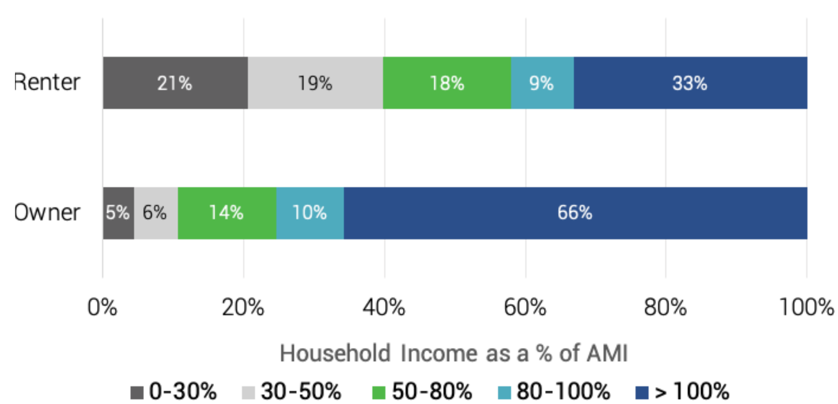
Source: PUMS (2012, 2018)

Income Distribution by AMI, 2012 & 2018



Source: PUMS (2012, 2018)

Income Distribution by AMI and Tenure, 2018



Spokane County Trends

13%

Change in average rent for 2-bedroom apartment

› *Between 2010 and 2020*

	2010	2020
Average Rent	$968	$1,094

Source: Costar. *Note: All values are in 2018 inflation-adjusted dollars.*

50%

Change in median home sales price

› *Between 2010 and 2020*

	2010	2020
Median Sales Price	$184,000	$275,000

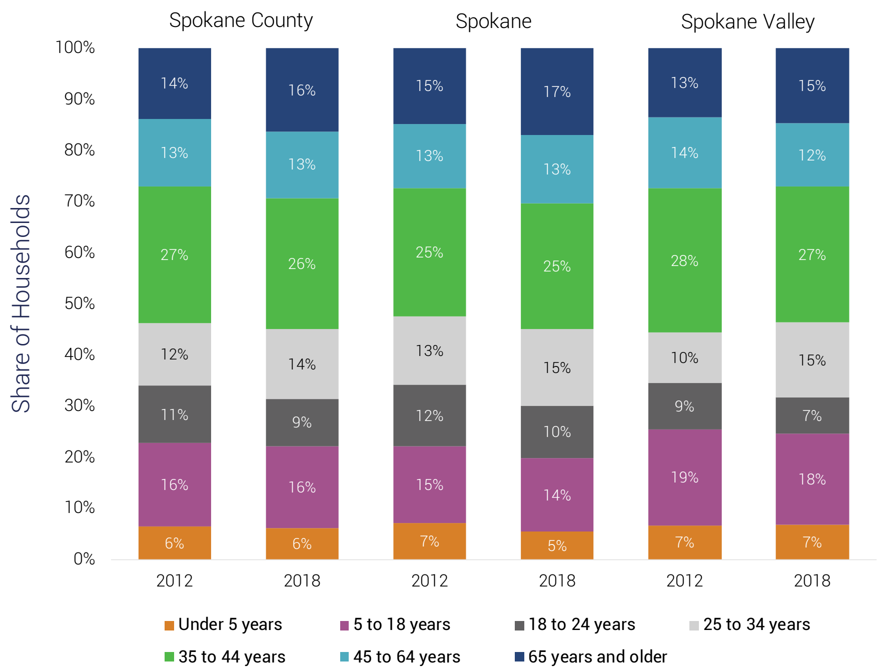
Source: Spokane County Assessor, 2020. *Note: All values are in 2018 inflation-adjusted dollars.*

Housing Units Built by Decade, as of Mid-2020

Decade	Percent of Units
Before 1940	11%
1940's	5%
1950's	8%
1960's	5%
1970's	15%
1980's	10%
1990's	19%
2000's	17%
2010's	9%

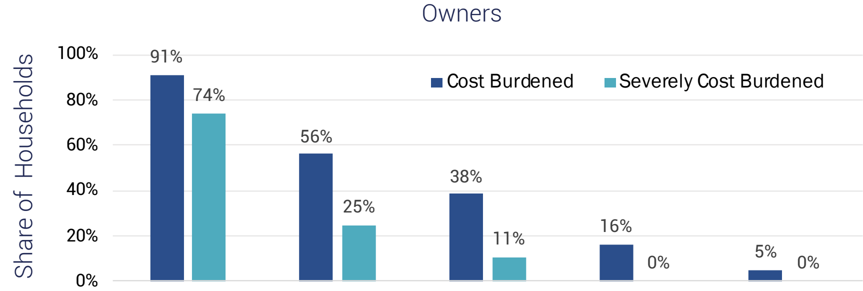
Source: Spokane County Assessor, 2020

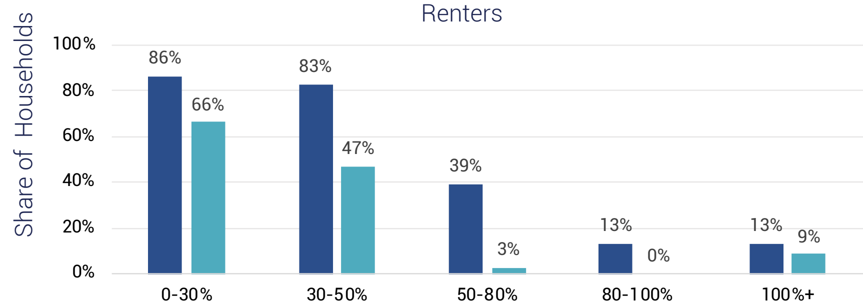
Population by Age, 2012 & 2018



Source: ACS(2012, 2018); PUMS 1-Year Estimates

Cost Burdened and Severely Cost Burdened by Tenure, 2018



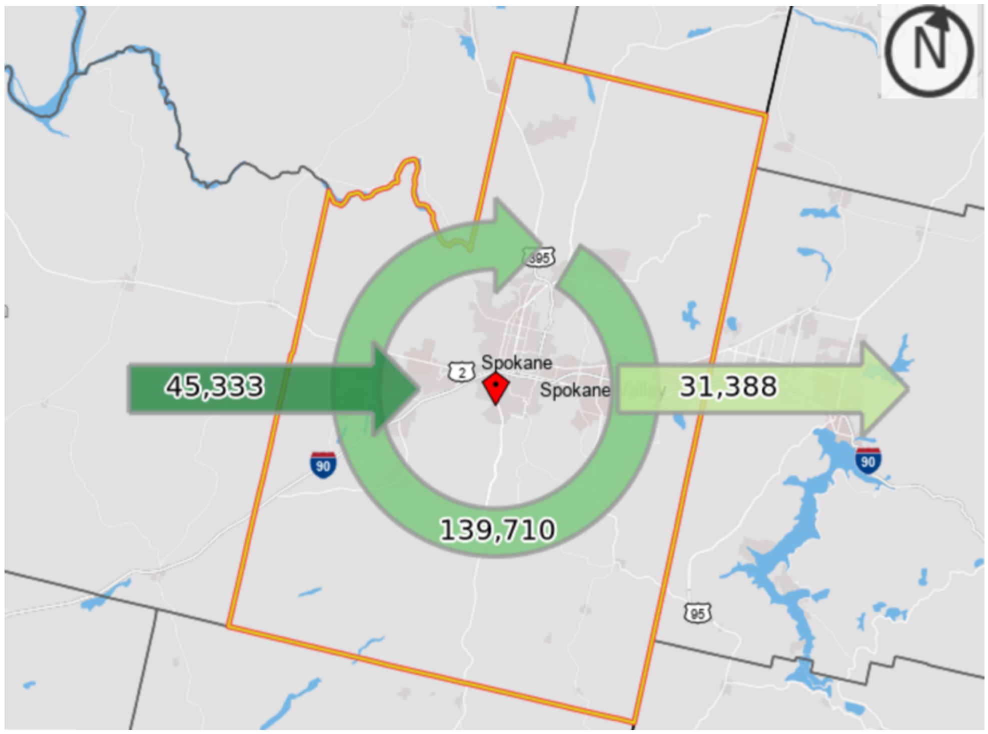


Source: PUMS, 2018

Spokane County Trends

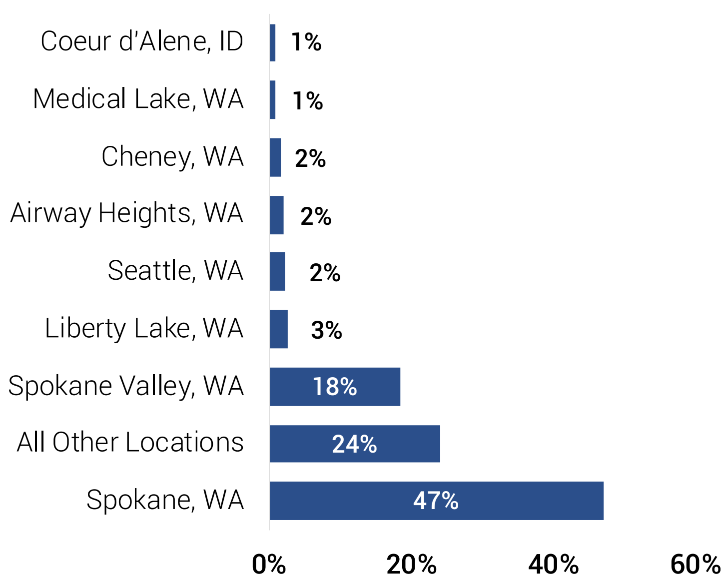
- *About 82%, or 139,710, of Spokane County residents live and work in Spokane County.*
- *About 18%, or 31,388 of Spokane County residents work outside Spokane County.*
- *Most of Spokane County residents work in City of Spokane or City of Spokane Valley.*

Commuting Flow, 2017



Source: US Census LODES database, 2017; Census On the Map. *Note: Dark green arrow is showing persons commuting into town (45,333) and the light green arrow (31,388) shows persons commuting out of town.*

Cities Where Spokane County Residents Work, 2017



Source: US Census LODES database, 2017; Census On the Map

APPENDIX B

HOUSING NEEDS ASSESSMENT METHODS AND DATA SOURCES

DATE: September 28, 2020
TO: City of Spokane Valley
FROM: ECONorthwest
SUBJECT: HOUSING NEEDS ASSESSMENT METHODS MEMO

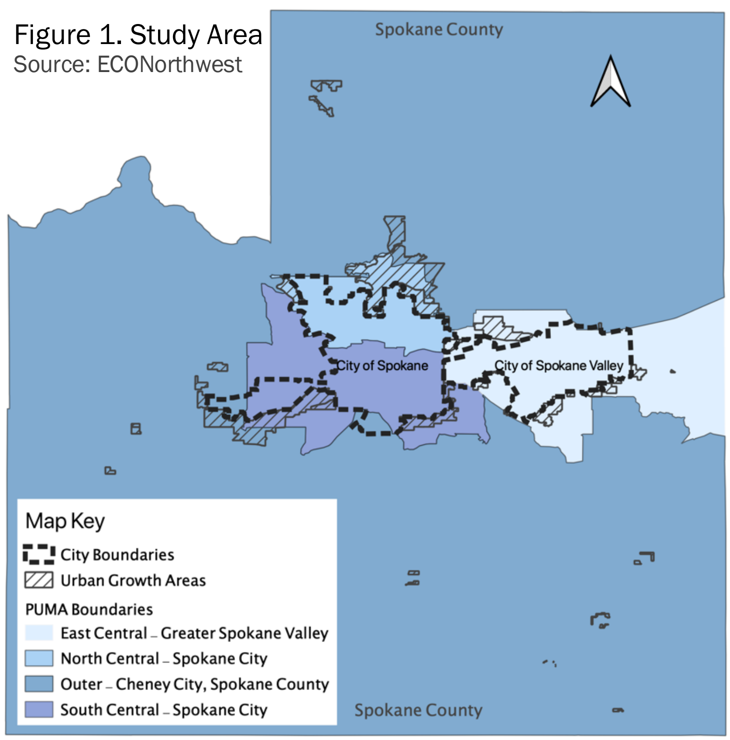
Background and Purpose

Two cities in Spokane County, Washington—the City of Spokane Valley and the City of Spokane—gained funding through the Washington State Department of Commerce HB 1923 grant to develop housing action plans. These housing action plans include a housing needs assessment, results from public engagement, analysis of key policy options, and recommendations for housing strategies to meet housing needs now and into the future up until 2037.

An initial step in the housing action plan development process is to analyze the best available data that helps define the range of unmet housing needs and the depth of housing affordability needs. This analysis should answer questions about the availability of different housing, who lives and works in the different cities, and what range of housing is needed to meet pent up demand into the future. Housing analysis is an important exercise since housing needs tend to continually evolve based on changes in the broader economy, local demographics, and regulatory environment.

The housing needs assessments (Task 3) for the Cities of Spokane Valley and Spokane provide an analysis of the housing supply, demand, and needs in each city and housing trends associated with Spokane County. Overall, assessments on housing needs help inform strategies to meet these needs.

Figure 1. Study Area
Source: ECONorthwest



The results of the housing context assessment were shared with each city via a "fact packet" containing data and analysis surrounding their existing housing stock and future housing needs. This memorandum accompanies these results to provide additional information on data sources and analysis methods.

Defining the Study Area

The Housing Needs Assessment focuses on the Cities of Spokane and Spokane Valley and provides key findings associated the broader, Spokane County context. The results compare the City of Spokane Valley with Spokane County and the City of Spokane to provide a more complete picture of the county-wide housing landscape while also offering insights on localized versus regional trends, and a more nuanced view of housing market dynamics.

Most of the findings associated with the demographic trends were described using the U.S. Census Bureau's Public Use Micro Sample (PUMS) data from 2012 through 2018. As shown in the above study area map, the PUMS data findings are provided in specific geographic areas. Public Use Microdata Areas are statistical geographic areas defined for the dissemination of Public Use Microdata Sample (PUMS) data The Spokane Valley demographic trends are mostly based on values within the East Central- Greater Spokane Valley PUMA (5310503) while the City of Spokane demographic trends mostly are based on the combination of the following PUMAs: North Central - Spokane City PUM (5310501) and South Central – Spokane City North PUMA (5310502). Most of the Spokane County demographic trends are based on the combination of the following PUMAs which cover the entire area of Spokane County: 5310501, 5310502, 5310503, and 5310504.

Data Sources

ECONorthwest primarily relied on 2019 data from the Washington Office of Financial Management (OFM) to evaluate housing and demographic trends. Where OFM data was unavailable ECONorthwest relied on the U.S. Census Bureau's Public Use Micro Sample (PUMS) data from 2012 and 2018.

The PUMS Census data provided several advantages for the analysis of demographic trends. The PUMS dataset provides more detailed information on housing characteristics (at the household level) and this helped ECONorthwest conduct analyses that would otherwise be unfeasible with other datasets that are aggregated such as the 5-year American Community Survey (ACS) data. With the PUMS data, ECONorthwest was able to create "cross-tabs" that look at the relationship between multiple housing characteristics. The analysis summarizing community and household demographic trends primarily relied on the ACS PUMS 1-Year Data for 2012 and 2018 (source link: https://www.census.gov/programs-surveys/acs/data/pums.html).

In addition to using OFM data on housing trends and existing housing types by size, we supplemented this analysis with Spokane County Assessor data. For housing market data on rents and sales prices, we relied on data from the Spokane County Assessor (retrieved in 2020) and CoStar (retrieved in 2020). CoStar is a proprietary data source commonly used for market analysis in the real estate industry. In addition, we used the county assessor data to describe housing types, ages, and housing density. The Spokane County Assessor Data includes parcel (housing lot) level information which is very fine-grained and detailed. This dataset, offered in a Geographic Information System format, needed to map trends, shows parcel specific information on the home type, home sales, home value, and use.

For the housing demand analysis, we relied on the population projections forecasted for the 2037 forecast year which are provided in Volume V, Appendix E Population Projections City of Spokane Comprehensive Plan. The projections are based on the OFM medium series forecast for 2037 and applies the historic growth rate from 2003 through 2015 to forecast the future population of the cities and the unincorporated urban growth area.

The employment trends analysis was based on several different datasets. The Longitudinal Employer-Household Dynamics (LEHD) program at the US Census Bureau provides data describing statistics on employment, earnings, and job flows.

Analysis Methods

Total Housing Units Needed

ECONorthwest calculated future housing needs as the current underproduction of housing plus the future needs based on 2037 household projections. Without accounting for past and current underproduction, development targets focused solely on future housing needs will continue to underproduce relative to the actual need.

Figure 2. Total Needed Housing Units

Current Underproduction

Using population forecast from OMF and the Shaping Spokane report, and selected Census information, we can estimate both the current underproduction and future housing need. For this analysis we calculated the total future housing need as the current underproduction of housing plus the future need based on the 2037 household projections.

Current underproduction of housing was calculated based on the ratio of housing units produced and new households formed over time. The average household size in each city is calculated and converted to a ratio of total housing units to households. This ratio is compared to that of the region as the target ratio. If the ratio is lower, then we calculated the underproduction as the number of units it would have needed to produce over time, to reach the target ratio.

Washington State does not have a regional approach for housing production. This approach to underproduction is simple and intuitive while using the best available data that is both local and most updated. This analysis does not differentiate between renter and owner households and relies on average household size to convert population counts to household counts. One drawback of this approach is that it does not identify the underproduction at different levels of affordability.

Future housing need is calculated based on the forecasted growth. To calculate future housing need, we use a target ratio of 1.14 housing units per new household. This ratio is the national average of housing units to households in 2019. It is important to use a ratio greater than 1:1 since healthy housing markets allow for vacancy, demolition, second/vacation homes, and broad absorption trends.

Total Units Needed by Income

Once we arrive at the total number of units needed by 2037, the next step is to allocate the units by income level. We first look at the most recent distribution of households by income level (using PUMS to determine area median income or "AMI") in the Spokane County subregion. We then account for current and future household sizes at the city level to better understand nuances of how housing need by income can shift over time as household sizes change and subsequent changes to housing affordability.

Because forecasting incomes at the household level over time can be challenging at best, and misleading at worst, this data evaluates housing need using current income distributions forecast forward. The forecast housing need by income category at both the city level and at the subregion is likely to vary depending on policy choices made over the next two decades. That is to say that if cities choose to take less action on increasing housing production and affordability worsens due to demand outpacing supply, the forecast need for lower income households is likely to be less because those low income households that are most at risk from housing price changes are more likely to be displaced from the subregion. The ultimate income distribution in 2037 will be the result of regional housing trends and policy decisions made at the local level. We then apply each distribution of households by income to the total units needed to get the share of new units needed by income level.

Employment Analysis

An employment analysis was conducted for two reasons. First, employment analysis and trends in job growth by industry is a requirements for local housing action plans. Secondly, findings from access to employment analysis can help inform housing action strategies such as those related to development allowances in urban centers. Understanding Spokane Valley's workforce profile and commuting trends will help provide insights on the housing needs of workers today and into the future. Factors such as job sector growth and the city's commuting patterns may have implications for how many people are able to both live and work within the city. If such factors indicate many people are commuting into the city for work, it could be possible that the city does not have enough housing to accommodate its workforce or enough housing matching their needs and affordability levels.

We developed city-level employment estimates by 2-digit NAICS codes using the U.S. Census Bureau's Longitudinal Employer-Household Dynamics (LEHD) Origin-Destination Employment Statistics (LODES) data. For each city, the employment estimates show the total number of residents working in each 2-digit NAICS sector in that city, the change in employment in that sector in that city since 2010, and the 2018 average wages for the residents in that city in that sector.

Access to Employment

Transit and auto access to regional employment was derived using 45-minute travel sheds for each mode. ECONorthwest calculated the number of jobs available within these travel sheds in each industrial sector category for each city. We measured access to employment for both transit and auto use, using a preset limit of 45 minutes to generate isochrones (travel sheds). We used ESRI Services to create drive-time isochrones, simulating traffic conditions typical of 7:00AM, Wednesday.

Transit Isochrones

We created isochrones originating from every transit stop within the jurisdiction. Each transit stop was also weighted by the population within a half-mile distance (straight-line). These isochrones were then joined to LODES job points at the Census Block Level, and the total number of jobs by NAICS industry was calculated for each isochrone. For each jurisdiction, the total number of jobs reachable by transit (and walking) within 45 minutes was calculated as the weighted mean number of jobs within the isochrones, using the transit-stop population as weights.

Auto Isochrones

For drive-time isochrones, we used a similar method as the transit isochrones. Instead of transit stops, however, we used block group centroids as the isochrone origin points, and the associated block group population estimates provided the weights with which we calculated the average number of jobs reachable by the "average resident."

Share of Jobs Accessible

Once we calculated the total number of jobs available by 45-minute transit or auto travel from each city, we calculated the share of total jobs in that industry.

Caveats

Wage estimates by industry from ACS are not available for every industry, usually due to low numbers of survey samples. Many of these estimates, especially for industries with low numbers of workers, show relatively high margins of error and should be treated as rough approximations.

APPENDIX C
HOUSING POLICY FRAMEWORK

MAUL FOSTER ALONGI

MEMORANDUM

To:	Chaz Bates, City of Spokane Valley	Date:	November 4, 2020 *Revised January 29, 2021*
From:	Matt Hoffman Ben Johnson, AICP	Project No.:	1932.01.01
RE:	Housing Policy Framework Review		

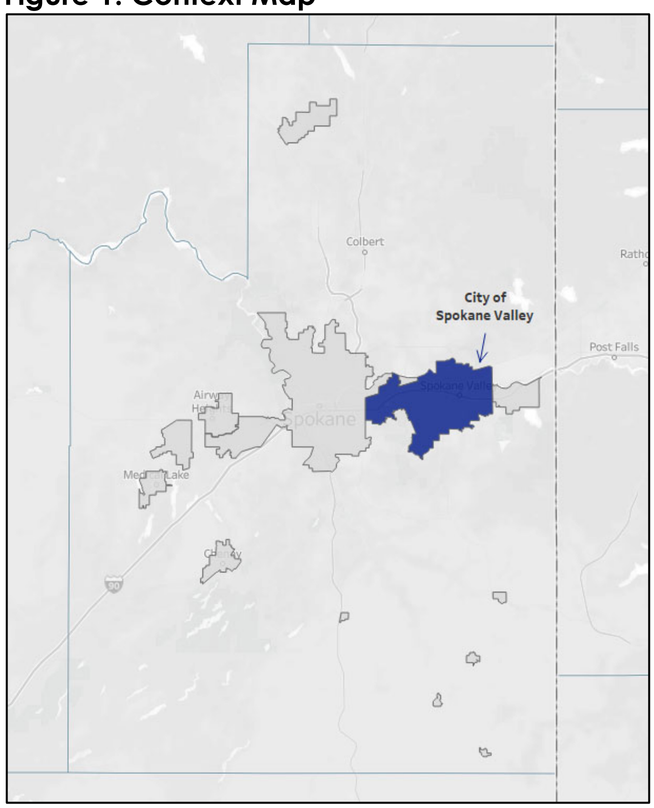
The City of Spokane Valley (City) is developing a Housing Action Plan (HAP) to evaluate current and future housing needs and identify strategies to meet these needs. This memorandum meets the housing policy framework review (Review) requirements defined by Revised Code of Washington (RCW) 36.70A.600(2) for completing a HAP. This Review identifies existing housing goals, policies, and strategies from the 2017 Spokane Valley Comprehensive Plan (Comp Plan) as well as housing programs and incentives currently available to encourage greater housing supply and the development of affordable housing in the city.

This Review contains three sections:

- Section 1: A review of the Comp Plan Housing Element goals and policies
- Section 2: Regulatory review
- Section 3: Summary of findings

The information will be used alongside the housing needs assessment and input from community members and stakeholders in developing strategies and policies to meet the city's unique housing needs and to complete the HAP.

Figure 1: Context Map



SECTION 1. COMPREHENSIVE PLAN POLICY AND GOALS REVIEW

In its Comp Plan, the City has identified three goals and four priorities specifically related to housing. Other elements of the Comp Plan, particularly the Land Use element, deal with several other goals and policies related to housing.

Four housing themes identified in the Comp Plan are evaluated in this section. For each theme, the Comp Plan goals, policies, and strategies are presented, followed by a description of actions taken by the City since the adoption of the Comp Plan to advance housing objectives. Each theme concludes with an assessment of the progress achieved by the City to date. A complete list of housing-related goals, policies, and strategies is provided in Attachment A.

COMMUNITY SNAPSHOT

- Land Area: 38.5mi^2
- Population: 95,810
- Total Employment: 46,573
- Key Employment Industries:
  - Retail Trade (19.6%)
  - Health Care/Social Assistance (12.2%)
  - Manufacturing (13.0%)
- Median Age: 35.2
- Educational Attainment
  - High School or Higher: 91.9%
  - Bachelor's or Higher: 20.9%
- Median Household Income: $48,274

Sources: Washington OFM (2019); Employment Security Department/LMEA; U.S. Bureau of Labor Statistics, Local Area Unemployment Statistics; U.S. Census ACS (2014); U.S. Census LEHD (2014).

Housing Theme 1: **Ensure a Range of Housing Options for Residents**

Comp Plan Policies, Goals, and Strategies

During the development of the Comp Plan, community members identified a need for a greater diversity of housing types to serve people at all income levels and stages of life. The following Comp Plan goals and policies relate to housing variety:

- H-G1: Allow for a broad range of housing opportunities to meet the needs of the community.
- H-P2: Adopt development regulations that expand housing choices by allowing innovative housing types, including tiny homes, accessory dwelling units, prefabricated homes, cohousing, cottage housing, and other housing types.
- LU-P14: Enable a variety of housing types.

Abbreviation Key

Abbreviation	Definition
H	Housing Element
LU	Land Use Element
G	Goal
P	Policy

Goals = broad statements of purpose.
Policies = staff direction.
Strategies = initial actions.

Demographic shifts identified in the housing needs assessment underscore the importance of H-G1 and the related policies. Spokane Valley's millennial population (ages 25 to 34) almost doubled, growing substantially from 10 percent to 15 percent of the population total (from 12,148 to 21,144 persons) between 2012 and 2018. These households will continue to seek starter homes and homes for growing families. On the other end of the spectrum, the senior population (65 and over) is expected to grow by approximately 11,500 people between 2020 and 2040. This age group could generate greater demand for living assistance and low-maintenance middle housing options such as townhomes.

In addition to the policies and goals listed above, the Comp Plan featured a strategy to "continue to evaluate new housing typologies to meet market needs." One example of how this strategy is being implemented is through the HAP, which is planned to be finalized by June 30, 2021.

Actions Taken

In June 2016, the City implemented new zoning regulations to allow for a variety of housing types targeting smaller and more affordable housing options for first-time home buyers, young families, and renters not eligible for subsidized housing. They are also referred to as "missing middle housing types." Examples of these housing types can be found in Attachment B.

The 2016 regulations allowed ADUs, cottage housing, duplexes, manufactured homes on both individual lots and in home parks, and townhouses. Duplexes were permitted in the denser residential (R) districts, Residential-3 (R-3), and Multifamily Residential (MFR) and mixed-use districts. The other alternative housing types, including cottage housing, ADUs, and manufactured homes, were allowed in residential and nonresidential zoning districts throughout the city, if developments complied with the supplemental development regulations.

Missing Middle Housing Types Defined

Missing middle housing types provide diverse housing options, such as duplexes, fourplexes, cottage courts, and multiplexes. These house-scale buildings fit seamlessly into existing residential neighborhoods and support walkability, retail, and public transportation options. They provide solutions along a spectrum of affordability to address the mismatch between the available U.S. housing stock and shifting demographics, as well as the growing demand for walkability.
Source: https://missingmiddlehousing.com

New duplex developments in the city since 2016 raised concern among residents about the negative impacts duplex development may have on the character of certain existing single-family neighborhoods. As a result, the City amended its zoning regulations during the 2020 annual Comp Plan update. The revisions prohibit cottage housing, townhomes, and assisted-living facilities in R-3 single-family residential districts. Duplexes, ADUs, and manufactured homes are still permitted under the supplemental use regulations in the R-3 district. The 2020 amendment increased the allowable density for detached single-family homes from six dwelling units per acre to eight dwelling units per acre while maintaining the allowable density for ADUs and manufactured homes. The minimum lot size for a duplex was increased from 10,000 square feet to 14,500 square feet.

These new restrictions in the R-3 district were offset by creating a new residential zone, R-4, that allows greater density and alternative housing types, specifically targeting areas served by transit. When viewed comprehensively, these revisions to the zoning regulations address the goals of allowing for a range of housing types, creating density around mixed-use areas, and protecting existing neighborhood character. Overall, a broader range of housing options can be built in different zones (including duplexes, cottage housing, ADUs, townhouses, manufactured homes) in more areas than allowed before 2016.

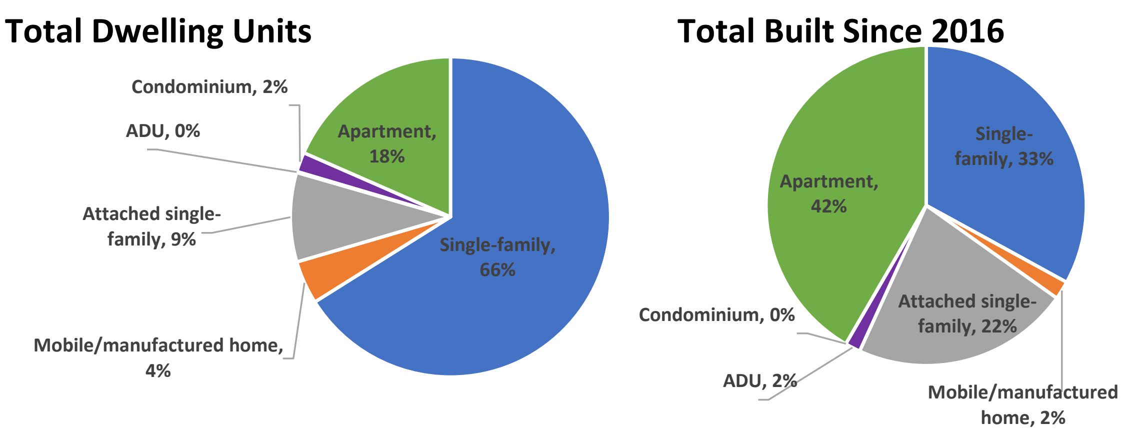
Evaluation of Progress

The City has advanced H-G1, as construction of a variety of missing middle housing types is now permitted in the city. Since 2016, most of the new housing units have been multifamily apartments and duplexes; other product types such as cottage housing, townhomes, ADUs, and manufactured homes have not been introduced to the market. It is important to understand that development type allowances in zones will only be delivered when both market demand supports targeted housing types and there is enough zoned capacity with the right site characteristics.

Single-Family-Home Dominant
The current overall distribution of housing options in the city is weighted heavily toward single-family homes, which comprise 66 percent of the total dwelling units as of mid-2020 (approximately 25,665 single-family units out of 38,787 total units, Spokane County Assessor).

Since 2016, a total of 1,941 units have been constructed, with 42 percent of new units (808) being multifamily apartments. Attached single-family homes and homes with more than one unit but fewer than five have represented 22 percent (427 units) of the total units constructed (Figure 2).

Figure 2: Housing Option Unit Distribution



Source: Spokane County Assessor, ECONorthwest, Maul Foster & Alongi, Inc.

Before 2016, only 13 percent of the city's housing stock represented one of the missing middle housing types. Since 2016, nearly 25 percent of all new dwelling units have been missing middle housing types (as shown in Table 1.)

Table 1: New Housing Types Constructed since 2016

	Type	Units	Percent of Subtotal	Percent of Overall
Missing Middle Housing Types	ADU	30	6.1%	1.5%
	Cottage	0	0.0%	0.0%
	Duplex	384	77.9%	19.8%
	Triplex/Fourplex	17	3.4%	0.9%
	Townhomes	26	7.3%	1.3%
	Manufactured Homes	36	5.3%	1.9%
	Subtotal	**493**	**100%**	**24.5%**
	Apartment	808		42.5%
	Single Family	640		33.0%
	Overall Built Since 2016	**1,941**		

Source: Spokane County Assessor, ECONorthwest, Maul Foster & Alongi, Inc.

Table 1 shows that since 2016, the market has responded to demand and delivered more attached single-family units. The majority—78 percent—have been duplexes.

Despite policies supporting the construction of broadened housing options, built housing has largely been limited to single-family homes, multifamily apartments, and duplexes. This could be related to a slower adoption of these housing types by local developers and lack of education on new housing products such as ADUs, townhouses, and cottage housing.

Housing Theme 2: **Improve Housing Affordability**

Comp Plan Policies, Goals, and Strategies

The current Comp Plan includes a goal to allow for a diversity of housing options that are affordable to households at all income levels. Housing affordability remains relevant todayH-G2 as well as two of the housing policies in the Comp Plan address the development of affordable housing.

- H-G2 Enable the development of affordable housing for all income levels.
- H-P3 Use available financial and regulatory tools to support the development of affordable housing units.
- H-P4 Enable the creation of housing for resident individuals and families needing assistance from social and human services providers.

In addition to the policies and goals, the Comp Plan lays out several strategies for improving housing affordability:

- Identify low- and moderate-income housing needs.
- Streamline permitting procedures based on feedback from businesses and landowners, developers, etc.

- Evaluate parking standards and reduce the amount of required parking if feasible.

Actions Taken

Selected recent actions taken by the City to help address housing affordability are described below. A more detailed list of implemented housing-supportive programs is available in Attachment C.

Sales and Use Tax Funds for Affordable and Supportive Housing Purposes
In February 2020, the City adopted Ordinance 20-002 to incorporate a sales and use tax for affordable and supportive housing. This ordinance and its subsequent incorporation into the Spokane Valley Municipal Code (SVMC; Section 3.06) authorized the City to receive a rebate of a portion of state sales and use tax collected in the city, in the amount of 0.0073 percent, which can be used only for qualifying expenses related to affordable and supportive housing. This sales tax option is a credit against the state sales tax rate of 6.5 percent, so it will not increase the tax rate for consumers. The City has estimated the annual increase of funds from this program to be approximately $178,000.

These funds can be used for acquiring, rehabilitating, constructing, or operating and maintaining new affordable housing units.[1] They cannot be used to fund construction or operation of a homeless shelter, but instead are reserved for longer-term low income, affordable, and supportive housing. The City can use these funds independently, or they can be pooled in partnership with other regional organizations to pay for a larger regional affordable housing development. Funds can be spent on projects each year, or they can be used as a source of repayment of bonds sold to construct an affordable housing capital project.

Per state law, cities with populations under 100,000 may use the funds to provide rental assistance to tenants. The city is projected to exceed 100,000 people in approximately three years and is seeking input from the state on whether it may use the funds in this manner once its population exceeds 100,000.

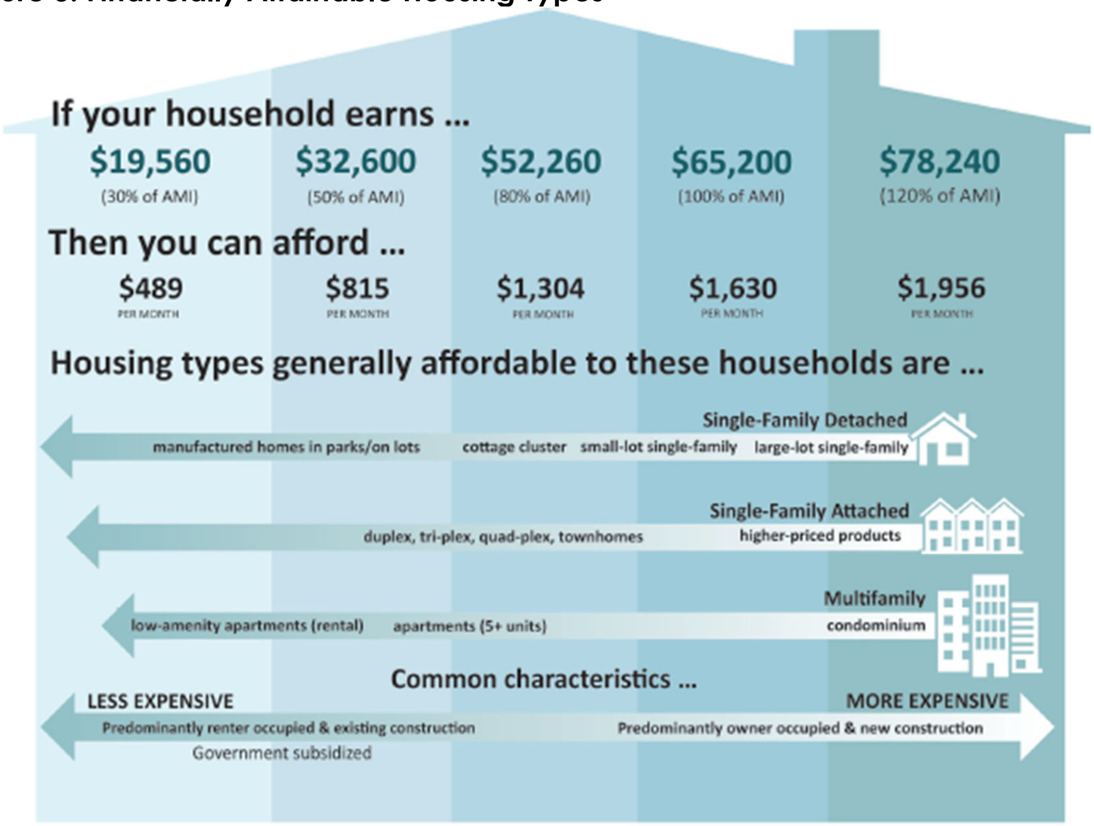
Housing Needs Gap, Housing Action Plan
The housing needs analysis included an assessment of the gaps between the currently available housing and the housing needed today and into through 2037. The assessment showed that the city has underproduced housing by around 1,463 housing units over the past decade and would need 5,197 new housing units built by 2037 to meet the estimated demand.

Not only is there a shortage in the number of housing units available, but the housing needs analysis also showed a mismatch in the type of housing units available. Around 44 percent of all the city households need housing priced below 100 percent of the area median income (AMI), yet this housing is inadequate since only 34 percent of the current housing stock includes housing types affordable for incomes below the AMI, such as less expensive detached single-family homes (ADUs, manufactured homes, cottage), attached single-family homes (duplexes and townhomes and multifamily

[1] RCW 82.14.540 Affordable and supportive housing- Sales and use tax.

developments). When examining household income levels, the AMI is a measure helpful for understanding what different households can afford to pay for housing expenses. Figure 3 illustrates the type of home a household may afford based on its income. Examples of housing types can be found in Attachment B.

Figure 3: Financially Attainable Housing Types



Source: ECONorthwest. Note: All values are in 2019 inflation-adjusted dollars.

As a component of the HAP, the housing needs assessment achieves the Comp Plan strategy of identifying low- and moderate-income housing needs. Table 2 shows the quantity of estimated housing units needed between 2020 and 2037 and the breakdown of needed housing based on household income levels.

Table 2: Total Housing Units Needed by AMI through 2037

AMI	No. of Units	% of Units
0-30%	550	8%
30-50%	625	9%
50-80%	1,039	16%
80-100%	686	10%
100%+	3,760	56%
Total Units Needed	**6,600**	

Source: ECONorthwest, Spokane Valley Housing Needs Assessment Summary Report, October 2020.

Table 3 provides context on home prices ranges and rent affordability thresholds for households in Spokane County.

Table 3: Spokane County Housing Affordability Ranges

Household Income Level (percent of AMI)	Low End of Range—Home sale affordability	High End of Range—Home sale affordability	Rent Affordability
30%	$93,000	$135,000	$805
50%	$133,000	$196,000	$1,006
60%	$173,000	$247,000	$1,207
80%	$183,000	$272,000	$1,274
100%	$195,000	$285,000	$1,305

Source: HUD, 2020, ECONorthwest Calculations. The AMI (100 percent) used for the below analysis is $71,700 annual income for a family of four. This is exclusive of transportation, utility, and other household expenses. Lower-end terms assume a 5 percent down payment, a 4.5 percent interest rate over 30 years, $800 per month for insurance, and 0.5 percent private mortgage insurance. Upper-end terms assume a 20 percent down payment, a 3.5 percent interest rate over 30 years, $800 per month for insurance, and no private mortgage insurance.

As the HAP process continues, the project team will work with the City to continue evaluating potential housing types and to identify next steps and priority strategies. The recent building pattern data show that duplexes and multifamily apartments are being built; however, other housing types are being built at a much slower pace (townhomes and ADUs) or not at all (cottages). Interviews with nonprofit and for-profit developers will also help to identify existing barriers to development of affordable housing types and inform the next steps of the HAP.

Urban County Consortium

The City, along with Spokane County and other municipalities in the region (except for the City of Spokane), is a member of the Urban County Consortium. An interlocal agreement enables the county to manage several state and federal affordable housing and homelessness funding sources, including The U.S. Department of Housing and Urban Development (HUD) HOME program, Community Development Block Grants, and document recording fee revenues generated through the Homeless Housing Assistance Act. These funds are distributed throughout the county to developers and service providers based on a competitive request-for-proposals process. City representatives are members of the advisory board that provides oversight on the use of these funds.

The City is currently evaluating the feasibility of assuming control of its portion of the document recording fee revenues from the Urban County Consortium. The primary advantage would be the City's direct oversight of homelessness funding, enabling better communication about how homelessness in the city is being addressed. Disadvantages include administrative costs not covered by the Homeless Housing Assistance Act program and possible duplication of current efforts by the City of Spokane and the county.

Primary Subsidy Programs

The primary programs used to support construction, rehabilitation or acquisition of affordable housing include:

- HUD Section 202 provides housing for very-low-income elderly persons.
- HUD Section 811 provides housing for persons with disabilities.
- Low-Income Housing Bond/Tax Credit program provides affordable rental housing for low- and moderate-income tenants.

Of the 1,663 subsidized units in the city, 1,010, or 59 percent, are funded in part by the bond/tax credit program. HUD supports 418 units, or 24 percent, of the total units, with remaining units having an unidentified subsidy source.

Addressing Homelessness

Addressing and preventing homelessness has been a topic of discussion in recent Spokane Valley City Council meetings as the City evaluates its participation in the Urban County Consortium. The Comp Plan currently does not include any goals, policies, or strategies that address homelessness in the city. Creating such Comp Plan goals, policies, and strategies may help to direct City staff working on this issue.

Limited availability of property where emergency housing uses are permitted has been a barrier to locating housing for people experiencing homelessness in the Spokane Valley. If the City identifies additional emergency or transitional housing as a priority, it will be important to consider and clearly identify where this type of use will be permitted. Currently, transitional housing is allowed only as a conditional use in the multifamily residential zones.

Evaluation of Progress

Subsidized Affordable Units

An inventory of the City's stock of subsidized, rent-restricted affordable housing was conducted in July 2020. The results are shown in Table 4. As of mid-2020, 1,544 units targeted for households earning less than 80 percent of AMI had been constructed. A 119-unit multifamily development is under construction. When that development is completed, the total count of rent-restricted affordable housing units will increase to 1,663 units. Rent-restricted affordable units account for four percent of the 38,787 total housing units in the city.

Table 4: Spokane Valley Rent-Restricted Housing Units* by Building Age

Year Built	Properties	% of Total	No. of Low-Income Units	% of Total
Pre-2006	17	73.9%	1,026	61.7%
2006	1	4.3%	287	17.3%
2009	1	4.3%	37	2.2%
2014	1	4.3%	24	1.4%
2017	1	4.3%	51	3.1%
2019	1	4.3%	119	7.2%
2021**	1	4.3%	119	7.2%
Total:	**23**	**100.0%**	**1,663**	**100.0%**

Source: the Washington State Housing Finance Commission, HUD's Multifamily Housing Portfolio, the USDA Rural Development Multifamily Housing Program (no properties in Spokane Valley), the Spokane Housing Authority, ECONorthwest.
* These data likely capture a robust share of the total rent-restricted affordable housing in the city.
** Construction expected to be complete by mid-2021.

The Total Housing Units Needed by AMI through 2037 (Table 2) shows that 2,900 units, or 43 percent of the 6,600 total projected units needed through 2037, are for households earning at or below 100 percent of AMI. Table 5 demonstrates that the city currently has a shortage of rent-restricted units supporting households earning less than 50 percent of AMI, and especially for households earning less than 30 percent of AMI. The target for new units supporting households earning less than 30 percent of AMI by 2037 (shown in Table 2) is 550 units. The city currently has only approximately 60 rent-restricted units in this income bracket. This underscores the challenge faced by the City to encourage an increase in supply for homes attainable for these households through 2037.

Table 5: Current Spokane Valley Affordable Housing Units by Income Level

Affordability Level	Units with Listed Rent Data*	% of Total	Estimated Total Units**
0-30%	40	4%	60
30-50%	292	26%	436
Over 50%	781	70%	1,167
Total:	**1,113**	**100%**	**1,663**

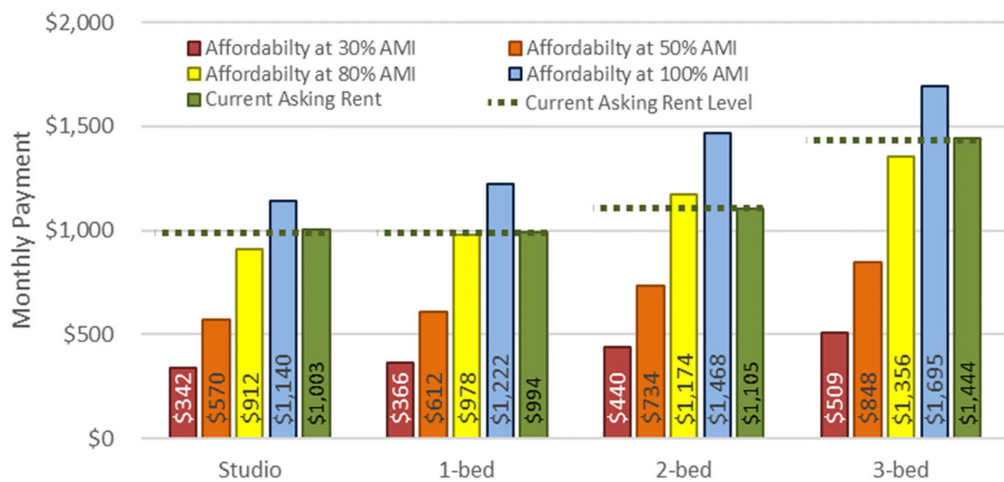
Source: the Washington State Housing Finance Commission, HUD's Multifamily Housing Portfolio, the USDA Rural Development Multifamily Housing Program (no properties in Spokane Valley), the Spokane Housing Authority, ECONorthwest
* Rent-restricted units with targeted AMI strata identified.
** Extrapolated estimate of the number of rent-restricted units in each affordability level strata. This estimate assumes that the distribution of known units is the same for the unknown portion, to arrive at a total representing the total number of low-income units in the city.

Table 5 does not account for naturally occurring affordable housing and includes only units subsidized using state and federal sources. Naturally occurring affordable housing—dwelling units that are attainable to households at different affordability levels without subsidy—are not included. Most existing naturally occurring affordable housing units will be in the 50 percent to 80 percent AMI range, which will partially help and which makes a case for preservation. Because affordable housing can be both difficult and expensive to build, strategies to support naturally occurring affordable housing and the preservation of affordable housing should be considered in addition to building new rent-restricted affordable housing.

Market Rate Rental

The above tables summarize the status of the subsidized rental housing market in the city and demonstrates that the demand for these units is persistent. Regarding market rate multifamily rental units, Figure 4 shows that the average current asking rental rate for market units that are not subsidized is typically attainable for households earning at least 100 percent of AMI. The exception is for two-bedroom units where households earning 80 percent of AMI can afford the average asking rate.

Figure 4: Monthly Rent Payments by HUD Affordability Level

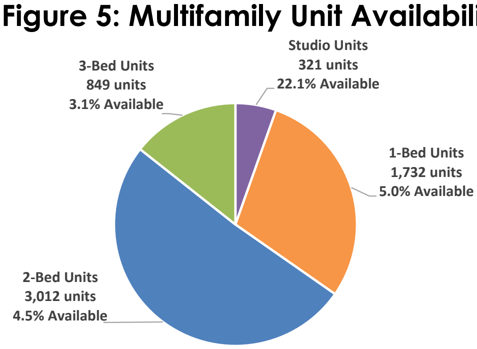


Source: HUD, ECONorthwest, CoStar.

The current overall vacancy rate for units in multifamily developments is 5.4 percent. This represents a low vacancy rate and demonstrates that the rental market is not overly constrained. A five percent vacancy implies a balance between housing supply and demand.

Figure 5 shows that two-bedroom units (3,012 units) and one-bedroom units (1,732 units) are the most prevalent multifamily unit type. The current vacancy rate for these unit types is at or near the balanced rate of five percent. These data show that studio units have a 22.1 percent vacancy rate, representing a lack of demand, and that the three-bedroom units have a low vacancy rate of 3.1 percent.

Figure 5: Multifamily Unit Availability



Source: CoStar.

This market observation is bolstered by a demographic finding from the housing needs assessment, which found: "Between 2012 and 2018, the share of 2- and 4-person households grew in Spokane Valley, while the number of 1-person households fell. In contrast, the City of Spokane's share of 1- to 3-person households grew. This trend shows Spokane Valley's housing tilting towards 2-bedroom housing and larger family-friendly housing with at least 2 bedrooms."

Attached single-family units such as townhomes and detached single-family units such as ADUs available for rent also supplement the rental market. As previously noted, nearly 450 of these types of units have been developed since 2016, and most of these are available for rent. Additional supply of these missing middle housing types is needed to improve housing attainability for all income-level segments, especially for households earning over 60 percent but under 120 percent of AMI. Offering incentives for missing middle housing and modifying the SVMC could assist in filling the gap for these needed housing types.

Housing Theme 3: **Enhance Distinctive Neighborhood Character/ Support Neighborhood Commercial**

Comp Plan Policies, Goals, and Strategies

The city's current development pattern is primarily auto-oriented, as illustrated by its average Walk Score rating of 30 (indicating that most errands require a car). Comparatively, the City of Spokane's Walk Score is 49, indicating more walkable neighborhoods. Several goals and policies in the Comp Plan encourage neighborhood conveniences and mixed-use residential development.

- H-G3 Allow convenient access to daily goods and services in Spokane Valley's neighborhoods.
- LU-P7 Protect residential neighborhoods from incompatible land uses and adverse impacts associated with transportation corridors.

These goals and polices may not directly encourage the development of new housing units, but they do support the type of development and neighborhood services that help make communities healthy and vibrant.

Actions Taken

Retail commercial is permitted in most nonresidential zones but is not allowed in residential zones. Conversely, residential development is permitted in the neighborhood commercial (NC), mixed use (MU), and corridor mixed use (CMU), which support the intent of H-G3.

The City established transitional regulations (SVMC 19.75) to protect residents in less intensively zoned areas that abut more intensive zones from development that takes place in those intensive zones. These transitional regulations influence setbacks and building heights.

The City also modified its zoning regulations in 2020 to create a new single-family residential urban (R-4) zoning district. This code modification was a response to community input and the City's goal to increase housing options and density in areas near transit and services. The new R-4 zone is concentrated between East Broadway Avenue to the north, North Sullivan Road to the east, East Eighth Avenue to the south, and North Park Road to the west. The R-4 zone creates a buffer zone that permits more diverse housing between the R-3 zone and the more intense CMU zone abutting Sprague Avenue. A map of the city's zoning districts can be found in Attachment D.

Evaluation of Progress

Most of the city's commercial properties are located along the principal arterials and are generally not neighborhood facing. Commercial land uses, including retail and services, are conveniently accessed by automobile, and are located along transit lines, but there are few examples of neighborhood-scaled commercial developments.

The city has 16 areas of NC-zoned parcels generally located at key intersections along collector and minor street intersections. Most of these properties are improved with residential units and do not include commercial uses. There are 56 parcels totaling 43 acres zoned NC in the city. Of that total, 26 parcels are vacant or undeveloped and ten parcels have commercial improvements. There are development opportunities for neighborhood commercial uses in the NC zone; however, the market has not responded with new commercial or mixed-use developments since this zone was expanded throughout the city in 2017.

Housing Theme 4: **Encourage the Creation of Mixed-Use Destinations**

Comp Plan Policies, Goals, and Strategies

The Comp Plan cites the Kendall Yards area of Spokane as an example of a mixed-use destination development that combines housing, retail, and amenities in a walkable community connected to transit. Another identified example of this type of multi-phased, mixed-use development is the River District in Liberty Lake. The Comp Plan notes that a certain level of residential density is needed to support new businesses in these areas. Multi-phased, mixed-use developments also provide opportunities for mixed-income housing.

- LU-G3 Support the transformation of commercial, industrial, and mixed-use areas into accessible districts that attract economic activity.
- LU-P13 Work collaboratively with landlords and developers that seek to provide mixed-use residential projects.

Figure 6: Mixed-Use Examples

Kendall Yards, Spokane
West of Jefferson Mixed-Use Building, Planned Completion 2021

Source: Inland Northwest Business Watch/Baker Construction.

River District Town Center, Liberty Lake
Town center vision with housing above commercial

Source: Shoesmith Cox Architects.

- LU-P16 Maximize the density of development along major transit corridors and near transit centers and commercial areas.

Actions Taken

The City's mixed-use zones (MU and CMU) allow for concurrent development of residential and commercial space. These uses may be developed side by side or on top of each other, with the commercial space on the ground floor. Planned residential developments (PRDs) also permit mixed-used developments in residential zoning districts on projects of at least 5 acres.

Evaluation of Progress

The CMU and MU zones comprise nearly 2,600 acres and 3,116 total housing units, of which 1,899 are multifamily. All these units are in two- or three-story walk-up apartments that do not include commercial uses.

Several other areas in the City could support a multi-phased mixed-use development. For example, the Desmet Court multifamily development is under construction on 10 acres in the MU zone located near I-90 and North Sullivan Road. This garden-style apartment project will maximize the allowable density for this zone and result in approximately 300 rental units at a density of 30 units per acre. No commercial space is included in this project.

SECTION 2. REGULATORY REVIEW

Zoning Regulations

The information below summarizes the SVMC Title 19 zoning, and more details on the SVMC can be found in Attachment D.

Permitted Uses

Table 6 shows the residential uses allowed in the city's residential and nonresidential zones. Residential uses featuring a "P" in the zoning district column are permitted outright, while those with an "S" are subject to supplemental code requirements.[2] The City has five residential zones (R-1, R-2, R-3, R-4, and MFR) that are specifically intended to support residential development; however, residential development is also permitted in nonresidential zones.

- Single-family homes are permitted in all five residential zones, the two mixed-use zones (MU and CMU), and the NC zone.
- Duplexes are permitted in R-4, MFR, and the two mixed-use zones, while multifamily residential uses are also permitted in the MFR zone and the mixed-use zones. Duplexes are

[2] SVMC Chapter 19.40 Alternative Residential Development Options.

also permitted in the R-3 zone under the supplemental use regulations (SVMC 19.40.060) requiring a minimum lot size of 14,500 square feet.

- Townhouses and cottages are permitted under the supplemental use regulations in the R-4, MFR, MU, and CMU zones. The NC zone also permits townhouses.

Table 6: Permitted Uses Matrix—Residential Uses

Residential Use Type	Residential Zones					Nonresidential Zones					
						Mixed Use		Commercial		Industrial	
	R-1	R-2	R-3	R-4	MFR	MU	CMU	NC	RC	IMU	I
Dwelling, accessory units	S	S	S	S		S	S	S	S	S	
Dwelling, caretaker's residence							S	S	S	S	S
Dwelling, cottage				S	S	S	S				
Dwelling, duplex			S	P	P	P	P				
Dwelling, industrial accessory dwelling unit										S	S
Dwelling, multifamily					P	P	P				
Dwelling, single-family	P	P	P	P	P	P	P	P			
Dwelling, townhouse				S	S	S	S	S			
Manufactured-home park			S	S	S						

SVMC 19.60.050 Permitted Uses Matrix.
P = Permitted.
S = Supplemental Use Regulations.

Site-Development Standards

The City has five residential zoning districts ranging from Single-Family Residential Estate (R-1), the least dense zone that allows for lots of at least 40,000 square feet and one dwelling unit per acre, to MFR, which has no minimum lot size and allows up to 22 dwelling units per acre. No density bonuses are currently allowed, except for PRDs that set aside 30 percent of the development for open space. Table 7 details the dimensional standards for these residential districts.

Table 7: Residential Standards

	Standard	R-1	R-2	R-3	R-4	MFR
Minimum	Front and Flanking Street Yard Setback	35'	15'	15'	15'	15'
	Garage Setback	35'	20'	20'	20'	20'
	Rear Yard Setback	20'	20'	10'	10'	10'
	Side Yard Setback	5'	5'	5'	5'	5'
	Open Space	N/A	N/A	N/A	N/A	10% gross area
	Lot Size	40,000 sq. ft.	10,000 sq. ft.	5,000 sq. ft.	4,300 sq. ft.	N/A
Maximu	Lot Coverage	30%	50%	50%	60%	60%
	Density	1 du/ac	4 du/ac	6 du/ac	10 du/ac	22 du/ac
	Building Height	35'	35'	35'	35'	50'

SVMC 19.70.020 Permitted Uses Matrix.

Like the MFR zone, the CMU and MU zones allow for the full range of residential development from single-family residential to multifamily. Residential development in these nonresidential zones must comply with the density and dimensional standards of the MFR zone shown in Table 7. The exception is single-family development in the NC zone, which must comply with the density and dimensional standards of the adjacent single-family residential zone.

Transition Regulations

As mentioned earlier in the document, the City has transitional regulations that apply to properties where a more intensive zoning district abuts a less intensive zone. These code provisions place additional limitations on ground floor uses and regulate setbacks on effected properties.

Parking Standards

Off-street parking requirements range from one stall per unit for ADUs up to two stalls per unit for one- and two-family homes and townhomes. The required parking spaces for residential uses (SVMC 22.50) can be found in Attachment D.

PRDs

The flexible zoning requirements of PRDs are intended to encourage imaginative design and the creation of permanent open space and a variety of housing types, and to maximize the efficiency in the layout of streets, utility networks, and other public improvements and infrastructure.

PRDs are allowed in all five residential zones for projects totaling at least 5 acres. Use and dimensional requirements shown in Tables 6 and 7 apply, with some exceptions.

- For projects of 10 acres or larger, commercial uses that are allowed in the NC zone are also permitted.
- A 20 percent residential density bonus can be applied in exchange for dedicating 30 percent of the total project area for open space.
- Townhome setbacks may be reduced on one side from 5 feet to 2 feet.
- Zero-lot line townhomes are also permitted (SVMC 19.40.100.A).

Subdivision Regulations

Residential subdivisions that require dividing the land into nine or fewer lots may utilize the City's short subdivision process, while those creating ten or more lots are subject to the full subdivision process. Short subdivisions are subject to Type II review procedures, while subdivisions require more stringent Type III review; these reviews are discussed below.

Permit Procedures and Environmental review

The City has three distinct permit review processes, depending on the size and nature of the proposed project, which are summarized in Table 8, below. Type I is the least intensive review, where permitting decisions are made administratively and notice of application to other agencies and public hearings are not required. Type II review processes are also made administratively. Preapplications are not required, except for short subdivisions and binding site plans, and a notice of public hearing is not required. Type III review processes are decided by a hearing examiner and all review processes are required, including a preapplication conference and a public hearing.

Table 8: Required Application Procedures

Application Type	Decision Authority	Pre-application conference	Counter-complete determination	Fully complete determination	Notice of application	Notice of public hearing	Final decision and notice	Final Decision timeline ***
I	The Department	O	X	X	N/A	N/A	X	60 days
*II	The Department	**O	X	X	X	N/A	X	120 days
III	Hearing examiner	X	X	X	X	X	X	120 days
X Required, O Optional, N/A Not Applicable.								

*Does not apply to SEPA threshold determinations. Refer to SVMC 21.20.070(B)(2) for noticing requirements.
**Except for short subdivisions and binding site plans, which require a preapplication meeting.
***Timeline after the fully complete determination, fully complete determination is issued within 14 days of receiving the application.
SMC 17.80.070.

ADUs and residential building permits that do not require State Environmental Policy Act (SEPA) review are subject to Type I review. Projects requiring a SEPA determination and short subdivisions (nine or fewer lots) are subject to Type II reviews. Type III review is reserved for subdivisions (ten or more lots), PRDs, and conditional use permits, which are required for cottage housing and ADUs in industrial zoning districts.

Table 9: Assignment of Development Application Classification (portion)

Type	Land Use and Development Application
Type I	Accessory dwelling units
	Building **permits** not subject to SEPA
Type II	Binding site plan—preliminary and final
	SEPA threshold determination
	Short subdivision—preliminary and final
	Preliminary short subdivision, binding site plan—change of conditions
Type III	Conditional use **permits** (cottage housing, industrial ADUs)
	Planned residential developments (PRD)
	Subdivisions—preliminary

SMC 17.80.030.

SEPA Review

The City adopted the maximum allowable SEPA flexible thresholds for residential development in 2016 (SVMC 21.20.040.B). This provides a SEPA review exemption for developments of up to 30 single-family units and 60 multifamily units. This helps to reduce permit processing times and environmental review requirements for projects that fall below these thresholds.

In 2016, the City exempted residential and mixed-used infill developments in the following four areas of the city (SVMC 21.20.040.C) from SEPA review:

- Carnahan Infill Development: Up to 698 new dwelling units.
- East Sprague Infill Development: Up to 282 new dwelling units.
- Mirabeau Infill Development: To qualify for an exemption, this area is subject to participation in a voluntary developer agreement based on a Mirabeau traffic study conducted by the City.
- East Broadway Infill Development: Up to 852 new dwelling units.

In addition, developments that meet the criteria established for each area are not required to go through SEPA review, reducing the time required for permitting and environmental analysis in these areas as well. The City is considering ending the SEPA infill requirement of its process as it evaluates adopting transportation impact fees.

SECTION 3. SUMMARY OF FINDINGS

Barriers to Development of Existing Housing Types

The housing development process is defined in the SVMC and in practice by City staff. There is sufficient development capacity on land in the city to support a range of new housing, and the zoning regulations provide some flexibility for developers to deliver housing at a pace to meet the identified housing needs assessment objective of at least 6,600 housing units by 2037, or around 351 units per year. For reference, between 2010 and 2019 an average of 345 housing units were built per year.

The city is primarily a large-lot, single-family community. While residents have voiced appreciation for those characteristics, a survey conducted for this project identified a desire for more housing choices, including townhomes, ADUs, and cottages. Spokane Valley should continue to support robust housing growth and advance strategies in support of housing growth for a diversity of housing types and affordability levels in order to meet its target.

Several barriers impact the delivery of housing in general and specific types of housing, and some barriers, such as market acceptance of housing types or the risk of prolonged appeal processes, are beyond the City's control. The following considerations are intended to help the City lower barriers to development. These recommendations will be assessed further in the development of the HAP.

Comp Plan Policies and Goals

- Consider policies that address housing displacement risk by encouraging housing accessibility, equity, and mixed-income housing.
- Draft a housing policy that emphasizes the City's commitment to address homelessness.
- Consider a land use policy that incentivizes the development of townhomes and cottages in the R-4 zone.
- Develop a goal to continue engaging with the city's residents and the development community on the opportunities for and barriers to developing a range of new housing types.

Regulatory

- Further amend the SVMC to support mixed-use housing. Develop incentives for mixed-use projects that include commercial on the ground floor.
- Ensure that the SVMC is prepared to encourage construction of modular homes for all types of housing.
- Identify barriers to ADU development and modify the SVMC to incentivize infill development.

- Conduct subarea planning processes, including a Planned Action Environmental Impact Statement. The resulting Planned Action Ordinance would streamline permit processes for needed missing middle residential development types.

Affordable Housing Funding and Incentives

Outside of the flexibility allowed in its zoning regulations, the City has limited incentives to support the development of a range of housing types that are attainable for a broad variety of household incomes. The following incentives are for the City's consideration and may be studied further as part of the HAP process:

- Adopt the multifamily property tax exemption incentive promoting mixed-income developments.
- Evaluate the use of public funds and partnerships to increase construction of affordable housing and mixed-income developments. Examples of public funds include HB 1590 and a voter-approved property tax levy (RCW 84.52.105), both of which support affordable housing creation.
- Share stormwater charges and permitting fees between the City and developers of low-income housing.
- Consider waiving the sales tax related to construction materials for projects that provide affordable housing.
- While not necessarily an incentive, funds from a voter-approved affordable housing levy could be used to support the development of affordable housing.
- Develop incentives focused on affordable housing preservation to encourage naturally occurring affordable units.

ATTACHMENT A

COMPREHENSIVE PLAN HOUSING-RELATED GOALS, POLICIES, STRATEGIES, AND PRIORITIES

Chapter 2 of the 2017–2037 Spokane Valley Comprehensive Plan lists the goals, policies, and strategies that will guide the City's efforts in realizing the community's vision. The Comprehensive Plan notes that:

- **Goals** are broad statements of purpose.
- **Policies** provide specific direction to City staff.
- **Strategies** represent initial, concrete actions to effect implementation.

> **Adopted Vision Statement**
>
> *A community of opportunity where individuals and families can grow and play, and businesses will flourish and prosper.*

The following captures verbatim the goals, policies, and strategies from Chapter 2 that are relevant to housing. The Community and Economic Development Priorities are included at the conclusion of each Comprehensive Plan Element.

HOUSING ELEMENT

Goals

H-G1 Allow for a broad range of housing opportunities to meet the needs of the community.

H-G2 Enable the development of affordable housing for all income levels.

H-G3 Allow convenient access to daily goods and services in Spokane Valley's neighborhoods.

Policies

H-P1 Support voluntary efforts by property owners to rehabilitate and preserve buildings of historic value and unique character.

H-P2 Adopt development regulations that expand housing choices by allowing innovative housing types, including tiny homes, accessory dwelling units, prefabricated homes, cohousing, cottage housing, and other housing types.

H-P3 Use available financial and regulatory tools to support the development of affordable housing units.

H-P4 Enable the creation of housing for resident individuals and families needing assistance from social and human services providers.

Strategies

- Identify low- and moderate-income housing needs.
- Continue to evaluate new housing typologies to meet market needs.

Community and Economic Priorities

- **Encourage the Creation of Mixed-Use Destinations:** Regionally, Kendall Yards in Spokane has aroused interest as a relatively new style of development that embraces many of the tenets of a movement called new urbanism. Residents, as well as investors, have indicated interest in this type of development, which could anchor new regional retail, attract overnight visitors, amplify positive publicity, and create new mixed-use housing options.

- **Improve Housing Affordability:** Substantial portions of the renter and homeowner population are cost-burdened by rent and mortgage payments. An increase in multifamily housing options would reduce the average rent for these units countywide, improving the livelihood of cost-burdened residents. Furthermore, providing housing options that meet the needs of local employees is critical to ensuring that local companies continue to have access to capable workers.

- **Ensure a Range of Housing Options for Residents:** As the city's population ages and the proportion of households with children continues to decrease, the demand for smaller housing options will increase. During conversations with Spokane Valley residents, the desire for new housing typologies—including cottages and tiny homes— arose repeatedly. From an economic development standpoint, these typologies densify existing single-family neighborhoods while enhancing neighborhood character, and therefore provide a captive audience for neighborhood-serving retailers that create new jobs in the community and draw visitors from nearby towns.

- **Enhance Distinctive Neighborhood Character:** The Spokane Valley community expressed a strong desire for more neighborhood amenities, such as nonchain restaurants, boutiques, and local entertainment. These commercial features thrive in walkable, high-density residential communities and may best be provided through mixed-use development, where multifamily units can improve the financial feasibility of the development project.

ECONOMIC DEVELOPMENT ELEMENT

Goals Relevant to Housing

ED-G1 Support economic opportunities and employment growth for Spokane Valley.

Policies Relevant to Housing

ED-P10 Enable the creation and retention of home-based businesses that are consistent with neighborhood character.

LAND USE ELEMENT

Goals Relevant to Housing

LU-G1 Maintain and enhance the character and quality of life in Spokane Valley.

LU-G2 Provide for land uses that are essential to Spokane Valley residents, employees, and visitors.

LU-G3 Support the transformation of commercial, industrial, and mixed-use areas into accessible districts that attract economic activity.

LU-G4 Ensure that land use plans, regulations, review processes, and infrastructure improvements support economic growth and vitality.

Policies Relevant to Housing

LU-P7 Protect residential neighborhoods from incompatible land uses and adverse impacts associated with transportation corridors.

LU-P9 Provide supportive regulation for new and innovative development types on commercial, industrial, and mixed-use land.

LU-P13 Work collaboratively with landlords and developers that seek to provide mixed-use residential projects.

LU-P14 Enable a variety of housing types.

LU-P15 Encourage development in commercial and mixed-use zones by reducing parking requirements.

LU-P16 Maximize the density of development along major transit corridors and near transit centers and commercial areas.

Strategies Relevant to Housing

- Streamline permitting procedures based on feedback from business and landowners, developers, etc.
- Evaluate parking standards and reduce the amount of required parking if feasible.
- Collaborate with the private sector to ensure the successful redevelopment of vacant land at Mirabeau Point.

Community and Economic Priorities

- **Support neighborhood retail.** The market trend indicating demand for more retail space is mirrored by the community's desire for an increased number of neighborhood amenities. Spokane Valley residents reported significant demand for walkable retail options in the community, both to enhance the quality of life and to develop distinctive neighborhood identities.
- **Enhance local identity.** The community has expressed a desire to develop more unique neighborhood character. This includes encouraging the types of development that support small, independent businesses, including mixed uses and greater density of housing in certain areas. At the same time, the quality of the city's single-family neighborhoods must be preserved.

PUBLIC/PRIVATE UTILITIES ELEMENT

Goals Relevant to Housing

U-G1 Coordinate with utility providers to balance cost-effectiveness with environmental protection, aesthetic impact, public safety, and public health.

Policies Relevant to Housing

U-P2 Promote the development of citywide communication networks using the most advanced technology available.

ATTACHMENT B

HOUSING TYPE DEFINITIONS AND EXAMPLES

Single-family:
A building, manufactured or modular home or portion thereof, designed exclusively for single-family residential purposes, with a separate entrance and facilities for cooking, sleeping, and sanitation.

Source: Spokane Valley Municipal Code, Appendix A Definitions

Duplex:
An attached building designed exclusively for occupancy by two families, with separate entrances and individual facilities for cooking, sleeping, and sanitation, but sharing a common or party wall or stacked.

Source: Spokane Valley Municipal Code, Appendix A Definitions

Townhouse:
A single-family dwelling unit constructed in groups of three or more attached units in which each unit extends from foundation to roof, open on at least two sides.

Source: Spokane Valley Municipal Code, Appendix A Definitions

Cottage:
A small single-family dwelling unit developed as a group of dwelling units clustered around a common area pursuant to SVMC 19.40.050 as now adopted or hereafter amended.

Source: Spokane Valley Municipal Code, Appendix A Definitions

Accessory Dwelling Unit:
A freestanding detached structure or an attached part of a structure that is subordinate and incidental to the primary dwelling unit located on the same property, providing complete, independent living facilities exclusively for a single housekeeping unit, including permanent provisions for living, sleeping, cooking, and sanitation.

Source: Spokane Valley Municipal Code, Appendix A Definitions.

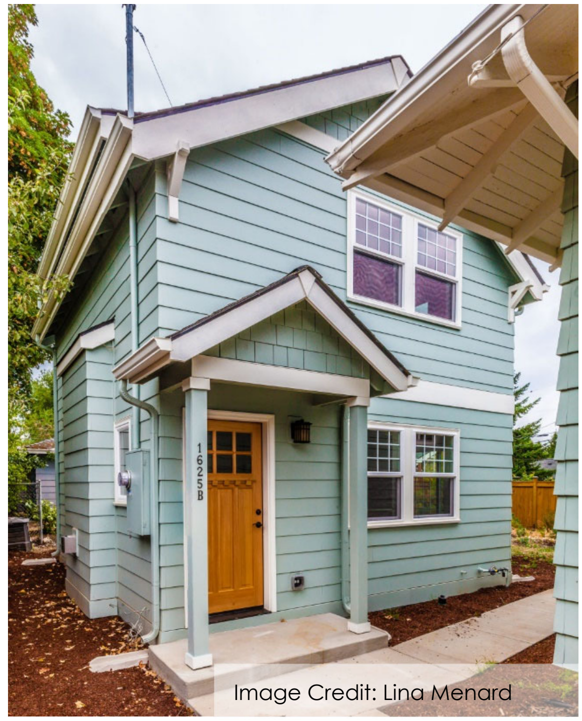


Image Credit: Lina Menard

Manufactured (mobile) home:
A preassembled dwelling unit transportable in one or more sections, which is built on a permanent chassis and is designed for use with or without a permanent foundation when attached to the required utilities certified by the Washington State Department of Labor and Industries. The term "manufactured home" does not include a "recreational vehicle."

Source: Spokane Valley Municipal Code, Appendix A Definitions.


Image Credit: Keller Williams Spokane

Multifamily:
A building designed for occupancy by three or more families, with separate entrances and individual facilities for cooking, sleeping, and sanitation. Townhouses are not considered multifamily development.

Source: Spokane Valley Municipal Code, Appendix A Definitions.

Modular construction:
Residences constructed entirely in factories and transported to their sites on flatbed trucks. They are built under controlled conditions and must meet strict quality-control requirements before they are delivered. They arrive as block segments and are neatly assembled, using cranes, into homes that are almost indistinguishable from comparable ones built on site.[1]

[1] Nick Gromicko, Modular vs. Manufactured Homes, National Association of Certified Home Inspectors, accessed 12/23/20, https://www.nachi.org/modular-manufactured-homes.htm.

ATTACHMENT C

LIST OF ACTIVE HOUSING-SUPPORTIVE PROGRAMS

EXISTING HOUSING CODE AND PROGRAMS

Program	Description
Housing Diversity	
Alternative Residential Development Options: • Accessory dwelling units • Industrial accessory dwelling units • Cottage development • Duplexes • Manufactured homes • Townhouses	In June 2016, the City of Spokane Valley (City) implemented new zoning regulations to allow for a variety of new housing types targeting smaller and more affordable housing options.[1] The new housing included accessory dwelling units, cottage development, duplexes, manufactured homes on both individual lots and in home parks, and townhouses. Duplexes were permitted in the denser residential districts (R-3 and Multifamily Residential) and mixed-use districts. The other housing types were allowed in a variety of districts throughout the city, provided they complied with the new supplemental development regulations. This zoning change led to a significant increase in the number of new duplexes being permitted in the city. New duplex development in the city raised some concern among residents. As a result, an amendment is proposed, as a part of the 2020 comprehensive plan updates, that would prohibit cottage housing, townhomes, and assisted-living facilities in R-3 districts. It would also add supplemental use regulations to duplexes in R-3 zones. The proposed amendment would create a new residential zone, R-4, that would allow greater density and alternative housing types in areas served by transit.
Streamlined Permitting	
State Environmental Policy Act (SEPA) Exemption—Flexible Thresholds	The City has adopted the maximum allowable SEPA flexible thresholds standards for residential development, exempting developments of up to 30 single-family units and 60 multifamily units.[2] This can limit permit processing times and environmental review requirements for projects that fall below these thresholds.
SEPA Exemption—Infill Development	The City has implemented an exemption from SEPA review for residential and mixed-use infill developments in four areas of the city.[3] Developments that meet the criteria for each area are not required to go through SEPA review, reducing the time required for permitting and environmental analysis.
Housing	
Sales and Use Tax for Affordable and Supportive Housing	In February 2020, the City adopted a sales and use tax for affordable and supportive housing. Transactions are taxed at a rate of 0.0073 percent of the selling price or value. The funds can be used for acquiring, rehabilitating, constructing, or operating and maintaining new affordable housing units.[4]
Homeless Housing Assistance Act (HHAA) Funds	HHAA document recording surcharges are authorized by two statutes: Revised Code of Washington (RCW) 36.22.179 and RCW 36.22.1971. The recording fee funds must be used for homeless services to further the goals of the local homeless housing plan. Currently, HHAA recording fees generated from activity in Spokane County support countywide homeless housing programs. Because the City of Spokane receives a direct allocation, two HHAA funds are administered locally—one by Spokane County (the County) and other by the City of Spokane. The County hosts an HHAA request-for-proposal (RFP) process for homelessness service providers to apply for funds. In November and December 2019, the County held an RFP process for its 2020 funding cycle to allocate more than $1.3 million to homelessness service providers with contracts spanning 18 months. Funding decisions were reviewed and approved by the Housing and Community Development Advisory Committee, which includes three representatives from the City.

[1] SVMC Chapter 19.40 Alternative Residential Development Options.
[2] SVMC Section 21.29.040 Categorical exemptions.
[3] Ibid.
[4] RCW 82.14.540 Affordable and supportive housing- Sales and use tax.

Program	Description
Low Income Housing Tax Credits (LIHTC)	LIHTC is the longest-running and only current federal funding source for the development of new affordable housing. In Washington, the program is administered by the Washington State Housing Finance Commission. LIHTC funds can also be used to rehabilitate existing affordable housing developments. A successful LIHTC application results in a tax credit being assigned to the project. This credit can be either retained by the developer to offset their tax obligations or sold to an equity investor to provide immediate funds for the development. The affordable units created are required to remain affordable for 30 years. Twelve projects in Spokane Valley have taken advantage of LIHTC, creating 675 affordable housing units since 2000.[5] The application and selection process for LIHTC is extremely competitive, with far more applicants than funding available. The Housing Finance Commission allocates funding to geographic pools, which limits the number of applications that can be funded each cycle in Spokane County. As a result of recent changes to Washington State LIHTC policies, the County is currently developing a pre-application process to select one application per funding round to recommend for funding.[6]
Affordable Housing Trust Fund	The County manages the region's Affordable Housing Trust Fund. Revenues for the fund are generated from a document recording fee of $10 authorized by RCW 36.22.178. The statute allows the County to use 60 percent of the revenue generated from the recording fee for building, operation, and maintenance of housing serving households making at or below 50 percent of the area median income. The County uses these funds to support new and existing affordable housing projects across the county.
Federal HOME funds and Community Development Block Grants (CDBG)	Spokane Valley is a member of an Urban County Consortium that allows the Spokane County Housing and Community Development Division to administer federal HOME and CDBG funds. The County does this based on their Annual Action Plan and guidance from the Housing and Community Development Advisory Committee. The funds are typically offered through a competitive RFP to solicit affordable housing project proposals from other service providers. The County anticipates receiving $1.65 million in CDBG funds in 2020.
Eviction Rent Assistance Program	The County manages the Eviction Rent Assistance Program Grant that is intended to prevent evictions by paying past due, current, and future rent. The program serves households that earn at or below 50 percent of the area median income and that have not paid or partially paid one month of rent.
Subsidized Housing and Housing Voucher program	The Spokane Housing Authority owns and manages 846 units of affordable housing units in the region. They also manage Section 8 and grant-based housing voucher programs. The waitlist for the housing voucher program is currently closed because of high demand and limited funding.

[5] HUD, "LIHTC Database," 2018, https://lihtc.huduser.gov.
[6] Spokane County, "2021 9% LIHTC Metro-Pool Prioritization Pre-Application process," accessed Sept. 17, 2020, https://www.spokanecounty.org/4690/9-LIHTC.

ATTACHMENT D
ZONING CODE REFERENCE

CITY OF SPOKANE VALLEY ZONING DISTRICTS

Comprehensive Plan Land Use Designation	Zoning District Code	Zoning District
Single-Family Residential	R-1	Single-Family Residential Estate
Single-Family Residential	R-2	Single-Family Residential Suburban
Single-Family Residential	R-3	Single-Family Residential
Single-Family Residential	R-4	Single-Family Residential Urban
Multifamily Residential	MFR	Multifamily Residential
Mixed Use	MU	Mixed Use
Corridor Mixed Use	CMU	Corridor Mixed Use
Neighborhood Commercial	NC	Neighborhood Commercial
Regional Commercial	RC	Regional Commercial
Industrial	I	Industrial
Industrial Mixed Use	IMU	Industrial Mixed Use

SVMC 19.20.010 Zoning districts

RESIDENTIAL PERMITTED USE TABLE

	Residential					Mixed-Use		Commercial		Industrial	
	R-1	**R-2**	**R-3**	**R-4**	**MFR**	**MU**	**CMU**	**NC**	**RC**	**IMU**	**I**
Residential											
Dwelling, accessory units	S	S	S	S		S	S	S	S	S	
Dwelling, caretaker's residence							S	S	S	S	S
Dwelling, cottage				S	S	S	S				
Dwelling, duplex			S	P	P	P	P				
Dwelling, industrial accessory dwelling unit										S	S
Dwelling, multifamily					P	P	P				
Dwelling, single-family	P	P	P	P	P	P	P	P			
Dwelling, townhouse				S	S	S	S	S			
Manufactured home park			S	S	S						

SVMC 19.60.050 Permitted Uses Matrix
P= Permitted.
S= Supplemental Use Regulations.

RESIDENTIAL STANDARDS TABLE

		R-1	R-2	R-3	R-4	MFR[1]
Minimum	Front and Flanking Street Yard Setback	35'	15'	15'	15'	15'
	Garage Setback[2]	35'	20'	20'	20'	20'
	Rear Yard Setback	20'	20'	10'	10'	10'
	Side Yard Setback	5'	5'	5'	5'	5'
	Open Space	N/A	N/A	N/A	N/A	10% gross area[3]
	Lot Size	40,000 sq. ft.	10,000 sq. ft.	5,000 sq. ft.[6]	4,300 sq. ft.	N/A[4]
Maximum	Lot Coverage	30%	50%	50%	60%	60%
	Density	1 du/ac	4 du/ac	6 du/ac	10 du/ac	22 du/ac
	Building Height[5]	35'	35'	35'	35'	50'

-1 Where MFR abuts R-1, R-2, or R-3 zones, development shall comply with the provisions of Chapter 19.75 SVMC, Transitional Regulations. (hyperlink to existing code)

-2 Attached garages, where the garage door does not face the street, may have the same setback as the primary structure.

-3 Open-space requirement does not apply to single-family development in the MFR zone.

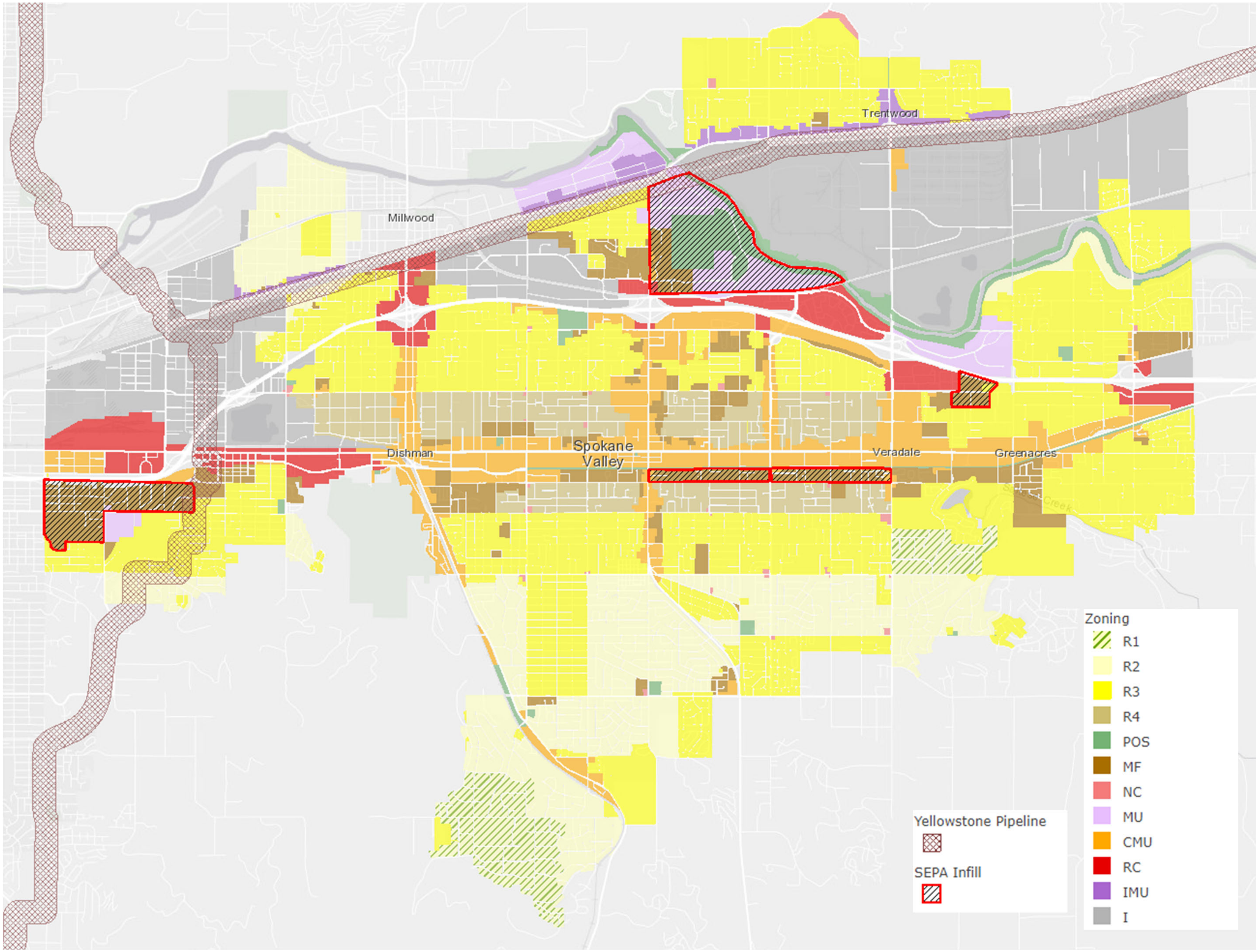
-4 Single-family residential development in the MFR zone shall have a minimum lot size of 2,000 square feet per dwelling unit. Only one single-family dwelling shall be allowed per lot.

-5 The vertical distance from the average finished grade to the average height of the highest roof surface.

-6 Duplex development in R-3 zone shall have a minimum lot size of 14,500 square feet.

SVMC 19.70.020 Permitted uses matrix

ZONING MAP


Trentwood
Millwood
Spokane Valley
Dishman
Veradale
Greenacres
Zoning
R1
R2
R3
R4
POS
MF
NC
MU
CMU
RC
IMU
I
Yellowstone Pipeline
SEPA Infill

SUPPLEMENTAL STANDARDS FOR ALTERNATIVE RESIDENTIAL DEVELOPMENT OPTIONS

Accessory Dwelling Units (ADUs)

Definition: a freestanding detached structure or an attached part of a structure that is subordinate and incidental to the primary dwelling unit located on the same property, providing complete, independent living facilities exclusively for a single housekeeping unit, including permanent provisions for living, sleeping, cooking, and sanitation. See "Residential, use category."

Site

- One ADU is allowed per lot.
- One off-street parking space is required.

Building

- Must be similar in appearance to single-family home in finish, roof pitch, trim, and windows.
- The entrance should be located on the side or rear of the unit.
- Must be at least 300 square feet.
- Cannot exceed 50 percent of the habitable square footage of the primary unit.
- Footprint cannot exceed 10 percent of the lot area or 1,000 square feet, whichever is greater.
- Cannot have more than two bedrooms.

Other

- Located behind the front building setback line and placed on a permanent foundation.
- Preserve all side yard and rear yard setbacks for a dwelling unit.
- Not allowed on lots containing a duplex, multifamily dwelling, or accessory apartment.
- The owner must occupy either the primary dwelling unit or the ADU as their permanent residence for six months or more of the calendar year and at no time receive rent for the owner-occupied unit.
- A deed restriction shall be recorded with the Spokane County auditor to indicate the presence of an ADU, the requirement of owner occupancy, and other standards for maintaining the unit as described in the Spokane Valley Municipal Code (SVMC).

Industrial ADUs

Definition: A dwelling unit within a primary building located in the industrial zone for occupancy by a person or family for living and sleeping purposes.

Site

- An industrial ADU may be developed in conjunction with either an existing or new building.
- The maximum number of allowed industrial ADUs is ten per site.
- One off-street parking space for each ADU is required in addition to the off-street parking required for the primary use.

Building

- The ADU, excluding any garage area, is prohibited on the first floor of the building.
- The ADU unit shall not have more than two bedrooms.

Permit Type

- Industrial accessory dwelling units shall require approval of a conditional use permit pursuant to Chapter 19.150 SVMC.

Cottage development

Definition: A small single-family dwelling unit developed as a group of dwelling units clustered around a common area pursuant to SVMC 19.40.050 as now adopted or hereafter amended.

Site

- The design of a cottage development shall take into account the relationship of the site to the surrounding areas. The perimeter of the site shall be designed to minimize adverse impact of the cottage development on adjacent properties and, conversely, to minimize adverse impact of adjacent land use and development characteristics on the cottage development.
- The maximum density shall be two times the maximum number of dwelling units allowed in the underlying zone.
- Where feasible, each cottage that abuts a common open space shall have a primary entry and/or covered porch oriented to the common open space.
- Buildings shall meet the following minimum setback standards:
  - Twenty-two-foot front yard setback.

  - Ten-foot rear yard setback.
  - Five-foot side yard setback.
- Common open space is required and shall meet the following criteria:
  - Four hundred square feet of common open space per cottage.
  - Setbacks and private open space shall not be counted toward the common open space.
  - One common open space shall be located centrally to the project, with pathways connecting the common open space to the cottages and any shared garage building and community building.
  - Cottages shall surround the common open space on a minimum of two sides of the open space.
  - Community buildings may be counted toward the common open space requirement.
- One and one-half off-street parking spaces for each cottage are required.

Building

- Cottages shall not exceed 900 square feet, excluding any loft or partial second story and porches. A cottage may include an attached garage, not to exceed an additional 300 square feet.
- The building height for a cottage shall not exceed 25 feet.
- The building height for any attached garage or shared garage building shall not exceed 20 feet.
- Buildings shall be varied in height, size, proportionality, orientation, rooflines, doors, windows, and building materials.
- Porches shall be required.

Other

- ADUs are prohibited.
- All other SVMC provisions that are applicable to a single-family dwelling unit shall be met.
- SVMC Title 20, Subdivision Regulations. The design requirements of SVMC 20.20.090 are waived.

Permit Type

- Cottage development shall require approval of a conditional use permit pursuant to Chapter 19.150 SVMC.

Community buildings

- Community buildings are encouraged in cottage developments. Community buildings shall meet the following criteria:
  - They shall be clearly incidental in use and shall not exceed 1,000 square feet.
  - They shall be no more than 20 feet in height.
  - They shall be commonly owned and maintained by the property owners.

Duplexes

Definition: An attached building designed exclusively for occupancy by two families, with separate entrances and individual facilities for cooking, sleeping, and sanitation, but sharing a common or party wall or stacked. See "Residential, use category."

- Duplex development in the R-3 zone shall have a minimum lot size of 14,500 square feet. Duplex development in nonresidential zones shall meet the requirements set forth in SVMC 19.70.050(G).

Manufactured homes on individual lots

Definition: A preassembled dwelling unit transportable in one or more sections, which is built on a permanent chassis and is designed for use with or without a permanent foundation when attached to the required utilities certified by the Washington State Department of Labor and Industries. The term "manufactured home" does not include a "recreational vehicle."

Homes built to 42 U.S.C. 70 Sections 5401 through 5403 standards (as they may be amended) are regulated for the purposes of siting in the same manner as site-built homes, factory-built homes, or homes built to any other state construction or local design standard, provided that the manufactured home shall:

- Be set upon a permanent foundation, as specified by the manufacturer, and that the space from the bottom of the home to the ground be enclosed by concrete or an approved product that can be either load-bearing or decorative.
- Comply with all local design standards, including the requirement for a pitched roof with a slope of not less than 3:12, applicable to all other homes in the neighborhood in which the manufactured home is to be located.
- Be thermally equivalent to the State Energy Code.
- Otherwise meet all other requirements for a designated manufactured home as defined in RCW 35.63.160.

SVMC 19.40.070 does not override any legally recorded covenants or deed restrictions of record.

An existing single-wide manufactured home may be replaced with a new single-wide manufactured home when replacement is initiated within 12 months of the date of damage representing less than 80 percent of market value, or removal of the existing habitable manufactured home.

Manufactured homes with dimensional features that match or closely match the predominant manufactured home type within a manufactured home subdivision may be placed in the manufactured home subdivision without regard to the age of the manufactured home (Ord. 16-018 § 6 (Att. B), 2016).

Manufactured home parks

Definition: A site having as its primary use the rental of space for occupancy by two or more manufactured (mobile) homes, and the accessory buildings, structures, and uses customarily incidental to such homes. See "Residential, use category."

Manufactured home parks shall require approval of a binding site plan and site plan review pursuant to SVMC Title 20, Subdivision Regulations, and Chapter 19.130 SVMC, Site Plan Review.

Manufactured home park density shall be consistent with the zoning classification in which they are located, not to exceed 12 units per acre. A minimum of five manufactured-home spaces shall be required per park.

Manufactured home parks shall provide at least 10 percent of the gross area of the park for common open space for the use of its residents.

Each manufactured home space shall have direct frontage on a public or private street.

The minimum setbacks shall be pursuant to Table 19.40-1.

	Minimum setback from the property lines of individual in park spaces			**Minimum setback from the boundary of the manufactured home park**		
	Front Yard	**Side Yard**	**Rear Yard**	**Side Yard**	**Rear Yard**	**Right-of-Way**
Manufactured homes	5'	5'	5'	10'	10'	20'
Patio covers, decks, landings, awnings	5'	5'	5'	5'	5'	20'
Carports	5'	5'	5'	5'	5'	20'

Townhouses

Definition: A single-family dwelling unit constructed in groups of three or more attached units in which each unit extends from foundation to roof, open on at least two sides. See "Residential, use category."

In zero lot line developments approved as part of a planned residential development, zero setbacks along one side are allowed, provided a 2-foot maintenance easement is recorded as part of the subdivision plan.

Townhouses located on individual lots shall meet minimum rear, front, and side yard requirements (where applicable), minimum area requirements, maximum lot coverage, and building height requirements shown in Table 19.70-1. Townhouses are subject to the following requirements:

- No more than six dwelling units shall be attached in one continuous row or group.
- A townhouse unit shall not be constructed above another townhouse unit.
- There shall be a side yard on each side of a contiguous row or group of dwellings of not less than 6 feet.

Townhouses included in a condominium development may limit the lot to the building footprint, provided that the yard area shared in common with all units is equivalent in area to the yard required by the underlying zone (Ord. 16-018 § 6 (Att. B), 2016).

Homeowner or property owner association required

In a cottage development or manufactured home park, a property owners' or homeowners' association shall be established for the purpose of ownership, maintenance, and management of open spaces, common areas, buildings, and private streets as required by the provisions of the SVMC (Ord. 16-018 § 6 (Att. B), 2016).

PERMIT PROCESSES

Permit Type and Land Use Application

Application Type	Decision Authority	Pre-application conference	Counter-complete determination	Fully complete determination	Notice of application	Notice of public hearing	Final decision and notice	Final Decision timeline ***
I	The department	O	X	X	N/A	N/A	X	60 days
II*	The department	O**	X	X	X	N/A	X	120 days
III	Hearing examiner	X	X	X	X	X	X	120 days

X Required O Optional N/A Not Applicable
*Does not apply to SEPA threshold determinations. Refer to SVMC 21.20.070(B)(2) for noticing requirements.
**Except for short subdivisions and binding site plans, which require a preapplication meeting.
***Timeline after the fully complete determination; fully complete determination is issued within 14 days of receiving the application.

Type I	Accessory dwelling units	19.40
	Building permits not subject to SEPA	21.20.040
	Floodplain development	21.30
Type II	Binding site plan—preliminary and final	20.50
	Binding site plan—change of conditions	20.50
	SEPA threshold determination	21.20.060
	Shoreline conditional use permit	21.50
	Shoreline nonconforming use or structure review	21.50
	Shoreline substantial development permit	21.50
	Shoreline variance	21.50
	Short subdivision—preliminary and final	20.30, 20.40
	Preliminary short subdivision, binding site plan—change of conditions	20.30
Type III	Conditional use permits	19.150
	Planned residential developments	19.50
	Subdivisions—preliminary	20.30

REQUIRED PARKING SPACES

Table 22.50-1—Required Parking Spaces for Specific Uses

Use	Required Parking
Residential	
Dwelling, accessory units	1 per dwelling unit
Dwelling, multifamily, studio, and one bedroom	1 per dwelling unit, plus 5% of total for guests
Dwelling, multifamily, two or more bedrooms	1.5 per dwelling unit, plus 5% of total for guests
Dwelling, one- and two-family, townhouse	2 per dwelling unit
Manufactured (mobile) home park	2 per dwelling unit plus 5% total for guest parking
Group Living	
Assisted living facility/convalescent/nursing home	1 per 4 residents plus 1 per staff on largest shift
Community residential facility	1 per 4 residents
Dwelling, congregate	1 per sleeping room

https://www.codepublishing.com/WA/SpokaneValley/#!/SpokaneValley22/SpokaneValley2250.html#22.50

APPENDIX D

SUMMARY OF COMMUNITY ENGAGEMENT

MEMORANDUM

To:	Chaz Bates	Date:	March 4, 2021
From:	Kate Elliott Matt Hoffman	Project No.:	1932.01.01

RE: City of Spokane Valley Housing Action Plan Public Engagement Summary

SUMMARY OF PUBLIC ENGAGEMENT

Maul Foster & Alongi, Inc. (MFA) led a public engagement process to gather stakeholder input to inform the Housing Action Plan (HAP) as it was developed. These efforts engaged key stakeholders including community members, workers, businesses, nonprofit organizations, service providers, housing developers and housing managers, and others to understand their priorities related to housing in the City of Spokane Valley (City). Their priorities were foundational in developing the HAP.

The Community Engagement Plan (CEP) for the City of Spokane Valley's HAP was developed in accordance with the Washington State Department of Commerce's Guidance for Developing a Housing Action Plan (Public Review Draft).

The summary below outlines the findings from the community engagement efforts which included an online survey and stakeholder interviews. Project updates were provided to our key stakeholders and the general public using email and listserv updates, media updates and media interviews, and an article in the city magazine which is mailed to every address in the city. The purpose of the project updates was to ensure the community was aware of project status, milestones, upcoming engagement opportunities, and ways to get involved and provide input.

COMMUNITY ENGAGEMENT APPROACH

The CEP details the goals, approach, and methodology that were conducted for this project. The final CEP is included in Attachment A of this summary.

The engagement effort was developed around the goal of understanding the community's housing priorities including opportunities and challenges. The plan focused on providing background information necessary for the public to understand the purpose, need, and value of a HAP and the importance of providing diverse, affordable housing to support inclusive neighborhoods.

Community input was used to shape the direction of the HAP's strategies and recommendations. Draft strategies and recommendations were then reviewed by staff and the City Council, and the final HAP, once prepared, will be distributed to the public for further comment and refined based on feedback prior to adoption. A list of the outreach tactics used in development of the HAP is summarized in the table.

Table: List of Outreach Tactics

Month	Outreach Tactics
Summer 2020	• Community engagement plan • Project web page, materials, and "on-hold" message for the City of Spokane Valley general phone line • Stakeholder interviews • Community and partner update describing the HAP purpose, need, and process
Fall 2020	• Community survey #1 about the current state of housing and housing needs (Survey was live 9/21–10/19) • Website updates regarding project status
Winter 2020–21	• City magazine article about the HAP (quarterly magazine mailed to all addresses in November 2020) • Council/Commission check-ins with opportunity for public input • Website updates regarding project status • Community and partner update on project status

COMMUNITY ENGAGEMENT FINDINGS

In September and October 2020, MFA conducted an online public survey and stakeholder interviews. The survey garnered 124 responses. Following the survey, MFA conducted stakeholder interviews with 15 housing-related professionals involved in the development of housing, management of housing, and programs that support housing ownership and affordable housing. The interviews helped expand on the themes identified from the survey responses to help build out the context for the community's priorities around housing.

SURVEY FINDINGS

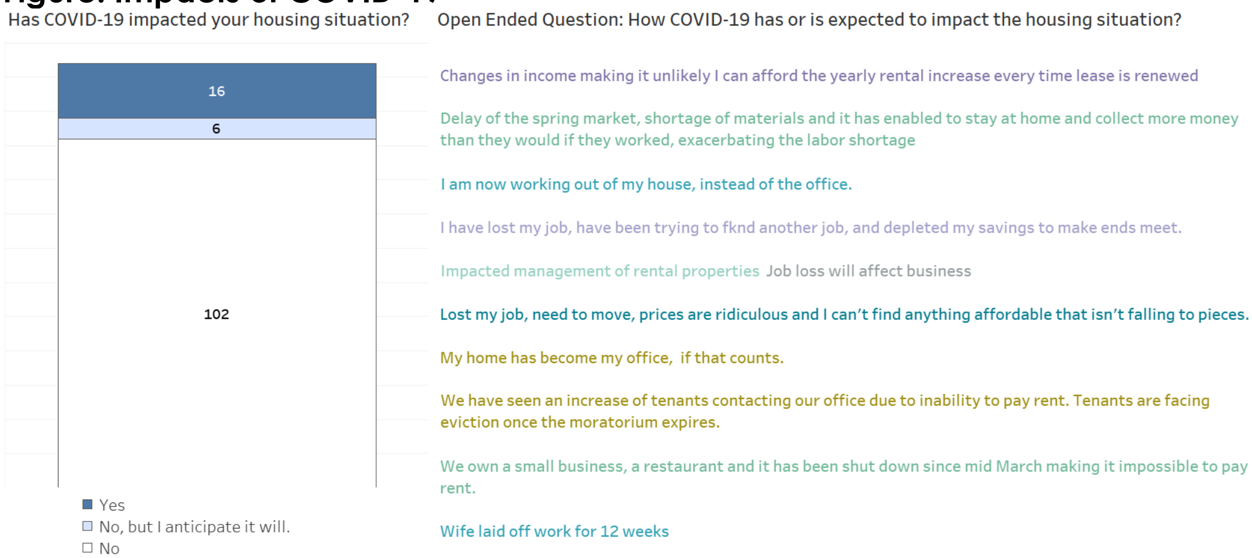
The following sections summarize the responses and sentiment in the community survey. The survey was fielded using SurveyMonkey from September 21 to October 19, 2020 and received 124 responses. The Spokane Valley community was well represented, and demographics of those that took the survey aligned closely to the overall makeup of the city. Survey demographics can be found in Figures 1 through 3 in Attachment B of this summary.

COVID-19 impacts to housing

At the time of the survey, 13 percent of responses noted impacts to their housing situation due to the COVID-19 pandemic, and an additional five percent said they expect to be impacted in the future.

Respondents noted a number of reasons they were unable to keep up with rent or housing payments including losing jobs, changes in income, and businesses shutting down. The figure summarizes this input.

Figure: Impacts of COVID-19



Owners and renters in Spokane Valley

The survey asked whether the respondents owned or rented their homes. All respondents answered this question and 75 percent were owners—56 percent owned with a mortgage and 19 percent owned free and clear. Renters accounted for 23 percent of the responses. The other three respondents either occupied their unit without payment of rent or they did not have stable housing.

Barriers to renting in Spokane Valley

Only 25 of the 124 respondents (20 percent) identified as renters. This question allowed respondents to select more than one choice. The 25 respondents provided a total of 31 responses. Of these 31 responses, 77 percent said finding affordable housing in the city was a barrier to renting. Challenges included not being able to find affordable housing (61 percent identified this as a barrier), 10 percent identified as a barrier not being able to find housing that accepted housing vouchers, and six percent said past evictions, or no ADA-available units was a barrier. The remaining 23 percent of renters did not experience any barriers to renting. Figure 4 of Attachment B includes a summary of this data and further demographic information.

Barriers to purchasing a home in Spokane Valley

This question asked if respondents had recently tried to buy or bought a home and allowed respondents to select more than one answer. The 102 responses include renters and homeowners. Of this total, 23 percent said affordability was a barrier, and 18 percent could not afford a down payment. Others noted difficulty finding the right type of housing, being outbid, or not finding a place in the location they wanted. Less than half of the respondents did not encounter any barriers (45 percent, or 29 of 64). Figure 5 of Attachment B includes a summary of this data and further demographics.

Types of housing in Spokane Valley

Of the 124 respondents, 109 indicated the type of housing that they currently live in. Single-family homes accounted for 80 percent of where respondents live, while the next most common housing type was multifamily homes at 13 percent. Figure 6 of Attachment B includes a summary of this data and further demographics.

Favored housing types for Spokane Valley

Respondents were also asked what type of housing they would like to live in. Of the 124 respondents 107 provided at least one answer. Respondents could select more than one housing type and a total of 159 housing types were selected. Single-family homes were the most desired housing type at 60 percent of responses, though nearly all the respondents (90 percent) included single-family homes as one of their choices. The next most favored were:

- Cottages: 16 percent of the total responses with 24 percent of the respondents selecting this choice.
- Townhomes: Nine percent of the responses with 13 percent of the respondents selecting this choice.
- Duplex: Seven percent of the responses with 10 percent of the respondents selecting this choice.

Figure 7 of Attachment B includes a summary of the 159 responses and further demographics.

Housing options with the greatest need

Respondents were asked what kind of housing options are in greatest need in Spokane Valley. Of the 124 respondents, 93 provided at least one answer. Respondents could select more than one type of housing and a total of 206 responses were provided. Of the 93 respondents, 73 percent felt more affordable ownership housing options were the greatest need. The other two most frequently selected needs were the desire for more affordable housing for seniors, with 48 percent selecting this choice, and the desire for more flexibility for single-family homeowners to build accessory dwelling units, such as backyard cottages, with 44 percent selecting this choice. Figure 8 of Attachment B includes a summary of the 206 responses and further demographics.

Open-ended questions

Impacts to the quality of living in Spokane Valley

When asked about issues or challenges that impacted their quality of life, responses ranged from lack of affordable housing to pesky neighbors. Respondents noted that higher drug, crime, and homelessness areas are often also lower income housing areas. The desire for recreation and parks was mentioned several times. A list of quotes from this open-ended question can be found after Figure 8 of Attachment B.

Ways the City can improve housing

When asked about how Spokane Valley can improve housing for the community most respondents noted either a need for encouraging the development of more affordable housing and promoting more housing choices. A list of quotes from this open-ended question can be found after Figure 8 of Attachment B.

Primary reason for living in Spokane Valley

The final question asked respondents why they lived in the Spokane Valley. Many respondents were either born and raised or work in the area. Responses indicated that apart from train traffic, the Spokane Valley is a quiet community with less vehicle traffic and fewer challenges associated with bigger cities. Good schools and great quality of life were noted many times, as well as ease of access to Interstate 90. A list of quotes from this open-ended question can be found after Figure 8 of Attachment B.

STAKEHOLDER INTERVIEWS

The stakeholder interviews generated a wealth of information, and the content of each interview was analyzed to identify similar and distinct key themes and insights, all of which informed the HAP. The 15 interviewees, listed below, included housing developers, nonprofit service providers and developers, and housing advocates. Their experiences provided insights into housing challenges and opportunities specific to Spokane Valley and directly informed the development of the housing polices.

1. Dennis Crapo, Diamond Rock Construction
2. Lanzce Douglas, Douglas Properties
3. Deb Elzinga, Community Frameworks
4. Jim Frank, Greenstone
5. Michelle Girardot, Habitat for Humanity
6. Rob Higgins, Spokane Association of REALTORS
7. Julie Honekamp, SNAP
8. Ray Kimball, Whipple Engineering
9. Jonathan Mallahan, Catholic Charities
10. Jennyfer Mesa, Latinos en Spokane

11. Dave Roberts, Spokane Housing Ventures
12. Ben Stuckart, Spokane Low Income Housing Consortium
13. Todd Walton, Inland Group
14. Darin Watkins, Spokane Association of REALTORS
15. Joel White, Spokane Home Builders Association

Summary of Findings

Development process

Input from the developers interviewed was that development process in Spokane Valley is working efficiently for permitting and constructing new single-family and multifamily housing. Interviewees indicated positive experiences working with building officials and Spokane Valley staff navigating the permit process. The fee schedules are in line with the market. However, those involved with developing affordable housing noted there would be an added benefit to an otherwise challenging development pro forma if the city reduced or waived fees for affordable housing projects.

Competitive and limited affordable housing funding sources

Federal, state, and local funds for affordable housing are limited and highly competitive and there is limited funding available for distribution to projects annually. There are only two qualified census tracts in the city, 117.02 and 118.00. Affordable housing developments in qualified census tracts that apply for low-income housing tax credit funding receive a boost in the amount of tax credits they can receive. These tax credits are important for making regulated affordable housing projects feasible.

Opportunities to encourage housing development

Several interviewees noted that there is very limited inventory for starter homes, and the gap in missing middle housing in Spokane Valley is real. A range of ideas were offered based on the interviewees' professional experience and their conversations with the community. The following bullets summarize the ideas:

Low-Income Households

- Rent deposits and documentation requirements can be hurdles for portions of the population. Consider programs or policies that address this hurdle.
- Down payment assistance for first time home buyers.
- Acknowledge equity and race in the comprehensive plan to position the city to address housing equity.
- Consider a city compliance office to collect and address compliance incidents.
- Limited equity co-ops are a means to create wealth and home ownership for long-term tenants. Challenges include patient investors and gap financing. The other model often noted is shared equity. These programs do not require city intervention. The city may

provide resources and information, and/or provide financial support for limited equity co-ops if it creates a housing fund.

Programs and Incentives

- Provide housing around state and federally supported transportation investments. Planned Action Environmental Impact Statements may provide additional incentives for developing housing in these areas by reducing the project-level permitting process.
- Several interviewees noted the potential benefits of implementing a multifamily tax exemption program.
- Create a Planned Residential Development track for smaller lots (less than five acres) that provide affordable housing and/or missing middle housing types.
- Offer nonprofits the first right of refusal to develop affordable housing units on city-owned properties or properties with a lien.
- Brownfields may provide land opportunities not sought by market-rate developers.

Outreach and Partnerships

- A regional communications campaign dispelling housing myths and showing the positive benefits of healthy homes.
- Partner with neighborhood groups or support the creation of one that is focused on Spokane Valley. SNAP (Spokane Neighborhood Action Partners) is a model.
- Seek partnerships with private entities seeking philanthropic endeavors. A local example is a project in northeast Spokane that was built by Spokane Housing Ventures in partnership with Empire Health Foundation. Traditional affordable housing funding sources were used as was support from the foundation.

Threats to housing development and preservation of affordable units

Several interviewees mentioned threats to housing development and the need to preserve affordable units. A range of ideas were offered based on the interviewees' professional experience and their many conversations with the community. The following bullets summarize the ideas:

- Lumber prices have gone up by more than 120 percent over the past year. There is not anything the city can do about this, but these increased costs directly impact housing prices.
- Labor shortages impact development costs. It was noted that encouraging more trade jobs through apprenticeship programs or partnerships could help grow the workforce that may reduce labor availability and related development cost impacts.
- Vintage affordable housing units that need rehabilitation could be an area of focus. The rehabilitation costs require debt, and the financial package may require higher incomes.

The unintended consequence is a loss of units that serve the 30 percent or less AMI households.

- One developer shared about a single-family subdivision that was subject to public comment and SEPA review being held up because of protest from nearby residents despite complying with local code.

External forces driving developers from Spokane County

Developers that have been active in Spokane County indicated that they are seeking development opportunities in northern Idaho where the housing market is similar but where there is significantly less state regulation. Interviewees noted the diminishing availability of large tracks of unimproved land in Washington and the increasing cost of land relative to Idaho as driving forces. There was a strong desire to expand the Urban Growth Boundary to provide more land to develop housing. Several interviewees cited that the energy code revisions adopted by Washington will add costs to home development. These measures, which take effect in 2021, increase development costs which are passed through to the home buyer. Finally, Washington state's condominium laws create a disincentive to develop this type of attainable housing due to insurance requirements. Condominium law reform is needed to encourage development of higher density condominium buildings that may offer affordable home ownership options.

PRE HAP-ADOPTION OUTREACH

Community input was used to shape the direction of the HAP's strategies and recommendations. Draft strategies and recommendations were then reviewed by staff and the City Council, and the final HAP, once prepared, will be posted on the HAP project web page (https://www.spokanevalley.org/HAP), distributed to the public for further comment, and refined based on feedback prior to adoption.

ATTACHMENT A
COMMUNITY ENGAGEMENT PLAN

City of Spokane Valley Housing Action Plan
Community Engagement Plan

Background

In 2019, the Washington State Legislature passed Engrossed Second Substitute House Bill 1923 (E2SHB 1923) encouraging all cities planning under the Growth Management Act to adopt actions to increase residential building capacity. Of the options provided by E2SHB 1923, the city opted to complete a housing action plan. The Washington State Department of Commerce (Commerce) provided grant funding for the development of a housing action plan. Source: City of Spokane Valley (City) RFP.

The goal of a housing action plan is to encourage construction of additional affordable and market rate housing in a greater variety of housing types and at prices that are accessible to a greater variety of incomes. To do this the City will quantify existing and projected housing needs for all income levels, develop strategies to increase the supply of housing while minimizing displacement of low-income residents. Source: E2SHB 1923.

An important part of the Housing Action Plan (HAP) is gathering input from the community and key stakeholders. This community engagement plan (CEP) outlines the goals, key messages, tactics, and an implementation schedule for the City to effectively engage its audiences for the purposes of developing its HAP.

The community views City efforts positively. Like many Washingtonians, the Spokane Valley community would benefit from additional information about the current housing situation and the background on why the state passed E2SHB 1923.

The Housing Action Plan CEP is designed to engage with stakeholders and solicit their input and engage with the broader community to gather feedback and increase awareness of housing needs and opportunities in the community.

Due to the rapidly changing COVID-19 situation, this plan uses web-based technologies, online tools, and virtual meetings.

This CEP for the City's HAP was developed in accordance with Commerce's Guidance for Developing a Housing Action Plan (Public Review Draft).

Outreach and engagement goals

- Integrate with City staff in the HAP planning process
- Foster a two-way dialogue with stakeholders and community members
- Allow stakeholders and the broader community to feel heard, informed, involved, and invested in
- Build trust between the City and the community throughout the engagement process

Key messages

- In 2019, the Washington State Legislature passed a bill (E2SHB 1923) encouraging cities to adopt actions to increase residential building capacity.
- The goal of this HAP is to encourage construction of a greater variety of housing types at prices that are accessible to a greater variety of incomes.
- When complete, the HAP will include information on the existing housing stock in the City, projected housing needs for all income levels, and strategies to

increase the supply of housing while minimizing displacement of low-income residents.

- The development of the HAP is funded by a grant from Commerce.

Key milestones

Q2 April–June 2020

- Project initiation
- *Deliverable 1 Community Engagement Plan 6/30/2020*

Q3 July–September 2020

- Stakeholder interviews
- Community survey #1
- *Deliverable 2 Housing Needs Assessment Report 7/30/2020*
- Council/Commission check-in #1

Q4 October–December 2020

- City magazine article due Oct. 15
- Community survey #2
- Greater Spokane Valley Chamber of Commerce informational meeting
- Council/Commission check-in #2
- *Deliverable 3 Recommended policy and code changes 12/31/2020*
- *Deliverable 4 Housing Strategies report 12/31/2020*
- *Deliverable 5 Implementation Plan 12/31/2020*

Q1 January–March 2021

- *Deliverable 6 Housing Action Plan 2/01/2021*
- Council/Commission final presentation

Q2 April–June 2021

- *Deliverable 7 Adopted Housing Action Plan 5/31/2021*

Audiences, goals, and tactics

Audience	Goals	Tactics
City staff	• Involved and invested in the plan and its outcomes • Extend engagement opportunities for staff participation	• Surveys • Interviews • City Council briefings
City Council and Planning Commission	• Informed on project purpose, goals, and timeline • Opportunities to communicate with the public through engagement activities • Early understanding of public perceptions	• City Council briefings • Interviews • Surveys • Email updates
City residents, homeowners, and landowners	• Allow stakeholders and the broader community to feel heard, informed, involved, and invested • Build trust between the City and the community throughout the engagement process	• City Council briefings • Interviews • Surveys • Email updates • Project web page • Media outreach • City magazine article • "On-hold" message • Chamber event • Social media posts
Partners (e.g. County, community resource groups, housing developers and other housing-related partners, Spokane Homebuilders)	• Involved and invested in the plan and its outcomes • Aware of opportunities to provide feedback and share information	• Interviews • Surveys • Email updates • Project web page • Chamber event
Local and regional media	• Kept consistently updated throughout process • Informed about the Housing Action Plan purpose, goals, and timeline • Know the city is listening and wants to engage with its community • View the HAP as an important piece of the local planning and development	• Media outreach • City Council briefings

Engagement tools

The following tools are recommended for the City to educate and engage with the community throughout the HAP development. The format or list may change in response to COVID-19.

Project materials

- Display or presentation materials (e.g. PowerPoint)
- Informational fact sheet in translated languages
- Materials posted on the City's web page
- News releases for local newspapers at key milestones (local media covers city news with weekly and monthly papers and a weekly podcast)
- City magazine (published twice annually, mailed to all 50,000 households)
  - Oct. 15, 2020 content deadline for November publication; notify Jeff of page requirements, use ECONorthwest graphics
- "On-hold" messages play when people call the City, updated quarterly
- Stakeholder lists (City has developed)

Web-based tools

- Project-specific public facing web page that includes all project materials, engagement opportunity information, project contact information (email and distribution list sign up), and is regularly updated
  - City homepage banner to drive traffic to project page
  - Host web page on City website platform
  - Sample web pages
    - City of Spokane Housing Action Plan project web page— Project fundamentals
    - City of Tacoma Affordable Housing Action Strategy project web page— 30 second overview video
    - City of Lynnwood Housing Action Plan project web page— embedded survey link
- Email updates using existing distribution lists for project updates and engagement opportunities (Existing listservs include media list, Comprehensive Plan update distribution list, Bicycle and pedestrian plan distribution list, developers' forum list, City Planner list)
- Online surveys to share information and request public feedback at key project milestones
- Social media posts at key milestones and to solicit participation in online engagement activities
  - Facebook, 4,000 followers; ability to boost posts
  - Twitter, 1,000 followers
  - LinkedIn: 1,150 followers
  - Instagram: 375 followers

Events

- Stakeholder interviews

- City Council and/or Planning Commission meetings—online and recorded
- Existing city-sponsored community events—online and recorded
    - Greater Spokane Valley Chamber of Commerce informational meetings (target third or fourth quarter; Chamber does Zoom meetings in lieu of in-person)

Roles and responsibilities

Maul Foster & Alongi's (MFA) communications staff, led by Charla Skaggs and Kate Elliott, will develop and assist with the implementation of this community engagement plan and related materials and content.

City staff will be responsible for distributing notification letters and emails, posting web content, repurposing drafted content for social media posts, translating materials, serving as the primary point of contact for general public inquiries, and managing event and media relations including developing and distributing news releases and responding to media inquiries.

As the community engagement plan is implemented, responsibilities for specific tasks will be determined through ongoing conversations, recognizing budgetary and time limitations for city staff.

Outreach tactics and schedule

(Schedule and tactics for planning purposes only and subject to change)

Month	Outreach Tactics	Roles
2020		
June	• Draft and final community engagement plan • Stakeholder identification	• MFA draft, city review • City lead
July	• Develop project web page and record "on-hold" message • Stakeholder interviews • Email/web update to describe Housing Action Plan purpose, need, and process • Community information web page and survey #1 about housing needs assessment • Media outreach regarding survey #1 • Council/Commission check-in #1—PowerPoint Presentation	• City lead • MFA conduct • MFA draft content • MFA draft content • City lead • City lead
August	• Email/web update sharing housing needs assessment report findings and feedback • Media outreach regarding findings	• MFA draft content • City lead
September		
October	• City magazine article, content due Oct. 15	• MFA draft content • MFA draft content • City lead

Month	Outreach Tactics	Roles
	• Community information web page and survey #2 about policy and code changes • Media outreach regarding survey #2	
November	• Email/web update sharing policy and code changes feedback • Council/Commission check-in #2—PowerPoint Presentation • Media outreach regarding findings	• MFA draft content • City lead • City lead
December	• Email/web update sharing housing strategies report findings and implementation plan strategies • Media outreach regarding findings	• MFA draft content • City lead
2021		
January	• Email/web update sharing draft Housing Action Plan • Media outreach regarding draft Housing Action Plan	• MFA draft content • City lead
February	• Council/Commission check-in #3—PowerPoint Presentation	• City lead
March	• Email/web update sharing final Housing Action Plan and feedback received • Media outreach regarding final Housing Action Plan and feedback received	• MFA draft content • City lead
April		
May	• Email/web update announcing plan adoption • Media outreach regarding final plan and adoption	• City lead • City lead

COVID-19 implications for engagement

Social distancing measures enacted during the COVID-19 outbreak have significant implications on the outreach processes outlined in this community engagement plan. As of mid-June, the situation is still rapidly evolving. MFA and city staff will coordinate regularly and follow all government-recommended measures to discourage in-person gatherings of people to help reduce the spread of the virus.

Although the duration and intensity of social distancing measures continues to change, this plan assumes no in-person gatherings of 10 or more people through summer 2020.

ATTACHMENT B
DEMOGRAPHIC CHARTS

SUMMARY OF SURVEY RESPONSES

The following figures summarize the demographics of the respondents that participated in the City of Spokane Valley (City) Housing Action Plan (HAP) survey. Selected quotes from three open-ended questions asked in the survey follow Figure 8.

FIGURE 1: RESPONDENT AGE BY ZIP CODE

	18 to 24	25 to 34	35 to 44	45 to 64	65 to 85	D.N.R.	Total
99016			5	2	2		9
99027				2			2
99037			5	3	1		9
99206		4	7	9	7		27
99212		1	3	5	3		12
99216	1	3	7	10			21
Don't live in CoSV		1	6	9	2		18
D.N.R.						26	26
Total	1	9	33	40	15	26	124

1%	9%	34%	41%	15%
18 to 24	25 to 34	35 to 44	45 to 64	65 to 85

D.N.R. =Did not respond

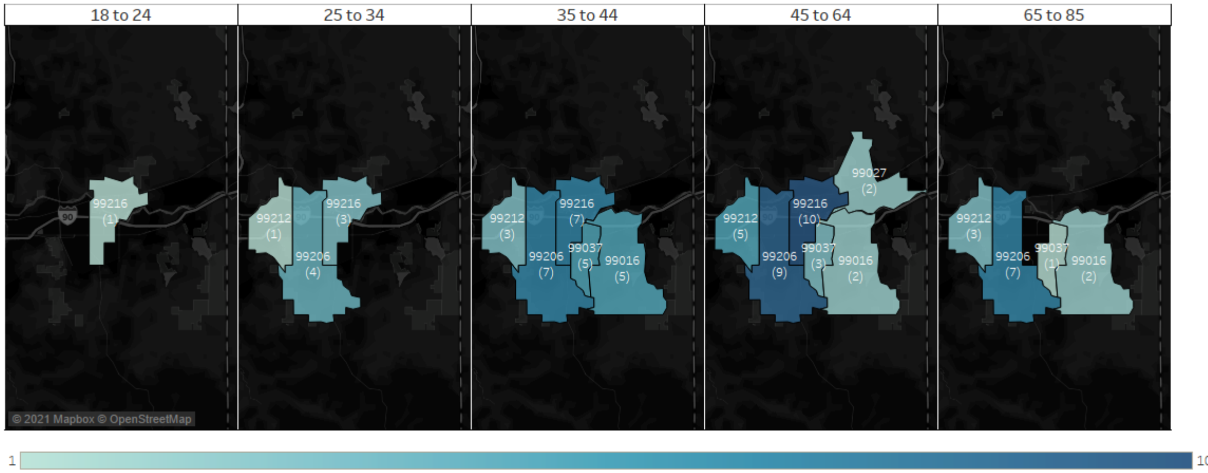
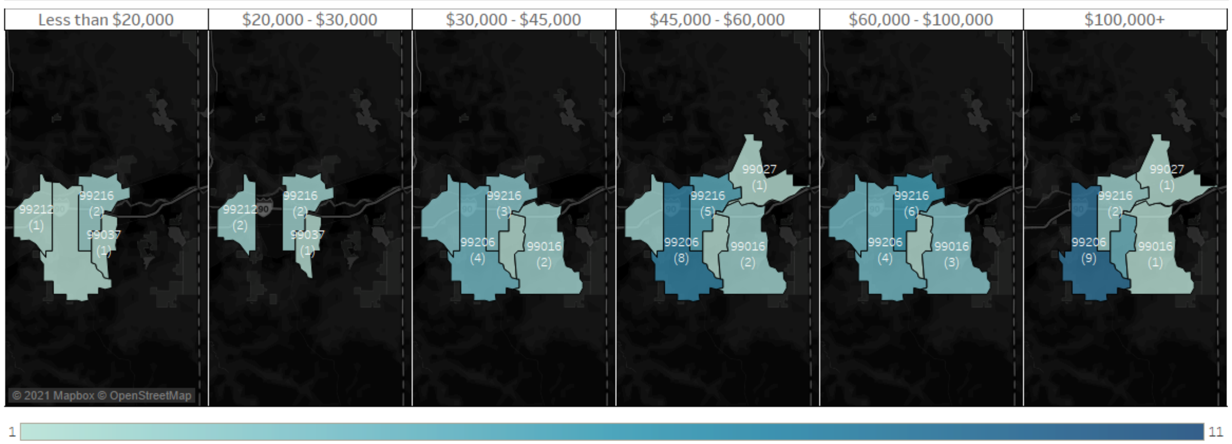


FIGURE 2: RESPONDENT INCOME BY ZIP CODE

	Less than $20,000	$20,000 - $30,000	$30,000 - $45,000	$45,000 - $60,000	$60,000 - $100,000	$100,000+	D.N.R.	Grand Total
99016			2	2	3	1	1	9
99027				1		1		2
99037	1	1	1	1	1	4		9
99206	1		4	8	4	9	1	27
99212	1	2	3	2	4			12
99216	2	2	3	5	6	2	1	21
Don't live in CoSV			2	1	2	11	2	18
D.N.R.							26	26
Total	5	5	15	20	20	28	31	124
	5%	5%	16%	22%	22%	30%		



D.N.R. = Did not respond

FIGURE 3: RESPONDENT RACE BY ZIP CODE

	White	American Indian or Alaska Native	Hispanic or Latinx	Mixed	Native Hawaiian or Pacific Islander	D.N.R.	Grand Total
99016	7		1			1	9
99027	2						2
99037	8	1					9
99206	21	1	2	1	1	1	27
99212	10	1				1	12
99216	19	1	1				21
Don't live in CoSV	16					2	18
D.N.R.						26	26
Total	83	4	4	1	1	31	124

D.N.R. = Did not respond

FIGURE 4: BARRIERS TO RENTING

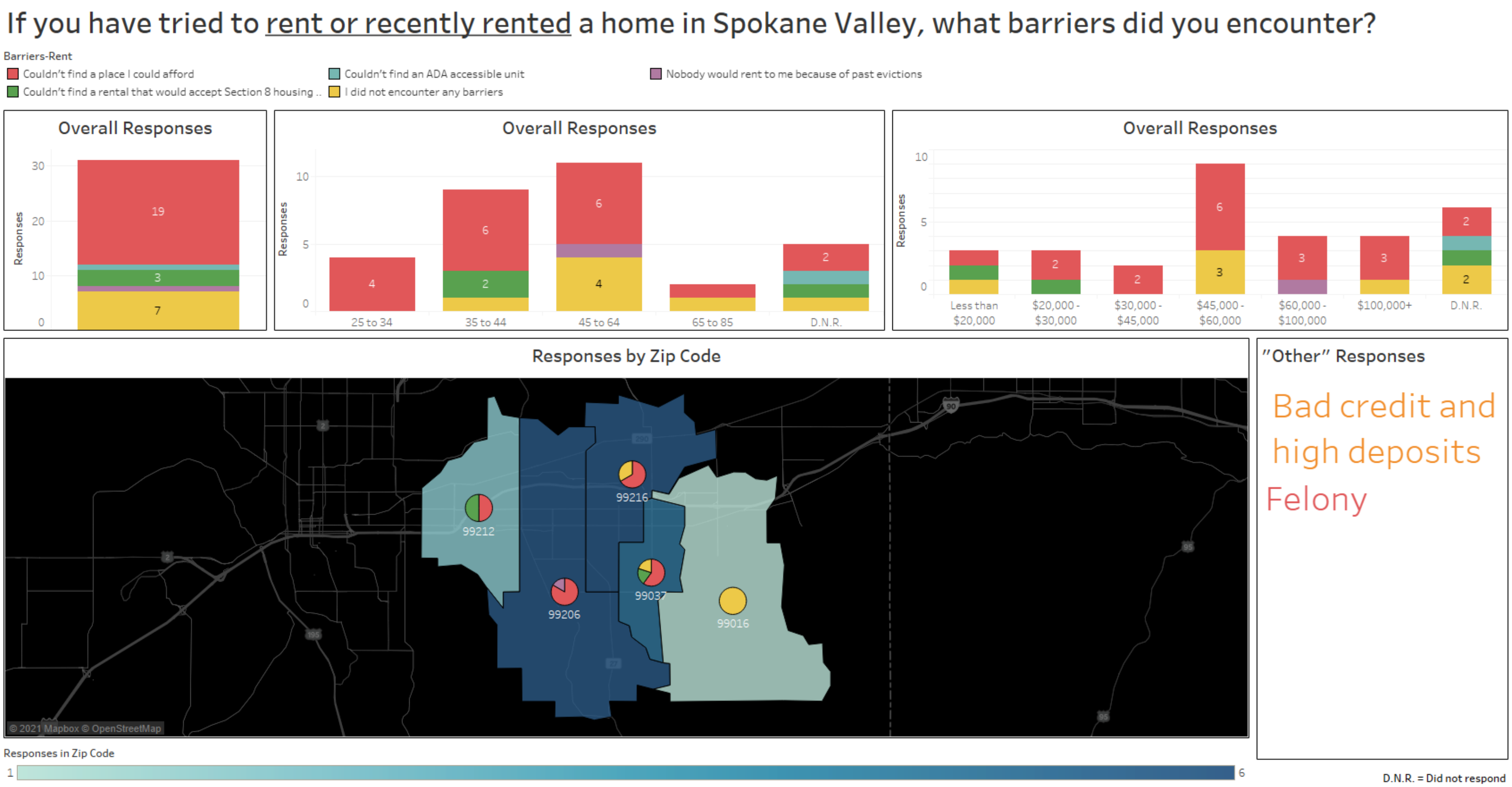
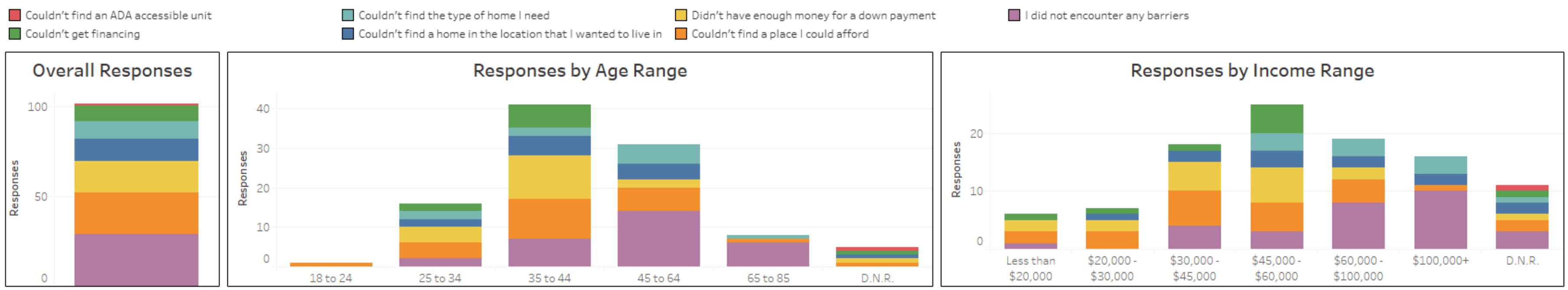
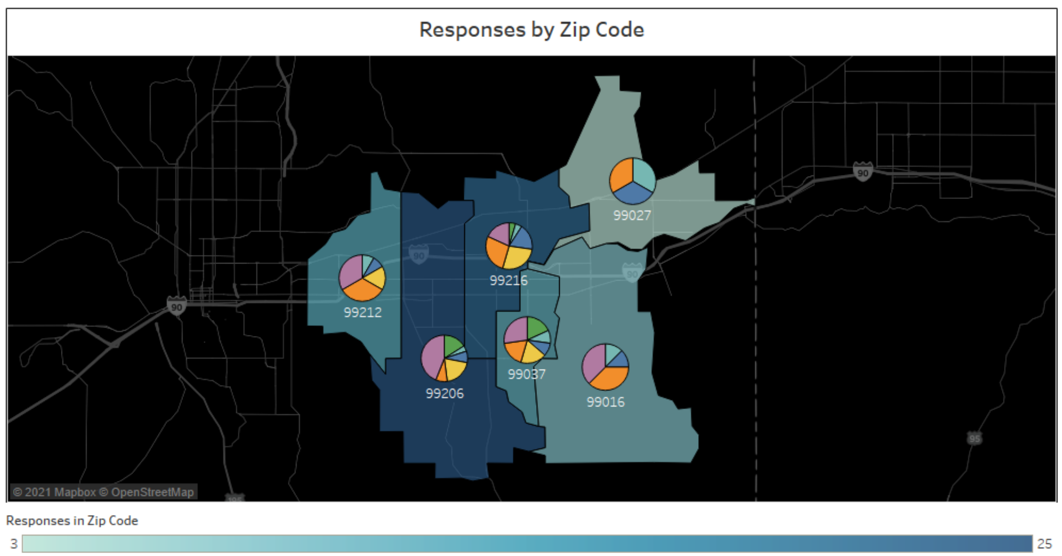


FIGURE 5: BARRIERS TO OWNING

If you have tried to buy or recently bought a home in Spokane Valley, what barriers did you encounter?





"Other" Responses

Have not been able to afford to even look right now.

I am a director of a local Housing counseling agency and many of my clients are struggling to find affordable homeownership

I spent many years on the Community Frameworks board, and realize the affordable housing crisis. I would like to help out in any way possible

Out bid on every house even when offer was above list

The pricing of homes is getting ridiculous! There are homes in the $500,000 range. Those prices do not reflect Spokane salaries!

They sold so fast we couldn't even get a bid in

We had to increase our desired maximum price by $50k.

D.N.R. = Did not respond

FIGURE 6: HOUSING TYPES, CURRENT

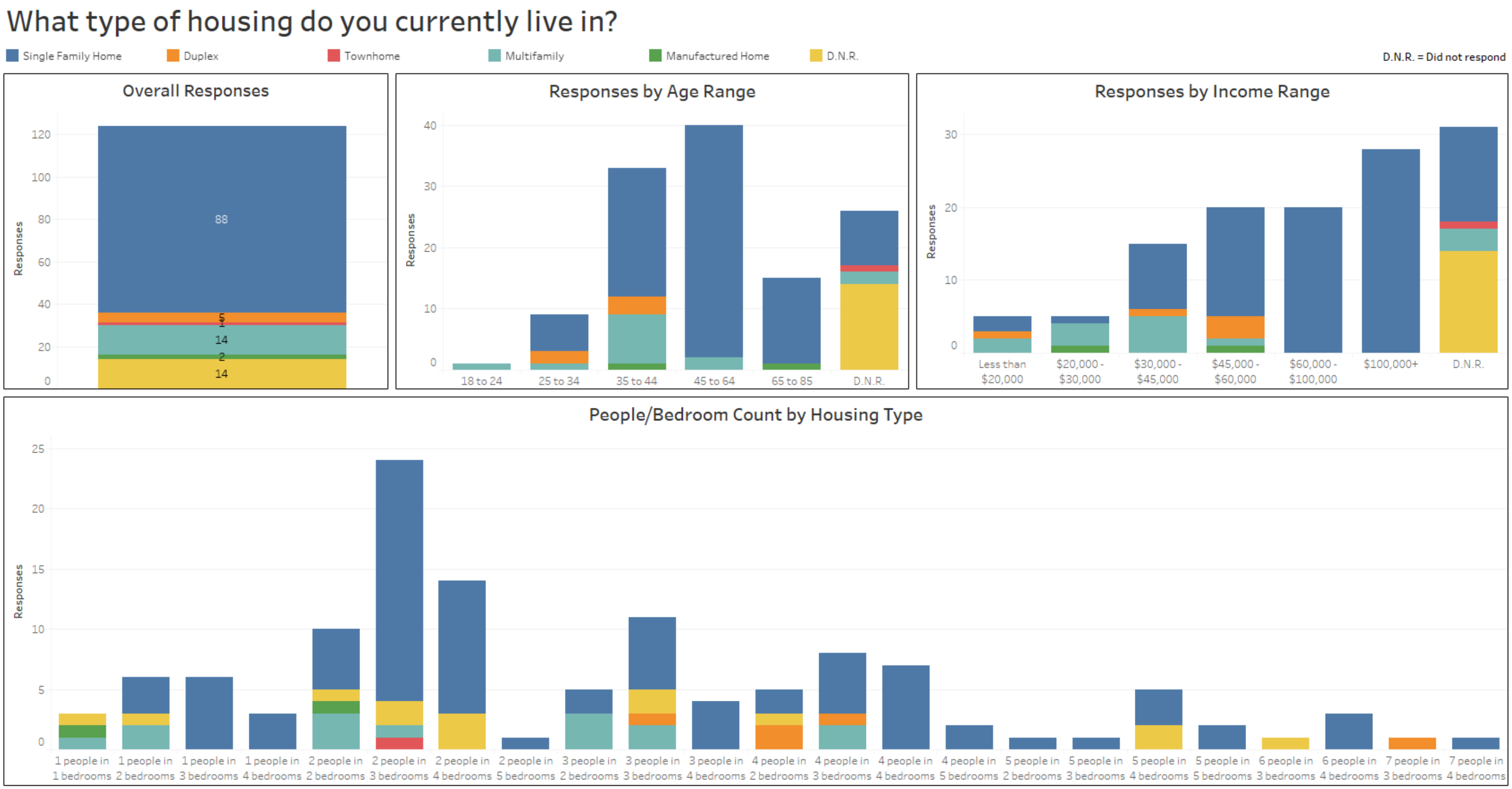


FIGURE 7: HOUSING TYPES, ASPIRATIONAL

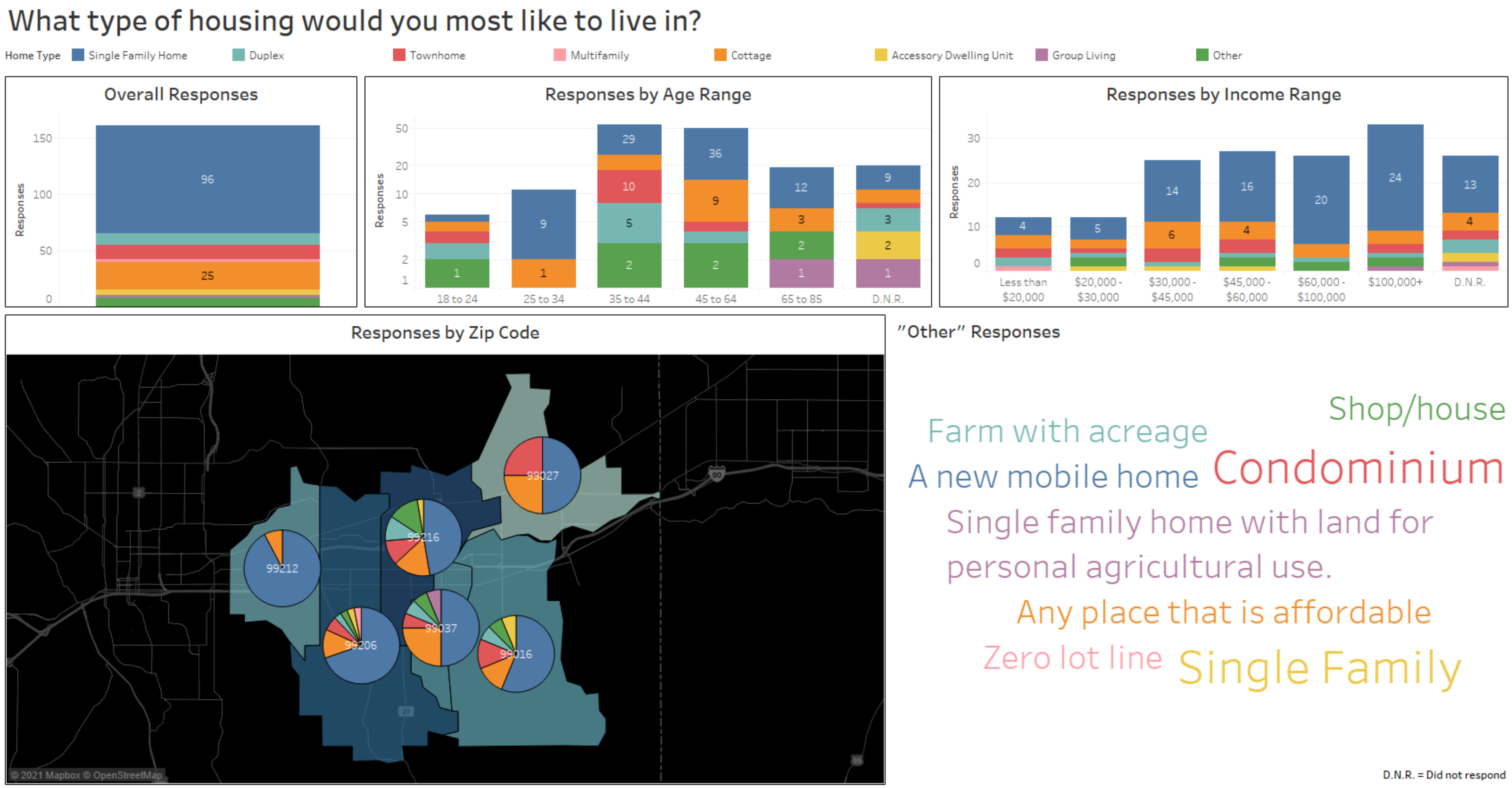


FIGURE 8: HOUSING OPTION NEEDS

What kind of housing options do you think are in greatest need in your community?

Respondent Comments

Affordable houses for rent. Cost of homes are increasing. Would like to move to a different area but prices are too high for a single family home Cottages and co-housing homes on large lots Our rental properties less than 1000 sq feet rents for $1300 mo.Never half enough to buy so more rentals. easier pathway to ownership less apts. Shelters or more support for those struggling with not having a place to live so we are not forcing our community to go downtown for a place to sleep, especially in the winter Single family homes Single family homes for sale, less rentals. Single family homes ranch style - all one floor There is no shortage of housing. People want free housing and that is not reasonable

QUESTION: ARE THERE ANY ISSUES OR CHALLENGES THAT IMPACT QUALITY OF LIFE IN YOUR NEIGHBORHOOD?

- "My neighborhood is great but worry for friends who can't find an affordable rental in a safe neighborhood."
- "Getting too many duplexes in the neighborhood, not enough single housing."
- "Need more affordable housing options of all types."
- "Old trailers and messy trashy houses."
- "They are breaking up the large parcels and putting in high density housing. It has created way more traffic than the road and neighborhood was designed to support. It is making my once quiet neighborhood noisy and obnoxious."
- "It is a mixed neighborhood and the renters do not take as good of care as the owners."
- "Need more parks, especially with basketball courts for teens and zip lines for the kids."
- "Stop building low-income housing. It will lower the price of other houses around and that's not fair. And also brings alcohol, drugs and homeless to that area."
- "Recreation. Need more areas to have biking/walking trails that connect to the Appleway Trail and Centennial Trail. Need more neighborhood hubs with restaurants, shops and recreation."

QUESTION: HOW CAN SPOKANE VALLEY IMPROVE HOUSING FOR OUR COMMUNITY?

- "I wish I know. The biggest problem currently is lack of inventory in houses for sale and houses for rent. Apartments are popping up all over but not a lot of alternatives for those that don't want to live in an apartment."
- "Help with affordable housing options in the form of 'sweat equity' type units and/or first-time home buyers assistance (i.e. silent second mortgage, etc.)"
- "By not regulating so tightly the ability to put ADUs on properties. We wanted to do this but getting electrical and the "hammer head" drive back to the spot was cost prohibitive. A parking spot is required for the ADU if it is separate from the house…Trying to put in a place for my elderly mother has been awful. We have been unable to find what we need somewhere else so we are going to have to build an addition."
- "Keep plenty of open spaces and parks, while allowing more density in land use."
- "Help with affordable housing for some our most vulnerable citizens as well as more support for those struggling with no housing."
- "Incentivize low income, middle income, and mixed income housing."

- “Allow single dwelling home owners to build tiny homes in their yards.”
- “More options for low income people to have a home instead of lumping us all together in crappy apartment complexes where problems are compounded by being around other low income people that can’t get a foot up. Need a city-wide option like the Scattered Sites project that SHA is ending.”
- “We honestly just need more housing. There very much seems to be a lack of affordable homes available or being built.”

QUESTION: WHAT IS THE PRIMARY REASON YOU CHOSE TO LIVE IN SPOKANE VALLEY?

- “Love the area. Lots of green areas. A touch of city with a touch of country.”
- “Large lots, family friendly, live and let live, less government.”
- “Low density living, quality school system and low traffic.”
- “It was sense of community, less traffic, better schools, easier shopping, less people…that, for the most part, is gone.”
- “The schools, the views, close to everything.”
- “I’ve lived in the Spokane Valley, City of Spokane, North Idaho, Cheney, etc. and the Spokane Valley just feels like home. There are community events anyone can participate in and Spokane Valley actually listen to the citizens instead of doing whatever they want, no matter what the citizens want.”

APPENDIX E

DEVELOPMENT FEASIBILITY AND MULTIFAMILY PROPERTY TAX EXEMPTION ANALYSIS

DATE: February 1, 2021
TO: Maul Foster & Alongi (MFA), Matt Hoffman
FROM: ECONorthwest, Tyler Bump, Jennifer Cannon, and James Kim
SUBJECT: Evaluation of Key Housing Strategies for the Spokane Valley Housing Action Plan, Feasibility Analysis

Introduction

ECONorthwest in partnership with MFA is supporting the development of a Housing Action Plan (HAP) for the City of Spokane Valley to evaluate current and future housing needs and identify strategies to meet those needs. The HAP is largely made possible due to a Washington State Department of Commerce Housing Bill 1923 Grant. The overarching aims for the HAP are to include strategies to increase the supply of housing, and variety of housing types and actions to increase the supply of housing affordable to all income levels. The approach for developing a HAP began with an assessment of housing needs, public involvement, and analysis of the effectiveness of existing policies and potential updates to key regulations. All of this information collectively informs the strategic actions to be including in the HAP.

A few of the housing strategies include modifications to existing development code and expansion of multifamily tax exemptions (MFTE) to encourage more housing variety and housing supply. ECONorthwest analyzed development feasibility of certain code modifications and the potential addition of MFTE program incentives to evaluate their effectiveness in improving the likelihood of development of townhomes and multifamily apartments. A development feasibility analysis tests the impact that various changes to development standards and incentive programs have on market-realistic development examples called *prototypes*.

In addition, ECONorthwest provided Housing Action Plan content useful for describing the Multifamily Tax Exemption (MFTE) Program policy updates to consider. This memo provides the following Housing Action Plan sections:

1. Development Feasibility Analysis Findings
2. MFTE Program Overview
3. Development Feasibility Assumptions

Section 1: Development Feasibility Analysis

This section describes the findings from evaluating a set of key planning tools, specifically the multifamily property tax exemption (MFTE) and regulatory changes including modifications to the allowed density in certain zones and changes to other development standards. These planning tools were selected due to their potential to boost housing production, especially housing priced for low- to middle-income households.

- The **multifamily tax exemption** allows a local jurisdiction to incent diverse housing options in urban centers lacking in housing choices or workforce housing units. Essentially this program supports increased housing availability, possibly including affordable units, largely in mixed income developments conveniently located in urban centers. Washington State Chapter 84.14 RCW outlines the existing requirements for implementing a multifamily tax exemption (MFTE). This program exempts eligible new construction or rehabilitated housing from paying property taxes for either an 8-year or 12-year period of time. Only multiple-unit projects with four or more rental units are eligible for either the 8- or 12-year exemption, and only property owners who commit to renting or selling at least 20% of these units to low- and moderate-income households – earning less than 80% of the Area Median Income (AMI) – are eligible for the 12-year exemption. The City of Spokane Valley currently does not have a MFTE program established. Additional detail on the MFTE program is provided in Section 2.

- The **density** of residential buildings is partly determined by the maximum density allowances that the municipal code sets for each zone. Density allowances differ by zone and sometimes are specific to the type of residential building. Residential density is important for housing development because it determines the number of units that can be built on a parcel. **Minimum lot sizes** can also influence residential development since it can prevent development on lots below a certain size.
- The number and size of housing units that can be built on a parcel is also determined by requirements for non-residential uses or areas to be set-aside and not developed. **Open space requirements** (as well as setbacks and minimum landscape requirements) limit the residential building size on a parcel. The size of the building can also be limited by **maximum lot coverage**, which determines the largest share of a parcel that a building can be built on.
- Residential density can increase both horizontally and vertically and the **maximum building height** determines how high the building can be built, thus can restrict the height of residential development.

PURPOSE OF THIS ASSESSMENT

The purpose of this analysis is to examine a set of key program changes and policy levers that can help "tip" project feasibility for the MFTE program and regulatory changes in the City of Spokane Valley. The analysis focused on the following:

R-4 zone (Townhomes):

- Increasing the residential density in the R-4 zone from 10 dwelling units per acre (du/ac) to 15 du/ac.
- Increasing residential density in the R-4 zone to 22 du/ac.
- Increasing the maximum lot coverage from 60% to 80% of the parcel for townhomes.
- Decreasing the minimum lot size for townhomes from 4,300 square feet to 2,000 square feet in the R-4 zone.

Multi-Family Residential (MFR) zone (apartments):

- Increasing the residential density in Multi-Family Residential (MFR) zone from 22 du/ac to 40 du/ac.
- Elimination of Open Space Requirements for Multifamily Apartments within ¼ mile of City Parks.
- Increasing the maximum lot coverage from 60% to 100% for multifamily apartments.
- Increasing the maximum building height from 50 feet to 65 feet in the MFR zone.

MFTE:

- Test out the addition of a MFTE program offering a 12-year tax exemption that would require at least 20% of the units be set aside for households earning 80% of the AMI or less. In Spokane County, the AMI for a 4-person household is $77,400 in 2020.[1]
  - MFTE program without any increase in residential density in MFR zone.
  - MFTE program with an increase in residential density to 40 du/ac in MFR zone.

Summary of Development Feasibility Findings

Below is a thematic overview of the findings from the development feasibility assessment. For more detail on the analysis, assumptions, and dollar values of the assessment results, please refer to the next section.

- Based on existing development standards and land prices in Spokane Valley, townhomes have limited feasibility in R-4 zone and 3-story garden-style apartments are not feasible in MFR zone given current land prices. The value of new development is limited by development standards that limit the scale of development that is possible on a parcel. **Increasing density allowances is the best way to encourage development of townhomes and apartments in Spokane Valley.**
- For garden-style apartments, the 12-year MFTE also makes projects more feasible, but it is not as impactful as increasing density allowances to 40 du/ac.
- Decreasing open space requirements, increasing maximum lot coverage, or increasing maximum building height is unlikely to have any meaningful effect on housing development in the near future.

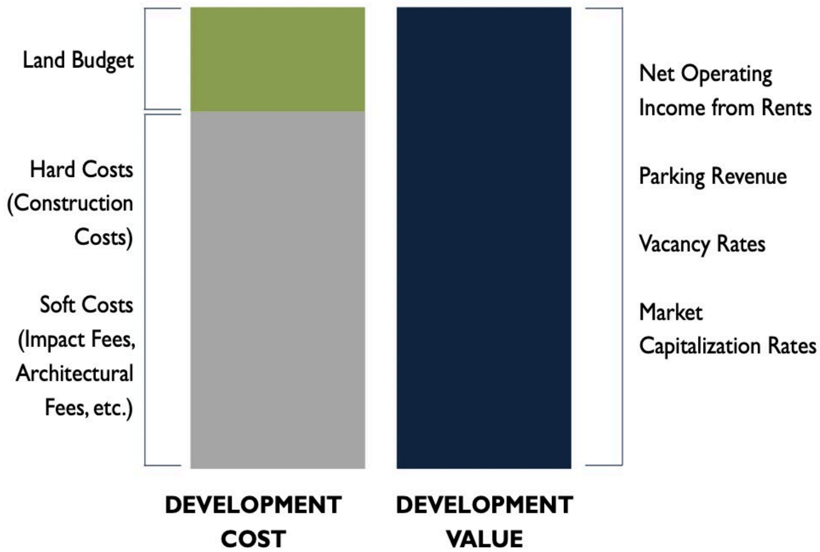
Development Feasibility Assessment

Financial pro forma models are used to estimate the impact on development feasibility resulting from potential changes to development standards and incentive programs. More specifically, this analysis evaluates the *residual land value* (RLV) to understand development feasibility and the value that a change to development standards or tax abatements might provide. RLV is an estimate of what a developer would be willing to pay for land given the property's income from leases or sales, the cost of construction, and the investment returns needed to attract capital for

[1] Based on 2020 income limits in Spokane County. https://www.spokanehousing.org/wp-content/uploads/2020/07/Spokane_Utilities_Payment_Standards_2020_GD_HAP.pdf.

the project. (These assumptions can be found in Appendix.) Figure 1 demonstrates in green the development value that is remaining after development costs and is available for acquiring land.

Figure 1. Illustration of Residual Land Value, or Land Budget
Source: ECONorthwest



While there are other quantitative methods for calculating regulatory and incentive changes, such as an internal rate of return (IRR) threshold approach, all of the potential methods share drawbacks regarding the quality of inputs and sensitivity to those inputs. An advantage of the RLV approach is that it does not rely on land prices as an input. Rather, observed land prices can be compared with the model outputs to help calibrate the model and ensure it reflects reality. Because RLV is essentially a land budget, higher values indicate better development feasibility.

To understand the impact the various policies, we created an analysis model that employs the same financial considerations a real estate developer would use to determine if a proposed development is financially feasible. These financial calculations are referred to as a *pro forma* model. A pro forma considers the size of the building allowed by zoning and the revenue that building can deliver (from rents and sales prices) relative to the costs of constructing and operating the building. We ran the pro forma model on example developments (or *prototypes*) that are reflective of the types and scales of development in the Spokane Valley area.

Three prototypes are evaluated in this feasibility analysis.

1. 3-story townhomes on a 0.3-acre lot. Townhomes are 2-bedroom or 3-bedroom units with about 1,400 square feet (sf) to 1,700 sf of net floor area, sharing walls with neighboring units, a one-car garage on the ground floor, and a driveway that can function as an additional parking stall. They are assumed to sell at about $421,000 per unit on average.
2. 3-story townhomes on a 1.0-acre lot. These townhomes are the same as above, but they are laid out on two rows and share a private alleyway. They are assumed to sell at about $429,000 per unit on average.

3. 3-story, garden-style apartments on a 2.5-acre lot. Apartments have a mix of various sizes ranging from 600 sf for a studio unit to 1,300 sf for a 3-bedroom unit. Residents and their guests have access to surface parking and a shared lobby or common space area. The average rent is assumed to be $1,400 per month.

Increase in Allowed Residential Density

The current zoning standards for R-4 zone allows up to 10 du/ac. The assessment of development feasibility based on certain assumptions (in Appendix) results in RLV of $9.1 per square foot (psf) for townhomes on 0.3-acre lots and $6.8 psf for townhomes on 1.0-acre lots. In comparison, the average value of land in the R-4 zone is between $8.0 psf and $12.0 psf.[2] Therefore, current zoning standards would allow some townhomes to be built in the R-4 zone, but they would not allow most townhomes to be built.

Increasing the allowed density to 15 du/ac would allow an additional unit to be built on 0.3-acre lots and improve development feasibility by $5.2 psf. On 1.0-acre lots, the same density increase would allow 5 more units to be built and improve development feasibility by $9.1 psf. The increases in RLV are likely to make most townhome projects feasible since they raise the RLV above typical land prices ($8 psf to $12 psf). Moreover, increasing the allowed density to 22 du/ac would improve development feasibility to $24.8 psf for townhomes on 0.3-acre lots and to $28.6 psf for townhomes on 1.0-acre lots.

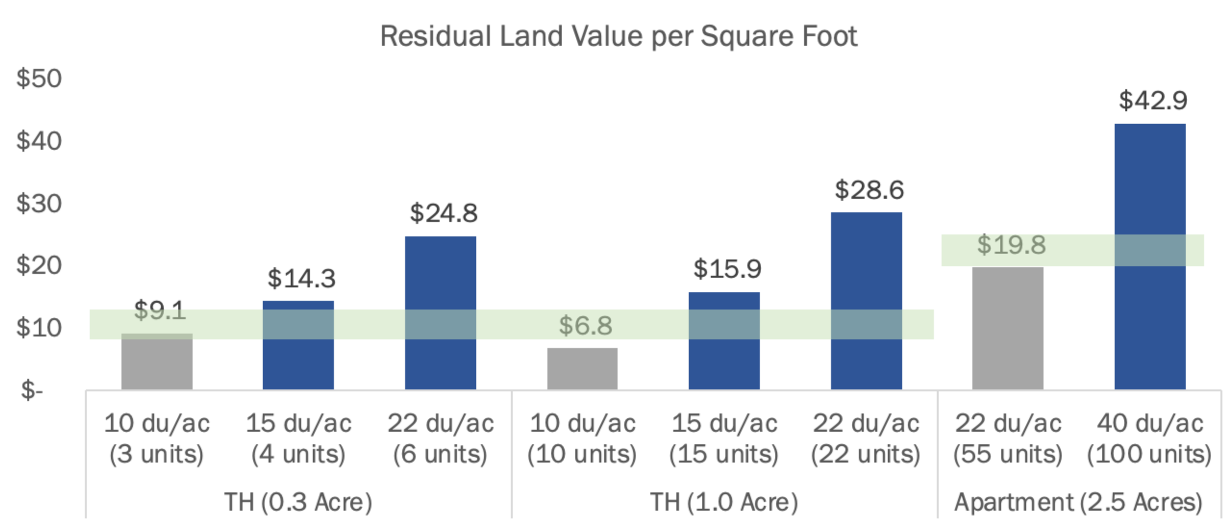
The current zoning standards for MFR zone allows up to 22 du/ac, which results in RLV of $19.8 for a 3-story, garden-style apartment. This value is slightly below the typical land prices in the MFR zone, which ranges between $20 psf and $24 psf.[3] Therefore, private developers are unlikely to build 3-story apartments under the current zoning standards without a discount in the land price.

To encourage the development of apartments in MFR zone, the City of Spokane Valley could increase the allowed density. For example, increasing the density allowance to 40 du/ac would raise the RLV of apartments to $42.9, which is significantly higher than the typical land prices. A policy lever that results in such a large increase in RLV may be warranted since some lands in the MFR can cost $30 psf. Increasing density allowance is a powerful tool to enable apartment development.

[2] Land value is based on assessor's data of properties in R-4 zone that were sold in 2019 and 2020. The average land price was about $10 psf.

[3] Land value is based on assessor's data of properties in MFR zone that were sold in 2019 and 2020. The average land price was about $22 psf.

Figure 2. Feasibility Impact of Increasing Residential Density
Source: ECONorthwest
Note: Grey bars indicate feasibility under current development standards. Navy bars indicate feasibility under modified development standards. Green bars indicate the range of typical land prices.

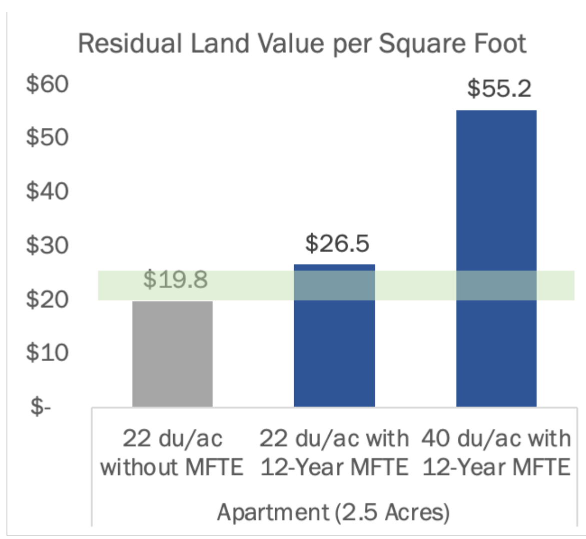


12-Year MFTE Program

Another policy tool to enhance development feasibility is the Multifamily Tax Exemption (MFTE) program. This statewide program grants an exemption from state property tax for eligible multifamily properties with more than 4 residential units. Cities can adopt an 8-year program that allows tax exemptions for eight years. Cities can also adopt a 12-year program that allows tax exemptions for twelve years for properties that designate at least 20% of their units to be income-restricted. Cities in Washington typically set the income limit at 80% of the AMI for rental units. From developers' perspective the 12-year MFTE program temporarily reduces property taxes while temporarily reducing rental income. On net, the benefit of the reduced property taxes outweighs the cost of lower rental income.

The 12-year MFTE program improves the RLV of 3-story, garden-style apartments from $19.8 psf to $26.5 psf, which is slightly higher than the typical range for land prices. Combining the 12-year MFTE program with an increase in density allowance (from 22 du/ac to 40 du/ac) would improve the RLV to $55.2 psf, well above the typical range for land prices.

Figure 3. Feasibility Impact of 12-Year MFTE Program with and without an Increase Residential Density
Source: ECONorthwest



Elimination of Open Space Requirements for Multifamily Apartments within ¼ mile of City Parks

Under certain circumstances, open space requirements can be detrimental to development feasibility. Because open space takes up a portion of the lot's surface, it limits the number and size of units that can be built horizontally. It also competes for space with surface parking area. Even for multistory buildings that can accommodate more units vertically, open space requirements can limit development density once the buildings reach a certain height.

However, all of the apartment prototypes analyzed under the current development standards or modified development standards described above have low enough maximum residential density so that open space requirements do not impact viability of developing the prototypes. Even with a density allowance of 40 du/ac, 3-story apartments are not expected to take up more than a third of the lot, leaving plenty of space for driveways, walkways, surface parking, landscaping, and open space.

Eliminating or reducing the open space requirement would make very modest improvements in development feasibility. Any reductions in open space would likely be replaced with landscaping rather than more units because the limits on residential density do not allow more units to be built. The improvement in development feasibility can be approximated by the difference in the cost of building an open space area and the cost of landscaping.

Other Modifications

There are other suggestions for modifying the development standards that have not been analyzed with a pro forma model because they have no impact on development feasibility.

First, increasing the maximum lot coverage does not affect development feasibility because residential density allowances in the current development standards and the modified development standards we are testing do not allow the lot coverage of developments to reach more than 40 percent. Although increasing the maximum lot coverage will be important when residential densities are higher, it is not likely to yield meaningful results in the near future. Similarly, a higher maximum lot coverage will be important if developers want to build apartments with structured parking, but such developments usually require density allowance of at least 60 du/ac.

Second, increasing the maximum building height from 50 feet to 65 feet for multifamily apartments is relevant for developers of apartment buildings taller than 4 stories. The maximum density allowances in the current development standards can be reached with a 3-story or 4-story building, thus the increase in maximum height is not tested in the feasibility assessment.

Third, decreasing the minimum lot size for townhomes from 4,300 square feet to 2,000 square feet is not directly tested because minimum lot size requirements are, in some ways, equivalent to maximum density requirements. A minimum lot size of 4,300 square feet implies 10.1 du/ac (= 43,560 square feet per acre / 4,300 square feet per unit) and a minimum lot size of 2,000 square feet implies 21.8 du/ac (= 43,560 square feet per acre / 2,000 square feet per unit). These density limits are already tested in the feasibility assessment, though the 21.8 du/ac limit is tested as 22.0 du/ac.

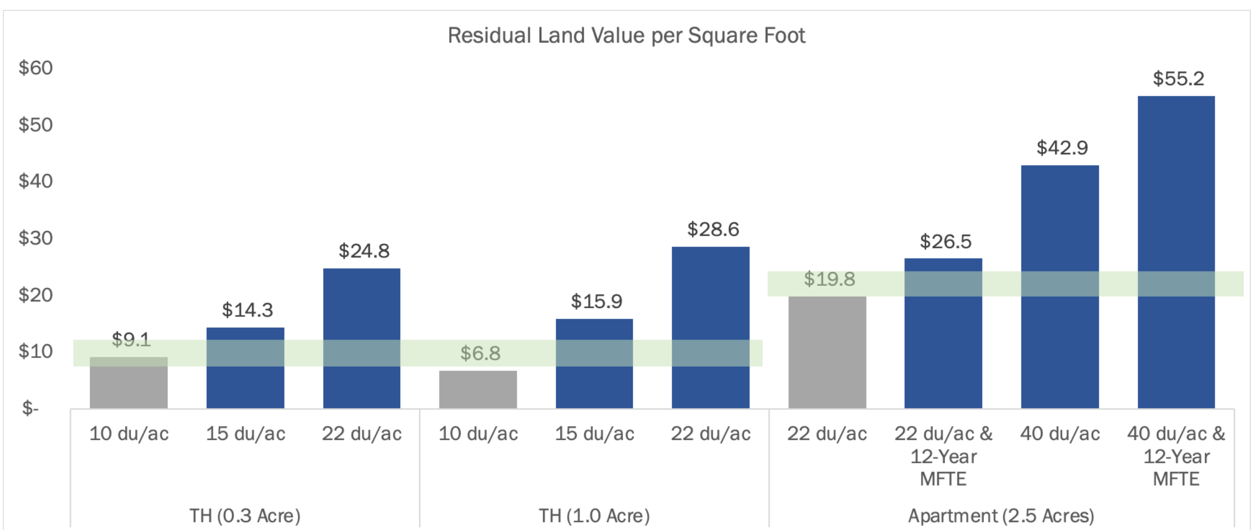
Minimum lot sizes can also be important for properties developed on small lots. However, because the smallest lot size tested in the feasibility assessment is 13,068 square feet (= 43,560 square feet per acre x 0.3), the reduction in minimum lot size is not relevant for the analysis.

Summary of Feasibility Assessment by Prototype

Townhomes are barely feasible or not feasible under the current development standards. Their RLVs are $9.1 psf on 0.3-acre lots and $6.8 psf on 1.0-acre lots. In comparison, the typical land price ranges between $8 psf and $10 psf. However, increasing the density allowances would make townhome projects feasible.

For multifamily apartments, the 12-year MFTE program is not as effective as it would be to increase density allowances to 40 du/ac. The 12-year MFTE program raises RLV by $6.7 psf, whereas increasing the density allowance from 22 du/ac to 40 du/ac increases the RLV by $23.1 psf. Notably, the combined effect of the 12-year MFTE program and higher residential density is greater than the sum of the two policy changes enacted independently. This is because the net benefit of the 12-year MFTE program is multiplied by the increased number of units that becomes possible with greater density allowances.

Figure 4. Feasibility Impact of Various Policy Changes for All Three Prototypes
Source: ECONorthwest



Section 2. MFTE Program Overview

What is a Multifamily Tax Exemption (MFTE) Program?

The MFTE program enables a jurisdiction to incentivize mixed-income housing development and diverse housing options in urban areas lacking housing choices. Washington cities with a population of 15,000 can adopt a MFTE program to stimulate new multifamily affordable housing development. This program exempts eligible new construction or rehabilitated housing from paying property taxes for either an 8-year or 12-year period of time. Developers seeking to take advantage of this program must be within one of the city's designated residential target areas which are often located in urban center or urban growth areas. If a jurisdiction offers the 12-year tax exemption, only property owners who commit to renting or selling at least 20% of these units to low- and moderate-income households are eligible per state law. In contrast, there is no housing affordability requirement for the 8-year tax exemption option.[4]

Cities around Washington are using the MFTE program differently. For example, many cities in the southern portion of King County focus on using the 8-year program option to encourage redevelopment in target areas without housing affordability requirements since the initial goal was to redevelop older properties with newer, higher quality housing. Some cities are using the program to promote housing rehabilitation projects (such as the cities of Tacoma and Port Orchard). For housing rehabilitation projects, only the value of eligible housing improvements is exempted from property taxes. If a jurisdiction has aging multifamily developments or underutilized buildings suited to residential uses, they should consider whether rehabilitated units should be included in the MFTE program. Some jurisdictions restrict program use to multifamily projects with over 10 units and some other jurisdictions have made multiple-unit projects with 4 or more units (such as quad homes or townhomes) eligible for tax exemptions (City of Seattle). The MFTE program is increasingly being used in Washington state with an estimated 26 cities and one county establishing this program since 2007 and around 424 developments receiving tax exemptions (JLARC, 2019).

Tax abatements positively impact the feasibility of projects where market-rate projects are feasible and can help cross-subsidize the affordable units. Cities considering a MFTE program should weigh the temporary loss of tax revenue against the potential attraction of new investment in target areas. State law does not prohibit MFTE from being paired with other incentives. Bonus units, incentives such as impact fee waivers, and the integration of a more flexible development agreement approach including performance requirements and a menu of corresponding incentives could help offset the costs incurred from affordable housing unit requirements and could be considered as a way to promote program usage. If the program requirements are not sufficiently mitigated by incentives, the profit required by the developer will not be actualized. The level of incentive necessary will vary greatly within a region and even vary within jurisdictions themselves depending on "submarket" conditions present at a site. Therefore, it's

[4] Chapter 84.14 RCW provides MFTE guidance for Washington State.

important to thoroughly evaluate—and constantly refine—the incentives to make sure that they are priced according to the market, or they will not produce housing.

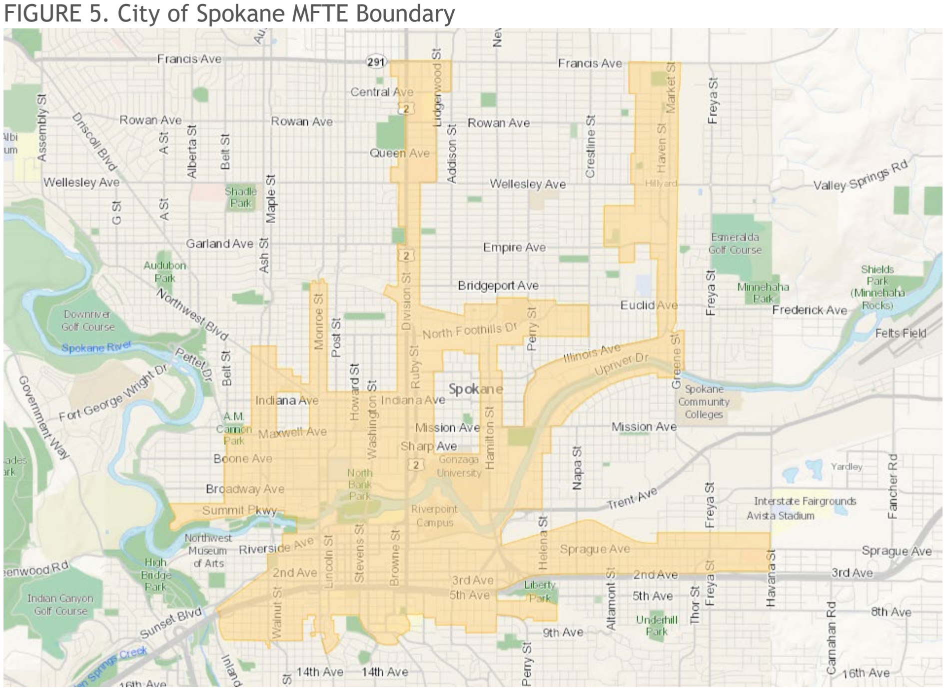
Program Example: City of Renton MFTE

Renton, WA is similar in population size and growth rate to Spokane Valley. The City of Renton allows applications for 8-year or 12-year exemptions. If applying for the 12-year exemption, then 20% of rentable units must be for households at or below 80% AMI. If applying for ownership project, then 20% of units must be reserved for households at or below 120% AMI.[5] Depending on the zone, the City requires a minimum of 10 or 30 housing units to be built to qualify for the exemption. Renton passed their MFTE program in 2007. As of 2019, the program has built 1,535 units including 92 affordable units. Renton's program has been successful in producing more market-rate units.

Program Example: City of Spokane MFTE

The City allows applications for 8-year or 12-year exemptions. If applying for the 12-year exemption, then they must reserve 20% of the housing units to renters with an income of no more than 115% AMI for moderate-income households and below 80% AMI for low-income households.[6] If developing a mixed-use project, then 50% or more of the project must include residential uses. In 2019, the City updated its MFTE boundary to include Center and Corridor Zones, Residential Zones, and Commercial Zones (See Figure 5). MFTE projects are exempt from the minimum off-street parking if within the Center and Corridor Zones. To be considered, developers must apply for the program before construction. The City of Spokane passed their MFTE program in 2007. In the program's first four years, Spokane built 453 units.[7] As of 2019, the program has built 1,751 units including 509 affordable units.

FIGURE 5. City of Spokane MFTE Boundary



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[5] https://www.codepublishing.com/WA/Renton/html/Renton04/Renton0401/Renton0401220.html

[6] https://my.spokanecity.org/economicdevelopment/incentives/multi-family-tax-exemption/

[7] https://static.spokanecity.org/documents/projects/multi-family-tax-exemption-2017-incentive-evaluation/2012-mfte-data-and-code-guide.pdf

Key Program Variations:

- Housing rehabilitation versus new construction or both.
- Restricting program to only multifamily projects with over ten housing units or loosening up this restriction to allow "missing middle" housing with over four units (must be at least four units, per state law).
- Pair with other incentives such as impact fee waivers.
- A few programs (cities of Bellevue and Seattle) are providing a greater incentive for those providing family-sized units with over two bedrooms since program applicants tend to construct or rehabilitate one-bedroom or studio housing units rather than provide housing with over two bedrooms (JLARC estimates that approximately 75% of the units created between 2007-2018 are studios or one bedroom).
- MFTE Residential Targeted Areas can vary to include urban centers, mixed-use areas, transit-oriented development areas, or a mixture of these (RCW 84.14.040).
- Time period of exemption: 8 year, 12 year, or both.
- Depth of housing unit affordability (must be below 80%) and length of affordability (8 years, 12 years, or life of project).

Policy Considerations:

- MFTE is a property tax subsidy to underwrite the voluntary participation to set aside housing units, income-restricted. The capitalized value of the subsidy supports both the affordable housing provision and developer participation/risk.
- More stringent restrictions could hurt participation in the program.
- Making the program as user-friendly as possible, can broaden program usage. A housing liaison at the City or affordable housing nonprofit partner can help facilitate program usage.

Benefits:

- Tax abatements positively impact the feasibility of projects where market-rate projects are feasible.
- Project can help cross-subsidize affordable units.
- Can help broaden housing choices in the City.

Drawbacks:

- Requires regular reporting to the state which helps track program usage.
- City must weigh the temporary loss of tax revenue against the potential attraction of new investment in targeted areas.

- Reduces general fund revenues for all overlapping taxing districts, which could make it harder to promote the tool to partner jurisdictions that do not perceive the same project benefits.
- May provide insufficient incentive to lead to affordability unless paired with other tools.

Section 3: Development Feasibility Assumptions

Apartment/Unit Assumptions			
Variable		**Assumption**	**Unit of Measure**
Site Size			
	Townhome A	**0.3**	Acres
	Townhome B	**1.0**	Acres
	Apartment	**2.5**	Acres
Unit Mix			
	Townhome		
	Studio	**0%**	Percent of all units
	1 Bedroom	**0%**	Percent of all units
	2 Bedroom	**50%**	Percent of all units
	3 Bedroom	**50%**	Percent of all units
	Apartment		
	Studio	**21%**	Percent of all units
	1 Bedroom	**30%**	Percent of all units
	2 Bedroom	**38%**	Percent of all units
	3 Bedroom	**11%**	Percent of all units
Leasable Unit Size			
	Townhome		
	Studio	**800**	Square Feet
	1 Bedroom	**1,000**	Square Feet
	2 Bedroom	**1,380**	Square Feet
	3 Bedroom	**1,680**	Square Feet
	Apartment		
	Studio	**592**	Square Feet
	1 Bedroom	**745**	Square Feet
	2 Bedroom	**1,004**	Square Feet
	3 Bedroom	**1,248**	Square Feet
Blended Leasable Unit Size			
	Townhome	**1,530**	Square Feet
	Apartment	**866**	Square Feet
Unit Efficiency			
	Townhome	**100%**	Gross to net ratio
	Apartment	**95%**	Gross to net ratio
Blended Gross Unit Size			
	Townhome	**1,530**	Square Feet
	Apartment	**912**	Square Feet

Operating Revenue and Cost Assumptions		
Variable	**Assumption**	**Unit of Measure**
Revenue		
Townhome Sales Price	$ 250	Per square foot
Apartment		
Studio	$ 1.96	Per leasable square foot, monthly
1 Bedroom	$ 1.47	Per leasable square foot, monthly
2 Bedroom	$ 1.28	Per leasable square foot, monthly
3 Bedroom	$ 1.22	Per leasable square foot, monthly
Blended Rent	$ 1.47	Per leasable square foot, monthly
Revenue Scaler	1.1	
Townhome B Premium	2%	Percent of Sales Price
Townhome A Sales Price	$ 420,750	Per unit
Townhome B Sales Price	$ 429,165	Per unit
Apartment Rent	$ 1,404	Per unit, monthly
Vacancy Rate		
Townhome	0%	Percent
Affordable Apartment	3%	Percent
Market Rate Apartment	4%	Percent
Operating Expenses		
Apartment	$ 271	Per unit, monthly

Development Cost Assumptions		
Variable	**Assumption**	**Unit of Measure**
Hard Costs		
Townhome	$ 130	Per square foot
Apartment	$ 120	Per square foot
Utilities/lobby	$ 100	Per square foot
Parking Cost		
Garage	$ 10,000	Per stall
Surface	$ 5,000	Per stall
Stall Size		
Garage	350	Square foot per unit
Driveway	234	Square foot per unit
Surface	325	Square foot per stall
Impact Fee		
Townhome	$ 1,260	Per unit
Apartment	$ 713	Per unit
Other Development Costs		
Hardscape	$ 15	Per square foot
Open Space	$ 10	Per square foot
Landscape	$ 5	Per square foot
Soft Costs (including permitting)	20%	Percent of hard costs
Contingency Fee	5%	Percent of hard and soft costs
Developer Fee/Commission	3%	Percent of development costs/sales price
Target Returns		
Apartment	5.50%	

Affordability Policy Assumptions			
Variable	**Assumption**		**Unit of Measure**
<u>Taxes and MFTE Assumptions</u>			
Property Tax Rate	$	11.93	Per thousand dollars of assessed value
AV to MV ratio		95%	
Tax Abatement Discount Rate		7.00%	
PV of 12-Year Abatement		52%	
Percent Taxes Abated		100%	
<u>Affordability Assumptions</u>			
Set-Aside (12-year)		20%	Percent of total units
Set-Aside (IH)		20%	Percent of total units
Affordability Depth (12-year)		80%	Percent of MFI
Affordability Depth (IH)		80%	Percent of MFI
MFI (4 person household)	$	77,400	
Income Toward Rent		30%	Percent of income
Affordable Rent	$	1,603	Per unit, per month
Affordable Homeownership Budget	$	1,877	Per unit, per month
<u>Affordability Multiplier</u>			
Studio		70%	Percent of MFI
1 Bedroom		75%	Percent of MFI
2 Bedroom		90%	Percent of MFI
3 Bedroom		104%	Percent of MFI
TH Blended		97%	Percent of MFI
Apartment Blended		83%	Percent of MFI
<u>Rental Utilities Allowances</u>			
Studio	$	193	Per unit
1 Bedroom	$	206	Per unit
2 Bedroom	$	229	Per unit
3 Bedroom	$	252	Per unit
Blended	$	217	Per unit
<u>Ownership Units</u>			
Affordability Depth		100%	Percent of MFI
Homeowner's Insurance		0.3%	Percent of Sales Price of Market Rate Unit
Taxes and Other Fees		1.1%	Percent of Sales Price of Market Rate Unit
HOA Fees	$	40	Per unit, per month
Mortgage Interest		4.00%	
Mortgage Term		30	Years
Down Payment		20%	Percent of Sales Price

Policy Assumptions		
Variable	**Assumption**	**Unit of Measure**
Open Space		
Townhome	0%	Percent of Lot Area
Apartment (current)	10%	Percent of Lot Area
Apartment (alternative)	0%	Percent of Lot Area
Minimum Lot Size		
Townhome (current)	4,300	Square Feet Per Unit
Townhome (alternative)	2,000	Square Feet Per Unit
Apartment	-	Square Feet
Maximum Lot Coverage		
Townhome (current)	60%	Percent of Lot Area
Townhome (alternative)	80%	Percent of Lot Area
Apartment (current)	60%	Percent of Lot Area
Apartment (alternative)	100%	Percent of Lot Area
Maximum Density		
Townhome (current)	10	DUA
Townhome (alternative 1)	15	DUA
Townhome (alternative 2)	22	DUA
Apartment (current)	22	DUA
Apartment (alternative)	40	DUA
Parking		
Townhome	2.0	Stalls Per Unit
Studio	1.0	Stalls Per Unit
1 Bedroom	1.0	Stalls Per Unit
2 Bedroom	1.5	Stalls Per Unit
3 Bedroom	1.5	Stalls Per Unit
Blended	1.2	Stalls Per Unit
Guest	5%	Percent of Total

APPENDIX F
AFFORDABLE HOUSING FUNDING SOURCES

ECONorthwest
ECONOMICS • FINANCE • PLANNING

DATE: February 5, 2021
TO: Maul Foster and Alongi, Inc.
FROM: ECONorthwest
SUBJECT: State, Local and Federal Affordable Housing Funding Sources for the Spokane Valley Housing Action Plan

Washington State, Local and Federal Affordable Housing Funding Sources

This section describes the main state, local, and federal affordable housing funding sources available to developers looking to construct affordable housing properties in the City of Spokane Valley. This section focuses solely on funding sources, not indirect financing sources that provide financial benefits to affordable housing projects via reduced costs. Many of the funding sources could be allocated by the federal government but are administered by state and local housing finance agencies.

Washington State Funding Sources

As shown below, the Washington State Housing Finance Commission offers several funding programs to build multifamily affordable housing.

- **The Low-Income Housing Tax Credit (LIHTC)** program is the largest source of funding established for affordable housing and is an indirect subsidy (in the form of a reduced federal income tax liability) for private companies to invest in affordable housing. This program is administered by state and local housing finance agencies in accordance with U.S. Treasury Department stipulations. Generally, LIHTC recipients receive the credit over one decade and in exchange, the housing units must be kept affordable for at least three decades (states can stipulate a longer period). In Washington State, the Housing and Finance Commission provides two types of LIHTC programs: the 9% tax credit and the 4% bond tax credit program.
    - The 9% tax credit program is more valuable, but limited, and is awarded competitively through annual funding applications.[1] A few drawbacks are the competitive nature and the complex application process (can take several months) and reporting requirements. Large renovation projects tend to use the 9% option while smaller preservation and acquisition-rehab projects tend to take advantage of the 4% option.
    - The 4% bond tax credit program is less valuable for project financing, but the program is not always competitive. This option is available if more than half the project is financed with tax-exempt Multifamily Bonds. Any project that is able to make the funding program work can access the tax credits up to a certain bond

[1] Source: Washington State Housing and Finance Commission, https://www.wshfc.org/mhcf/9percent/index.htm.

cap across the state. These programs typically fund housing units that are affordable to households earning below 60% of AMI. Although the 4% bond tax credit program tends to not be competitive, there could be competition for the bonds during certain years when demand exceeds availability [2]

- **The 80/20 Private Activity Bond** program can fund construction and development costs for eligible affordable housing projects (e.g., multifamily rental housing, limited equity cooperative, assisted living, single room occupancy housing). The interest on the funding is tax exempt (also known as private activity bonds), thereby reducing total development costs and increasing project feasibility. This program typically funds housing units that are affordable to households earning below 60% of AMI. In return for this incentive, the developer must set aside a certain percentage of units for low-income residents.[3]

- **Non-Profit Housing Bonds** can assist 501(c)(3) nonprofits in financing numerous housing developments. These funds are more flexible than other types of financing programs. Nonprofit bonds cannot be combined with the LIHTC program incentives, but they can be used to finance a broader range of eligible activities and facilities (such as emergency shelters for the homeless).[4]

- **The Land Acquisition Program** assists qualified nonprofits and developers with purchasing land for affordable housing development (rental or homeownership). This loan helps developers buy land and then gives them the necessary time to build financing for building the housing.

The Washington State Department of Commerce offers three additional funding programs for developing affordable housing.

- **The Washington State Housing Trust Fund** (HTF) provides loans and grants to affordable housing projects through annual competitive applications. This program typically funds housing units that are affordable to households earning below 80% of AMI. Recently at the end of 2020, the DOC announced that $85.3M of funding will be granted/loaned from the state's HTF, with an additional $11.7M provided through HUD's HOME and National HTF programs (both federal but managed by the DOC). This funding amount sets a new annual record of investment by the state HTF. This funding will be allocated to 30 projects and will help provide an estimated 1,404 multifamily rental units/beds, 121 homes for first-time homebuyers, 86 units of modular housing, and 74 units in cottage-style communities. The DOC will post a call for

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[2] Although the 4% bond tax credit program tends to not be competitive, there could be competition for the bonds during certain years when demand exceeds availability. Sources: Washington State Housing and Finance Commission, https://www.wshfc.org/mhcf/4percent/index.htm and Local Housing Solutions: https://www.localhousingsolutions.org/fund/federal-funding-for-affordable-housing/.

[3] Source: Washington State Housing and Finance Commission, https://www.wshfc.org/mhcf/BondsOnly8020/index.htm.

[4] Source: Washington State Housing and Finance Commission, https://www.wshfc.org/mhcf/nph/index.htm.

applications for the 2021-23 biennial funds soon in 2021 at: https://www.commerce.wa.gov/building-infrastructure/housing/housing-trust-fund/applying-to-the-housing-trust-fund/.

- **The Housing Preservation Program** provides funding for affordable housing rehabilitation, preservation, and capital improvement needs. It is only available for projects that have previously received Housing Trust Funds.[5]

- **The HOME Program** is a federal block grant program funded through the U.S. Department of Housing and Urban Development (HUD) used to preserve and build rental housing affordable to low-income households. The Washington State Department of Commerce runs the HOME Rental Development program for Washington State HOME Investment Partnerships Program (HOME). This program offers funding for the preservation and development of affordable rental housing to non-profit organizations, public housing authorities, and local and tribal governments. HOME Funds typically build units that are affordable to households earning below 50% of AMI. Action plans are developed every spring to describe how the state will allocate funds for the next year. Participating jurisdictions must set aside at least 15% of their HOME funds for housing that is developed, sponsored, or owned by Community Housing Development Organizations.[6]

Local Funding Sources

1) **A property tax levy** (RCW 84.52.105) – allows jurisdictions to place an additional tax up to $0.50 per thousand dollars assessed for up to ten years. Funds must go toward financing affordable housing for households earning below 50% MFI.
2) **A sales tax levy** (RCW 82.14.530) – allows jurisdictions to place a sales tax up to 0.1 percent. At least 60 percent of funds must go toward constructing affordable housing, mental/behavioral health-related facilities, or funding the operations and maintenance costs of affordable housing and facilities where housing-related programs are provided. At least 40 percent of funds must go toward mental / behavioral health treatment programs and services or housing-related services.
3) **A real estate excise tax (REET)** (RCW 82.46.035) – allows a portion of city REET funds to be used for affordable housing projects and the planning, acquisition, rehabilitation, repair,

[5] Source: Washington State Department of Commerce Housing Preservation Program, https://www.commerce.wa.gov/building-infrastructure/housing/housing-preservation-program/

[6] Through the federal HOME program, the King County Housing and Community Development Department administers a Housing Finance Program (HFP) to provide capital funds for acquisition, rehabilitation, site improvements, new construction, and other costs related to housing development. Projects must apply for program benefits and the process is competitive. The HFP includes funds from King County's local Housing Opportunity Fund. Sources: Washington State Department of Commerce HOME Rental Development Program, https://www.commerce.wa.gov/building-infrastructure/housing/housing-trust-fund/home-program/ and ARCH, https://www.archhousing.org/developers/other-funding-options.html.

replacement, construction, or improvement of facilities for people experiencing homelessness. These projects must be listed in city's the capital facilities plan.

Federal Government Funding Sources

The U.S. Department of Housing and Urban Development (HUD) offers several different programs for developing affordable housing. Select programs are described below.

- Since 1974, HUD has provided Community Development Block Grants (CDBG) for the improvement of the economic, social and physical environment and quality of life for low- and moderate-income residents. Generally, these grants can address a wide range of community development needs including infrastructure improvements, housing rehab loans and grants as well as other benefits targeted to low- and moderate-income persons. A competitive process is typically used to allocate grants for individual projects and the amount of federal funding for CDBG has diminished over the past few years.
    - The local CDBG Program is administered by Spokane County's Community Services, Housing, and Community Development Department since the City of Spokane Valley is part of the Spokane County CDBG Consortium (via an interlocal agreement).[7] The City of Spokane Valley is currently allocated approximately 20 percent of the consortium's total CDBG award which ranges between $270,000 to $358,000. Eligibility is based on consistency with adopted priorities in the consolidated plan and whether the proposal targets broader community-wide benefits and low- and moderate-incomes (as determined by census tract) and residential uses.
- The HUD Section 108 Loan Guarantee Program is one mechanism available for CDBG (block grant) recipients to increase the capacity to assist with economic development, housing, public financing, and infrastructure projects by enabling a community to borrow up to five times its annual CDBG allocation. Communities can use these loans to either finance projects or to start loan funds to finance multiple projects over several years. The program has flexible repayment terms and is often layered with other sources of financing such as LIHTC.[8]
- HUD also provides two Section 8 funding programs that assist with rent payment. The Section 8 funding programs do not provide financial support to build affordable housing; rather, they provide support for households earning up to 80% of the AMI by paying the rent balance above 30% of the household income. HUD has a tenant-based Section 8 rental housing assistance offered primarily through the Housing Choice Voucher program.

[7] Source: Spokane County https://www.spokanecounty.org/1240/CDBG

[8] HUD Section 108 Loan Guarantee Program: https://www.hud.gov/program_offices/comm_planning/section108

- This voucher program is administered by the Spokane Housing Authority (SHA). Voucher holders gain a rental subsidy that can be used at any eligible rental housing. Consequently, this incentive moves with the eligible household rather than being tied to an affordable housing development. The other Section 8 program is a project-based voucher program providing a subsidy to specific housing units providing consistent affordability. SHA requires households to have 50% AMI or less and reserves 75% of units for incomes at or below 30% AMI. Since the assistance is connected to the housing unit, this program can help create or preserve affordable housing in high-cost, gentrifying areas.

- HUD 202 Supportive Housing for the Elderly: This program provides interest-free capital advances to private, nonprofit sponsors to finance housing development for low-income seniors. The capital advance does not have to be repaid as long as the project serves low-income seniors. The nonprofit must provide a minimum capital investment equal to 0.5 percent of the HUD-approved capital advance, up to a maximum of $25,000. Occupancy in Section 202 housing is open to any very low-income household comprised of at least one person who is at least 62 years old at the time of initial occupancy.[9]

- HUD Section 811 Supportive Housing for Persons with Disabilities: This program provides funding to build and subsidize rental housing for eligible persons with disabilities, in household income levels ranging from very low (50% AMI) and extremely low (under 30% AMI). At least one adult member in the household must have a disability such as a physical or developmental disability or chronic mental illness. A general aim of this program is help persons with disabilities live independently as much as possible. The program provides interest-free capital advances and operation subsidies to nonprofit developers. In addition, assistance is provided to state housing agencies in a variety of ways such as Federal Low-Income Housing Tax Credits. [10]

- Another HUD program supporting affordable housing rehabilitation is the Choice Neighborhoods grant program. This program is the successor to the HOPE VI program. This program funds the redevelopment, rehabilitation, and new construction associated with severely-distressed public housing and privately-owned HUD-assisted properties. A neighborhood revitalization plan (referred to as a Transformation Plan) describing the project goals and how it will address community problems and increase opportunities for the residents and the surrounding neighborhood is required.[11]

[9] Source: HUD, https://www.hud.gov/program_offices/housing/mfh/progdesc/eld202

[10] Source: HUD, https://www.hud.gov/program_offices/housing/mfh/progdesc/disab811.

[11] Source: Local Housing Solutions, https://www.localhousingsolutions.org/fund/federal-funding-for-affordable-housing/.

City of Spokane Valley Rent-Restricted Low-Income Housing Inventory Analysis

Common Management Companies	Number of Properties	% of Total	Number of Low Income Units	% of Total
California Commercial Investment Group, Inc.	3	13.0%	261	15.7%
Catholic Housing Services of Eastern Washington	1	4.3%	51	3.1%
Community Frameworks	2	8.7%	49	2.9%
Goodale & Barbieri Company	1	4.3%	59	3.5%
Hearthstone Housing Foundation	1	4.3%	287	17.3%
Kiemle & Hagood Co	4	17.4%	98	5.9%
National Church Residences	2	8.7%	74	4.4%
Security Properties Incorporated	1	4.3%	139	8.4%
Spokane Housing Authority	1	4.3%	207	12.4%
Spokane Housing Ventures	3	13.0%	96	5.8%
Spokane United Methodist Homes	1	4.3%	24	1.4%
Vinland Housing Corporation	1	4.3%	80	4.8%
Whitewater Creek, Inc.	2	8.7%	238	14.3%
Grand Total	**23**	**100.0%**	**1,663**	**100.0%**

Bedroom Count (If property has all or some bedroom information)		% of Total
SRO	0	0.0%
0BR	10	1.0%
1BR	518	51.6%
2BR	354	35.3%
3BR	97	9.7%
4BR	24	2.4%
5BR	0	0.0%
Grand Total	**1,003**	**100.0%**

Affordability Level (for properties with income limit data)		% of Total
LIH 30%	40	3.6%
LIH 35%	36	3.2%
LIH 40%	113	10.2%
LIH 45%	0	0.0%
LIH 50%	143	12.8%
LIH 60%	781	70.2%
Grand Total	**1,113**	**100.0%**

Project Type (Source)	Sum of Low Income Units
Bond (WSHFC)	140
HUD 202	136
HUD 811	61
HUD Section 8	221
Tax Credit (WSHFC)	870
Unknown (Community Frameworks)	28
Unknown (Spokane Housing Authority)	207
Grand Total	**1,663**

City of Spokane Valley Rent-Restricted Affordable Housing Inventory Data Sources: Washington State Housing and Finance Commission (WSHFC), 2020, US Department of Housing and Urban Development (HUD), Spokane Housing Authority (SHA), and Community Frameworks (CF).

Data Searches (mid 2020): HUD, USDA Rural Development Program (there were no properties in Spokane Valley), SHA, City of Spokane Valley, and PolicyMap.

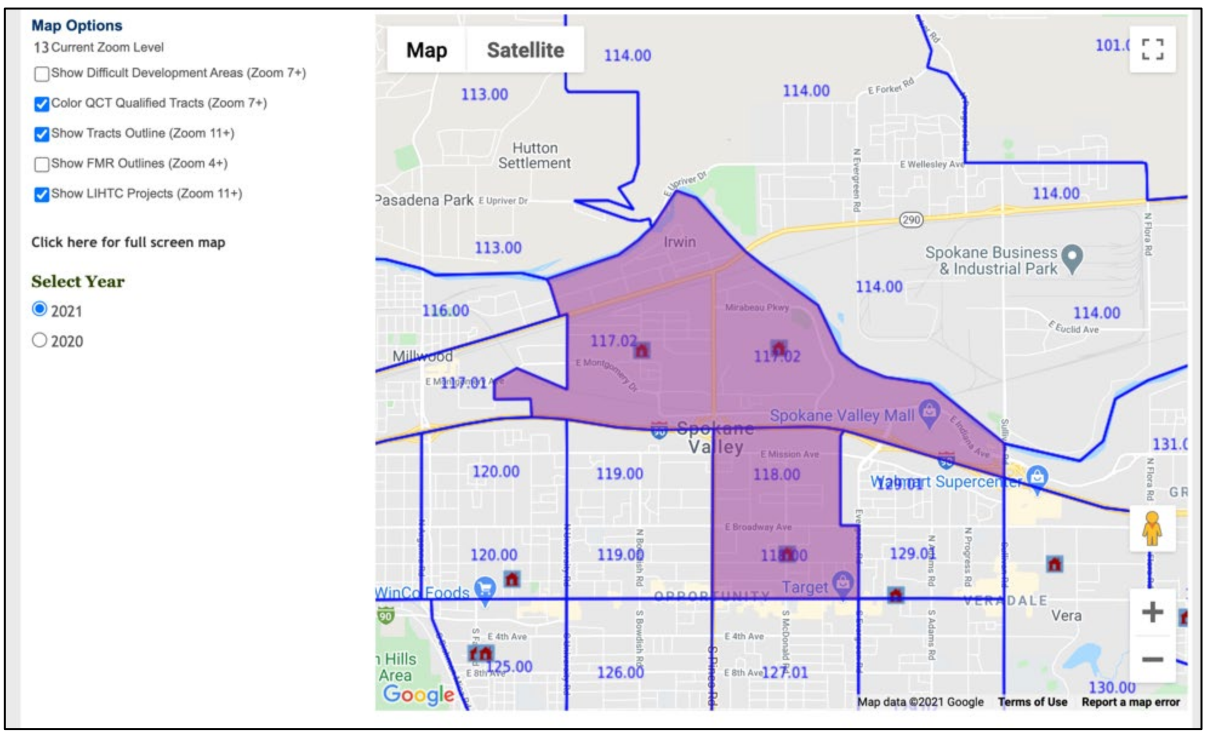
Notes: 0BR: is a studio. SRO: Single Room Occupancy. BR: Bedroom.
We de-duplicated properties that appeared in multiple databases by looking at property names, total units, and addresses. We did not gather information on affordable homeownership properties, nor information on any housing vouchers. This information does not include homeless shelters or transitional housing that is not income or rent restricted. Lastly, we assume the WSHFC properties are all currently rent restricted, even if their LIHTC Year-15 has passed. While we cannot guarantee that the data is fully complete, it likely captures a robust share of the total rent-restricted affordable housing across Spokane Valley.

Federal Government Designated Geographic Areas for Affordable Housing Support

Developing a regulated affordable housing property can be a complex and difficult process. Different funding sources may have different priorities, and the costs of land and development can be prohibitive. To help alleviate some of these difficulties, the federal government has designated certain geographic areas to receive higher priority or more funding for regulated affordable housing development. These include Qualified Census Tracts, Difficult to Develop Areas, and Opportunity Zones, each described below.

Qualified Census Tracts

HUD defines a Qualified Census Tract (QCT) as a Census Tract with "50 percent of households with incomes below 60 percent of the Area Median Gross Income (AMGI)" or one where the poverty rate exceeds 25 percent. [12] Affordable housing developments in QCTs that apply for LIHTC funding receive a boost in the amount of tax credits they can receive. The City of Spokane Valley has a few QCT (see image below).



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[12] HUD. 2020. "Qualified Census Tracts and Difficult Development Areas." www.huduser.gov/portal/datasets/qct.html

Difficult Development Areas

HUD defines a Difficult Development Areas (DDA) as "areas with high land, construction and utility costs relative to the area median income" and uses HUD Fair Market Rents, income limits, 2010 census, and 5-year American Community Survey (ACS) data as determinants. DDA properties using the Low-Income Housing Tax Credit (LIHTC) program can receive a 30 percent basis boost in qualified costs, increasing tax credits and resulting in greater investment equity in a project. The City of Spokane Valley does not include any DDAs.

Opportunity Zones

In addition, the 2017 federal Tax Cuts and Jobs Act created the Opportunity Zone program which is designed to incentivize investment in low-income communities by providing tax benefits. Opportunity Zones are Census Tracts where the poverty rate exceeds 20%. [13] While there are no specific funding boosts for affordable housing projects developed in Opportunity Zones, the tax incentives make other types of multifamily development more feasible. The City of Spokane Valley does not have any Opportunity Zones.

[13] Washington State Department of Commerce. 2020. "Opportunity Zones-An Incentive to Invest in Lower-Income Areas." https://www.commerce.wa.gov/growing-the-economy/opportunity-zones/

Affordable Housing Development Information

This section describes the affordable housing development and finance process and how it differs from market rate development.

Typical Affordable Housing Development Process

The development of new, multifamily regulated affordable housing is a long and complex process. It is subject to many of the same development conditions as market-rate development, with added complexity due to lower rents requiring additional, lower-cost funding. The development process begins in predevelopment (design and feasibility, land entitlements, and funding applications) then enters construction, before beginning operations. The following are typical development phases for regulated affordable housing projects.

Design and Feasibility

Affordable housing developers start with an understanding of the need for less expensive housing in an area.

> ***How many units are needed at what rent level?***
>
> ***What income levels have the biggest gaps in housing supply?***
>
> ***What populations are struggling with housing costs the most?***

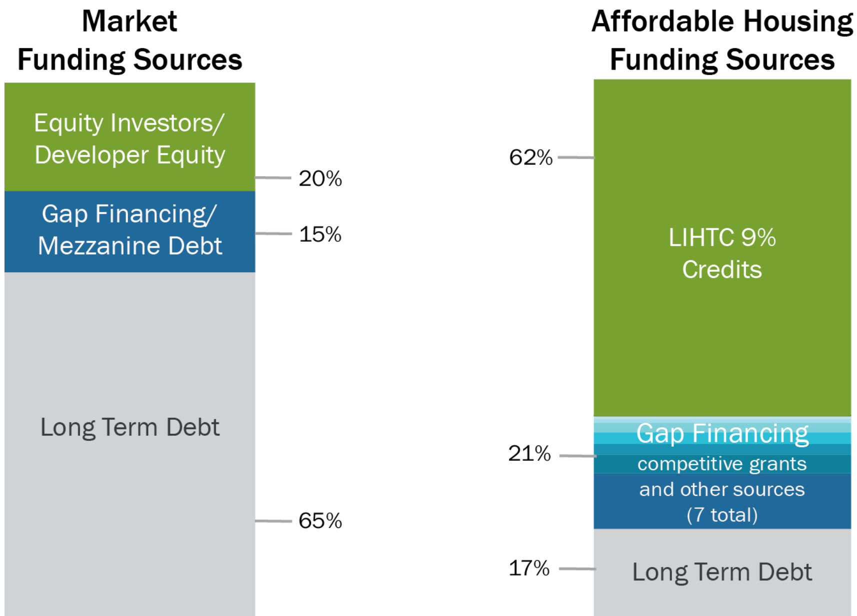
Just like market rate developers, affordable housing developers test the financial feasibility of what they hope to build against the local political and economic conditions. They must estimate what it will cost to build, what affordability levels the region needs, and the amount of funding available to build the project. If the project is not financially or politically feasible (i.e., cannot find adequate funding sources or does not meet a neighborhood's goals), building the housing will be immensely challenging. Key challenges that are considered: cost of land, development allowed on the land (zoning), costs of construction, rents or prices, costs of operations (for multifamily), or local opposition to the project.

How does affordable housing differ?

Both affordable housing development and market-rate development need to go through design and feasibility. Affordable housing development differs from market-rate development in this stage due to limited funding. With the goal of providing below-market rents, the financing structure (often called the "capital stack") of an affordable housing development needs to fill a gap (often called a "funding gap") between what it costs to build the property and what the property's operations can support. A market rate development will typically have investor equity and one or two types of debt financing, but an affordable housing development may also need to secure public funding, grants, operating subsidies, and low-cost or forgivable debt on top of competitive investor equity sources (see exhibit below). Some affordable housing developers need to secure predevelopment loans or grants as they work out the logistics of project feasibility.

Sometimes, affordable housing developments are given free or reduced cost land, which aids feasibility and reduces the amount of debt needed.

Typical Capital Stacks in a Market Rate and a 9% LIHTC Affordable Housing Development



Source: ECONorthwest

Land Use Entitlements

This is the process of getting control of the site (buying land or assembling parcels) and getting the legal authority to develop (zoning and permitting, design review, neighborhood opposition, etc.). This can take months or years depending on the type of project, the required level of public review, the time it takes to obtain permits, the amount of neighborhood opposition, and many other factors. Developers typically take out pre-development loans to cover these costs, meaning that delays incur "carrying costs" (the interest that accrues on the loan each month of the process). This loan may be wrapped into or repaid by the construction loan.

How does affordable housing differ?

Both affordable housing developments and market-rate developments need to secure land use entitlements. One major way that affordable housing development differs from market-rate development in this stage, is due to neighborhood opposition. It is common for neighborhoods to object to a new affordable housing development, and some may use the slow land use entitlements process to delay or "kill" a project. Some market-rate developments may face opposition in this process, but they may also be in a better financial position to weather delays (e.g., if a market rate developer does not need a pre-development loan, delays do not incur carrying costs).

Public Funding Applications

This is a unique step required of affordable housing development that does not apply to market-rate development. Often, affordable housing developments receive public funding in exchange for renting to low-income households. With rents set below market, the property will have insufficient rent revenue to cover its operating costs and support the loans needed to pay for development. Thus, the property must apply for a range of low-cost funding, project equity, or grants to reach feasibility and begin construction. This step adds cost, time, complexity, and uncertainty to the development process. Because public funding is limited, these application cycles are very competitive and not all projects will receive the funding to move forward. The policy goals attached to each funding amount can influence the type of housing built (e.g., housing for families or seniors) as well as the income levels served. Most often, a project needs to have site control before it can receive funding.

How does affordable housing differ?
Market-rate developments do not typically need to secure public funding for development.

Construction

Once a property has site control, entitlements, and a confirmed design concept, it can begin construction. This stage depends on the availability of labor, materials, and equipment, as well as the complexity and size of the development. The project will take out a construction loan to cover these costs, which means that delays in construction incur additional "carrying costs." The construction loan is repaid by the permanent loan, which is sized based on the net operating income of the project (rent revenues minus operating expenses).

How does affordable housing differ?
Affordable housing projects do not meaningfully differ from market-rate projects in the construction process. However, they may have simpler designs and prioritize faster construction timelines.

Operations

Once the project is built and leased, it begins operations. Rents are determined at the project feasibility stage and are very important in the project's operating phase. Feasibility and funding applications can occur several years prior to the project operating. The revenues from property rents need to be high enough to cover the cost of operating the property (including maintenance and repairs, landscaping, taxes, and numerous other fees and costs). The project's net operating income must also service the monthly debt payments on the permanent loan. Banks generally require an income "cushion" to assure that the property has enough operating income to pay its debts. This means that net operating income must be 15 percent to 20 percent higher than the debt payment. Any change in rent revenues (market softening, competition, vacancies, etc.), costs of operations (higher taxes, maintenance costs, capital repairs, etc.) can meaningfully disrupt a property's operations.

How does affordable housing differ?

Affordable housing properties operate under affordability restrictions for a specified period of time (e.g., 15-99 years), and are typically managed by mission-driven developers or non-profit organizations. In contrast, many market rate properties will sell to an institutional investor after the property stabilizes (after 5 or 8 years of operations). Another difference in affordable housing operations is that typically, affordable housing properties are required to put a portion of operating funds into reserves (both capital reserves and or operating reserves) which serve as a cushion for unexpected vacancies, disruptions to operations, or major capital repairs. These reserves help prevent most affordable housing properties from defaulting on debt service requirements (LIHTC properties, in particular, have very low default rates). Market rate properties are not required to keep reserves. Lastly, another difference in affordable housing operations, is that often the properties may have insufficient cash flow (funds left over after paying for operating expenses and debt) to pay for any cash-flow dependent line items (e.g., the developer fee, cash-flow dependent loans, etc.) In contrast, market rate properties seek financial returns from the property, to provide steady cash flow to the owner or investor. While cash flow is not always available due to market rent fluctuations and or vacancies, the deals are structured to seek financial returns.

Development Context

There are a large number of interrelated variables to consider where affordable housing will be the most profitable for developers; among these variables are:

- **Base regulations** – base density, height limits, lot coverage or floor-area ratios, etc.
- **Incentives** – fee waivers, density and height bonuses, direct financial contributions, etc.
- **Inclusionary requirements** – length of restrictions, set aside amounts, income levels, etc.
- **Market conditions** – base rents, area annual income growth, land costs, etc.
- **Infrastructure** – mobility (transit, roads, and trails), parks, stormwater, etc.
- **Internal metrics** – developer internal rate of return, finance costs, etc.

The difficulty in balancing these variables is that since each site, each project, and each developer have such widely varying characteristics, there is no single equation that results in the provision of affordable housing; each party can only make decisions that affect their span of control:

- **Developer:** Choosing a region with anticipated profit, controlling for land costs, reducing the quality of the units, or charging increased prices for the finished units; since the first is sometimes fixed, and the last two are tied to market rates, controlling for land is often the overriding factor.

- **Jurisdiction:** Reducing regulatory burden—parking requirements, impact fees, permitting timelines, cost of compliance, etc.—or increasing incentives.

- **Outside of control of either party:** Financial markets, regional economic growth/decline.

The challenge with affordable mandates is to price the associated incentives in a way to mitigate the costs.

APPENDIX G

ACCESSORY DWELLING UNIT AND TINY HOME POLICY ANALYSIS

DATE: February 1, 2021
TO: Maul Foster & Alongi (MFA), Matt Hoffman
FROM: ECONorthwest, Tyler Bump, Jennifer Cannon, and James Kim
SUBJECT: DRAFT Evaluation of Key Housing Strategies for the Spokane Valley Housing Action Plan

Introduction

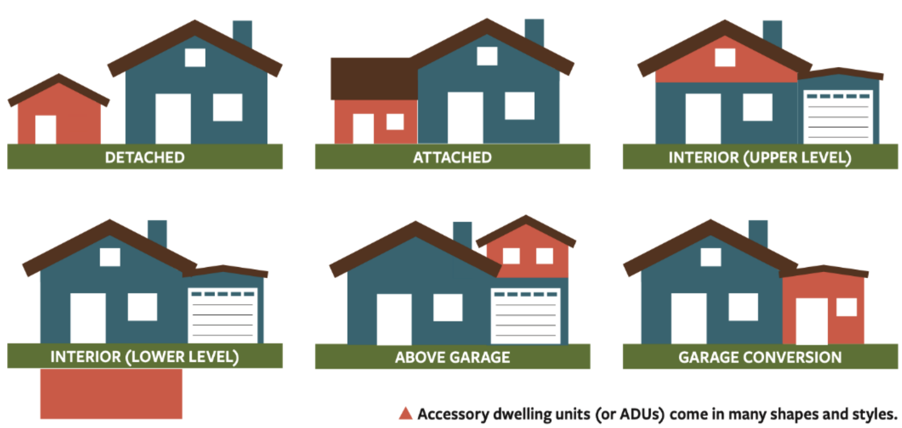
ECONorthwest in partnership with MFA is supporting the development of a Housing Action Plan (HAP) for the City of Spokane Valley to evaluate current and future housing needs and identify strategies to meet those needs. The HAP is largely made possible due to a Washington State Department of Commerce Housing Bill 1923 Grant. The overarching aims for the HAP are to include strategies to increase the supply of housing, and variety of housing types and actions to increase the supply of housing affordable to all income levels. The approach for developing a HAP began with an assessment of housing needs, public involvement, and analysis of the effectiveness of existing policies and potential updates to key regulations. All of this information collectively will inform the strategic actions to be including in the HAP.

ECONorthwest provided Housing Action Plan content useful for describing Accessory Dwelling Unit (ADU) and Tiny Home policy updates to consider.

Accessory Dwelling Unit Policies

ADUs, also referred to as mother-in-law apartments, carriage house, granny flat, second unit, are a self-contained residential unit that is an accessory use to a single-family home and is located on the parcel with a single-family home. An ADU typically contains all the basic facilities needed for living independent from the primary residence such as a kitchen and bathroom. ADUs tend to be smaller in size and scale to the primary single-family home. ADUs can be considered a form of missing middle housing helping to bridge a gap between single-family housing and multifamily housing. Generally, this type of housing can be built at a lower cost per unit than single-family detached housing; however, this is not guaranteed.

An ADU can be configured in different ways such as being attached to a single-family home, above a garage, or detached from the primary residence. See the examples shown below.



Source: AARP, 2018 ABCs of ADUs Guide and images.

Spokane Valley ADU Regulations:[1]

- **Type**: Both attached or detached are permitted.
- **Quantity**: One ADU is allowed per lot.
- **Creation**: ADU construction is allowed with new or existing primary unit.
- **Eligibility**: ADUs are not allowed on lots with a duplex, multifamily dwelling, or accessory apartment.
- **Parking**: One off-street parking space required for ADU in addition to existing parking requirements.
- **Design Standards**:
  - **Appearance:** ADU must match primary dwelling unit's exterior finish materials, roof pitch, trim, and window proportions and orientation. No guidance on height limits.
  - **Entrance**: An attached ADU entrance must be on the side or in the rear to maintain single-family appearance. No guidance for detached ADU.
  - **Size**: ADU cannot be larger than 10% of lot or 1,000 sq/ft (whichever is greater) and larger than 300 sq/ft while not exceeding 50% of the habitable square footage of primary dwelling unit. And have no more than two bedrooms.
  - **Setbacks**: ADU must comply with existing side and rear setback requirements for a dwelling unit. For some properties this would be a 20-foot rear setback and for others the rear setback could be 10 feet.
- **Permit Fees**: It is not clear from the Master Fee Schedule found in Resolution NO. 20-016 which fees apply to ADU permit fees. Clarifying which fees apply to ADU development will help reduce questions and streamline the process. Below are some fees that may:
  - **ADU Planning:** $300
  - **Building:** $391.25 – $993.75
  - **Site Plan Review:** $80
  - **Certificate of Occupancy:** $84.00
  - **Transportation Impact Fee:** $1,260
- **Other:** Cargo shipping containers are not permitted as an ADU in residential zoning.
- **Industrial ADU:** This is another type of ADU allowed in Spokane Valley. Code does not specify which zone it is permissible to build this type of ADU. Main difference from a regular ADU is that 10 industrial ADUs are allowed per site and are prohibited on the first floor of the building.

Policy Considerations:

[1] City of Spokane Valley Municipal Code Section **19.40.030 Development standards – Accessory dwelling units.**

- Adding off-street parking space in addition to the existing parking requirements can make an ADU more expensive to develop. Parking space requirements tend to increase the cost of development and can make the development physically impossible when taking into account the primary and accessory parking unit requirements. Lowering parking space requirements can be a helpful way to encourage ADU development. If on-street parking is available or garage or driveway space is available, the City should consider waiving onerous parking requirements such as prohibiting the use of the driveway, garage, or carport areas to count for parking. Especially if owner-occupancy is required, ADUs tend to be located on a lot with shared parking arrangements and the availability of parking can be coordinated with the primary residence (likely the landlord) living on-site. Parking spaces could easily cost $5,000 to $7,000 which, given the cost of development of an ADU, can add substantial cost such that it becomes a barrier for homeowner financing.
- Generally, requiring owner-occupancy of one of the units can negatively impact ADU production.[2] The City of Renton exempts owner occupancy requirements in exchange for 60% AMI affordability.
- The City should explore whether there are feasible opportunities to relax the size limitations to allow for more flexibility and larger units and smaller units that could result from the conversion of garage spaces.
- Relaxing the ADU setback requirements (particularly the side and rear) to five feet could make ADU projects more feasible, particularly on lots with irregular or elongated shapes.
- A city might institute strategic fee waivers for affordable units to encourage more development, or lower-cost development.
- Increasing the density to allow for two ADUs per lot could be helpful particularly if the City sees increasing demand for ADU housing options. Jurisdictions will not see large numbers of ADUs actually being constructed until the market rents reach a level that makes development feasible.
- Monitor: Cities possibly will need to address short-term vacation rental use of ADUs and spillover effects in terms of parking, service, and neighborhood impacts.

Benefits Associated with Promoting ADU Development:

- Broadens housing diversity and choices in a broader range of neighborhoods since it can be offered at a more affordable cost due to their small size. Although ADUs can be cheaper housing options, this lower cost is not always the case.
- Offers additional options for Seniors and younger populations, single person households, etc.
- Can be a source of added income to help pay housing expenses.

[2] https://www.planning.org/knowledgebase/accessorydwellings/

- AARP surveyed people 50+ and found, they would consider creating an ADU to provide a home for a loved one in need of care (84%), provide housing for relatives or friends (83%), feel safer by having someone living nearby (64%, have a space for guests (69%), increase the value of their home (67%), create a place for a caregiver to stay (60%), and earn extra income from renting to a tenant (53%) Source: AARP Home and Community Preferences Survey, 2018. (AARP Home and Community Preferences Survey, 2018)
- ADUs can blend into single-family neighborhoods and be a form of intergenerational housing.

Tiny Home Policies

Over the last decade, various factors have led to households downsizing and people choosing to live in smaller, more affordable, and environmentally sustainable dwellings. The concept of living smaller has been gaining momentum and new models of tiny housing have been popping up in cities throughout the country.

Tiny houses are one way to provide a housing option for individuals and households who desire privacy and smaller home size but prefer single-family dwelling home amenities. Tiny homes, sometimes referred to as micro-homes, are small, single-family dwellings, typically 80 to 200 square feet but usually always less than 500 square feet.[3] Tiny homes often have a kitchen and a bathroom and they can be on wheels (temporary or transitional) or on foundation (permanent).

Tiny homes are an attractive option for home dwellers because they cost less than a traditional home and do not require a mortgage; units require less energy and utility services; and some tiny homes, especially those on wheels, provide dwellers the flexibility of movement. Tiny homes can be built entirely on the site (stick-built/site-constructed) or can be built elsewhere and transported to the site such as a factory-built modular home. Tiny house communities including property that can be rented or held by other others for the placement of tiny houses can also provide transitional housing for those experiencing homelessness (these villages have been built in Olympia and Seattle).

Until recently, state law, building codes, and local regulations have presented numerous legal and logistical barriers to siting and building these very small, detached dwellings. In 2019, the state legislature passed ESSB 5383, which updated state law to enable the development of tiny houses or tiny house communities throughout the state. This law defined tiny houses, and mandated that the building code council write building codes for tiny homes. Washington state has adopted Appendix Q Tiny Houses which relates to tiny homes on a foundation.

The City of Spokane Valley could consider the following policy updates/additions:

[3] Brown, Emily (2016). Overcoming the Barriers to Micro-Housing: Tiny Houses, Big Potential. University of Oregon Department of Planning, Public Policy, and Management.

- At a minimum, the City should define tiny houses to differentiate from trailers, manufactured homes, and recreational vehicles. Tiny homes on wheels might be challenging to address initially due to challenges with zoning compliance, waste-water treatment, and site design. Some communities have adopted building codes that allow for long-term occupancy of tiny homes, but in many towns and cities the legality of long-term occupancy hinges on whether the tiny home is on a permanent foundation and connected to public utilities. Consequently, focusing on clarifying regulations with tiny houses on foundations (not on wheels) could be addressed as a first step. The City could allow tiny homes, set on a foundation, to be utilized as an ADU.
- Zoning code requirements can create additional barriers: Tiny homes may not be addressed in the zoning code as a permitted use, and if so, there may be a limit on which zoning areas allow them. Certain zoning areas have minimum lot size, setbacks, and parking requirements that are prohibitive. The City of Walsenburg, Colorado's city council eliminated a zoning code that prohibited residential dwellings of 600 square feet or less, allowing more housing in the mountain-town city.[4] The permitted use table should be modified to identify where tiny houses or tiny house villages would be permitted outright or conditionally allowed.
- The building code can be the most significant hurdle for legally constructing a tiny home. The City should consider whether to adopt the updated International Residential Code (IRC) with Appendix Q (2018) since this has been modified to encompass tiny house construction. This IRC defines a tiny house as a dwelling smaller than 400 square feet excluding lofts. The Washington state legislature (via ESB 5383) recognizes that the IRC has issued tiny house building code standards in Appendix Q which can provide a basis for the standards requested within this act.[5] As a first step, the City should solicit input or convene a focus group or working group including tiny house owners and developers, city planners, and city building code experts to review how tiny homes would fit in the existing site plan approval process and identify regulatory barriers and possible areas of flexibility related to the use of the IRC.

[4] For more information, visit: https://www.cityofwalsenburg.net/tiny-homes

[5] The cities of Seattle, Tacoma, and Olympia have adopted Code to address tiny homes.

Tiny Home Image Precedents

Source: archpaper.com/2019/11/seattle-to-shut-tiny-house-village-after-resident-lockout/

Source: https://crosscut.com/2019/09/cheap-practical-life-saving-seattle-should-build-more-tiny-house-villages

Source: https://mynorthwest.com/1627619/seattle-northlake-tiny-home-village-stays-open/?

Source: https://tinyhousebuild.com/many-faces-of-home/

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