

City of Chelan

Draft Housing Action Plan

July 2020

PURPOSE

This housing action plan (HAP) defines strategies and implementing actions that promote greater housing diversity, affordability, and access to opportunity for residents of all income levels in the City of Chelan. It is meant to implement a voluntary program in the Growth Management Act (GMA) and fulfil a grant agreement with the State of Washington Department of Commerce to:

- Quantify existing and projected housing needs for all income levels, including extremely low-income households, with documentation of housing and household characteristics, and cost-burdened households;
- Develop strategies to increase the supply of housing, and variety of housing types, needed to serve the housing needs identified above;
- Analyze population and employment trends, with documentation of projections;
- Consider strategies to minimize displacement of low-income residents resulting from redevelopment;
- Review and evaluate the current housing element adopted pursuant to RCW 36.70A.070, including an evaluation of success in attaining planned housing types and units, achievement of goals and policies, and implementation of the schedule of programs and actions;
- Provide for participation and input from community members, community groups, local builders, local realtors, nonprofit housing advocates, and local religious groups; and
- Include a schedule of programs and actions to implement the recommendations of the housing action plan.

To develop this Housing Action Plan, the City has conducted public engagement (Appendix A), a housing needs assessment (Appendix B), and a housing policy framework review (Appendix C). Accordingly the results have led to four key housing objectives that are addressed in this Housing Action Plan:

- 1. Make it Easier to Build Affordable Ownership and Rental Housing**
- 2. Increase Housing Variety and Choices**
- 3. Ensure Opportunities for Senior Housing**
- 4. Promote Housing for Seasonal Workers supporting the Agriculture and Tourist Based Economy**

ENGAGING THE COMMUNITY ABOUT HOUSING

The City has set out a public engagement plan with the following objective and activities.

Objective: The City’s Housing Action Plan will leverage its long-standing community engagement efforts around housing, and also, ensure participation and input from community members, community groups, local builders, local realtors, nonprofit housing advocates, and local religious groups consistent with RCW 36.70A.600.

Activities: The public participation plan anticipates a variety of engagement activities:

- Stakeholder meeting, public workshop, or open house
- Questionnaire/survey
- Legislative meetings with Planning Commission and City Council

The public participation plan for the Chelan Housing Action Plan builds on the more extensive engagement associated with City planning efforts including a Housing Town Hall Summit in January 2018 and the 2018 Chelan Valley Housing Affordability Needs Assessment that involved public meetings, round table discussions and one on one interviews with stakeholders, and a survey with 171 respondents. A key finding was that 75% of survey respondents characterized the need for affordable housing as “extremely high.”

A briefing with the Planning Commission in May 2020 was an early sharing of the grant agreement scope, housing needs assessment, and housing policy framework. This Draft Housing Action Plan will be the subject of public engagement with stakeholders through a meeting and survey, followed by legislative meetings. Engagement results to date are included in Appendix A.

CHELAN’S HOUSING NEEDS AND GAPS

BERK prepared a Housing Needs Assessment for the City of Chelan in March 2020 with minor revisions made in June 2020 based on feedback from the Planning Commission in May 2020. Five major themes identified in the Housing Needs Assessment include:

- Home ownership is unaffordable for many households.
- Rental housing costs are rising and options are limited for low and moderate income households.
- There is lack of diversity in the housing options available to local households and a misalignment between the size of housing units and the size of households.
- Opportunities for senior housing will become increasingly important.
- There is a lack of housing for seasonal workers and farmworkers despite being a service and tourist-based economy.

A summary of each is included below. The full housing needs assessment can be found in Appendix B.

Note: The information below is based on information available prior to the COVID-19 pandemic which paused much economic activity, likely affected incomes, and potentially affected housing security for some households.

Home Ownership Affordability

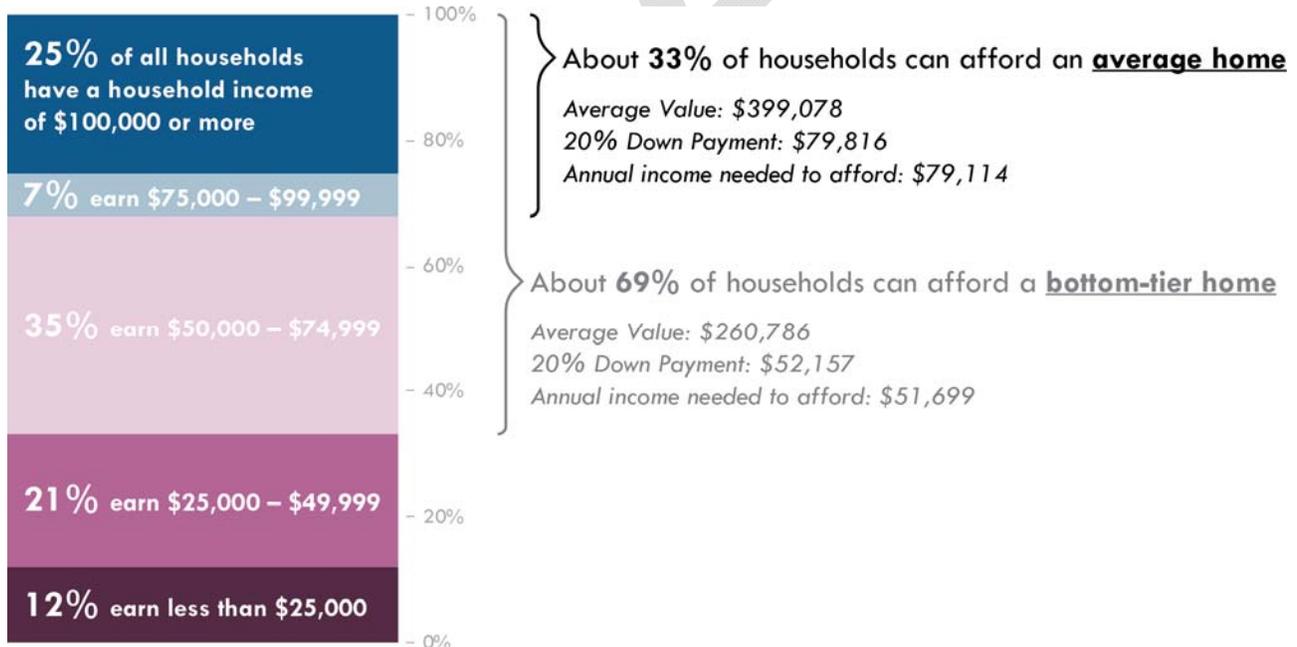
From 2010 to 2018, home values in Chelan rose by 42% while household income increased by only 30%. This indicates a rise in housing cost burden for home ownership households and a decrease in affordability for prospective or first-time home buyers.

As of February 2020, the value of an average home in Chelan – including both single family residential and condos – was about \$400,000.¹ For a household to afford this and spend no more than 30% of their income on housing, they need an annual household income of just over \$79,000 assuming they have access to a 20% down payment. Based on household income estimates from 2018, about one third of all households in Chelan had incomes high enough to afford an average home. About two thirds of households can afford a bottom-tier home (average value of about \$260,000) which requires an annual household income of about \$52,000 or more and access to a 20% down payment. At current housing prices, a 20% down payment is equivalent to about one full year’s income for households at these income thresholds. See Exhibit 1.

Cost Burden

One of the best indicators of affordable housing needs is the number of households that are "cost-burdened" or spending too much of their income on housing. These households have limited resources left over to pay for other life necessities such as food, clothing, medical care, transportation, and education. They are also at higher risk of displacement when housing costs rise, or life circumstances change.

Exhibit 1. Home Ownership Affordability and Income Brackets in City of Chelan



Note: Average value represents the whole single family and condo housing stock and not just the homes that list or sell in a given month, and is the average value of all homes in 2020 as of February 2020.

Sources: Zillow Home Value Index (ZHVI), February 2020; US Census, 2014-2018 ACS 5-year Estimates (Table S1901); BERK, 2020.

¹ The [Zillow Home Value Index](#) (ZHVI) provides average home values in the City of Chelan for all ownership homes as well as averages among “Bottom Tier” homes (those in the bottom third of all units by cost) and “Top Tier” (those in the top third of all units by cost). ZHVI represents the whole housing stock and not just the homes that list or sell in a given month. Average home value is the average value of all homes (single family residential and condos) in 2020 as of February 2020.

Single family homes are even more out of reach for many households. As of February 2020, the value of an average single family home in the City of Chelan according to Zillow was \$494,273, while the May 2020 median closed sale price in Lake Chelan as reported by Northwest MLS was \$410,000.²

Hispanic or Latinx households are also under-represented among homeowners. Minority households face additional barriers to homeownership such as overt discrimination or steering from real estate agents, bankers, or others in the housing market, as well as challenges related to immigration status, employment, credit background, or lack of access to knowledge networks. This means these households may be less likely to own even if they meet the income thresholds necessary to own a home in Chelan.

Rental Housing Costs and Availability

Although rental housing is significantly more affordable than ownership in Chelan, rental costs are rising and the housing options are limited for households with low and moderate income. In Fall of 2019, the average rent of a 1- or 2-bedroom apartment in Chelan and Douglas counties was about \$1,150.³

Assuming households spend no more than 30% of their income on rent, the annual household

income needed to afford a 1- or 2-bedroom apartment is about \$46,000. This is about two thirds of the 2019 Chelan/Douglas County HUD median family income (MFI) of \$68,400 or about 80% of the 2018 City of Chelan area median income (AMI) of \$56,900 (Exhibit 2), which is very similar to the Chelan County AMI of \$56,135.⁴

Chelan/Douglas County HUD AMI vs. ACS City AMI

Affordability is compared to HUD AMI as income limits to qualify for affordable housing are often set relative to HUD AMI. The ACS estimates 2018 AMI for all households in the City of Chelan's at \$56,900 – lower than the 2019 HUD AMI of \$68,400 for Chelan/Douglas County – which would mean 1- and 2-bedroom apartments are affordable only to households earning 100% of the city's AMI or above.

Exhibit 2. Chelan/Douglas County Rental Rates and Affordability, Fall 2019

	1-bedroom	2-bedroom
Average Rental Rates	\$1,150	\$1,144
Annual Income Needed to Afford	\$46,000	\$45,760
% 2019 HUD MFI (\$68,400) Needed to Afford	67%	67%
% 2018 City of Chelan AMI (\$56,900) Needed to Afford	81%	80%

Sources: Washington Center for Real Estate Research (WCRER), State Apartment Market Report, Fall 2019; WSHFC Rental Income Limits, 2019; HUD Income Limits, 2019; US Census, 2014-2018 ACS 5-year Estimates; BERK, 2020.

The rental market in Chelan includes units available at a variety of affordability levels. HUD CHAS data indicates a surplus of units affordable for those with incomes below 30% AMI, 50% AMI, and 80% AMI based on the estimate number of renter households with incomes below these thresholds. However, HUD data on affordability reflects conditions that are several years in the past, so this should be interpreted

² Northwest Multiple Listing Service (MLS), Housing Market Statistics, May 2020 (<https://nwmls.com/News--Information/page/Housing-Market-Statistics>); Lake Chelan is map area 961 (<http://www.northwestmls.com/library/CorporateContent/pdfs/NWMLSmappareas.pdf>).

³ Washington Center for Real Estate Research (WCRER), State Apartment Market Report, Fall 2019.

⁴ HUD Income Limits, 2019; US Census, 2014-2018 ACS 5-year Estimates.

with caution in jurisdictions like Chelan where housing costs have been rising rapidly and vacancy rates are low. It is likely that the supply of units affordable to lower income households, particularly those below 50% AMI, is significantly diminished today. Furthermore, undersupply of units at higher affordability levels results (>80% AMI) results in middle and higher income households competing for units that would be affordable to lower income households, diminishing the supply of units available to those lower income households.

In addition, the vacancy rate in multifamily buildings has stayed well below 5% since 2012 and is under 1.5% today. A healthy housing market has a vacancy rate of about 5%, so the existing vacancy rate suggests increased competition in the city for a limited supply of available units.

Housing Choice and Diversity

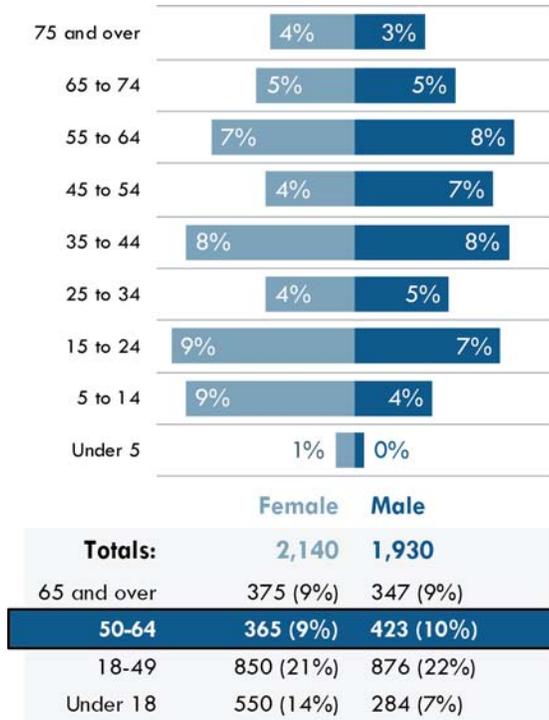
Regardless of whether a household owns or rents, there is a misalignment between the size of households, meaning how many people are part of the household, and the type of housing available. Housing units are generally larger, reflecting the fact that more than two-thirds (68%) are single-family homes, while households tend to consist of only one or two people. Only 15% of housing units have one or fewer bedrooms and less than half (42%) have two or fewer bedrooms, yet about three-quarters (72%) of households consist of only one or two people. Similarly, while about one-quarter (28%) of households have three or more members, more than half (58%) of the housing units have three or more bedrooms.

Housing for Older Residents

Chelan is home to a significant population of older adults with another significant portion likely to retire within the next 20 years. About one in five residents is 65 or older and another one-fifth is between the ages of 50-64 (Exhibit 3).⁵ Many of these residents will have specific housing needs as they continue to age. For example, those choosing to age in place may require additional support services – like home modifications to accommodate limited mobility, transportation, social opportunities, or help maintaining yards. While many of the older households in Chelan have the financial means to afford adequate housing and services, many others will not.

⁵ US Census Bureau, 2014-2018 ACS 5-Year Estimates (Table S0101).

Exhibit 3. Population by Age Range in City of Chelan, 2018



About **19%** of the population is between **ages 50-64**

Within the next 20 years, the senior population is expected to grow as baby boomers retire. Many of these residents will have special housing needs as they age (e.g., features to accommodate limited mobility).

Source: US Census Bureau, 2014-2018 American Community Survey (ACS) 5-Year Estimates (Table S0101); BERK, 2020.

It is also important to note that another one-fifth of the population is under 18 and there are a substantial number of young to middle aged adults in the city, suggesting a need for a blend of housing options that appeal to older adults as well as families.

Seasonal Housing and Short-term Rentals

The 2017 Comprehensive Plan reports a seasonal population of up to 25,000 in the peak summer season.⁶ The Comprehensive Plan Capital Facility Plan also estimated seasonal population equivalents based on taxable retail sales information estimating around 8,650 seasonal population equivalents in 2016, and a future total of 11,200 to 23,600 by 2037.

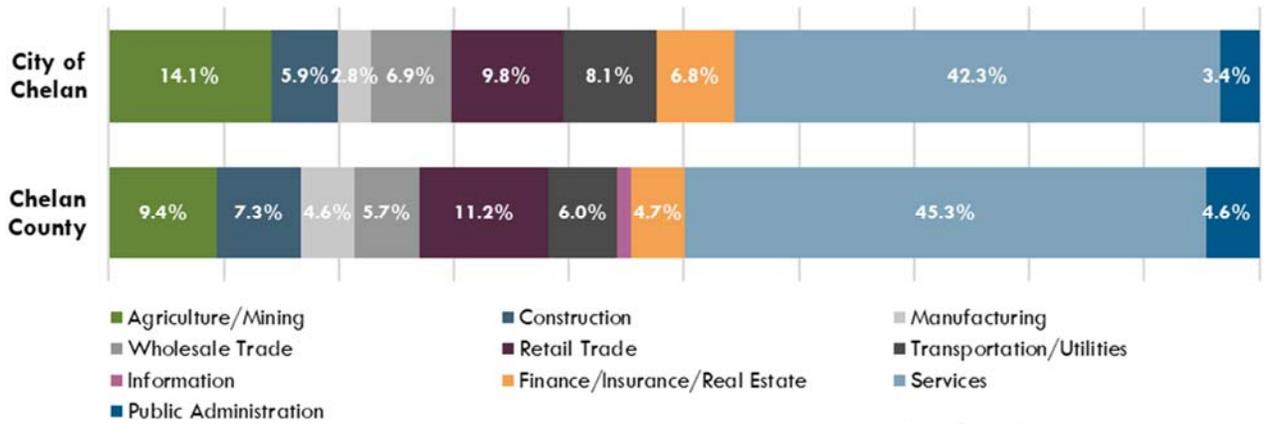
According to the 2018 Chelan Valley Housing Affordability Needs Assessment, many workers in the valley work a combination of jobs (some of which are seasonal) to get by, and, anecdotally, seasonal businesses in the city have had a harder time attracting employees because of a lack of affordable housing. Nearly half of the population works in the services industry and a little under one-fifth of the city's employment is in agriculture,⁷ which is seasonal in nature and involves fruit packing as well as agricultural production jobs (Exhibit 4). In the County about 61% of agricultural jobs are variable, and 6% are temporary H2A Visa requests. Only about 33% are permanent.⁸

⁶ Based on information from the local Chamber of Commerce which lacks detail on the method of the count. Chelan Chamber of Commerce, 2020 (<https://www.lakechelan.com/area/chelan/>).

⁷ ESRI, Business Analyst, 2019.

⁸ Washington State ESD, 2019; US Department of Labor, 2020.

Exhibit 4. Employment by Industry in City of Chelan and Chelan County, 2019



Source: ESRI, Business Analyst, 2019.

Seasonal housing share increased from 28% to 37% from 2000 to 2018, while the share of homes occupied full time dropped from 72% to 63% over the same period. Short-term rentals can create an external source of demand for residential units and drive up prices. The City recently began regulating short-term rentals by licensing them with inspections up front and annual renewals.

The City’s capacity for second homes and short-term rentals is about 756 dwellings, or about 36% of the total permanent and seasonal capacity estimated in the 2017 Comprehensive Plan. The Comprehensive Plan plans for permanent housing in excess of the city’s growth target but more consistent with historic trends, in addition to planning districts for tourist accommodations.

CHELAN’S CURRENT HOUSING POLICIES AND PROGRESS

BERK conducted a housing policy framework review in March 2020 and shared it with the Planning Commission in May 2020; subsequently the evaluation added more information on permit trends and affordability in response to Planning Commission questions. See Appendix C.

The Comprehensive Plan includes measurable objectives. For housing, the focus is on promoting affordable and diverse housing. Measurement addresses housing capacity, percentage of cost-burdened households, and units with long-term affordability agreements:

- **Measurable Objective – Housing:** Promote Affordable and Diverse Housing
- **Housing Objective Measures:** Housing capacity, percentage of cost-burdened households, units with long-term affordability agreements.

Results show partial progress towards its housing objectives:

- **Chelan is Meeting Growth Targets:** The city and its UGA have added 185 permanent residents between 2015 and 2018 nearly half of its growth target to the year 2037. There is capacity to meet the City’s historic growth trends too, which are higher than its County population target.

- **Cost-Burdened Households Have Increased:** For the 2012-2016 period, 43% of households earning less than 80% of the AMI were cost-burdened. This is a slightly higher share than the 2011-2014 period at 41% reported in the Comprehensive Plan.
- **Units with Long-Term Affordability Agreements are Stable and More are In Progress:** Subsidized public housing provides long-term affordability. There are five subsidized housing properties with 199 dwellings. There have been no added units with long-term affordability agreements recently. However, a pending project with long-term affordability would include the Chelan Valley Land Trust project called the Emerson Village with five moderate income townhomes. The City sponsors the Chelan Valley Housing Trust.

The City's Comprehensive Plan Update in 2017 established a refreshed Land Use Plan and updated Housing Element. Since the plan was recently approved, the City is early in its progress towards its housing goals and policies. The City changed its Future Land Use Map and Zoning in 2017 to increase the Downtown Multifamily Residential (DRM) form-based zone beyond downtown to other traditional blocks and to increase Residential Multifamily (R-M) zoning as well as allow for accessory workforce housing in the Warehouse-Industrial (W-I) zone and allow multifamily uses in the Apple Blossom Center. Several multifamily projects are in permit review and proposed on lands with changes to zoning in 2017. Reflecting the market place, permitted units still trend towards single-family homes, and the value of homes built are typically attainable at best by only one-third of Chelan households. However, more affordable homes include attached and detached single family built in east or south Chelan which were developed fairly quickly over the 2016-2019 period.

Housing Element goals and policies reflect a continuing focus on affordable and adequate housing of all types:

- Goal HO-I.** Affordable housing in good condition for moderate and middle income residents.
- Goal HO-II.** Livable neighborhoods
- Goal HO-III.** Diverse housing options
- Goal HO-IV.** Adequate special needs housing
- Goal HO-V.** Private industry meets housing needs; the City provides leadership and support.

Only minor policy adjustments are needed for clarity since housing goals and policies are consistent with the identification of needs and strategies in this Draft Housing Action Plan. See Appendix C.

The schedule of programs and actions in the Housing Element include completing and updating a 2009 Draft Housing Manual, which will be accomplished when the Chelan Housing Action Plan is completed. This Draft Housing Action Plan is an opportunity to identify objectives and strategies that build on and improve the foundation of the Comprehensive Plan and development regulations.

ADDITIONAL STRATEGIES FOR CHELAN

This Draft Housing Action Plan evaluates a range of strategies proposed in the Chelan Draft Alternative Housing Model Ordinance and (Docket TA 2018-08) and a range of other measures in the State of Washington Department of Commerce Guidance for Developing a Housing Action Plan, Draft June 2020 (Commerce Guidebook). Some of the strategies include removing barriers to providing a variety of housing in development regulations, permitting processes, fees, and offering incentives and assistance. This range of potential housing strategies for Chelan to consider includes:

- **Revising Zoning and Building Standards:** Tiny Homes, Micro-housing, and Others; Density Bonuses; Downtown and Multifamily Height Allowances; Downtown and Multifamily Setbacks and Open Space Allowances; Accessory Dwelling Units; Variances to Building Code
- **Additional Regulatory Strategies:** Parking Reductions for Onstreet Spaces; Seasonal Housing Incentives or Requirements
- **Process Improvements:** Expedited Permit Review; SEPA Threshold Exemptions for Market Rate and Affordable Housing; Subdivision Review Streamlining
- **Affordable Housing Incentives:** Deferred or Reduced System Development Charges
- **Funding Options for Affordable Housing Development:** Sales Tax for Affordable Housing

For each strategy, the following is included: a tool description, evaluation of how the tool relates to housing objectives, example communities implementing the tool, and applicability in Chelan including recommendations.

Draft Strategies

Exhibit 5 identifies the strategies and their relationship to key housing objectives in this Draft Housing Action Plan. Tools that add new zoning use allowances, increase densities, increase the building footprint or height, or decrease costs of construction (e.g. parking, permit streamlining, etc.) have the most potential to increase the housing supply and variety, and spread costs over more units for affordability. The tools that allow for smaller dwelling sizes are most likely suited for seniors or seasonal workers who may have smaller household sizes and fixed incomes.

In addition, for each tool the ability to increase housing supply and variety, potential for effectiveness (e.g. productive in units), potential to avoid displacement and preserve existing housing are characterized, consistent with RCW 36.70A.600(2). Checkmarks are highlighted when the tool most prominently features these aspects.

Exhibit 5. Matrix of Strategies and Relationship to Housing Objectives

Strategy	Housing Objective			
	Make it Easier to Build Affordable Ownership and Rental Housing	Increase Housing Variety and Choices	Ensure Opportunities for Senior Housing	Promote Housing for Seasonal Workers
Tiny Homes, Micro-housing, and Others	X	X	X	X
Density Bonuses	X	X	X	X
Downtown and Multifamily Height Allowances	X	X	X	
Downtown and Multifamily Setbacks and Open Space Allowances	X	X	X	
Accessory Dwelling Units: Variances to the Building Code	X	X	X	X
Parking Reductions for Onstreet Spaces	X	X	X	
Seasonal Housing Incentives or Requirements	X	X		X
Expedited Permit Review	X	X	X	X
SEPA Threshold Exemptions for Both Market Rate and Affordable Development	X	X	X	X
Subdivision Review Streamlining	X	X		
Deferred or Reduced System Development Charges	X	X	X	X
Sales Tax for Affordable Housing	X	X	X	X

Tiny Homes, Micro-housing, and Others

There are a wide variety of housing types that help reduce housing costs and fit into a small town character. Each is displayed in Exhibit 6 and defined below.

Exhibit 6. Housing Types



Tiny homes are small dwelling units on a foundation or on a carriage with wheels with between 150-400 square feet of habitable floor area. They are affordable compared with traditional site-built homes. They may be located on their own lot, serve as an accessory dwelling unit, or be located in a village arrangement in a manufactured home or RV park. Their small size and cottage like nature make them compatible in single-family areas on their own lot or as an accessory dwelling unit. They may offer temporary or long-term housing for seasonal workers in such as in a manufactured home or RV park.

Senate Bill (SB) 5383, passed in May 2019, legally permitted tiny houses as permanent dwellings in Washington State; as a result, the State Building Council adopted International Residential Code standards that apply to tiny houses, effective in November 2020. SB 5383 also expanded RCW 58.17.040(5) of the subdivision statute to allow the creation of tiny house villages such as through a binding site plan and stops cities from prohibiting tiny houses in manufactured/mobile home parks. Another relevant House Bill (HB) 1085, passed in 2018, allows local jurisdictions to remove minimum unit size limitations on detached houses.

Microhomes are small dwellings in a multifamily style. There are two types:

- Congregate housing “sleeping rooms” are often in the 140-200 square-foot range and may include private bathrooms and kitchenettes. Shared facilities include kitchens, gathering areas, and other common amenities for residents.
- A small efficiency dwelling unit (SEDU) is a very small studio apartment including a complete kitchen and bathroom. Typically the units will be as small as 220 square feet of total floor space, as compared to 300 square feet for the smallest typical conventional studio apartments.

Microhomes are more affordable apartment units, and could be located in commercial, mixed-use, and high-density multifamily zones.

Related dwelling unit type include **cottages**: a cluster of small dwelling units, generally less than 1,200 square feet, around a common open space. Also, **zero-lot line development** allows a zero or minimal setback normally required within a particular zone, thus promoting efficient use of buildable land. It is common with townhouse developments, and also may be designed as an attached single-family home.

Tool Description

The City’s Draft Alternative Housing Model Ordinance proposes:

- Interim amendments in R-L, R-M, T-A zones permit a variety of housing types pending the adoption of the Alternative Housing Model Ordinance: *Permitted Uses: Alternative housing types, including but not limited to tiny homes, cottage housing developments, or zero-lot-line developments for the purpose of providing affordable housing or increasing the available stock of year-round housing through the affordable housing program, once adopted or any similar policy of the city permitting such use.*
- The Draft Alternative Housing Model Ordinance allows the unit types in a greater range of zones: R-L, R-M, DMR, DSF, SUD, W-I with the Live-work Overlay. The Alternative Housing Model Ordinance specifies a range of permitted, conditionally permitted, and prohibited unit types. See Exhibit 7.

The draft proposal would create an overlay on a property. In order to be allowed, the units must be affordable to those earning 110% or less of the AMI guaranteed by a 50-year deed restriction or may

be approved legislatively if determined of public value by the vote of the council under requirements of Legislative Decisions as defined in Title 19.14.040.

Exhibit 7. Draft Alternative Housing Model Ordinance: Overlay Zone Permitted Housing Types per Base Zone

Unit Type	R-L (Single-family)	R-M (Multi-family)	DMR (Downtown Mixed Residential)	DMU (Downtown Mixed Use)	W-I – Live/Work	SUD	T-A
Tiny Home	CUP as part of cottage or cluster	P	P as ADU or a cottage or clustered development	P as ADU to a commercial use ¹	P	P	P
Cottage Housing	PD or CUP ²	P	P	X	P	CUP	P
Micro-housing	X	P	CUP subject to dimensional and density standards	P ³	P	X	P ⁴
Zero-lot line development	CUP as part of a cottage development or PD	P - Townhouses, cottages, or PD	-	-	P -Townhouses, cottages, or PD	X	P - Townhouses, cottages, or PD

Notes:

1. A tiny home may be used as an accessory dwelling unit in the DMU district only if the tiny house is located on the same lot as a primary business or place of employment for the occupant. The business use may not be tourist accommodations whereby the tiny house is used as a short-term vacation rental. Any tiny house constructed or placed appurtenant to a primary business must be occupied for long-term occupancy by the proprietor or an employee of the primary business.
2. See Title 17.20.030 M (a-d) for requirements
3. Micro housing, or micro apartments must be associated with a mixed-use development whereby the street frontage design standards of the Title 17.14
4. Micro housing in the T-A zone must be designated for employee and worker housing, not tourist accommodations

Evaluation/Relationship to Objectives

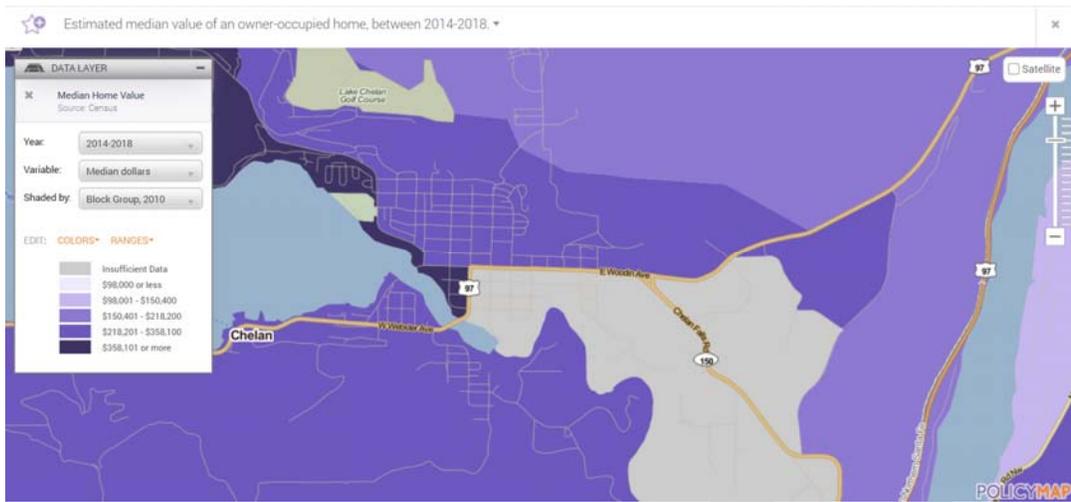
The strategy would offer a variety of housing types. Tiny homes, accessory dwelling units, cottage, and micro-housing units have smaller footprints making them affordable for all households including seniors. Some housing types may be desirable for seasonal housing, e.g. tiny homes in RV or manufactured home parks.

By increasing the housing supply with units affordable to the community, this tool could reduce displacement for households unable to afford rising rents or costs of homeownership. On the other hand, depending on the sites selected existing housing may be replaced. More affordable development sites may be located in east or south Chelan where there are households with lower incomes and greater cost burdens; see Exhibit 8. Requiring replacement of existing units in new developments and limiting the units from use as short-term rentals could help limit displacement.

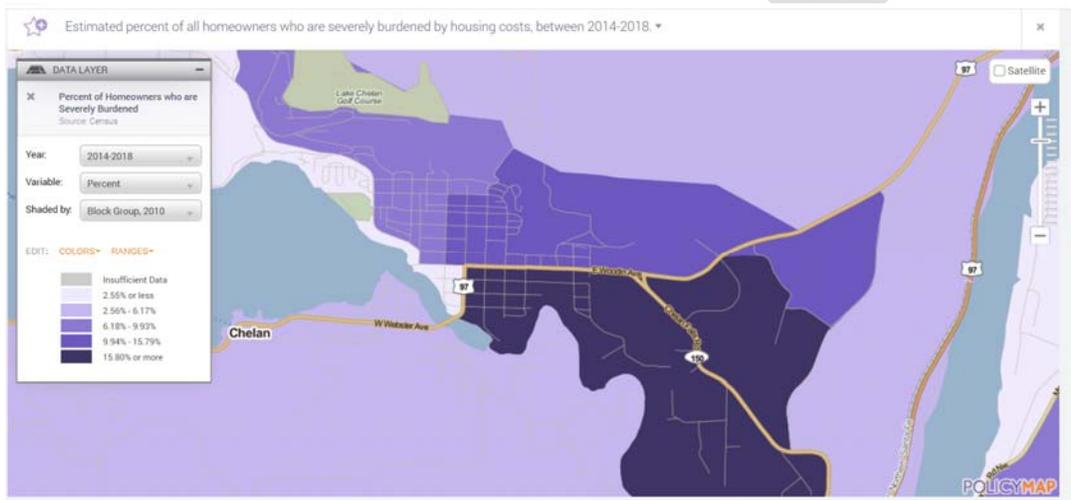
✓	Increase Housing Supply, Variety, and Affordability
✓	Increase Housing for Special Needs: Seniors, Seasonal
✓	Likely to be Effective
*	Avoids Displacement, Preserves Existing Housing
✓ key feature * with conditions N/A not applicable	

Exhibit 8. Housing Values and Cost Burden (PolicyMap)

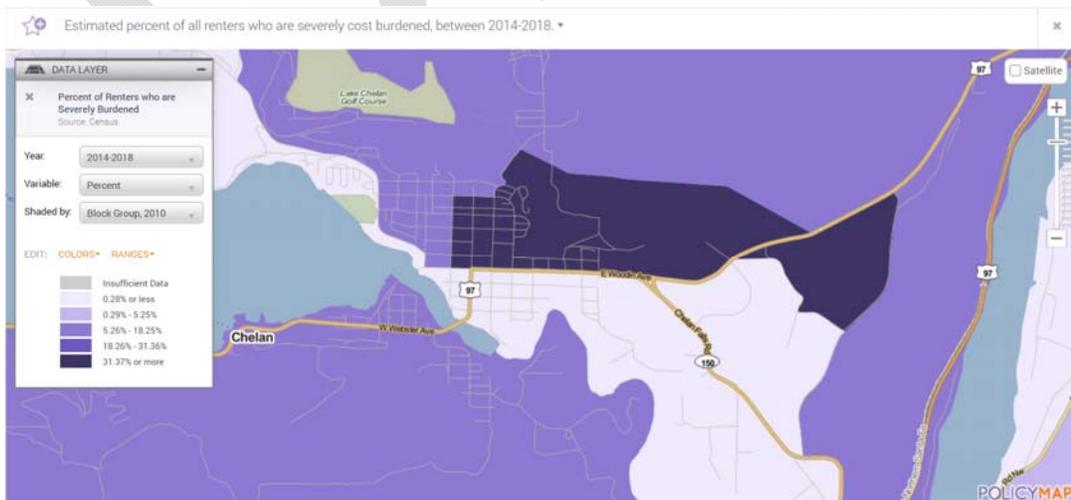
Median Home Value



Percent of All Homeowners that are Severely Cost Burdened



Percent of Renters that are Severely Cost Burdened



Example Communities

Langley, Washington allows tiny homes as individual single family homes on a lot in residential zones, and as a secondary use as an accessory dwelling unit; up to two accessory dwelling units are allowed per single family lot and one per duplex. In residential, mixed residential, and neighborhood business zones, tiny homes in clusters are allowed.

- One tiny home per 1,200 square feet. The minimum lot area for a tiny home multifamily unit development is 5,000 square feet.
- The minimum number of dwelling units is three tiny homes, and the maximum is 12 tiny homes.

Tiny home multifamily developments are subject to design review. The City does not require inclusionary housing requirements or deed restrictions to have the units. The City does incentive the unit types through a 100% density bonus for households earning up to 95% of the AMI.

Lincoln County, Oregon, Waldport vicinity: A RV Park is allowed with a conditional use permit in a Rural Residential 2 zone; the code does not define a tiny home park. A RV park with tiny homes was developed on a former nursery site (<https://tinytranquility.com/>). The site is 6 acres with 43 units for a density of about 7.1 units per acre. Site leases are available for multiple months but not years.



Source: <https://tinytranquility.com/>

Spokane: Cottage Housing and Tiny Homes: Spokane allows cottage housing with up to 1,200 square foot units with a 20% density bonus; in single-family zones a conditional use permit is required. A 40% density bonus is allowed for tiny homes of 500 square feet or less, if located within a quarter mile of commercial and downtown zones. (SMC 17C.110.350)

Microunits: The Ridpath Hotel in Downtown Spokane at 515 W Sprague Street was renovated and adaptively reused for micro apartments. A studio apartment ranges on average from 220 to 300 square feet. A one-bedroom unit averages 500 square feet. See photos below.



Source: <http://liveatridpath.com/floorplans/>

The project converted former hotel rooms into 206 apartment units with 147 micro and studio apartments at 250-500 square feet typically, and the balance consisting of units at up to 1,000 square feet of space.

Affordable studio apartments start at \$645, and a one-bedroom apartment starts at \$807. Market rate apartments studios and one bedrooms start at \$1050 per unit. Costs include utilities and high-speed internet access. Parking costs another \$175 per month; however being located in downtown it is in a walkable and bikeable area. The units are not available for full-time students.

Applicability in Chelan/Recommendations

The Commerce Guidebook includes recommendations that cities:

- Be sensitive to creating an overly burdensome approval process, which can discourage interest and add costs.
- Allow a higher number of these units than typical units for the zone, due to the small size of tiny houses. Some density increase is essential because the units are smaller and usually more expensive to build on a cost-per-square-foot basis. Also consider applying a maximum floor area ratio limit or an across-the-board allowed density for tiny houses, such as one tiny house per 1,200-square-foot lot area.
- Consider providing design standards for both common open spaces and semi-private open spaces for individual units.
- Permit construction of a shared community building to provide a space for gathering and sharing tools.
- Pay close attention to how parking can/should be integrated with tiny house clusters.

The use of an overlay requiring affordable housing with greater legislative scrutiny could discourage use of the program. The City could allow for the greater variety of units but at lower densities than if affordable housing is proposed, or limit the total number of units that can be proposed unless deed-

restrictions guaranteeing affordability are provided. Two particular areas the City could address outside of the overlay concept:

- The City is anticipating amending its building code to add in Tiny Home standards per state law, and some homeowners may propose Tiny Homes as an accessory dwelling unit without applying an overlay.
- To address seasonal housing needs or long-term affordability needs, the City could amend its manufactured home park regulations to address different space sizes, setbacks, and parking for Tiny Homes.

The overlay could be retained for cottage housing and micro units. Zero lot line development is allowed in the R-M zone. Setback adjustments can clarify its use in Downtown zones.

To address potential displacement, the City could replacement of existing units in new developments and limit the units from use as short-term rentals (where the zoning may allow them).

Density Bonuses

Tool Description

Density bonuses are a particular type of zoning incentive that permit developers to build at higher than allowed densities in exchange for provision of a defined public benefit, such as a specified number or percentage of affordable units included in the development.⁹ Greater building height and/or densities for residential developments in certain areas of the city, for example, may be provided in exchange for a percentage of the units allocated to affordable housing for a specified period, typically executed through a covenant on the land. GMA requires these units be affordable for at least 50 years (RCW 36.70A.540(2)(e)), and affordable units need to meet the income threshold specified in the local ordinance.

A new state law also requires that cities allow density bonuses for affordable housing for single-family or multifamily residences on property owned or controlled by religious organizations. (RCW Chapter 36.70A.545) There are several church properties in the city limits. Some properties may be opportunities to develop long-term affordable housing at lower costs.

City Proposal: Chelan currently allows density bonuses in the SUD, T-A, PDD, R-L, and Downtown District zones in exchange for providing affordable housing. The City's Draft Alternative Housing Model Ordinance would allow density bonuses outright for deed restricted affordable housing in the R-M and R-L zones or by clustering consistent with CMC 16.36.130 for cottage housing where density maximums exist, and would allow increased height for townhomes with 20% affordable units. Per the draft ordinance, affordable units would need to be available for rent, sale, or lease at rates that do not equal more than 30% of the incomes of households earning at or below 110% AMI, and must assure affordability through deed restrictions, protective covenants, rent control agreements, or an agreement approved by the City Attorney.

⁹ Puget Sound Regional Council, HIP Tool: Density Bonuses. <https://www.psrc.org/density-bonuses>.

Evaluation / Relationship to Objectives

Density bonus programs tends to work well in communities like Chelan where market rents or home prices are high relative to income, land values are high, land is scarce, and there is a shortage of housing affordable to low- and moderate-income households. The program would make it easier for developers to build affordable ownership or rental housing for specific income groups. Density bonuses can also be used to entice development to specific neighborhoods or zones to reduce segregation of affordable and market-rate housing.

However, density bonus programs can be less effective at creating housing for very-low income households since it reduces the economic feasibility and therefore lowers the likelihood that a developer would choose to participate in the program. The feasibility requirements must be carefully designed so that the value of the bonus is proportionate to the cost to the developer and provides enough incentive to make development feasible. However, it is notable that there may be less concern about participation since Chelan’s Draft Alternative Housing Model Ordinance also has a higher income threshold (110% AMI) than the example communities below (50-80% AMI). The City could consider increasing density bonuses for lower income households (e.g. 50-80% AMI).

There are also potential impacts to adjoining single-family neighborhoods due to bulk and shading from larger or more buildings. This can be mitigated using a transition zone or design standards (such as Chelan’s Downtown design standards), and by tailoring the requirements to various zones.

✓	Increase Housing Supply, Variety, and Affordability
✓	Increase Housing for Special Needs: Seniors, Seasonal
✓	Likely to be Effective
*	Avoids Displacement, Preserves Existing Housing
✓ key feature * with conditions N/A not applicable	

Example Communities

- [Prosser Municipal Code Ch. 18.95](#) – An earned increased density of up to 20% is available in residential, downtown, or agri-tourism zones if 10% of dwelling units are affordable for households with incomes up to 80% AMI for at least 20 years. Projects receiving earned increased density must comply with a design review process.
- [Poulsbo Municipal Code Ch 18.70.070](#) – Any development in residential zoning districts with 5 or more units can receive a density bonus of 20% if 10% of the pre-density bonus units are affordable to low income households with incomes up to 80% AMI (25% if 15% of the units are affordable). Units are required to be affordable for at least 20 years through a covenant on the land.
- [Marysville Municipal Code Ch. 22C.090](#) – Residential density bonus incentives are available for permanently restricted, low-income rental units and low-income senior rental units (no greater than 30% of gross income for household at or below 50% of Snohomish County HUD AMI). A covenant on the site specifies the income level being served. Bonus units are also available for mobile home space for mobile homes displaced from closed parks.

Applicability in Chelan/Recommendations

This approach enlists private sector help in contributing to the affordable housing supply, and reduces segregation of affordable and market-rate housing. These projects do not require direct public investment or diversion of revenue from the City as the bonus provides incentives through increased

entitlements for development on a site. In addition, affordable units developed through density bonuses are managed over the long term by private developers and do not require intervention by the City.

Clustering and infill are already promoted in the Comprehensive Plan and Chelan City Code. Amendments in the Draft Alternative Housing Model Ordinance further incentivize development of affordable and diverse housing options not currently provided through the private market, particularly for households with moderate income (80-100% AMI).

The City should consider whether a pending development proposing use of density bonuses will displace existing residents of affordable housing. Requiring replacement of existing units in new developments and limiting the units from use as short-term rentals could help limit displacement.

Downtown and Multifamily Height Allowances

Tool Description

Per CMC 17.04.200, several zones, including R-M, T-A, C-W, and C-HS, allow applicants to request up to a 10-foot height increase above zone maximums provided there is an axonometric drawing or three-dimensional (3-D) model and the property would not obstruct public views and would provide a public benefit including affordable housing. Two changes are proposed by the City in the Draft Alternative Housing Model Ordinance:

- Amend this administrative allowance to state that an additional 10 feet may be allowed for qualified affordable housing rather than “up to” 10 feet.
- Amend the R-M zone to allow greater height for townhomes with a staggered height increase depending on the percent of affordable housing without an administrative review: Where affordable housing units through deed restriction or otherwise legal mechanism are developed at a ratio of 1/5, each unit may be increased by five feet; if the ratio of affordable housing units exceeds 20%, townhomes may be increased to forty feet.

Evaluation/Relationship to Objectives

This tool allows more units to be built which spreads costs of development over more units and provides more housing. As proposed, it is linked to the provision of affordable housing; it is most applicable to attached housing and could benefit senior housing. It can be most effective when higher density proposals are located in areas with amenities (e.g. walkability, parks) and when paired with parking reductions.

✓	Increase Housing Supply, Variety, and Affordability
✓	Increase Housing for Special Needs: Seniors, Seasonal
✓	Likely to be Effective
*	Avoids Displacement, Preserves Existing Housing
✓ key feature * with conditions N/A not applicable	

Example Communities

The tool is well used across the state in all sizes of jurisdictions. Representing jurisdictions large and small, the Puget Sound Regional Council found that 30 of 73 jurisdictions surveyed used density bonuses, which were applied to about 3,635 units over the last 10

years.¹⁰ The City of Chelan's maximum height allowances are 35-40 feet in downtown, commercial and multifamily zones with an ability to request 50 feet administratively.

This is a similar range of heights as within other cities in eastern Washington:

- **Leavenworth:** The range of heights in commercial and multifamily districts is 35 to 50 feet; where a commercial zone allows for heights of 35 feet, Leavenworth's mixed use development incentives combined with commercial districts allow for maximum heights of 50 feet allowed administratively provided criteria for the incentives are met. ([LMC Chapter 18.35](#))
- **Prosser:** Allows maximum heights of 35-45 feet in multifamily and commercial zones with an ability to request a conditional use permit to exceed the height. Affordable housing proposals can request a variance to development standards including height that are then reviewed by the board of adjustment or planning commission. ([PMC Chapter 18.95](#))

Applicability in Chelan/Recommendations

The City's approach to allowing an administrative height increase with an aesthetic evaluation is consistent with recommendations in the Commerce Guidebook, including:

- Integrate and craft design guidelines: City has design guidelines in Downtown and in DMR zone expanded beyond Downtown.
- Consider creating a three-dimensional (3-D) massing model to test any proposed height limits: This kind of model or analysis is required to achieve the height increase in several commercial and residential zones.

The City could also consider amending the PLF zone to allow the request for 10 feet in height for special needs affordable housing subject to the administrative and aesthetic modeling criteria.

Downtown and Multifamily Setbacks and Open Space Allowances

Tool Description

The City proposes an administrative variance to setbacks and common open space standards for affordable units applicable to accessory dwelling units, duplexes, and tri-plexes, cottage homes, and multi-family to encourage affordable infill in the downtown area and R-M zones. See Exhibit 9. Projects requesting administrative adjustments to satisfy requests for bonuses or concessions for the purpose of affordable housing projects would not be subject to a fee if the request is made at the time of a pre-application meeting or before the determination of complete application.

¹⁰ See: Housing Incentives and Tools Report, February 2020:
https://www.psrc.org/sites/default/files/housing_incentives_and_tools_survey_report.pdf.

Exhibit 9. Draft Alternative Housing Model Ordinance – Proposed Affordable Housing Dimensional Standards

	DMU	DMU Affordable	DMR	DMR Affordable	DSF	DSF Affordable	R-M	RM Affordable (Consultant Draft)
Front yard ₆	1	1	15' min. ⁷	10' with front porch extending to 5'	25' min. ⁷	20' min with front porch extending up to 15', cottage developments may be 15'	20' min	15' min.
Side yard	1	1	0' min. ⁹ 5' min. ¹²	Zero lot line allowed for duplex, townhome, tri-plex and multi-family, 5' for detached	5' min.		5' min. Townhouses already allowed 0 feet on zero lot line	
Rear yard	1	1	20' min. ¹¹	10' min.	20' min. ¹¹	15' min.	20' min	15' min.
Open Space: Single Family	Not applicable		Not applicable	10% lot size, may include front yard or be non-continuous	10% of lot size, may include front yard or may be non-continuous		Not applicable	
Open Space: All other multifamily	Provide min. 10% of the building living space; up to 50% can be private space	If 100% put in common, reduction to 8% allowed	Provide min. 10% of the building living space; up to 50% can be private space	If 100% put in common, reduction to 8% allowed	Not applicable		Not applicable	

Table 2 development conditions:

- (1) Applicants shall successfully demonstrate to the city how lot sizes and shapes are sufficient to accommodate permitted uses.
- (7) Covered porches may project into the front yard by up to six feet.
- (9) No internal side yard setbacks are required for two- or three-family dwellings, townhouses, or multi-family dwellings, or for subdivisions where zero lot line homes are proposed. See Figure 5 for examples.
- (11) For lots with alleys, garages, detached accessory dwelling units, and other accessory buildings may be placed up to alley easement or property line.
- (12) One foot of additional setback is required for each foot of building height over twenty-five feet. See Figure 6 for an example.

Evaluation/Relationship to Objectives

Modest reductions in front setback standards can help to expand possible building footprint area and thus the developable area of a property, and improve the feasibility or affordability of development, including housing types not prevalent in Chelan.

The tool does not directly control land use and would not change maximum density, and thus would not by itself displace existing residents or change whether an existing house is retained.

✓	Increase Housing Supply, Variety, and Affordability
✓	Increase Housing for Special Needs: Seniors, Seasonal
✓	Likely to be Effective
*	Avoids Displacement, Preserves Existing Housing
✓ key feature * with conditions N/A not applicable	

Example Communities

- Leavenworth: 25' front, 5'-10' side, 10-15' rear; greater side standard in commercial zones; [Title 18](#)
- Prosser:
 - Multifamily: 20' front, sides, 5'-10' side, 20' rear
 - Downtown: 0-10' front, 0-20' side with greater for abutting residential district
 - Affordable housing can request variances, Housing Density Incentive Program, [Chapter 18.95](#)

Applicability in Chelan/Recommendations

Commerce Guidebook recommendations include that front setbacks for ground floor residential uses less than 15 feet should be subject to greater design provisions to enhance the streetscape and provide for the privacy, comfort, and livability of the adjacent residential units. Thus, for the R-M zone, the front yard setback reduction is 15 feet whereas for Downtown zones they can go lower. They also recommend allowing porches and covered entries to project into front setbacks to encourage their integration and maximize building envelope opportunities.

Accessory Dwelling Units: Variances to the Building Code

Tool Description

Planning and building staff have identified that conversion of existing buildings to add a dwelling unit can be challenging and expensive, e.g. adding an accessory dwelling unit to an existing structure. This would be considered a duplex for building code purposes. Building code standards may require fire and sound separation and other standards. On a case-by-case basis, the City proposes to allow for administrative variances to the building code to ensure health and safety but also address building-specific circumstances. This could allow for an additional dwelling unit within existing buildings where land use and density allow in the base zone.

Evaluation/Relationship to Objectives

This tool would facilitate added accessory dwellings in existing structures and help offer a variety of housing choices in Chelan.

An accessory dwelling unit can help a homeowner afford their home, retain existing housing, and reduce economic displacement. Adding rental housing supply can help stabilize rents, and they can be a source of housing for seasonal workers.

Because accessory units are allowed in many zones, they can be an effective tool to add housing supply. Zones permitting accessory dwelling units as a permitted or accessory use include the following except where noted:

- Downtown: DMU, TMU, DMR, DSF
- Residential: R-L, R-M
- Mixed Use and Commercial: T-A, SUD (by CUP)

✓	Increase Housing Supply, Variety, and Affordability
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✓	Likely to be Effective
✓	Avoids Displacement, Preserves Existing Housing
✓ key feature * with conditions N/A not applicable	

Example Communities

The City of Seattle, specifies the kinds of waivers or modifications allowed to facilitate the addition of an attached accessory dwelling unit (AADU) in an existing structure, such as:

- If an AADU is within an existing single-family residence (it is not in a proposed addition), fire and sound separation is required between the AADU and the primary dwelling as per two-family dwelling requirements of the Seattle Residential Code. If interconnected smoke alarms are provided throughout the entire structure, the fire and sound separation between the primary dwelling and the AADU is waived. See [Establishing an Attached ADU, City Tip Sheet #116A, 2019](#).
 - If the AADU is part of a proposed new single-family residence or addition, then the construction must meet all Seattle code requirements that apply to two-family dwellings. These requirements include fire and sound separations between the main living space, the accessory dwelling unit, and any common spaces.
- One unit can be added to a residential or commercial building without an automatic sprinkler system. If more than one unit is added the new units must be equipped with a sprinkler system. See [2015 Seattle Existing Building Code, Chapter 8](#).

Applicability in Chelan/Recommendations

Allowing for the addition of accessory dwelling units in existing structures could benefit the City’s housing variety and affordability. The [2018 International Residential Code](#) is under review for adoption by the City before the end of the year. The Code includes a preliminary meeting that an applicant can request. That is an opportunity to review applicability of standards on a case-by-case basis.

Alternatively, the City could identify specific waivers or modifications to the code for attached accessory dwelling units that are converting an existing space and not adding space, such as Seattle specifying alternatives to the 1-hour wall in the form of an alarm system.

Parking Reductions for Onstreet Spaces

Tool Description

Reducing parking standards can help prevent excessive parking requirements that add to the cost of housing. Reducing the number of parking stalls required for each new housing unit allows for lower development costs by reducing the amount of land necessary to accommodate parking spaces and the need to accommodate parking on-site or within a residential building. This can make a project more feasible by reducing costs while also allowing more development on a site.¹¹

Parking reductions can be applicable to both attached and detached housing types making it a versatile tool to use in different markets. Standards could be based on such factors as unit size, distance to transit facilities, or setting parking maximums instead of minimums.

In addition, GMA sets lower minimum residential parking requirements than many codes for some affordable housing or housing specific to seniors or the disabled that is located within ¼ mile of a transit stop with regular service (at least two times per hour near low income housing or four times per hour for senior housing at least half the day per RCW 36.70A.620). Currently, transit service in Chelan is not as frequent as identified in the law; it more similar to an hourly level.¹² While not required, the City could regularly monitor parking levels for year-round attached housing and see if adjustments are appropriate.

Reduced parking does not mean that a new development will not have parking; it means it will be reduced based on assessed need (e.g., such as by number of bedrooms) and take different forms, including tandem stalls, shared spaces, or first-come access parking (such as on-street parking).

Chelan Code Proposal: The Draft Alternative Housing Model Ordinance would allow applicants to request on-street parking for multi-family units in areas where year-round on-street parking is shown to be available. The required 0.5 spaces for each bedroom may be dedicated as on-street parking until the linear length along the parcel adjacent to the on-street parking spaces exceeds the dimensions of the development lot. For example, a multi-family development with 24 total bedrooms would normally require 12 spaces – if 4 on-street parking spaces are available adjacent to the development, however, only 8 additional spaces would be required on-site.

¹¹ Strong Towns, “The Many Costs of Too Much Parking.” (November 20, 2018), <https://www.strongtowns.org/journal/2018/11/20/the-many-costs-of-too-much-parking>.

¹² See Link Transit Route 21: http://www.linktransit.com/routes_and_schedules/all_routes.php

Evaluation/Relationship to Objectives

Lower-income, senior, and non-traditional single-family development households have lower rates of car ownership. Requiring more parking than necessary increases the cost of construction and reduces housing affordability.¹³

Reductions in required parking can significantly reduce the cost of building new multifamily housing. These reductions result from avoiding the costs of structured/underground parking and the significant land requirements for surface parking, making affordable units more economically feasible to develop.¹⁴

Reduced parking requirements may also increase the viability of development for housing styles that fit smaller households (one or two-person households), senior households, or seasonal workers with lower rates of car-ownership.

The tool does not directly control land use and would not change maximum density, and thus would not by itself displace existing residents or change whether an existing house is retained.

✓	Increase Housing Supply, Variety, and Affordability
✓	Increase Housing for Special Needs: Seniors, Seasonal
✓	Likely to be Effective
N/A	Avoids Displacement, Preserves Existing Housing
✓ key feature * with conditions N/A not applicable	

Example Communities

- [Ellensburg Municipal Code Ch 15.550](#) – Senior assisted housing requires less off-street parking than senior housing, single family homes, duplexes, or townhomes. The City also allows on-street parking adjacent to the site to count towards parking requirements for non-residential uses, which could benefit mixed-use but not solely residential development.
- [Kennewick Municipal Code Ch. 18.36](#) – Off-street parking requirements for senior or disabled housing can be reduced if public transportation is directly available, essential services are within ½ mile of the site, and a notarized agreement to provide additional off-street parking if the housing is no longer restricted to senior or disabled persons. Business in the central business district are also allowed to count adjacent on-street parking towards their parking requirements.
- [Prosser Municipal Code Ch. 18.95](#) – Allows on-site parking variances for projects applying for earned increased density by providing affordable housing.
- [Bellevue Municipal Code 20.25A.070](#) and [20.20.128](#) – Studio and 1-bedroom units affordable to 80% AMI in Downtown have reduced minimum parking requirements of 0.5 stalls per unit. The percent of compact parking stalls may also be increased for buildings containing affordable housing (up to 75% in non-Downtown zones and up to 85% in Downtown zones).

Applicability in Chelan/Recommendations

The City should explore where it makes sense to reduce parking requirements, particularly in areas with wide rights-of-way that are less likely to be impacted by visitors (e.g., east or south Chelan away from

¹³ PSRC, HIP Tool: Parking Reductions. <https://www.psrc.org/parking-reductions>.

¹⁴ Eric Jaffee, Medium, “Less parking can mean more housing. Here’s how.” (October 18, 2019), <https://medium.com/sidewalk-talk/less-parking-can-mean-more-housing-heres-how-14b9e50fe646>.

the Downtown core). Using on-street parking can reduce the bulk of new buildings and preserve their long-term flexibility as multi-modal travel increases, car ownership rates decline, and residents require less space for garages or parking structures.

In smaller jurisdictions like Chelan, reduced parking requirements may also be appropriate in Downtown or business districts where space is at a premium, congestion is most severe, more transit options are available, and the community wants to stimulate a lively pedestrian atmosphere. However, there may be unintended parking impacts in surrounding neighborhoods if requirements are set too low in these areas as visitors and residents use street parking when on-site parking is unavailable. Chelan could incorporate residential parking permit programs to ensure residents can access on-street parking.

Seasonal Housing Incentives or Requirements

Tool Description

Currently the City allows for workforce housing as an accessory use in the W-I zone. This allowance was added in 2017. While farmworker housing was contemplated on a property, to date, no housing has been built.

During peak season, local businesses such as in the Downtown and lakefront areas also need a seasonal workforce.

The City could explore requiring or encouraging onsite employee housing for resorts or businesses that require significant rates of seasonal employees, or payment of an in-lieu fee. This in-lieu fee could be put towards a larger project developed by a non-profit or other developer to construct housing for seasonal employees.

Evaluation/Relationship to Objectives

This tool is meant to increase housing supply and variety. By increasing the supply of housing for the seasonal workforce, the overall availability and cost of housing could be reduced.

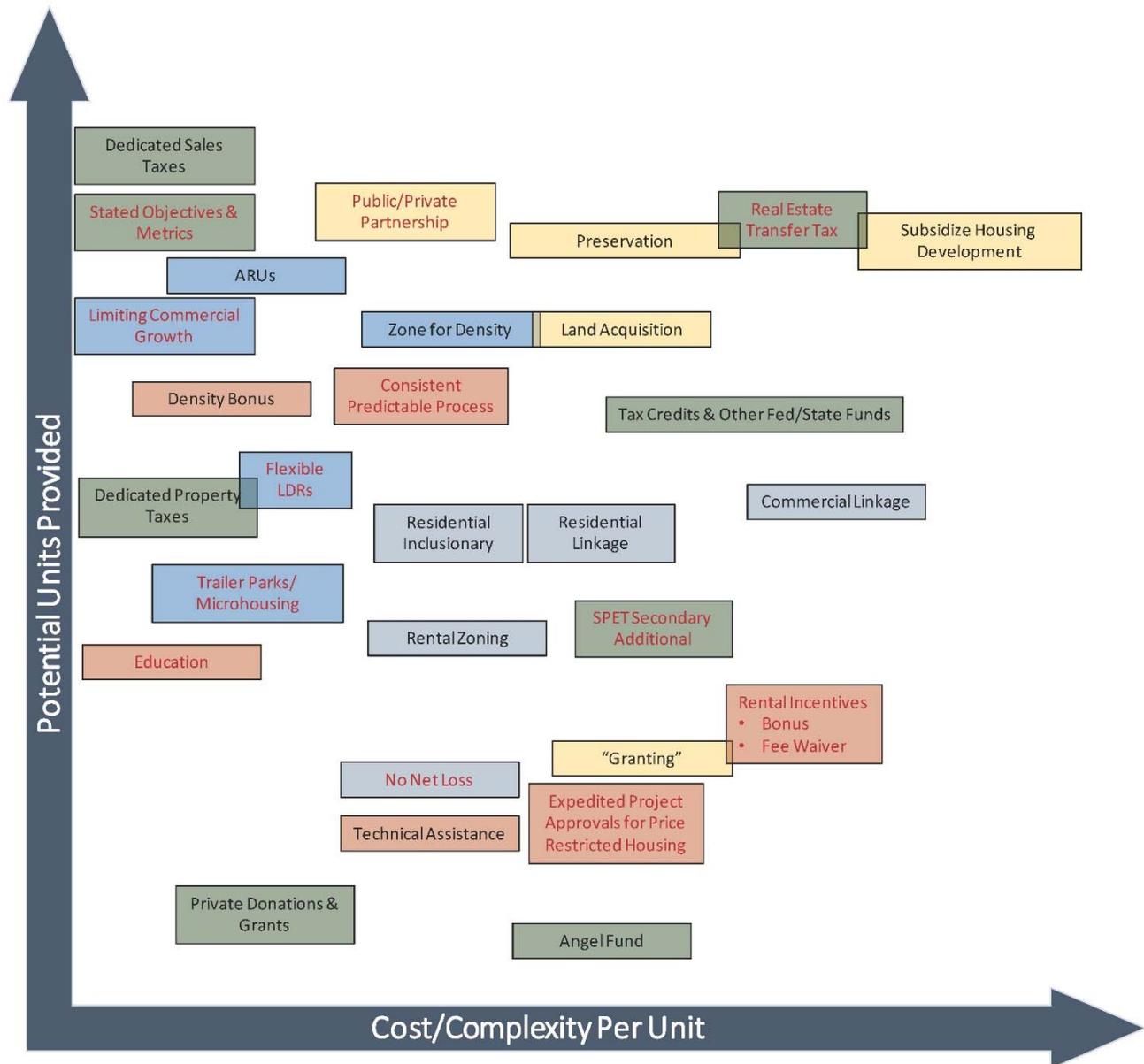
Where seasonal housing is developed on business sites (e.g. packing houses or resorts) it is unlikely the tool would displace existing households but rather add housing.

Example Communities

The Town of Jackson and Teton County in Wyoming have jointly developed a Workforce Housing Action Plan 2015 to both increase the housing supply and manage existing public workforce housing. Both rental and ownership housing strategies are addressed. See Exhibit 10. The plan favors rental housing as a lower cost option. The range of options is depicted below.

✓	Increase Housing Supply, Variety, and Affordability
✓	Increase Housing for Special Needs: Seniors, Seasonal
✓	Likely to be Effective
N/A	Avoids Displacement, Preserves Existing Housing
✓ key feature * with conditions N/A not applicable	

Exhibit 10. Town of Jackson and Teton County in Wyoming Workforce Housing Action Plan Strategies Evaluated



The Jackson/Teton County Workforce Housing Action Plan 2015 identified the following as more productive, lower cost tools:

- Dedicated sales tax
- Accessory residential units (ARUs)
- Limiting commercial growth
- Density bonuses
- Flexible land development regulations (LDR) through allowing workforce housing in more zones
- Trailer Parks and Micro housing

Other tools found to be productive but higher cost or higher in complexity include:

- Subsidized housing
- Land acquisition

Moderately productive and complex are:

- Commercial linkage fees
- Residential linkage fees
- Rental incentives bonuses and fee waivers

The Town and County proposed creating a housing fund from a number of sources: commercial mitigation, in lieu payments, residential linkage fees, other new taxes or fees that might be created, donations, and the special purpose excise tax (SPET).

Though some tools more or less costly or productive, the Town and County selected the following tools for areas of focus:

- Develop incentives to avoid loss of workforce housing through redevelopment, such as allowing for retention of nonconforming density.
- Update the mitigation requirement for residential development to a simpler standard based on floor area.
- Update the mitigation requirement for commercial development to a standard that mitigates for year-round employee generation.
- Develop opportunities for buy downs, rehabilitation, reverse mortgages, conversion of trailer parks to microhousing.
- Enforce short-term rental prohibitions.
- Work with interested parties to catalyze an employee housing cooperative for employers who want to provide housing units but cannot develop housing on their own.
- Eliminate change of use penalties that may be barriers to housing.
- Avoid barriers to housing supply such as mixed-use requirements in favor of allowances.
- Explore limiting the type of housing allowed in some zones to only those types most likely to be occupied by the workforce.

Applicability in Chelan/Recommendations

Through seasonal business interviews ideas regarding workforce housing could be explored. Options identified for affordable housing in general may be applicable in Chelan: accessory dwelling unit, tiny homes including in parks, use of mitigation fee requirements for larger developments (e.g. PDDs), permits fee reductions, and use of sales tax proceeds to help support seasonal housing.

Expedited Permit Review

Tool Description

An expedited permit review process can encourage new housing construction by reducing potential confusion or perception of risk among developers as well as lowering their administrative carrying costs.¹⁵

The City wishes to decrease the turn-around time for permit process for affordable housing projects in accordance with the time allowances provided in Chapter 19.80, excepting those permits requiring SEPA review. In the Draft Alternative Housing Model Ordinance the City is considering expedited permit review for development permits that provide at least 20% or more affordable housing units through deed restrictions or other legal instruments that control rent or resale ensuring affordability for a minimum of 50 years. A proposal could include: subdivision of land, or building permits for single-family, multi-family, cottage homes, townhomes, micro-housing, small homes, or any other housing type. A pre-application meeting would be scheduled within 15 days. Turn-around times for land use permits would be reduced without a specified reduction goal, except for permits requiring SEPA. Building permits for affordable projects would be prioritized based on an internal procedure.

Evaluation/Relationship to Objectives

Principally, this tool advances the City’s first objective to make it easier to build affordable ownership and rental housing. The proposed strategy is focused on affordable housing for those earning 110% of AMI and could advance workforce housing affordability as well as housing targeted for extremely and very low income levels; with the household income range up to 110% it is broader in its scope than some case study examples below.

By itself, the tool is not expected to either preserve or displace existing housing, and is meant for proposals that add to housing supply. To a small degree the permit facilitation tool could indirectly encourage housing variety given its applicability to many housing forms. It could influence the viability of individual affordable projects.

✓	Increase Housing Supply, Variety, and Affordability
✓	Increase Housing for Special Needs: Seniors, Seasonal
✓	Likely to be Effective
N/A	Avoids Displacement, Preserves Existing Housing
✓ key feature * with conditions N/A not applicable	

Example Communities

Pierce County, Washington: Regulatory incentives for affordable housing at 80% or less of the Pierce County median household income include: expedited permit processing (building permits, subdivisions, road and design review), fee waivers, bonus units, and alternative open space and parking standards. The County assumes shared equity when units increase in value, which is recaptured at time of sale to fund price reductions for additional units.

Vancouver Washington allows for fast-track approval of infill development proposals upon request. The City provides for process time reduction goals:

¹⁵ Schuetz, Jenny, Brookings, "Who's to blame for high housing costs? It's more complicated than you think," (January 17, 2020), <https://www.brookings.edu/research/whos-to-blame-for-high-housing-costs-its-more-complicated-than-you-think/>.

An applicant may request an expedited review process for infill projects. An expedited infill project shall be contingent upon city staffing and other resource availability. Community and Economic Development will endeavor to complete review of an infill project within a 60-day time period from Fully Complete (FC) to issuance of the land use decision for projects that do not require a hearing; and 80 days for projects that require a hearing.

[Portland, Oregon](#) has been piloting a fast-track process since 2017 for affordable housing trying for a 20% reduction in review time and some amount of self-certification for non-life safety elements.

[San Diego, California](#) has published specific reductions in standard review times for projects paying a fee for expedited review, but waives such fees for affordable projects.

Applicability in Chelan/Recommendations

It is recommended that the City identify time reduction goals similar to example communities for transparency. Given the City staff are limited the City could offer the service on request (administratively approved) or reserve the reduced processing time for proposals with a certain minimum percent of affordable housing.

Other options to facilitate permitting include tools that do not rely on the level of permit staff and that apply to a greater range of housing types which may further increase total or affordable supply:

- Increase SEPA review thresholds for exemptions.
- Reduce permit review levels (Legislative, Hearing Examiner, Administrative). More permits that are administratively reviewed (Type I and Type II) with appropriate criteria, the less time necessary for hearings and complex review procedures. Some particular examples addressed below include:
 - Streamline subdivision review.
 - Add alternative housing types with a straightforward approval process.

SEPA Threshold Exemptions for Both Market Rate and Affordable Development

Tool Description

The City requires that single-family and multi-family development proposals greater than four dwelling units are subject to State Environmental Policy Act (SEPA) review, and would be required to complete a comprehensive checklist, pay a permit review fee, and undergo local government review, noticing and public comment periods. SEPA rules allow local governments planning under GMA to raise the exempt levels in Urban Growth Areas (UGAs) to 30 single family units and up to 60 multifamily units, provided the cities and counties document that other local, state, or federal regulations provide sufficient protection of the environment (e.g. critical area regulations, stormwater regulations, traffic concurrency, etc.). Removing unnecessary permit reviews and studies can help reduce development costs and facilitate the timeliness of housing construction.

SEPA makes it possible to target the exemption: “An agency may adopt a system of several exempt levels, such as different levels for different geographic areas, and mixed use projects.” The City could make this location-specific where use of SEPA authority is less necessary and gaps in codes are not anticipated (e.g. Downtown). There are topics for which the City may still need SEPA authority, e.g. plats

in former agriculture areas to address soil and previous use of nutrients and other chemicals, until the City or State adopts relevant standards that are made a condition of developments regardless of size.

The flexible exemption threshold does not apply to lands covered by water.

Evaluation/Relationship to Objectives

Depending on how this tool is advanced, it could assist in increasing housing supply and variety, as well as increase affordability. The tool could apply broadly and have greater effect on lowering development costs where the City believes its standard regulations address environmental concerns.

This permit facilitation tool does not affect allowed land uses or change densities and would not have a direct effect on displacement or existing housing.

✓	Increase Housing Supply, Variety, and Affordability
✓	Increase Housing for Special Needs: Seniors, Seasonal
✓	Likely to be Effective
N/A	Avoids Displacement, Preserves Existing Housing
✓ key feature * with conditions N/A not applicable	

Example Communities

The City of Wenatchee exempts developments of up to 20 units whether single family or multifamily. ([WMC 12.04.030](#)) The City of Ellensburg exempts developments up to 9 detached single-family units rather than the standard 4 units. ([ECC 15.270.110](#)). The City of Yakima exempts developments up to 30 single-family units and up to 60 multifamily units, the maximum allowed. (YMC 6.88.070)

Applicability in Chelan/Recommendations

The City could apply the SEPA exemption tool for desired market rate and affordable housing types in some zones or neighborhoods to increase supply and general affordability, or phase this tool in and focus it on affordable developments in Downtown or areas that were not former orchards. The City could establish a requirement that existing affordable housing be replaced where feasible into a new development.

Subdivision Review Streamlining

Tool Description

The City of Chelan has taken advantage of permit streamlining by defining short subdivisions as including up to nine lots rather than the basic limit of four lots. Other subdivision laws can streamline the permit review process:

- Administrative review of a preliminary plat without a hearing ([RCW 58.17.095](#)). This may be for a threshold number of lots. A notice specifying no hearing but allowing for a 20-day comment period is established. If someone files a request for a hearing then a hearing is held, or a local government can decide to hold one. If the hearing is waived the planning agency completes the review and provides its recommendations to the legislative body.
- Administrative approval of final plats ([RCW 58.17.100](#)). The legislative body can delegate final plat approval to a planning agency including administrative personnel.

Evaluation/Relationship to Objectives

This tool may help reduce ownership housing costs by streamlining the permit review. It may help housing variety since it can be used for fee-simple townhouses or attached units as well as standard single-family units on a variety of lot sizes.

The procedures do not affect land use allowances or densities; often subdivisions create a lot for an existing home as well as new ones.

Example Communities

- The [City of Renton](#) allows for administrative approval of final plats.

✓	Increase Housing Supply, Variety, and Affordability
✓	Increase Housing for Special Needs: Seniors, Seasonal
✓	Likely to be Effective
N/A	Avoids Displacement, Preserves Existing Housing
✓ key feature * with conditions N/A not applicable	

Applicability in Chelan/Recommendations

The City could allow for a Final Plat to be approved administratively. Given that a hearing is a possibility if a member of the public requests it, the process for waiving a hearing under RCW 58.17.095 does not provide a lot of certainty.

Deferred or Reduced System Development Charges

Tool Description

In the Draft Alternative Housing Model Ordinance, the City is considering deferred or reduced payment schedules for system development charges per RCW 35.92.380. It requires a program be established by ordinance. Fees that are possible to address include water, sewer, electricity, gas, and power.

RCW 35.92.380 Waiver or delay of collection of tap-in charges, connection or hookup fees for low income persons. Whenever a city or town waives or delays collection of tap-in charges, connection fees, or hookup fees for low income persons, or class of low income persons, to connect to lines or pipes used by the city or town to provide utility service, the waiver or delay shall be pursuant to a program established by ordinance. As used in this section, the provision of "utility service" includes, but is not limited to, water, sanitary or storm sewer service, electricity, gas, other means of power, and heat.

A concern is that if the fees are necessary to ensure property system improvement an unpaid fees would need to be recovered from another source within the City of Chelan budget. Deferral would mean future payment whereas exemption would mean no collection.

Evaluation/Relationship to Objectives

The reduction in fees could help make it easier to build affordable ownership and rental housing by reducing the cost per unit to build, or by deferring costs that are more easily paid over time. Depending on which types of units have reduced fees, the incentive could help advance housing variety, particularly units for smaller households that likely create less demand on systems. By itself, this tool does not affect densities but could help preserve existing housing where such fee waivers address housing added to existing sites such as accessory dwelling units.

✓	Increase Housing Supply, Variety, and Affordability
✓	Increase Housing for Special Needs: Seniors, Seasonal
✓	Likely to be Effective
✓	Avoids Displacement, Preserves Existing Housing
✓ key feature * with conditions N/A not applicable	

Example Communities

[Port Townsend](#) allows for deferral of system development charges, building fees, and utility connection charges to serve single-family or multifamily residences for low-income households. If there are mixed income proposals, the deferral is in proportion to the proportion of units that are proposed to be affordable. Up to four single family dwelling units per applicant per year are eligible or up to \$10,000 for multifamily developments. The deferral is subject to an agreement specifying the waiver/repayment period, criteria for waiver, reporting requirements, and a lien.

[Puyallup](#) allows for a reduction in sewer system development charges (SDCs) if a senior or low-income housing project demonstrates lower average water consumption.

Bellingham allows a partial exemption of not more than 80 percent of the [water](#) and [sewer](#) system development charge to a low-income housing development using the following criteria: *based on the public benefit of the specific project, the extent to which the applicant has sought other funding sources, the financial hardship to the project of paying the system development charge, the impacts of the project on public facilities and services, and the consistency of the project with adopted city plans and policies relating to low-income housing.*

[Pierce County, Washington](#): Regulatory incentives for affordable housing at 80% or less of the Pierce County median household income include: expedited permit processing (building permits, subdivisions, road and design review), fee waivers, bonus units, and alternative open space and parking standards. The County assumes shared equity when units increase in value, which is recaptured at time of sale to fund price reductions for additional units.

Applicability in Chelan/Recommendations

To avoid a lack of funding for necessary improvements, the City could offer a deferral or reduce based on representative usage rather than a reduction.

In [CMC Chapter 13.33](#) Family Accessory Dwelling Unit Rate Reduction, Chelan does not charge water, sewer, or sanitation fees for the accessory unit, only the principal residence. The City could also consider applying reduced ADU fees for non-family occupied ADUs where the maximum number of residents in the combined home/ADU does not exceed the definition of family in 19.10 (not more than five unrelated people).

Sales Tax for Affordable Housing

Tool Description

[RCW 82.14.540](#), introduced as Substitute House Bill [1406](#) in 2019, authorizes counties or cities to redirect up to 0.0146% of the sales tax currently¹⁶ collected by the state to fund affordable housing programs serving households with income below 60% of the county AMI and within specific categories, including: individuals with mental illness, veterans, senior citizens, homeless families with children, unaccompanied homeless youth, persons with disabilities, or domestic violence victims. Counties or cities which participate are not imposing a new or additional tax on consumers but redirecting funds from existing tax revenues toward affordable housing initiatives. This increase must be approved by a ballot measure with simple majority.

At least 60% of the revenue must be used for constructing affordable housing, constructing mental and behavioral health-related facilities, or funding the operations and maintenance costs of new units of affordable housing and facilities where housing-related programs are provided. The remaining funds must be used for the operation, delivery, or evaluation of mental and behavioral health treatment programs and services or housing-related services ([RCW 82.14.530](#)). The funds can also be used for rental assistance to tenants for cities with a population at or under 100,000.¹⁷

Chelan Intent: The City passed a resolution of intent by January 27, 2020 and adopted an ordinance on June 23, 2020 (by the statutory deadline of July 27, 2020) to impose the maximum capacity of the affordable sales tax credit. Ordinance 2020-1580 indicates the annual amount of revenue is expected to be \$15,000 and will be used on projects that serve persons whose income is at or below 60% AMI. The Agenda Bill indicated that it would be most appropriate to identify partners and to link efforts to priorities, such as those in the Housing Element:

- *Potential Partners:* Chelan Valley Hope, Habitat for Humanity, Chelan Housing Authority, or Chelan Valley Housing Trust for potential uses such as rental assistance or rehabilitation of housing stock.
- *Priorities in City Housing Element:* Senior and disability housing is identified as a priority in the Comprehensive Plan Housing Element.

Chelan County has adopted the tax in the cities and county per [Chelan County Code Chapter 6.32](#):

6.32.050 Tax imposed and maximum rate established. *There is hereby authorized, fixed, and imposed a sales and use tax on every taxable event as defined in RCW [82.14.020](#), in the cities and the county pursuant to RCW [82.14.540](#), credited against the state sales and use tax, to be used for affordable or supportive housing, at the maximum rate, either 0.0073 percent or 0.0146 percent, as established for counties in RCW [82.14.540](#).*

¹⁶ This sales tax option is a credit against the state sales tax rate of 6.5%, and it will not increase the tax rate for consumers.

¹⁷ Association of Washington Cities, "Implementing HB 1406." <https://wacities.org/data-resources/implementing-hb-1406>.

Evaluation/Relationship to Objectives

Using an affordable housing sales tax would align with the city’s needs among very and extremely low-income households, as this funding needs to serve households earning 60% of AMI or lower.

Revenue reliability is also tied to local economic health and may decline as more residents buy products online.

✓	Increase Housing Supply, Variety, and Affordability
✓	Increase Housing for Special Needs: Seniors, Seasonal
✓	Likely to be Effective
✓	Avoids Displacement, Preserves Existing Housing
	✓ key feature * with conditions N/A not applicable

Example Communities

- [Ellensburg Resolution No. 2017-23](#)** – In 2017, voters in Ellensburg approved a 0.1% sales tax to support affordable housing projects. The tax passed with 61% in favor and is estimated to bring in \$450,000 to \$500,000 a year. The City has implemented an [Affordable Housing Commission](#) to administer the revenues generated by the sales tax for housing and related services. On November 13, 2019, the Affordable Housing Commission recommended two affordable housing development proposals be provided City assistance through affordable housing sales tax funds and City-owned surplus property. The Breezy Meadows project proposal at Bender and Water Street, and Addison Place on South Pearl Street will be forwarded to City Council for their approval.
- [Leavenworth Resolution 13-2019 and Ordinance 1608](#)** – In March 2020, Leavenworth City Council adopted Ordinance 1608 authorizing the sales tax revenue and funding provisions for HB 1406. Money collected from the tax will be used for affordable and supportive housing and rental assistance (cities of less than 100,000 can use some of the funds for rental assistance). The City estimates the tax will bring in about \$16,000 per year.¹⁸
- [Wenatchee Municipal Code Ch. 5.110](#)** – In January 2020, Wenatchee City Council adopted [Ordinance 2020-01](#) authorizing the sales tax revenue and funding provisions for HB 1406 and adding Chapter 5.110 to the municipal code. Similar to Leavenworth, money collected from the tax will be used for affordable and supportive housing and rental assistance. Wenatchee estimates the tax will bring in about \$85,000 per year.¹⁹

Applicability in Chelan/Recommendations

The City of Chelan could coordinate with the county and nearby cities of Leavenworth, Wenatchee, and East Wenatchee – who have also passed the resolution of intent and sales tax credit ordinance – to maximize opportunities to address regional challenges such as farmworker or seasonal housing.

¹⁸ Bridget Mire, The Wenatchee World, “Revenue share would support affordable housing in Leavenworth.” (September 25, 2019), https://www.wenatchee-world.com/news/revenue-share-would-support-affordable-housing-in-leavenworth/article_9f578a26-dfe7-11e9-b396-83d9abc5696d.html.

¹⁹ Kyle Lamb, KPQ-AM, “Wenatchee to Receive Around \$85,000 Per Year From State for Affordable Housing.” (January 25, 2020), <https://www.kpq.com/wenatchee-to-receive-around-85000-per-year-from-state-for-affordable-housing/>.

Implementation and Monitoring

This section will be completed when the Draft Housing Action Plan Strategies are vetted. The program will include:

- Schedule of programs and actions to implement recommendations
- Identify party responsible for each action
- Funding sources for new programs and action implementation
- Monitoring plan to track outcomes of implemented actions

An example monitoring matrix is illustrated below; see Exhibit 11. Since most provisions are legislative in nature, phasing them to match staff resources and City Council calendars is important. Also, since funding may facilitate some of the legislative tools, establishing the process to disperse funding incentives may be the highest priority.

Exhibit 11. Example Implementation Matrix

Action - NAME						
<i>Priority</i>	<i>Timeline</i>	<i>Type</i>	<i>Lead Party</i>	<i>Who can assist?</i>	<i>Investment</i>	<i>Funding</i>
High, Medium, Low	Year 1, Year 2, Year 3, Year 4	Legislative, Other	City Council, Other	Planning Department, Other	Staff – 0.5 FTE, or other cost	General Fund, Sales Tax, Housing Trust, Other

APPENDICES

Appendix A: Public Engagement Results

Appendix B: Housing Needs Assessment

Appendix C: Housing Policy Framework Review