

City of Ellensburg

Housing Needs Assessment

March, 2017



CITY OF ELLENSBURG

HOUSING NEEDS ASSESSMENT

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EXECUTIVE SUMMARY

Housing affordability is a growing challenge in the City of Ellensburg. Housing costs are rising, vacancy rates are extremely low, and a high percentage of households are cost burdened, or spend greater than 30% of their income on housing costs. BERK Consulting (BERK) conducted an analysis of current housing needs, market opportunities to address those needs, and populations of concern for which additional public supports to provide affordable housing may be necessary. This study included an analysis of quantitative housing market data as well as qualitative findings from interviews and focus groups with local and regional housing market professionals.

Findings

1. **Housing costs are rising.** Median apartment rents rose by 19% between 2013 and 2016. The median monthly rent for an apartment in Ellensburg is now \$1,129 per month. In order to afford this rent, a household must make over \$45,000 per year. Single-family home rents rose by 17% during the same period, ending at \$1,426 per month. To afford this rent a household must make over \$57,000 per year.¹
2. **Vacancy rates are very low.** One explanation for the rising housing costs in Ellensburg are the alarmingly low vacancy rates. A survey of apartment managers in fall 2016 found less than 1% vacancy in the Ellensburg area. For studio, one-bedroom, and three-bedroom apartments the survey found zero vacant units. Low vacancy rates can put significant upward pressure on rents as households compete for a very limited supply of available units. A healthy housing market should have a 5% vacancy rate to ensure that all households can find a suitable new home when they need one.
3. **Many households are cost burdened.** Over half of the households in Ellensburg spend more than 30% of their income on housing. Over a third of households spend more than 50% of their income on housing. This problem isn't limited to students at Central Washington University (CWU). BERK estimates there are at least 1,323 non-student households that are either cost burdened or severely cost burdened. The most acute needs are among elderly persons living alone and small families, including many families earning more than the typical low income threshold.
4. **Mismatch between unit sizes and household sizes.** 35% of households in Ellensburg consist of individuals living alone. An additional 25% of households include unrelated adults living together in the same house or apartment. However only 24% of the housing supply is made up of smaller units (studios or 1-bedroom) that may be most suitable for residents without families seeking an affordable housing option.
5. **Lack of multi-family housing production compared to demand.** Between 2010 and 2016 only 95 new multi-family housing units were built in Ellensburg. This amounts to only 16% of all new housing production despite the fact that nearly half of the population in Ellensburg are students and 67% of households have only 1 or 2 members.

¹ The U.S. Department of Housing and Urban Development considers housing to be affordable if the household is paying 30% or less of their income on housing costs.

6. **Student housing needs result in unique market characteristics.** With nearly half of the city population consisting of students at Central Washington University, the needs of student households can apply pressure throughout the housing market. High turnover rates typical to student households makes managing rental properties costly and time consuming. Student demand for housing is also putting significant pressure on single-family homes prices and rental prices.
7. **Expected future growth in elderly population.** Demographic forecasts for Kittitas County indicate there will be rapid growth in elderly population countywide. This may put additional strains on the Ellensburg housing market as aging baby boomers seek affordable and accessible living situations close to services in the county's largest urban area.

Recommendations

Addressing housing affordability challenges in Ellensburg will require both public supports as well as a market response. The findings of this study indicate the most acute demand for new housing is among smaller units such as apartments, condominiums, and "missing middle" housing types such as duplexes, triplexes, townhomes, cottages, and accessory dwelling units (ADUs). Increasing supply of housing in these categories will help to meet this demand and also decrease spillover pressure on the single-family home market. The following recommendations describe actions the City may consider pursuing to encourage, facilitate, and/or incentivize additional production of multi-family and smaller-format housing units. Specific strategies to address the needs of students, workforce housing, elderly and disabled residents, and those in need of permanent supportive housing are discussed in more detail in the report.

1. Allow for and encourage increased density in targeted areas through upzoning, development incentives, or alternative requirements for desired housing types (if certain design and livability requirements can be met). This has potential to stimulate the market to build new housing in areas where it is needed.
2. Review barriers to the development of "missing middle" housing types. Ellensburg needs increased housing production, particularly among missing middle formats such as duplexes, townhomes, and ADUs. Outreach to housing developers and to real estate professionals indicated that there is a need for this housing, but it may be difficult to produce under current market conditions.
3. Expand outreach and marketing to housing developers and trades to expand access to builders and subcontractors. Better awareness of the opportunities in the housing development market in Ellensburg, may attract developers from other areas of the state.
4. Expand the Multifamily Tax Exemption (MFTE) program beyond the downtown area to encourage multi-family housing in other areas where it is needed.
5. Review parking standards. Consider reducing parking requirements for new student-oriented housing or affordable housing near jobs and transit. Parking was noted in housing developer interviews as a significant cost barrier for building new multi-family housing and there may be a significantly sized market of students or others seeking less expensive housing and who do not own a vehicle. Additional residential parking data should be collected. Future improvements to transit and non-motorized travel in Ellensburg could further support growth in a market of zero- or one-vehicle households.
6. Review the Washington State Housing Finance Commission's Low Income Housing Tax Credit (4% credit/bond program scoring (Form 10) with local developers to understand how the City could contribute to a competitive project, such as through a land contribution, designating property at-risk, or financial contribution.

7. Provide new opportunities to add affordable units through land contributions. This could be part of an inclusionary requirement for affordable housing development, a fee-in-lieu alternative, or an incentive based-program.
8. Maintain awareness of baseline development costs and financial returns by working with the development community to understand the dynamics of investment in the local housing market and ensure that any housing incentives are targeted toward eliminating development barriers.

INTRODUCTION

The City of Ellensburg Department of Community Development hired BERK to conduct a housing inventory and needs assessment in support of the 2017 Comprehensive Plan Update. There are three primary goals of this study.

1. Assess the general alignment of housing needs with the current housing stock and housing market trends.
2. Assess the market potential for meeting the housing needs of four distinct market segments of concern:
 - a. University student housing
 - b. Low income family housing
 - c. Senior and disabled housing
 - d. Workforce housing
3. Develop policy recommendations for further public discussion and review.

This study includes both quantitative and qualitative components. The quantitative component includes an analysis of available data from the U.S. Census, U.S. Department of Housing and Urban Development (HUD), Washington State Office of Financial Management (OFM), and other sources. The qualitative component includes insights gained through two stakeholder workshops in Ellensburg and a series of short interviews. The first workshop engaged developers and homebuilders active in the Ellensburg housing market. The second engaged public and non-profit housing actors including representatives from Hopesource, Habitat for Humanity, Kittitas County Public Health, Central Washington University (CWU), Elmview, and the winter homeless shelter. BERK interviewed property managers, landlords, and real estate professionals actively marketing housing for sale or lease in Ellensburg. In addition, BERK interviewed market rate and affordable housing developers working outside of the Ellensburg market to better understand the factors that support new housing creation.

Study Area

The primary study area for this report is the City of Ellensburg. Conditions and trends within the unincorporated Urban Growth Area (UGA) are presented separately when data is available. Unless indicated otherwise, all exhibits in this report show data for the City of Ellensburg only.

POPULATION AND HOUSEHOLD CHARACTERISTICS

As of 2016, 21,340 people lived in the City of Ellensburg and its UGA. About 90% of the population resides inside the city limits, while the remainder are in unincorporated areas outside of the city. Exhibit 1 shows the breakdown of population in the city and UGA. According to data from OFM, about 11% of the population reside in group quarters², such as college residence halls, jails, or nursing facilities, while the remainder reside in households.

² “Group quarters” is a term used by the U.S. Census to describe places where people live or stay in a group living arrangement that is owned or managed by an entity or organization providing housing and/or services for the residents.

Between 2000 and 2016, the combined area grew by 4,738 people, or 1.6% annually.

Exhibit 1. Ellensburg Area Population, 2016

	City of Ellensburg	Ellensburg UGA	City and UGA Combined
Total Population	19,310	2,030	21,340
Household Population	16,963	2,025	18,988
Group Quarter Population	2,345	7	2,352

Source: OFM, 2016; BERK, 2016.

CWU Student Population

CWU is a major presence in Ellensburg. During the 2015-2016 school year there were 9,656 students attending university on-campus in Ellensburg,³ or about half of the population of Ellensburg. According to CWU, 3,340 students live in student housing on campus, including those living in residence halls as well as on-campus apartments.⁴ Exhibit 2 shows the CWU student population as a percentage of the total city population. Approximately one third of the population of Ellensburg consists of students living off campus.⁵

Exhibit 2. CWU Student Population as a Percentage of Ellensburg Total Population



Source: OFM, 2016; CWU, 2016; BERK, 2016.

Compared to 2015, an additional 175 freshmen students enrolled at CWU fall 2016. The university is projecting incoming on-campus freshmen enrollment to grow by about 2% each year for the next 10 years, with enrollment plateauing around 11,000.⁶ CWU generally requires all incoming freshman who do not have family living locally to reside in on-campus student housing. Other students may live on or off campus.

Group quarters include such places as college residence halls, residential treatment centers, skilled nursing facilities, group homes, military barracks, correctional facilities, and workers' dormitories.

³ On campus enrollment count provided by Dan Matthews, Director of Analytics and Research at CWU. According to CWU website total enrollment was 10,912. See <https://www.cwu.edu/about/quick-facts>.

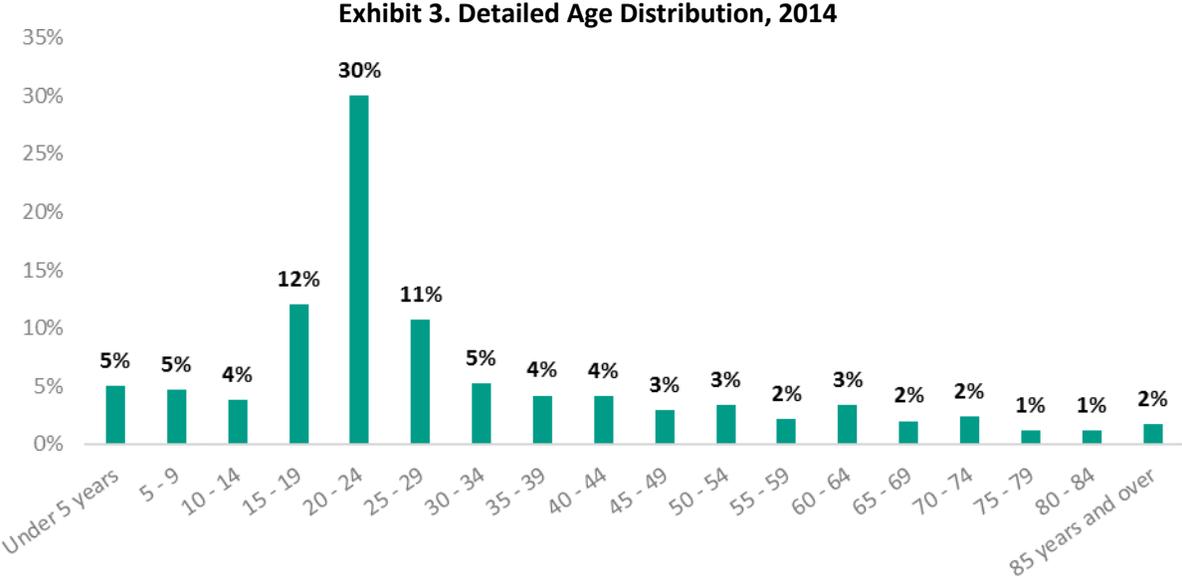
⁴ Source: Personal communication with Richard DeShields, Associate Dean of Student Living at CWU, February 27, 2017.

⁵ This analysis assumes that all students attending school on the Ellensburg campus live in Ellensburg. It is likely some students commute from outside of the city. However, data about the number of students who do this is unavailable.

⁶ Sources: Richard DeShields, Associate Dean of Student Living at CWU and Dan Matthews, Director of Analytics and Research at CWU, personal communication.

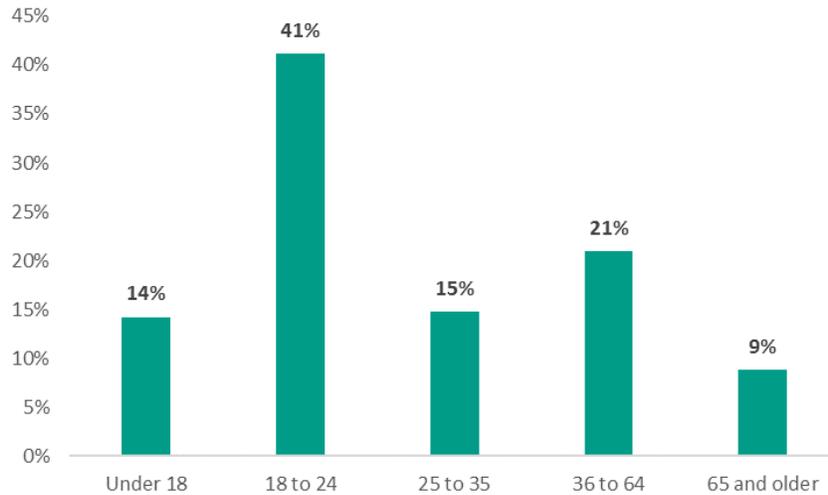
Population Age Distribution

Exhibit 3 shows the distribution of the City of Ellensburg population by age group, estimated for the year 2014 in 5 year segments. The large CWU student population can be seen in the spike among 20- to 24-year-olds, with smaller spikes in the adjacent groups. Exhibit 4 breaks down the population by life stage using data from the 2010 Census. 18 to 24 year olds – the most likely age group to be enrolled at CWU – composed 41% of the total population. About 9% of the population was age 65 or older.



Source: U.S. Census, American Community Survey 5-Year Estimates, 2010 - 2014; BERK, 2016.

Exhibit 4. Age Distribution by Life Stage, 2010



Source: U.S. Census, 2010; BERK, 2016.

Exhibit 5 summarizes households with a senior householder.⁷ There are over 1,000 households in Ellensburg with a senior householder, about 43% of which are renters. These households, particularly those on fixed incomes, may be particularly vulnerable to increases in rents.

Exhibit 5. Households with a Senior Householder

	Households
Total households with a senior householder	1,023
Renter-occupied	438
Owner-occupied	585

Source: U.S. Census, American Community Survey 5-Year Estimates, 2010 - 2014; BERK, 2016

Individuals age 65 and older living in Ellensburg are more likely to have one or more disabilities than the population at large. Exhibit 6 shows that 41% of all people age 65 and older have one or more disabilities. About 9% of total population is age 65 or older. Among these senior residents, 25% report living with an ambulatory difficulty, 21% report having an independent living difficulty, 16% report having a hearing difficulty, 16% report having a cognitive difficulty, 10% report having a self-care difficulty, and 1% report having a vision difficulty.⁸

⁷ A householder is a person in whose name the housing unit is rented or owned. A senior householder is a householder who is 65 years or older.

⁸ U.S. Census, American Community Survey 5-Year Estimates, 2010 – 2014. These estimates are based on self-reported ability status.

Exhibit 6. Population with a Disability by Age Group

	Population with Disability	Percentage of Population with Disability
All Age Groups	1,922	10.6%
Population under 5 years	0	0.0%
Population 5 to 17 years old	73	4.0%
Population 18 to 64 years old	1,254	9.0%
Population 65 years and older	595	41.1%

Source: U.S. Census, American Community Survey 5-Year Estimates, 2010 - 2014; BERK, 2016.

OFM demographers developed population projections by age for Kittitas County in 2012. According to these projections, there were approximately 6,000 county residents age 65 and older as of 2015, or about 14% of the total population. This population share is projected to rise to 20% by 2030 as today’s baby boomers enter their 70s and 80s in years ahead. By 2035 OFM projects there will be approximately 10,300 residents age 65 or older. In other words, the countywide population of people over age 65 will increase by over 4,000 during the next 20 years. As the urban center of the county, Ellensburg could expect increasing demand for senior housing and assisted living facilities.

Population Diversity

Exhibit 7 breaks down the city and UGA population by race and ethnicity. 83% of the city population identifies as white alone. 12% of the population identify as Hispanic in origin. Available estimates show little difference in the racial and ethnic makeup of the city and UGA population.

Exhibit 7. Race and Ethnicity

	City of Ellensburg	Ellensburg UGA
White Alone	83%	84%
Black Alone	2%	1%
American Indian Alone	1%	1%
Asian Alone	4%	3%
Pacific Islander Alone	0%	0%
Some Other Race Alone	6%	7%
Two or More Races	4%	4%
Hispanic Origin	12%	13%

Note: Hispanic origin is considered an ethnicity and not a race.

Source: U.S. Census Bureau, Census 2010 Summary File 1. Esri forecasts for 2016; BERK, 2016.

Population Density

Exhibit 8 compares population density per square mile in Ellensburg to five other urban areas in Washington. Two of the areas selected for comparison also include large universities. To calculate population per square

mile, BERK compared the population within the Census defined 2010 urban area⁹ boundaries to the estimated total population within those boundaries as of 2015. These boundaries generally exclude large areas of vacant land within cities and also include developed areas outside of cities, such as urban growth areas.

Exhibit 8. Population Density, Ellensburg and Comparison Urban Area

Urban Area	Area (square miles)	Population, 2015	Population per Square Mile	Percent Difference from Ellensburg
Ellensburg	9	21,555	2,435	0%
Bellingham	48	116,698	2,426	0%
Cheney	3	11,142	3,614	48%
Kennewick--Pasco	102	224,564	2,192	-10%
Wenatchee	31	69,417	2,209	-9%
Yakima	60	131,888	2,204	-9%

Source: U.S. Census, American Community Survey 5-Year Estimates, 2011 - 2015

Population density in Ellensburg is slightly higher than found in nearby central Washington cities such as Yakima, Wenatchee, and Kennewick/Pasco. Each of these areas is considerably larger than Ellensburg and has a greater percentage of the population living in single family homes. Furthermore, unlike these other areas, Ellensburg has major university which accounts for nearly half of its population. Many students live in residence halls and apartment buildings which are much higher density than the surrounding residential areas.

Also provided for comparison are two other areas with universities: Bellingham and Cheney. Population density in Bellingham is almost identical to what is found in Ellensburg, despite Bellingham's much larger overall population. Density in Cheney, on the other hand, is 43% higher than in Ellensburg. This may be explained by the smaller size of Cheney and the fact that the university is an even more dominating presence compared to the remaining area population. In other words, a greater percentage of the population in Cheney are likely to be living in student housing.

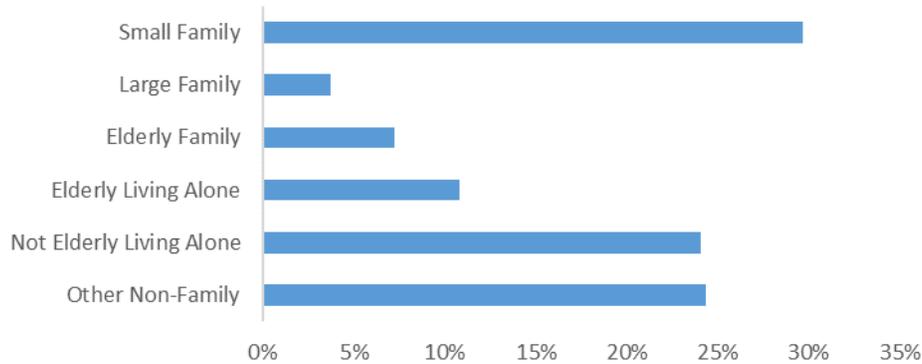
Household Formation

About 88% of the City of Ellensburg population reside in households. Inclusive of the UGA, about 90% live in households. The remainder reside in group quarters such as residence halls or apartments managed by CWU. As of 2016, OFM estimates there are 7,823 total households in the City of Ellensburg and 660 in the UGA. Exhibit 9 breaks down the households inside the city by type. Family households include two or more people living together related by birth, marriage, or adoption. About 41% of the household fall in this category, with the majority (30%) being small families with no elderly members. Nearly a quarter of households are non-elderly residents, living alone. It is likely that the many of these are CWU students living alone off campus.

⁹ According to Census documentation, "an urban area will comprise a densely settled core of census tracts and/or census blocks that meet minimum population density requirements, along with adjacent territory containing non-residential urban land uses as well as territory with low population density included to link outlying densely settled territory with the densely settled core." (see <https://www.census.gov/geo/reference/ua/uafaq.html>)

Another 24% are non-family households with 2 or more non-elderly members. It is likely that many (if not most) of these are unrelated CWU students sharing apartments or single family homes off campus.

Exhibit 9. Households by Household Type



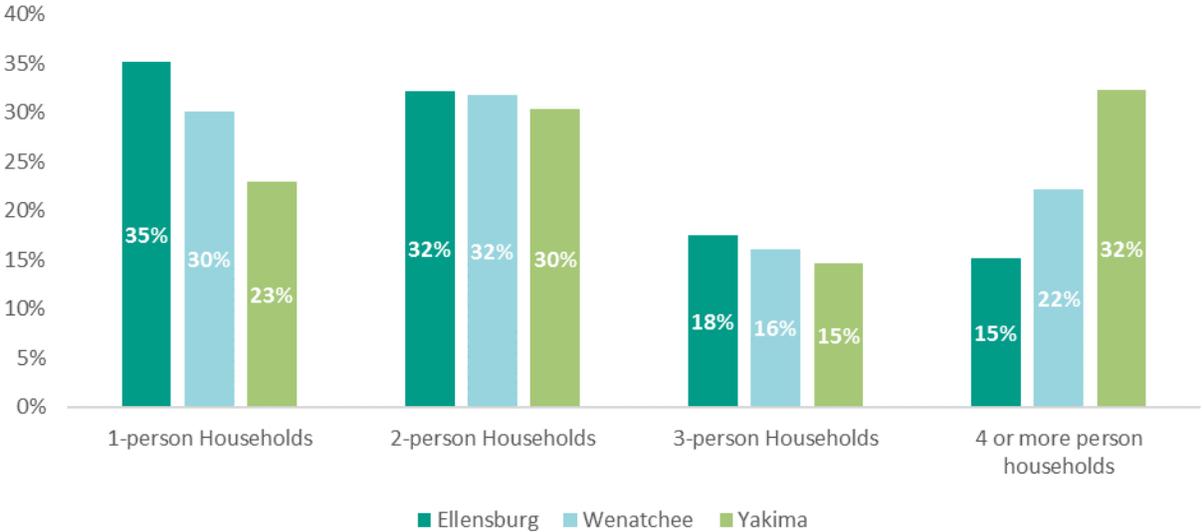
Household Type Description (types are mutually exclusive)

Family	Two or more persons living together related by birth, marriage, or adoption.
Small Family	Families with 2-4 members (excluding elderly families)
Large Family	Families with 5 or more members
Elderly Family	2 persons, either or both age 62 or over
Elderly Living Alone	Age 62+, living alone
Not Elderly Living Alone	Age under 62, living alone
Other Non-Family	Two or more non-elderly and unrelated persons living together (Many likely to be students)

Source: U.S. Census, American Community Survey 5-Year Estimates, 2010 - 2014; BERK, 2016.

Exhibit 10 breaks down all City of Ellensburg households by household size and compares this breakdown to two neighboring cities: Wenatchee and Yakima. Over two thirds of households in Ellensburg have only 1 or 2 members. Just 15% have four members or more. The average household size in Ellensburg is 2.16. The average family household has 2.86 members, while the average non-family household has 1.7 members. Ellensburg also has a greater share of 1-person households than its neighbors and a much smaller share of 4 or more person households. Much of this difference can likely be attributed to the large university student population in Ellensburg and comparatively smaller share of family households.

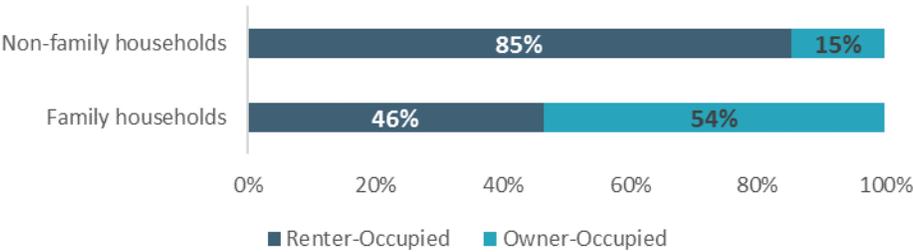
Exhibit 10. Households by Household Size, Ellensburg and Neighbor Cities



Source: U.S. Census, American Community Survey 5-Year Estimates, 2010 - 2014; BERK, 2016.

70% of all households in Ellensburg are renter-occupied. As shown in Exhibit 11, non-family households are much more likely to be renters than family households. This would be expected given that it is likely that many, if not most, non-family households consist of students who may be living in Ellensburg temporarily.

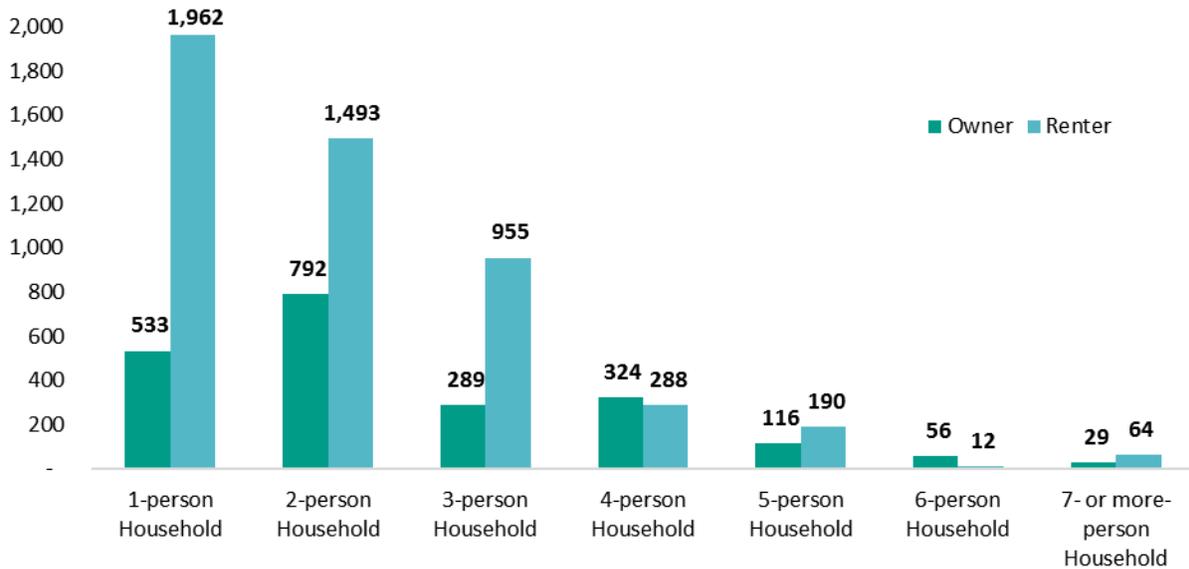
Exhibit 11. Housing Tenure by Household Type



Source: U.S. Census, American Community Survey 5-Year Estimates, 2010 - 2014; BERK, 2016.

Exhibit 12 shows persons per household by tenure. It shows the largest market for rental housing is among 1-person households. However, it is also notable that 30% of renter households have 3 or more members. Given that apartments tend to be smaller in size, many of these households likely reside in single-family detached housing stock throughout the city.

Exhibit 12. Renter- and Owner-Occupied Households by Household Size



Source: U.S. Census, American Community Survey 5-Year Estimates, 2010 - 2014; BERK, 2016.

Household Income

In 2014, the median income for households residing inside the City of Ellensburg is \$28,341.¹⁰ This number reflects the large number of households that consist of university students living on little or no personal income. Among only family households, the median income is \$60,650.¹¹ HUD calculates Area Median Income (AMI)¹² for Kittitas County. AMI is based on the median income for a four-person family household. In 2016, HUD’s AMI for Kittitas County is \$65,600.

HUD provides data on household income breakdowns relative to Kittitas County AMI. Therefore, this report groups households based on income categories relative to the county AMI.¹³ Note that HUD accounts for household size when grouping households into these income categories.¹⁴

- Very Low Income – Under 30% of AMI
- Low Income – 30-50% of AMI
- Moderate Income – 50-80% of AMI

¹⁰ U.S. Census, American Community Survey 5-Year Estimates, 2010 - 2014.

¹¹ U.S. Census, American Community Survey 5-Year Estimates, 2010 - 2014.

¹² Also known as HUD Area Median Family Income (HAMFI). See https://www.huduser.gov/portal/datasets/cp/CHAS/bg_chas.html

¹³ HUD provides data about household income breakdowns relative to

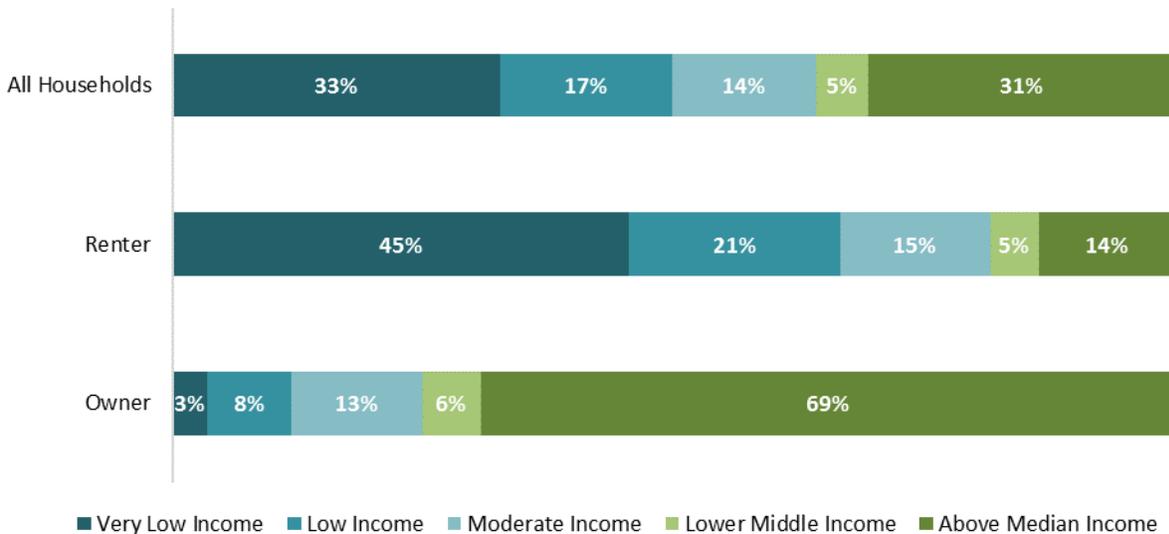
¹⁴ For households with less than four members, AMI is reduced by 10% for income level calculations. For households with more than four members, AMI is increased by 8%. See

http://www.huduser.gov/portal/publications/pdf/CHAS_affordability_Analysis.pdf

- Lower Middle Income – 80-100% of AMI
- Above Median Income – Above 100% of AMI

Exhibit 13 summarizes City of Ellensburg households within each income category, by housing tenure. Owner-occupied households are far more likely to be in a higher income category, with 69% earning more than AMI. Only 14% of renter households earn more than AMI, and nearly two thirds have incomes below 50% of AMI.

Exhibit 13. Owner and Renter Households by Income Level



Source: U.S. Department of Housing and Urban Development, Consolidated Housing Affordability Strategy (based on U.S. Census American Community Survey 5-Year Estimates, 2009 – 2013); BERK, 2016.

Exhibit 14 shows the household income breakdown by household type, estimated for the year 2013. The type “Other” includes non-family households with no members age 62 or older. It is likely that a great number of these households include students at CWU, and it is the best proxy for student households for which household income data is available. Not surprisingly, the largest counts of Very Low, Low, and Moderate income households are in this category. By definition, students are not fully in the workforce during a temporary life stage, and this is reflected in their income. Also many students are supported by family to help cover housing costs. It is also not surprising to see large numbers of lower income households in the Elderly Non-Family category (age 62+ living alone). Many people in this group are retired, living on a fixed income, and may or may not have additional retirement savings to help cover housing costs. Finally, there are many small families that have Very Low, Low, or Moderate incomes. These households are least likely to benefit from external family support (as do many students) or retirement savings and therefore most likely to find themselves struggling to cover housing costs in a competitive housing market.

Exhibit 14. Household Type by Income Level, 2013

Household Type	Household Income Level					All Households
	Verly Low (<30%)	Low (30-50%)	Moderate (50-80%)	Lower Middle (80-100%)	Above AMI	
Elderly Family	20	35	100	34	330	519
Elderly Non-Family	195	275	60	35	210	775
Large Family	0	55	60	4	150	269
Small Family	364	240	270	90	1,160	2,124
Other	1,755	620	534	200	354	3,463
Total	2,334	1,225	1,024	363	2,204	7,150

Household Type Description (types are mutually exclusive)	
Elderly Family	2 persons, either or both age 62 or over
Elderly Non-Family	Age 62+, living alone
Large Family	Families with 5 or more members
Small Family	Families with 2-4 members (excluding elderly families)
Other	Non-family, non-elderly households (Many likely to be students)

Source: U.S. Department of Housing and Urban Development, Consolidated Housing Affordability Strategy (based on U.S. Census American Community Survey 5-Year Estimates, 2009 – 2013); BERK, 2016.

Homeless and Unhoused Population

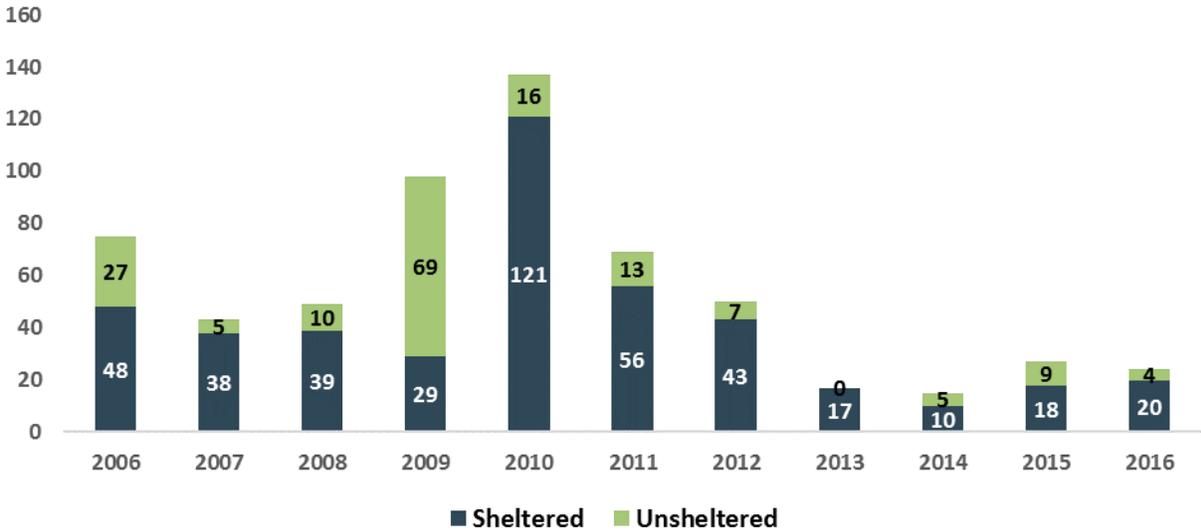
Data on homeless and unhoused population in Ellensburg is limited and must be interpreted carefully since different institutions define and count homeless population differently. At the time of the 2010 census, there were 30 homeless individuals, including 11 in emergency and transitional shelters, and 19 who were most likely to be unsheltered or living in vehicles.¹⁵ Census data does not enumerate situations such as couch surfing or “doubling up” (more than one household in a single unit). Kittitas County conducts an annual Point in Time (PIT) count of homeless population in January.¹⁶ The 2016 count identified a total of 24 persons: 20 sheltered (including both emergency and transitional) and four unsheltered.¹⁷ Eleven of these sheltered households included minors. Exhibit 15 shows Kittitas County PIT count data for the years 2006 through 2016. This survey has identified significantly less homeless persons since a peak of 127 in 2010.

¹⁵ Source: U.S. Census 2010 table PCT20: Group Quarters. The 19 non-sheltered individuals were counted in the category “other noninstitutionalized facilities.” See <http://www.census.gov/prod/cen2010/doc/sf1.pdf> for definitions.

¹⁶ Source: Washington State Department of Commerce, 2016. Annual Point in Time Count. <http://www.commerce.wa.gov/serving-communities/homelessness/annual-point-time-count/>

¹⁷ The PIT guidelines define “unsheltered” as “In places not meant for human habitation, such as cars, parks, sidewalks, abandoned buildings, on the street.” See <http://www.commerce.wa.gov/wp-content/uploads/2016/10/hau-pit-state-guidelines-2017.pdf>

Exhibit 15. Kittitas County Point in Time Counts: All Homeless Persons

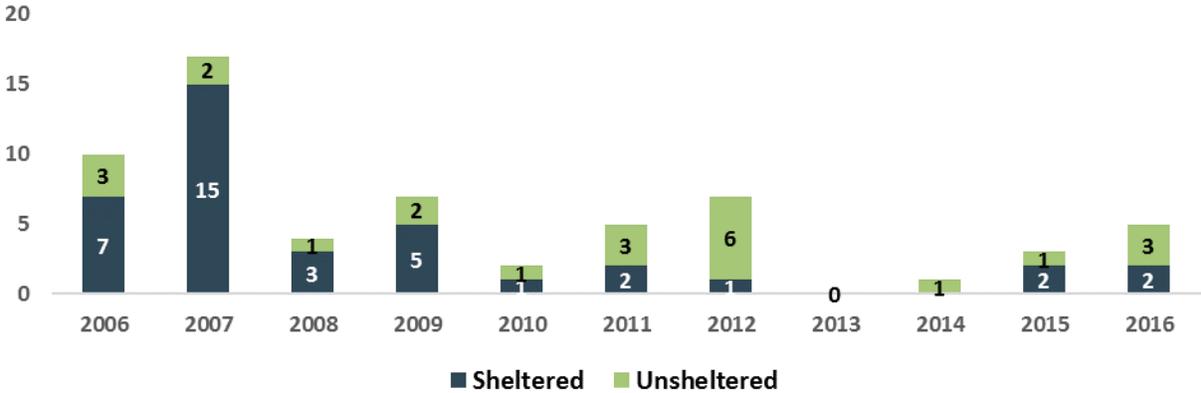


Source: Washington State Department of Commerce, 2006 - 2016. Annual Point in Time Count.

Exhibit 16 shows PIT count data for chronically homeless individuals, which are defined as “homeless more than one year OR more than three times in last three years with the combined length of homelessness being one year or more; with disability.”¹⁸ Five persons were identified as chronically homeless in 2016.

¹⁸ State Guidelines Point in Time and Housing Inventory Count of Homeless Persons. <http://www.commerce.wa.gov/wp-content/uploads/2016/10/hau-pit-state-guidelines-2017.pdf>

Exhibit 16. Kittitas County Point in Time Counts: Chronically Homeless Persons

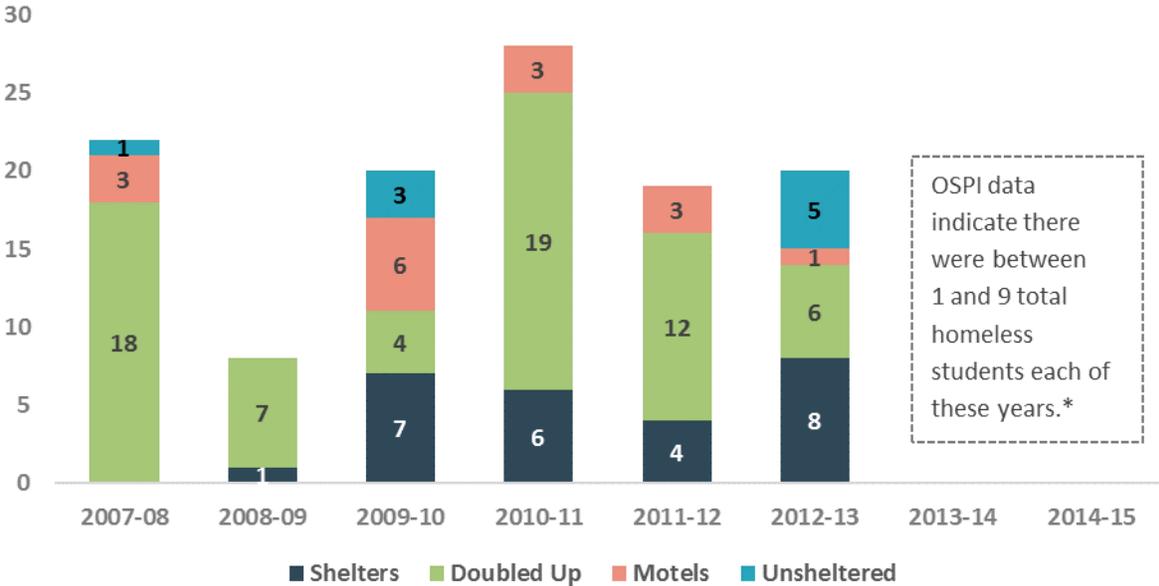


Source: Washington State Department of Commerce, 2006 - 2016. Annual Point in Time Count.

Another source of data on homeless population is available from Washington State Office of the Superintendent of Public Instruction (OSPI). Exhibit 17 shows counts of unhoused K-12 student population for the Ellensburg school district.¹⁹ This data indicates the number of homeless students has fluctuated from year to year with a peak of 28 in the 2010-2011 school year. In the two most recent school years, the total number of homeless students was between one and nine (count is suppressed due to OSPI policies for privacy protection). While the actual counts are unknown, there has nonetheless been a significant decline since the 2010-2011 school year.

¹⁹ The Ellensburg School District has a catchment area that is significantly larger than the City of Ellensburg and its UGA.

Exhibit 17. Homeless K-12 Student Count, Ellensburg School District



* For privacy reasons, OSPI does not publish precise homeless student counts if the total is greater than zero but less than ten.

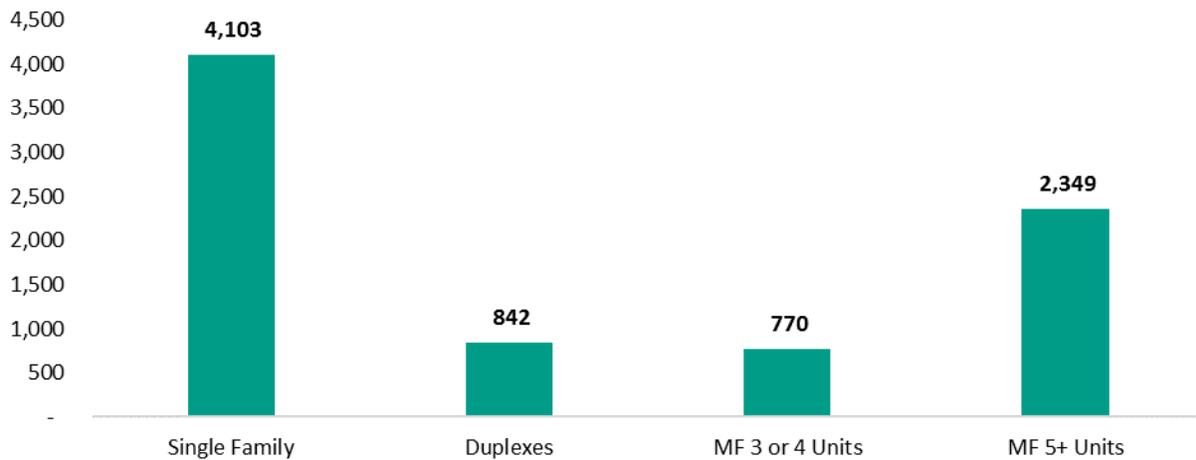
Source: Washington State Office of the Superintendent of Public Instruction, 2016.

In summary, the limited data available quantifying homelessness in Ellensburg indicates that homelessness is a persistent problem in Ellensburg impacting a relatively small number of individuals. However, public and non-profit housing stakeholders noted that there is a growing number of single women who are homeless and that people with a history of incarceration, including sex offenders, are the hardest to house.

HOUSING SUPPLY

As of 2016, there were 8,363 housing units in the City of Ellensburg. Exhibit 18 breaks down all units in the City by unit type. 49% of these units are single-family homes, 47% are in multi-family (MF) structures, and less than 4% are mobile homes. Among the multi-family units, the majority are in larger buildings with 5 or more units.

Exhibit 18. Housing Units by Housing Type



Legend: MF = Multifamily

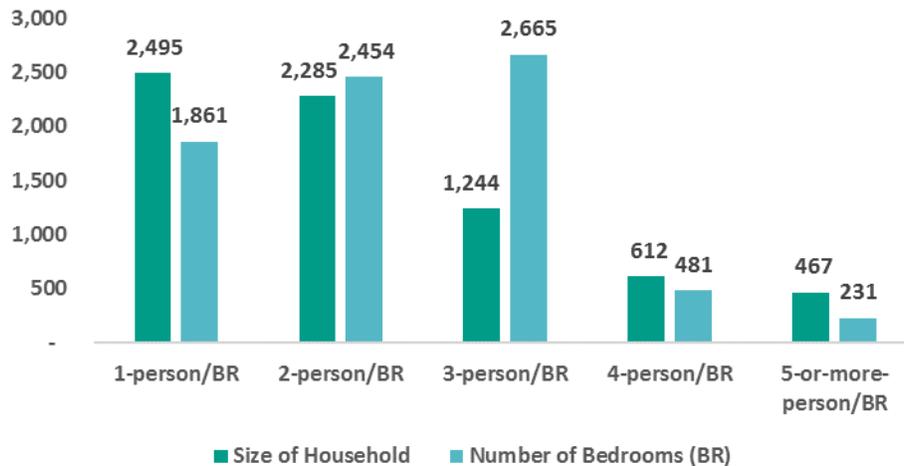
Source: OFM, 2016; BERK, 2016.

Exhibit 19 breaks down the housing stock by the number of bedrooms and compare it to the size of households. There are nearly 2,500 households with only one member, yet there are less than 1,900 studio and 1-bedroom housing units combined. This is a difference of over 600 units. While not all 1-person households are looking for a studio or 1-bedroom unit, it is also likely to be true that there are people living in larger shared houses now that would prefer to live in a studio or 1-bedroom unit if there were enough units available. So the demand for studio and 1-bedroom units could potentially exceed what is indicated by looking at census data about household sizes. It is also important to note that much of the current supply of smaller unit apartment homes are marketed exclusively to students and essentially serve as off-campus student housing. According to the Associate Dean of Student Living at CWU, new non-tenure track faculty are having great trouble finding studio and 1-bedroom rental housing that is affordable.²⁰ The units that are available are undesirable to professors and other working professionals because the buildings are dominated by students.

On the other hand, 44% of housing units in Ellensburg have 3 or more bedrooms while only 33% of households have 3 or more members. And, as noted above, there is potential that the number of households with 3 or more members is higher than actual demand, assuming that people seeking small apartment units are instead sharing larger units due to lack of appropriate supply in the apartment market.

²⁰ Personal communication with Richard DeShields, Associate Dean of Student Living at Central Washington University, November 18, 2016.

Exhibit 19. Alignment Between Household Sizes and Size of Units in Housing Stock



Note: The number of 1-BR housing units include both studios and one-bedroom units.
Source: U.S. Census, American Community Survey Five-year Estimates, 2010 - 2014; BERK, 2016.

While the housing stock generally supplies units that are too large for the kinds of households that exist in Ellensburg, overcrowding still exists among many households. Exhibit 20 shows occupancy per room among all households in the City of Ellensburg. HUD defines overcrowding as greater than one occupant per room. Based on this definition, 253 renter-occupied and 89 owner-occupied households are estimated to be overcrowded.²¹ Overcrowding can result from a lack of affordable housing in the rental market, leading to situations such as five or more students sharing a small single-family home by converting garage space or otherwise adapting to expand the home’s capacity for sleeping arrangements.

Exhibit 20. Overcrowding, By Housing Tenure

	Renter-Occupied	Owner-Occupied
Occupants per room		
0.50 or less occupants per room	3,172	1,584
0.51 to 1.00 occupants per room	1,539	466
1.01 to 1.50 occupants per room	147	89
1.51 to 2.00 occupants per room	71	0
2.01 or more occupants per room	35	0
Number of Overcrowded Units (>1)	253	89
Percentage of Units that are Overcrowded (>1)	5%	4%

Source: U.S. Census, American Community Survey Five-year Estimates, 2010 - 2014; BERK, 2016.

CWU Student Housing

Exhibit 21 shows current operating capacity within student housing provided by CWU. Most of the capacity is in the residence halls. However not all of the available capacity is currently in use. In January 2017 there were

²¹ For comparison, it is estimated that 10% of renter-occupied units in Wenatchee are overcrowded, or double the 5% share found in Ellensburg.

105 beds not in use.²² This calculation of operating capacity reflects management decisions that have reduced some building from their original design capacity, such as converting rooms designed as double to instead be singles. The original design capacity of student housing is estimated to be over 4,000 beds. However, some of the older residence halls are undergoing renovation which may impact the original design capacity.

Exhibit 21. CWU Student Housing: Current Operating Capacity

		Apartment Units	
	Beds	Studios	20
Residence Halls	2,761	1 BR	97
Apartments	892	2 BR	281
Total	3,653	3 BR	71
		Total	469

Source: CWU, 2016; BERK, 2016.

The university does market studies to set their rent prices in the dorms, but because they have costs associated with additional programs, meal plans, etc., it is difficult to compare on- and off-campus rents. Residence halls cost \$430 per person and market studies show that local rents are \$600 for a one-bedroom and \$1000 for a three-bedroom apartment.

Apartment units are in higher demand than residence hall units. These rent at market rates and essentially compete with privately owned apartment buildings that are marketed towards students. Many students live off-campus in apartments or shared housing in single-family homes.

Subsidized Housing

There are a total of 804 subsidized housing units in Ellensburg. Income eligibility requirements for these units varies by building, but range between 30% AMI and 95% AMI. An additional 30 households in Ellensburg receive housing choice vouchers²³ to subsidize rental units available in the private market. Exhibit 22 summarizes the subsidized housing stock in Ellensburg based on the populations served and income eligibility. A full inventory of subsidized housing for Ellensburg is available in Appendix B.

²² Carstens, 2017. "CWU looks at Student Housing, Future Growth" *Daily Record*. January 30, 2017. http://www.dailyrecordnews.com/news/cwu-looks-at-student-housing-future-growth/article_ce9cd093-877a-5866-9c57-274ea1771635.html

²³ Housing choice vouchers is a common name used for housing assistance payment contracts (or tenant-based vouchers) provided by the local Housing Authority with funding from HUD. The Yakima Housing Authority operates a housing choice voucher program that serves all of Yakima and Kittitas Counties. As of December 2016 there are 30 households using vouchers within the City of Ellensburg.

Exhibit 22. Subsidized Housing Units by Population Served and Income Eligibility

Population Served	Unit Count by Income Eligibility*				All Units
	Below 30% AMI	Below 50% or 60% AMI	Below 80% AMI	Below 95% AMI	
Senior/Disabled	120	174	30	0	324
Families	95	0	44	0	139
Mixed (individuals and families)	168	122	0	51	341
Total	383	296	74	51	804

Note: * Some buildings give preference to household applicants at an income level below the eligibility level. Units in these buildings are summarized based on this lower preferential income level.

Sources: National Housing Preservation Database, 2016; HUD Low Income Tax Credit Database, 2016; Multifamily Assistance and Section 8 Contracts Database, 2016; Housing Authority of Kittitas County, 2016; Hopesource, 2016; AptFinder.org, 2016; BERK, 2016.

None of the units have subsidies that are expected to expire within the next six years. However, 599 units are in buildings with subsidies that will expire within the next 20 years. Of these units, 224 units have private owners that may plan to allow the Low Income Housing Tax Credits to expire and not maintain the property as affordable housing in perpetuity.

According to the Kittitas County Housing Authority, wait times for qualified applicants seeking units in their buildings is typically one to 1.5 years. Family 3-bedroom units have a shorter wait time (three to six months), and wait times for family 4 bedroom units can be up to 3 years. Demand for all unit types significantly exceed supply.

While the vast majority of the subsidized housing stock in Ellensburg is available to renter households, Kittitas County Habitat for Humanity runs an affordable home ownership program. This program provides homes to families earning between 30% and 60% AMI based on need and ability to contribute sweat equity in the form of construction labor. Since 1994, 11 units have been built in the City of Ellensburg, and one to two new units are typically built each year.

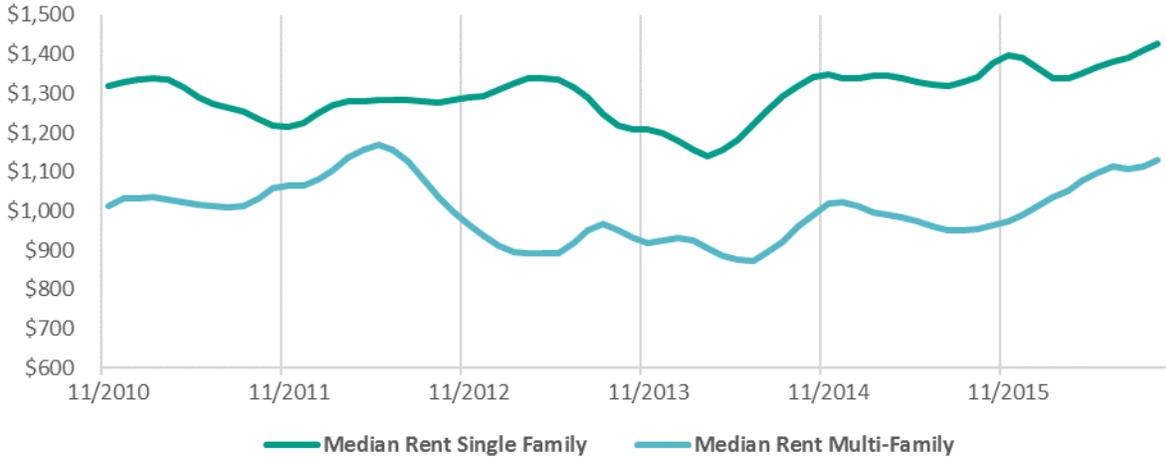
HOUSING AFFORDABILITY

Housing Costs

Rental Housing

Exhibit 23 shows changes in median market rate rental housing costs between November 2010 and September 2016. Rents for single-family homes are generally higher than apartment rents, but both housing types have seen similar fluctuations in rents during recent years. While rents have fluctuated, they have increased overall during the period for which data is available. Exhibit 24 shows average annual growth in median rents for the month of September. Between 2011 and 2016, single-family rents rose at an annual rate of 2.9% while multi-family rents rose by 1.8% annually. The rate of rent increases has been higher in recent years, following a dip in 2013. Between September 2013 and September 2016, median single-family rents increased by \$208 (5.4% annually) while multi-family rents increased by \$178 (5.9% annually). Neighboring jurisdictions have also seen rents rise during the same period. Wenatchee's median rent rose by a similar rate (6.5%), and the rate of increase in Seattle was slightly higher (8.4%). In Yakima, rents have grown more slowly (4.2%) during the past 3 years and still have not yet fully rebounded to the previous high in 2011.

Exhibit 23. Median Monthly Rent, City of Ellensburg



Source: Zillow Rent Index, 2016; BERK, 2016.

Exhibit 24. Median September Rent, Average Annual Growth Rate

	Average Annual Growth Rate	
	2011 to 2016	2013 to 2016
Median Rent Single-Family Rent	2.9%	5.4%
Median Rent Multi-Family Rent	1.8%	5.9%

Source: Zillow Rent Index, 2016; BERK, 2016.

Exhibit 25 shows data from a fall 2016 survey of apartment buildings in Kittitas County²⁴ by the Washington Center for Real Estate Studies. While the data may not reflect the characteristics of all apartment buildings in Ellensburg, it does provide a snapshot of vacancy rates and rents broken down by unit type. The most notable finding from this survey was the very low vacancy rates. For many categories, apartment managers reported 0% vacancy and all unit types were reported to be far below the “healthy” rate of 5% vacancy. In interviews many landlords and property managers indicated that they maintain waiting lists. When housing becomes available it is nearly always leased immediately.

²⁴ It is expected that most, if not all, of the buildings surveyed are in the City of Ellensburg.

Exhibit 25. Vacancy and Average Rent by Apartment Size, Fall 2016

Unit Type	% Vacant	Avg. Rent	Rent/SqFt	Units Surveyed	Complexes
Studio	0.0%	\$583	\$1.5	25	3
1 Bedroom	0.0%	\$672	\$1.1	417	11
2 Bedroom/1 Bath	1.7%	\$873	\$1.2	806	20
2 Bedroom/2 Bath	0.6%	\$1,054	\$1.2	340	3
3 Bedroom/1 Bath	0.0%	\$948	\$1.3	70	2
3 Bedroom/2 Bath	0.0%	\$1,357	\$1.2	335	4
All	0.8%	\$944	\$1.2	1,993	25

Source: Washington Center for Real Estate Research, 2016; BERK, 2016.

Exhibit 26 compares estimated renter household counts by income range to the estimated number of housing units offered on the market at rents affordable to those income levels. This data summarizes conditions during a 5-year period: 2010 to 2014. This period includes the downturn in the housing market following the last economic recession and only partially overlaps the more recent period of rising housing costs. These facts should be considered when interpreting the findings.

During the 2010 – 2014 period, U.S. Census estimates indicate there were 2,606 households earning below 30% AMI while only 573 units were offered at a rent affordable to these households. This results in a shortage of over 2,000 units affordable to these households. However, U.S. Census also estimates that there was a surplus of units affordable to all other income levels. The largest surplus (over 2,000 units) was in units affordable to Moderate Income households (those earning 50% - 80% AMI). Exhibit 27 visually compares the same gap to highlight the areas of greatest shortage and surplus.

Exhibit 26. Renter Household Income and Rental Unit Affordability Gap

Income Level compared to 2014 Kittitas County AMI	Rounded (1,000s) Income Ranges*		Monthly Housing Budget*		 Estimated Renter Households		 Estimated Gap	
	Low	High	Low	High	Count	Percent	Units Offered	over/(under)
\$65,600								
Under 30%	\$0	\$20,000	\$0	\$500	2,606	52%	573	(2,033)
30 - 50%	\$20,000	\$33,000	\$500	\$825	969	20%	1,220	251
50 - 80%	\$33,000	\$52,000	\$825	\$1,300	709	14%	2,751	2,041
80 - 100%	\$52,000	\$66,000	\$1,300	\$1,650	241	5%	460	219
100 - 120%	\$66,000	\$79,000	\$1,650	\$1,975	190	4%	345	154
120% or Over	\$79,000		\$1,975		249	5%	255	6
Total					4,964	100%	5,603	639

Note: *Based on 30% of income.

Rental rates and household counts reflect estimated conditions from 2010 to 2014 by the U.S. Census, American Community Survey. Rents have been increasing since this period and the current situation may reflect greater gaps in housing available to lower and moderate income households. In addition, American Community Survey data represent estimates of renter household counts by income level and units available at specific rent levels. Each estimate is associated with a margin of error. This data is meant to represent an overall picture of conditions during the 2010 - 2014 period and is not meant to provide a precise count of current rental units on the market.

Source: U.S. Census, American Community Survey 5-Year Estimates, 2010 - 2014; U.S. Department of Housing and Urban Development, FY 2014 Income Limits Summary; BERK, 2016.

Exhibit 27. Renter Households by Income Level Compared to Units Offered by Affordability Level



Source: U.S. Census, American Community Survey 5-Year Estimates, 2010 - 2014.

There is an apparent inconsistency between these findings and the high levels of cost burden experienced by renters in the Low and Moderate Income categories. However, there are a number of possible explanations. First, middle and higher income households may be occupying some share of the units that would otherwise be affordable to those with lower incomes. Often referred to as “down renting,” this can reduce the supply of units affordable to those with lower incomes. More importantly, these findings also do not consider the alignment between household size and affordable units at an appropriate size. While there may be affordable one-bedroom units available, those units would likely not meet the needs of a 5-person family earning 50% AMI. Finally, the cost of utilities is not considered in the count of units offered by affordability level. Most renter households pay for utilities separately.

Another factor may be related to the unique pressures created by off-campus student housing needs. BERK discovered in interviews with landlords and property managers that private, off-campus student-oriented housing is leased by the room, even for multi-room units. This is a model that works for students and the landlord for a variety of reasons, but in the end it increases the price of the rent on the whole unit. This model works for students with adequate financial support, but it could drive up the cost of housing across the market. This is a challenge to housing affordability for local households (who are unlikely to have outside support resources as students do). It is also challenging for students with fewer resources. BERK heard multiple anecdotes about student crowding into shared single family homes in order to reduce rents.

As housing costs continue to rise, it is likely that the housing stock will become less affordable to lower and moderate income households. To provide a snapshot of the inventory of units available for rent in Ellensburg,

BERK analyzed all rental listings on three websites: Craigslist, Hotpads, and Padmapper²⁵, on November 15, 2016. Exhibit 28 shows the results of this analysis. 29 total listings were analyzed. 17 were apartments, nine were single-family homes, and three were either townhomes or duplexes. Nine of the 29 units were studios or one-bedroom. Smaller units were most likely to be offered below HUD Fair Market Rent. Only one unit sized three-bedroom or larger was offered below Fair Market Rent.

Exhibit 28. Monthly Rent for Units Listed on November 15, 2016 Compared to HUD Fair Market Rents

Unit Size	Number of Listings	Median Rent/Month	HUD Fair Market Rent	Media Percent Above/Below Fair Market Rent	Number of Listed Units Under HUD Fair Market Rent
Studio	1	\$600	\$642	-7%	1
1 Bedroom	8	\$585	\$657	-11%	5
2 Bedroom, 1 Bath	6	\$818	\$880	-7%	6
2 Bedroom, 1.5 or 2 Bath	5	\$1,050	\$880	19%	0
3 Bedroom	8	\$1,423	\$1,282	11%	1
4+ Bedroom	1	\$1,650	\$1,536	7%	0
Total Listings	29				13

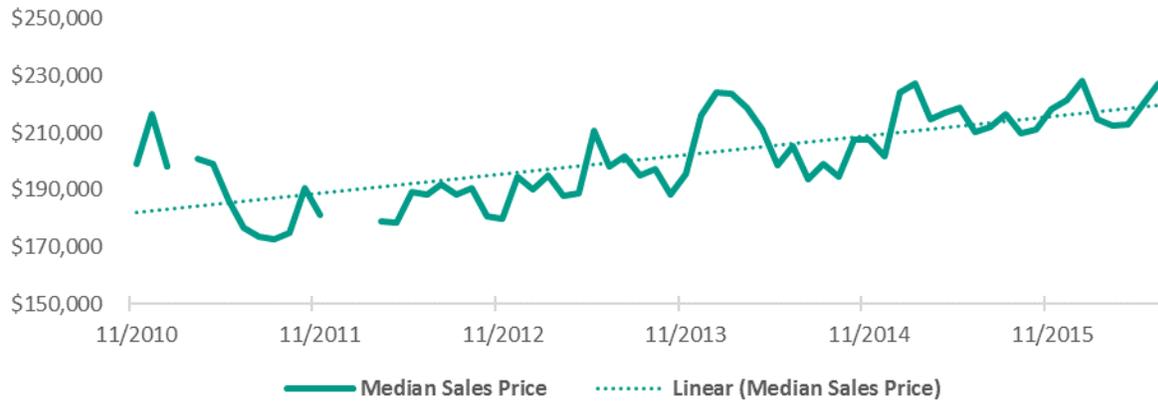
Sources: Craigslist, 2016; Hotpads, 2016; Padmapper, 2016; BERK 2016.

Ownership Housing

Exhibit 29 shows changes in median home sales price between November 2010 and June 2016. Sales prices can fluctuate significantly due to differences in the housing stock on the market during any given month. Real estate professionals reported in interviews that there is significantly less housing stock on the market than ever before. Prior to 2016, the lower Kittitas County market (which includes Ellensburg) maintained listings of about 200 units at any given time. Throughout 2016, listings have been about half of that number, and as low as 35%. It is no surprise that the chart below shows a clear upward trend during the period for which data is available. Between June 2011 and June 2016, the median sales price rose by 5.2% annually.

²⁵ BERK contacted CWU to inquire about rental listing websites commonly used by students in Ellensburg. Individual listings were analyzed to remove duplicates posted on more than one website.

Exhibit 29. Median Home Sales Price, City of Ellensburg



Source: Zillow, 2016; BERK, 2016. Data is available monthly and includes some gap.

Exhibit 30 shows the annual income needed to purchase a single-family home in Ellensburg. Assuming a household can afford a 20% down payment (~\$50,000), a household requires at least \$47,480 in yearly income to afford a mortgage for a home at the 2016 median selling price. This is almost \$10,000 less than the 2016 County AMI of \$65,600. Approximately 24% of households in Ellensburg earn enough income to afford a home at the median selling price in 2016, although it is likely that not all of those making enough income could afford the down payment assumed in the calculation.

Exhibit 30. Annual Income Needed to Purchase a Single-Family Home at Median Sales Price

Monthly Mortgage	
Median Sales Price (June 2016)	\$227,250
Down Payment (20%)	\$45,450
Mortgage Amount	\$181,800
Interest Rate	4%
Payments over 30 years	360
Monthly Mortgage Payment	\$865
Annual Housing Expenses	
Mortgage Payments	\$10,381
Taxes (1.2%)	\$2,954
Insurance (\$5.00 per \$1,000)	\$1,136
Total Annual Costs	\$14,471
Annual Income Needed (30% housing costs)	\$48,237
Total Monthly Costs	\$1,206
Monthly Income Needed (30% housing costs)	\$4,020
Households	
Number of households with income > \$48,237	1,710
Total households	7,103
Estimated % of households that can afford median home price	24%

Note: Median selling price is for June of 2016. The household income data used to determine how many households make enough to afford mortgage was for the City of Ellensburg. The homebuyer

calculation assumes a 20% down payment, annual property taxes of 1.3% based on current property tax assessments for Ellensburg, and annual insurance of \$5.00 per \$1,000 of sales value.

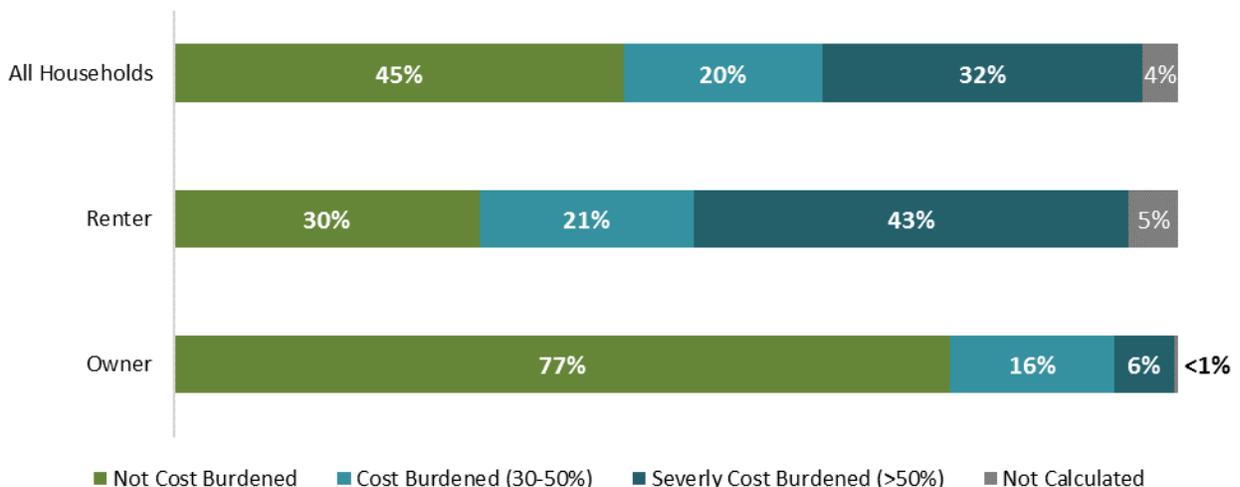
Source: Zillow, 2016; U.S. Census, American Community Survey Five-year Estimates, 2010 - 2014; BERK, 2016; Kittitas County Assessor, 2016.

Cost Burden

HUD deems housing to be affordable if a household spends no more than 30% of their gross income on housing costs (rent plus basic utilities or gross monthly owner costs). Households are considered to be cost burdened if they pay more than 30% of their income towards housing costs. Households paying more than 50% of their income towards housing costs are considered severely cost burdened.

HUD publishes cost burden estimates based on data from the U.S. Census American Community Survey 5-year Estimates. The latest survey period for which data is available is 2009 to 2013. This means that cost burden estimates reflect income and housing costs as reported by a sample of Ellensburg residents during a rolling monthly survey between January 2009 and December 2013. This period includes the downturn in the housing market and rise in unemployment during and following the last economic recession. Housing costs have increased during the past few years, a fact that should be considered when interpreting cost burden data from HUD.

Exhibit 31. Cost Burden By Housing Tenure



Note: "Not Calculated" refers to households with no or negative income.

Source: U.S. Department of Housing and Urban Development, Consolidated Housing Affordability Strategy (based on U.S. Census American Community Survey 5-Year Estimates, 2009 – 2013); BERK, 2016.

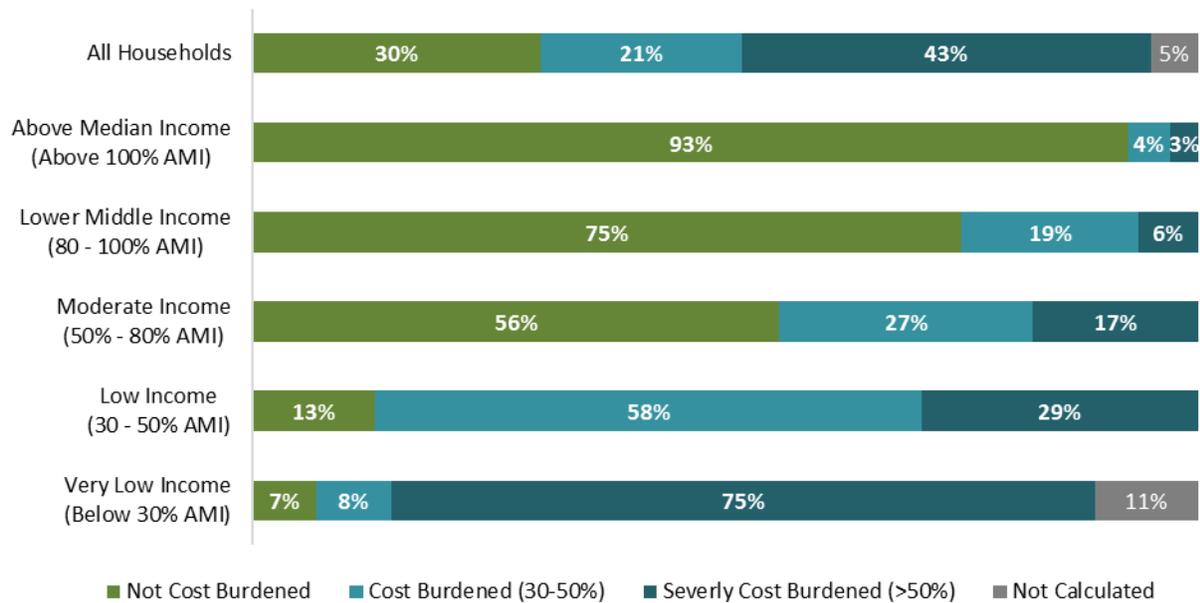
Over half of all households in Ellensburg were cost burdened or severely cost burdened. HUD does not calculate the level of cost burden for households earning zero or negative income. While these households are represented separately in these charts, most are assumed to be severely cost burdened. The exceptions would be households living rent free in shelters or other subsidized housing.

Renter Cost Burden

Exhibit 32 breaks down rental cost burden by income level. Among Very Low Income households, only 7% are not cost burdened and 75% or more are severely cost burdened. Among Low Income households, only 13 are

not cost burdened and 29% are severely cost burdened. However, only 7% of rental households with income above AMI experience a housing cost burden.

Exhibit 32. Rental Household Cost Burden by Income Category



Note: "Not Calculated" refers to households with no or negative income.

Source: U.S. Department of Housing and Urban Development, Consolidated Housing Affordability Strategy (based on U.S. Census American Community Survey 5-Year Estimates, 2009 – 2013); BERK, 2016.

It is expected that a majority of CWU student households would be considered cost burdened. Even low cost housing will present a cost burden to households with full time students or students working part-time in low paying jobs. However, this is a temporary situation that will hopefully change for students after they graduate from university and enter the workforce. Support that students receive from a parent’s household is unlikely to appear as student income. Furthermore, the housing needs of students often differ from those of other household types. Therefore, it is important to differentiate the amount of need among student households from the amount of need among other household types.

Exhibit 33 presents estimates of total cost burdened and severely cost burdened households by income and household type. The type "Other" includes non-family households with no members age 62 or older. It is likely that a great number of these households include students at CWU, and it is the best proxy for student households for which cost burden data is available. Not surprisingly, they are the largest number of cost burdened renter households in this category. The other household types in this figure are useful for understanding need among households that are not likely occupied by university students. Among these household types, the greatest amount of need is affordable housing for small families and elderly people living alone.

Exhibit 33. Cost Burdened Renter Households by Household Type

Household Type (Renters only)	Household Income Level					Total
	Verly Low (<30%)	Low (30-50%)	Moderate (50-80%)	Lower Middle (80-100%)	Above AMI	
Elderly Family	20	0	0	0	20	40
Elderly Non-Family	185	130	0	15	0	330
Large Family	0	10	0	0	0	10
Small Family	274	220	85	10	0	589
Other	1,625	545	245	35	30	2,480

Household Type Description (types are mutually exclusive)	
Elderly Family	2 persons, either or both age 62 or over
Elderly Non-Family	Age 62+, living alone
Large Family	Families with 5 or more members
Small Family	Families with 2-4 members (excluding elderly families)
Other	Non-family and non-elderly households. (Likely to be students.)

Note: Includes all renter households paying more than 30% of income on housing plus all households with zero or negative income.

Source: U.S. Department of Housing and Urban Development, Consolidated Housing Affordability Strategy (based on U.S. Census American Community Survey 5-Year Estimates, 2009 – 2013); BERK, 2016.

Owner-Occupied Household Cost Burden

Exhibit 34 estimates the total number of owner-occupied households in Ellensburg by income category. The majority (56%) of owner-occupied households earn above area median income (AMI).

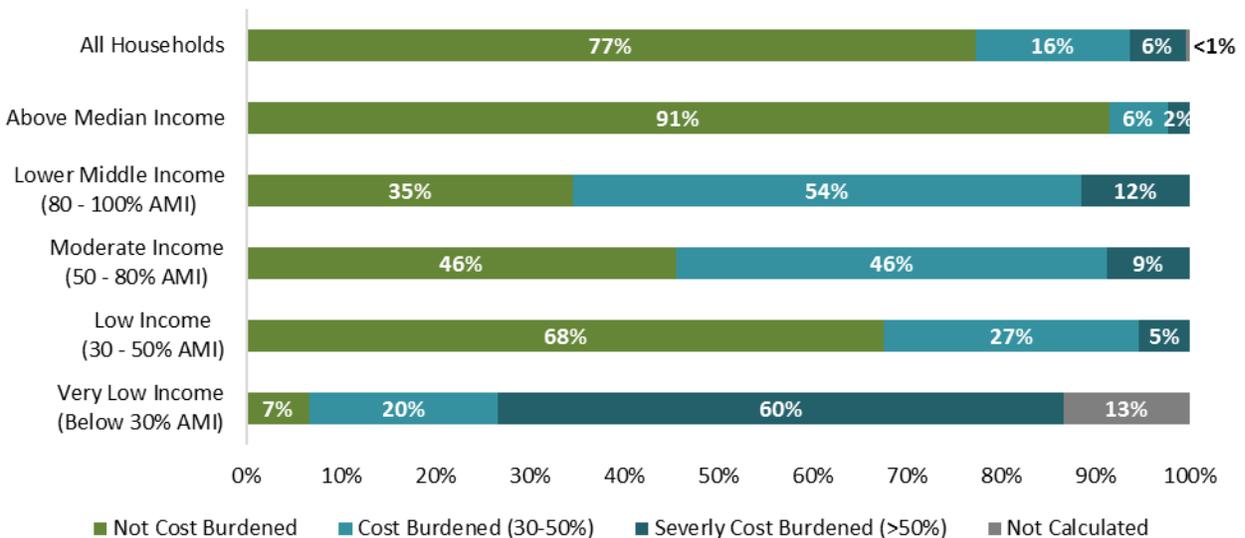
Exhibit 35 shows cost burden for all owner-occupied households by income level. 77% of these households are not cost burdened, though cost burden is much more common among households earning less than AMI.

Exhibit 34. Cost Burdened Owner Households by Household Type and Income Level

Household Type	Household Income Level					Total
	Very Low (<30%)	Low (30-50%)	Moderate (50-80%)	Lower Middle (80-100%)	Above AMI	
Elderly Family	0	15	30	4	0	49
Elderly Non-Family	10	45	20	0	0	75
Large Family	0	0	20	0	15	35
Small Family	20	0	45	40	90	195
Other	40	0	39	40	29	148
Total	70	60	154	84	134	502

Source: U.S. Department of Housing and Urban Development, Consolidated Housing Affordability Strategy (based on U.S. Census American Community Survey 5-Year Estimates, 2009 – 2013); BERK, 2017.

Exhibit 35. Owner Household Cost Burden by Income Category



Note: "Not Calculated" refers to households that have no or negative income.

Source: U.S. Department of Housing and Urban Development, Consolidated Housing Affordability Strategy (based on U.S. Census American Community Survey 5-Year Estimates, 2009 - 2013); BERK, 2016.

HOUSING MARKET TRENDS

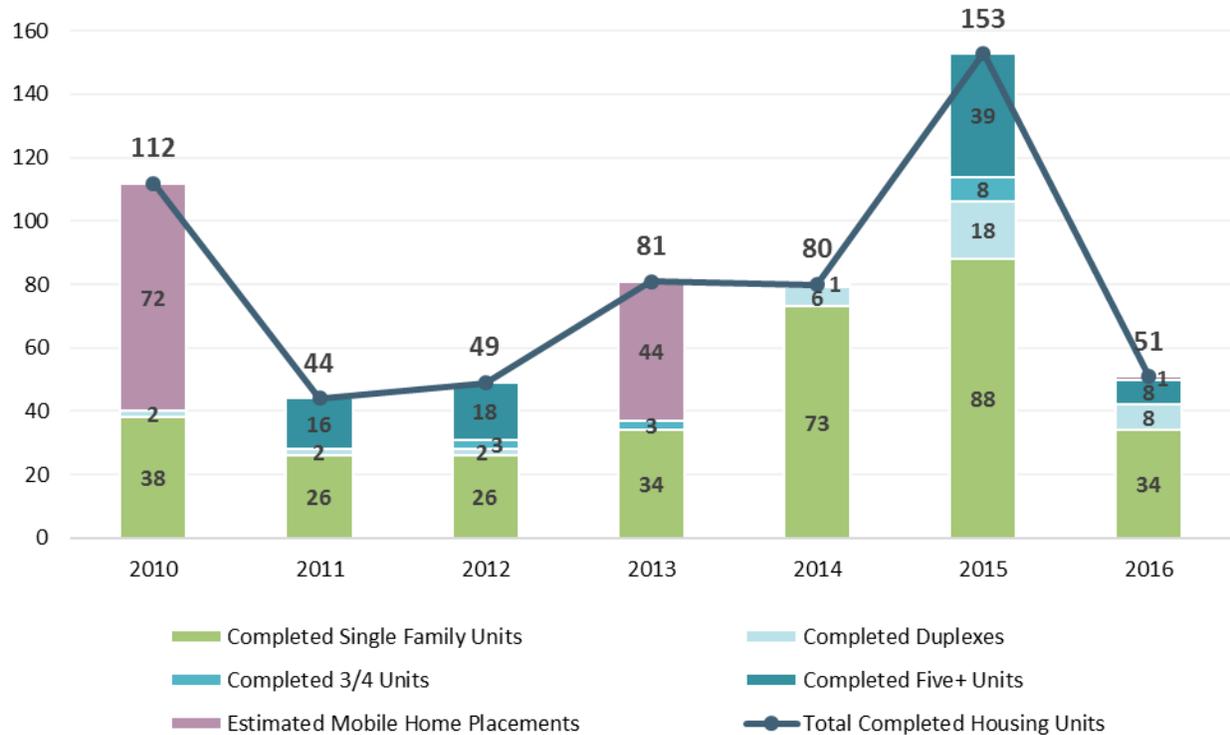
Ellensburg is considered a very tight housing market among all the stakeholders BERK heard from in workshops and interviews. This is consistent with BERK's analysis of available data on housing market trends. These trends are summarized below.

New Home Production

570 new housing units were built or placed in the City of Ellensburg between 2010 and 2016. Exhibit 36 breaks down this housing production by year and unit type. 56% of the units produced were single-

family homes and 21% were mobile home placements. Less than a quarter of the production during this period was multi-family. During the same period, there was a net gain of only 73 new units in the UGA, or about 12% of the total net growth in the city and UGA during this time period.²⁶

Exhibit 36. Housing Unit Production by Unit Type, 2010 to 2016



	Single-Family	Duplexes	3 and 4 Unit MF	5+ Unit MF	Mobile Home Placements*	Total
All Completed Units	319	38	14	81	118	570
Percent of Total	56%	7%	2%	14%	21%	100%

Source: OFM, 2016; BERK, 2016. * Mobile home placements are estimates.

These findings indicate a lack of alignment between recent home production and the current housing need in Ellensburg. As described above, nearly two thirds of the households in Ellensburg have only 1 or 2 members and 70% of households are renters. These findings indicate there may be far greater demand for multi-family housing and smaller unit sizes than the market is currently providing.

Interviews with real estate professionals and the workshop with local home builders and developers provide another view of the market. Single family homes are a proven market if builders and developers can produce units for young families, single professionals, and first time homebuyers at the desired price point. Experience varies, but there is general agreement among participants and respondents that this price point is within a range of approximately \$220,000 to \$250,000, which is highly consistent with the median home sales price for Ellensburg. Changes in the availability of skilled and unskilled labor and increases in materials costs have made

²⁶ Net growth in the unincorporated UGA accounts for annexations in order to estimate the total number of net new homes built in the UGA regardless of whether they were subsequently annexed into the City.

it challenging for local builders to produce housing at this price point. Real estate professionals also see an unmet market for next-step homes intended for households with growing children and increasing incomes, likely priced in a range of \$250,000 to \$300,000. Local clients are interested in leveraging the equity in their first homes to buy a house with more space or better amenities, but there are few units in the market. People are staying where they are, and that means less liquidity in the starter-home market. Local builders feel that building at a higher price point is a riskier market.

Additionally, builders and developers and real estate professionals acknowledged that there are barriers to entering the multi-family housing market. Real estate professionals indicated that the sales market for multi-family units is inconsistent, both for individual units (such as condos), as well as complexes. Builders and developers concurred that there is no market for them to quickly and efficiently sell new multi-family units. Carrying costs associated with holding properties until they are sold are a financial burden that cut into the profit margin. Only one of the developers at the workshop builds units and manages them as rentals, but has considered leaving property management. Others at the workshop did not feel they had the resources to manage property rentals.

Employment

At both stakeholder outreach workshops and in interviews, participants highlighted the lack of well-paying job opportunities in Ellensburg. Without well-paying jobs, people and families lack incomes to afford Ellensburg's typical housing costs. This section presents an analysis of employment trends and their potential impacts on current and future housing needs.

In a 2015 study, BERK analyzed employment trends and projections for Kittitas County.²⁷ This report identified a countywide annual growth rate between 2000 and 2014 of 1.4%, a period which includes the 2008 economic recession. Within Ellensburg Study Area²⁸, the study found a 0.7% annual rate of job growth between 2002 and 2013. In other words, employment growth in Ellensburg and its UGA has been slower than countywide. The total number of jobs in the Ellensburg Study Area in 2013 was 8,255.

Exhibit 37 shows total primary jobs of people who work in the City of Ellensburg.²⁹ Between 2013 and 2014 there was an 8% decline in the total number of workers in Ellensburg, the latest period for which data is available: a loss of 553 primary jobs.³⁰ Exhibit 38 breaks down primary jobs by monthly wage level. It shows a slow decline in the number of workers whose primary job pays \$1,250 per month or less. Concurrently, between 2002 and 2011 there was a steady gain in the number of workers whose primary job pays more than \$3,333 per month. However, between 2011 and 2014 there have been losses in the number of workers in the

²⁷ *Kittitas County Employment Projections and Allocation Scenarios*: <http://co.kittitas.wa.us/uploads/cds/comp-plan/twenty-year/Draft%20Employment%20Projection%20and%20Allocation%20Memo.pdf>

²⁸ The Ellensburg Study Area analyzed in the 2015 report included the City of Ellensburg, all unincorporated UGA lands, and some additional mostly vacant and rural lands considered for possible future UGA expansion.

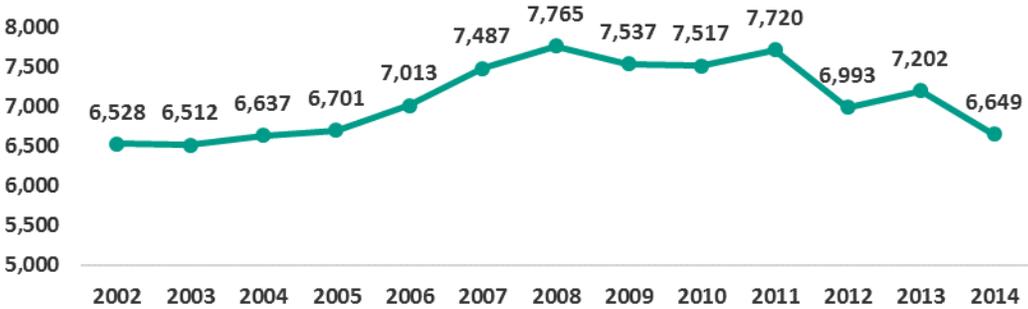
²⁹ The primary job is the highest paying job for an individual worker. This chart counts one job per worker.

³⁰ Much of these losses came in the Educational Services sector. Prior to 2013 there was a fairly stable number of workers in this sector, so the large number of losses is fairly surprising. Additional research could be done to confirm whether these losses actually occurred or whether there are anomalies in the employment data used for the analysis.

Employment data for Kittitas County indicates the county as a whole has grown steadily in employment between 2014 and 2016, gaining around 500 jobs.

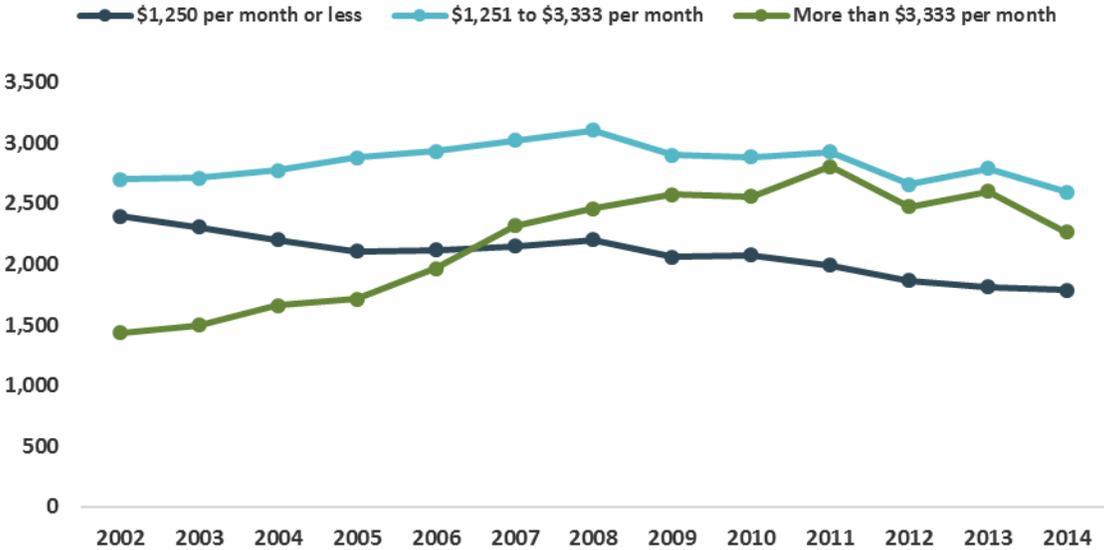
middle and upper wage levels (\$1,251 per month and higher). Generally, the trend has been towards a greater share of jobs in the middle and upper wage levels, and lower share of jobs in the lower wage level. Future employment projection by wage level for the South Central region of Washington State is provided in Appendix A.

Exhibit 37. Total Primary Jobs, City of Ellensburg



Source: U.S. Census Bureau, Center for Economic Studies, 2016; BERK 2016.

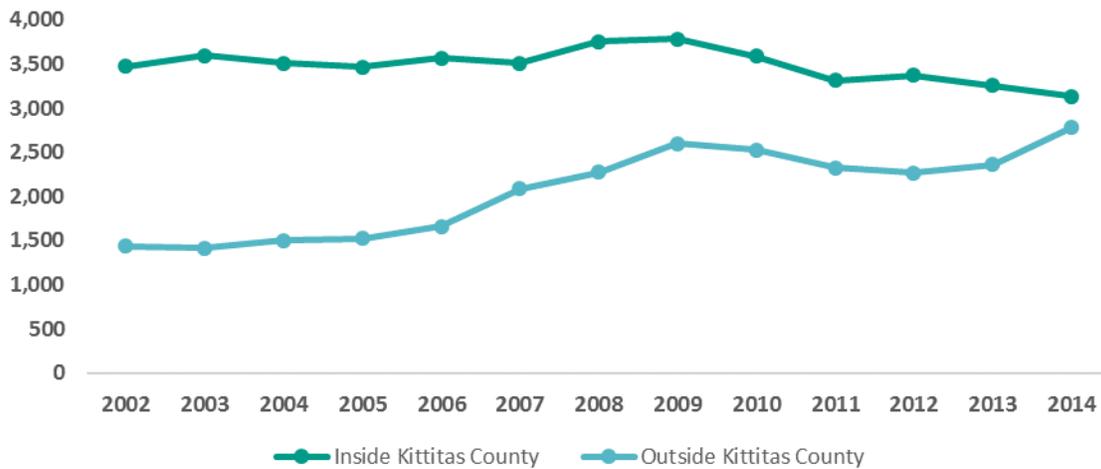
Exhibit 38. Total Primary Jobs by Monthly Wage, City of Ellensburg



Source: U.S. Census Bureau, Center for Economic Studies, 2016; BERK 2016.

Exhibit 39 shows primary job counts for workers who live inside the City of Ellensburg, broken down by their workplace location. It shows a slow decline in the number of Ellensburg residents who work in Kittitas County, and a steady increase in the number of Ellensburg residents who work outside of Kittitas County. In 2014, the counties where the greatest shares of Ellensburg residents worked are Kittitas (53%), King (14%), and Yakima (9%).

Exhibit 39. Primary Job Location of Workers Who Live in City of Ellensburg



Source: U.S. Census Bureau, Center for Economic Studies, 2016; BERK 2016.

MARKET POTENTIAL FOR MEETING HOUSING NEEDS

This section synthesizes the findings above in order to assess market opportunities for addressing housing needs among different market segments. This discussion includes consideration of existing and potential development incentives that could be leveraged to facilitate more housing production. It also identifies market segments for which greater public supports may be required to meet housing needs. For these segments a summary of relevant revenue sources used nationally and statewide is provided.

Student Housing

Student housing demands create unique housing pressures in both the rental and sales markets. Without the right kind of units to meet student needs, parents and investors purchase entry-level single-family housing and lease it to students. Every landlord and property management company interviewed leases housing to students, some specializing in this. Often higher rents can be collected from students, either because they are supported by outside resources, or because they are willing to double up to afford rent. Turn-over rates on rentals are reported to be quite high, with most landlords and property managers reporting a rate of about 50% every year. This is reportedly driven by the student population, but since the market only becomes liquid at the end of the CWU school year, anyone in the community looking to change housing is likely to do so in May or June. Turnovers are expensive and the high rate of turnover likely contributes to higher housing prices. Higher prices and high student demand increases housing costs across the market and limits the stock available for sales and rent to non-student households.

Every landlord and property manager interviewed confirmed the need for one-bedroom or studio apartment housing, as shown in the data analysis. There was also general agreement that there needs to be more multi-family housing within walking and biking distance of campus, including on the north side of campus and downtown. Off-campus student housing is not a suitable candidate for public subsidies, but given local demand, could potentially be incentivized. Allowing increased density in targeted areas through upzoning, development incentives, or regulatory alternatives (if certain design and livability requirements can be met) could stimulate the market to build new multi-family housing in these areas. Additionally, the City may consider reducing parking requirements for new student-oriented housing. Parking was noted in housing developer

interviews as a significant cost barrier for building new multi-family housing and there may be a significantly sized market of students seeking less expensive housing, and who do not own a vehicle. Future improvements to transit and non-motorized travel in Ellensburg could further support growth in a market of zero vehicle student households.

Low Income Family Housing

This segment of the market refers to family households who are earning 50% AMI or below (approximately \$33,000 per year). HUD estimates indicates that there are 514 cost burdened households that match the following criteria: renter, small family, earning 50% AMI or below. It finds only 10 cost burdened renter households that include large families (5+ members) earning 50% AMI or below.

A household earning 30% AMI can afford a monthly housing budget of \$500 or less. A household earning 50% AMI can afford \$825 or less. These budgets are considerably below median multi-family rents in Ellensburg (\$1,129) as well as median single-family rents (\$1,426). While increased production of housing—particularly missing middle formats such as duplexes and townhomes—could help address the housing shortage that is pushing up housing costs, it is unlikely to result in units affordable to lower income families. For this market segment, public supports will continue to be necessary.

Kittitas County Habitat for Humanity is a home ownership program targeted at low income families earning between 30% and 60% AMI. The current rate of production (1 to 2 units per year) is too low to make a significant impact on addressing current demands.

Future affordable housing projects in Ellensburg may qualify for state and federal funds administered by the Housing Trust Fund or the Washington State Housing Finance Commission.

The Washington State Department of Commerce administers the Housing Trust Fund, which makes funds available through a competitive process. Projects must serve people who earn up to 80% of AMI, but most funds go to projects serving those earning up to 30% of AMI or special needs populations such as homeless families, seniors, farmworkers, and people with disabilities. Funds are generally awarded from two federal sources, both associated with HUD:

- National Housing Trust Fund, a dedicated affordable housing program created in 2015 to serve people earning up to 30% of AMI.
- HOME program, which provides funds to non-profits, housing authorities, and government for rental development funds consistent the state Consolidated Plan and Action Plan, which currently prioritizes affordable housing and tenant-based project assistance.

The Washington State Housing Finance Commission is a state agency created to act as a financial conduit for local, state, and federal funds to support affordable and decent housing. This commission offers the following programs:

- 9% Low Income Housing Tax Credits, which allocates a federal income tax credit to developers through a competitive process to support rehabilitation and new construction of affordable housing.
- 4% Low Income Housing Tax Credits, which allocates a federal income tax credit to support affordable housing. These credits may be allocated without a competitive process if a project is also funded by more than 50% with tax-exempt Multifamily Bonds. The process to receive the bonds may be competitive, though, if anticipated demand exceeds availability.

- 80/20 Housing Bonds exempt the bondholder from federal taxation and are used by non-profit and for-profit developers to borrow funds for development and construction costs for affordable housing, keeping interest rates low. Bondholders must set aside units for low income residents. There are two types of bonds:
 - Multi-family Bonds are capped by limits based on the state's population and may be combined with low income housing tax credits.
 - Non-profit Housing Bonds, can be used by a 501(c)(3) to finance affordable housing facilities, but cannot be combined with low income housing tax credits. The types of units and facilities that can be financed with these bonds tends to be much broader.
- Land Acquisition Program is a revolving loan program that assists non-profit organizations to purchase land for affordable housing development.

Senior and Disabled Housing

The latest U.S. Census data estimates that there are over 1,000 households with a senior householder in Ellensburg. HUD estimates there are 405 elderly residents (age 62+)³¹ living alone who are cost burdened. 370 of these elderly residents earn 50% AMI or below. There are an additional 35 elderly family households³² earning 50% AMI or below who are cost burdened. Non-profit and public agency stakeholders reported receiving regular inquiries about affordable senior housing. There are currently six subsidized housing communities in Ellensburg that cater to senior and disabled residents with a combined total of 324 units, as shown in

³¹ Note that HUD's definition of elderly (age 62 or older) is slightly different than the U.S. Census definition of senior (age 65 or older). Both estimates are based on the same data from the American Community Survey.

³² Elderly family households are households with 2 members, one or both of whom are age 62 or older.

Exhibit 22 on page 22. Most of these units are dedicated for low or very low income residents. In addition to the six subsidized housing facilities, BERK identified an additional five senior and assisted living communities in Ellensburg with a total of 439 units.

Participants in the non-profit and public housing sector workshop noted that there is an available, yet underused, voucher program that helps reduce the cost of housing for seniors seeking rental housing in the private market. It is also possible that seniors with disability have difficulty finding suitable rental housing that provides accommodations for physical and/or mental disabilities. Although landlords and property managers would not turn away applicants on the basis of disability, current rental stock in Ellensburg was not built to a universal design standard that accommodates most disabilities. Only one of the eight landlords interviewed works with tenants to provide accommodations for physical and mental disabilities.

While there may be some resources currently available to senior households seeking housing assistance, countywide demographic projections indicate that Ellensburg may expect a significant increase in the number of elderly residents in years to come, as discussed on page 8. Accommodating this growth in elderly population will likely require additional subsidized units as well as additional market rate senior housing and assisted living that can accommodate residents with disabilities.

Accessory Dwelling Units (ADUs) are one type of housing that could play a potential role in helping families provide care for elderly parents close to home. ADUs provide a fully independent living space on the same property as a primary housing unit, and are useful unit type for anyone seeking a smaller, self-contained housing unit. For families, an ADU could help an elderly family member stay in the community longer and more closely connected to their support network, key components of aging in place. Ellensburg’s development code already allows for ADUs on existing single family properties. Incentive programs, streamlined permitting and review, and improving understanding and knowledge of this option in the community may help increase the use of the allowance for ADUs.

Workforce Housing

This segment of the housing market includes households earning between 50% and 100% AMI (Moderate and Lower Middle Income households). Workforce housing can further be broken down into three household types that have distinct housing needs: Large Family, Small Family, and Non-Family Non-Elderly. Exhibit 40 estimates the number of cost-burdened renter households in these categories. The majority of need is among those in the Moderate income group, particularly among Small Family and Non-Family households.

Exhibit 40. Cost-Burdened Renter Households Earning Between 50% and 100% AMI

	Moderate (50-80%)	Lower Middle (80-100%)	Total
Large Family	0	0	0
Small Family	85	10	95
Non-Family Non-Elderly	245	35	280
Total	330	45	375

Source: U.S. Department of Housing and Urban Development, Consolidated Housing Affordability Strategy (based on U.S. Census American Community Survey 5-Year Estimates, 2009 – 2013); BERK, 2016.

Moderate income households have a monthly housing budget between \$825 and \$1,300. Lower Middle income households have a budget between \$1,300 and \$1,650. A household needs to be earning at least 69% of AMI

to afford the median monthly multi-family rent in Ellensburg \$1,129. However, this average rent includes studio and one-bedroom apartments marketed exclusively towards CWU students and therefore may not be appropriate or desirable for most workforce family or non-family households. The current median rent for single-family homes is \$1,426, which is affordable to a households earning at least 87% of AMI. This leaves out all households in the Moderate income group and the majority of Lower Middle income households.

The market can play an important role in addressing workforce housing needs. First, Ellensburg has an acute need for more multi-family housing that is attractive and welcoming to non-student households. This could be provided in the form of new apartment buildings, condos, or townhomes. Allowing increased density in targeted areas through upzoning, development incentives, or development alternatives (if certain design and livability requirements can be met) could stimulate the market to build new multi-family housing in these areas. Additionally, consider reducing parking requirements for new student-oriented housing. Parking was noted in housing developer interviews as a significant cost barrier for building new multi-family housing.

Ownership housing is also out of reach for most Moderate income households. As shown in Exhibit 30, a household that has a down payment of \$45,450 or more would need to earn at least 74% of AMI to afford to buy in Ellensburg. This means homeownership may still be in reach for Lower Middle income households, assuming they are able to save enough for a down payment. Kittitas County Habitat for Humanity is a home ownership program targeted at families earning between 30% and 60% AMI. Most of the beneficiaries likely earn beneath the workforce housing threshold of 50% AMI. The current production of 1-2 units per year is too low to make a significant impact on addressing current needs and demand.

Workshop stakeholders indicated a need for more community education on workforce housing. In the past there was a community land trust operating in Ellensburg. Messaging around the program was confusing and the community questioned whether it was appropriate to subsidize housing for moderate income households. Social and political support for workforce housing may currently be a barrier to its production. Expansion of the multi-family tax exemption program, which is already supported in the community, may be one way to support additional multi-family workforce housing.

Permanent Affordable Housing for Individuals and Families

Review of available data indicated that homelessness is a persistent problem for a relatively small number of individuals. Public and non-profit housing stakeholders noted that there is a growing number of single women who are homeless. Also, the hardest to house are those with a history of incarceration, including sex offenders.

General measures to increase the supply of affordable housing in the Ellensburg for households with low and very low incomes could help some households out of homelessness. Transitional housing that connects people experiencing homelessness with resources including social services, job training, and other supports should also be considered.

APPENDIX A. EMPLOYMENT PROJECTIONS BY WAGE LEVEL

Washington State Employment Security Department provides short-term (two-year) and long-term (five- and ten-year) employment projections by occupation category for the South Central region of Washington³³. They also provide average annual wage by occupation title for the Central Washington Nonmetropolitan Area (include Kittitas, Klickitat, and Okanogan counties). It should be noted that annual wage calculations appear to be extrapolated from hourly wage estimates for at least some job categories, assuming 40 hours or work per week and 52 paid weeks per year. This may not be a safe assumption for all employment categories, such as farmworkers.

For occupational titles with available wage data, BERK summarized projected job growth by annual income range and calculated average annual growth rates. The results are shown below. When interpreting these data, it should also be kept in mind that wage estimates are not available for all occupation titles. So not all job categories are reflected in the average annual growth projections. See the Employment section in the main report for total employment growth projections. Furthermore, occupation titles are grouped in relation to AMI, which HUD estimates to be \$65,600 for 2016.

Annual Growth Projections in South Central Washington State for Occupation Types with Central Washington Nonmetropolitan Annual Wage Data Available

Income Category	Income Range	Average Annual Growth Projections		
		2015-2017	2014-2019	2019-2024
Very Low Income	Less than 30% AMI	0.00%	0.00%	0.00%
Low Income	30% to 50% AMI	0.98%	1.97%	0.76%
Moderate Income	50% to 80% AMI	1.09%	1.63%	0.78%
Lower Middle Income	80% to 100% AMI	1.56%	1.73%	1.24%
Above Median Income	Greater than 100% AMI	1.59%	1.83%	1.33%

Source: BERK 2016; Washington State Employment Security Department, 2016.

³³South Central region includes Kittitas, Yakima, Klickitat, and Skamania Counties.

APPENDIX B. INVENTORY OF SUBSIDIZED HOUSING

An inventory of all subsidized housing in the City of Ellensburg was developed from multiple sources based on best available information. Sources include National Housing Preservation Database; HUD Low Income Tax Credit Database; Multifamily Assistance and Section 8 Contracts Database as well as local housing providers (Hopesource and Kittitas County Housing Authority) and online resources. This inventory should undergo additional review to ensure accuracy.

Subsidized Housing Definitions

The following definitions provide context behind the subsidized housing projects listed in the tables below.

HUD PBRA (Project-Based Rental Assistance). HUD funds the Section 8 program and it is administered by the Housing Authority of Kittitas County. Subsidies for rent are committed for the assisted units of a particular property for a period of time.

LIHTC (Low Income Housing Tax Credit). A tax incentive meant to increase the low income housing stock through providing a tax credit to owners of newly constructed or substantially rehabilitated low income rental units.

MFTE (Multifamily Property Tax Exemption). Provides a tax exemption on new multi-family buildings in exchange for setting aside a percentage of units as income and rent restricted.

Rural Dev 15 (USDA Section 515 Rural Rental Housing Loans). One-percent 30-year loans for acquisition, rehabilitation, or construction of rental housing and related facilities. Assistance is available to non-profit and for-profit entities.

Public Housing. Housing with permanent restrictions recorded on the property so that they are maintained as affordable for the life of the building.

Exhibit 41. Subsidized Housing Inventory for Ellensburg

Name	Address	Owner	Total Assisted Units	Population Served	Income Eligibility/ Preference	Subsidy Types	Subsidy Expiration*
Alder Terrace	1900 N. Alder St.	Housing Authority of Kittitas County	51	Mixed	Between 40% and 95% AMI	PBRA Extended Use	2046
Briarwood Commons	1001 S Chestnut St	Preferred Capital Mgmt, Inc	174	Senior/Disabled	Below 60% AMI	LIHTC	2027
Brookwood Apartment	606 E Manitoba Ave	Brookwood Assoc	40	Senior/Disabled	Below 50% AMI (<30% preference)	Section 8, HUD PBRA, Rural Dev 15	2033
Cherry Lane	301 E. Cherry Lane	Housing Authority of Kittitas County	9	Families	Below 80% AMI	Public Housing	None
Cascade Manor	101 S Pearl St	HS II Rural Preservation	20	Senior/Disabled	Below 30% AMI	LIHTC, Rural Dev 15	2056
Crestview Terrace Apartments	2101 N Alder St	VBC Crestview Terrace Limited Partnership	168	Individual/Family	Below 50% AMI (<30% preference)	LIHTC, Section 8, HUD PBRA	2022
Hampton Court	700 N Cle Elum St	Windsor Park LLC	36	Senior/Disabled	Below 30% AMI	LIHTC, Rural Dev 15	2040
Helena	2201 N. Airport Rd.	Housing Authority of Kittitas County	5	Families	Below 80% AMI	Public Housing	None
Huntington Court	306 E Manitoba Ave	HS II Rural Preservation	24	Senior/Disabled	Below 30% AMI	LIHTC, Rural Dev 15	2056
Trinal Manor	107 W 11th Ave	Housing Authority of Kittitas County	30	Senior/Disabled	Below 80% AMI	Public Housing	None
Mt Stuart Vista	107 W 11th Ave	Housing Authority of Kittitas County	30	Families	Below 80% AMI	Public Housing	None
Rodeo Apartments	1200 N Brooklane St	<i>Data unavailable</i>	50	Mixed	Below 60% AMI	LIHTC	2027
Terrace Manor	2000 N Alder St	VBC Crestview Terrace Limited Partnership	72	Low Income	Below 50% AMI	HUD PBRA	2029
Windsor Park	401 E Cherry Ln	Windsor Park LLC	95	Families	Below 30% AMI	LIHTC, Rural Dev 15	2040

*Expiration date for LIHTC units is the expiration date of the tax exemption. For rental assistance funding, the expiration date means the expiration of the rental assistance funding. For buildings with multiple subsidies, BERK presents the earliest subsidy expiration date unless additional information was provided by the housing provider. "None" indicates a permanent restriction is recorded on the property.

Source: National Housing Preservation Database, 2016; HUD Low Income Tax Credit Database, 2016; Multifamily Assistance and Section 8 Contracts Database, 2016; Kittitas County Housing Authority, 2016; Hopesource, 2016; AptFinder.org, 2016; BERK, 2016.

Exhibit 42 lists the 2016 HUD Section 8 Income Limits for Kittitas County. For Section 8 housing assistance, HUD defines income limits that differ from those used in the remainder of this report. HUD sets the Very Low Income Limit for a four-person family at around 50% of AMI. The Low Income Limit is established by setting the four-person family limit at 1.6 times that of the Very Low Income limit for a four-person family. The Extremely Low Income Limit for a four-person family is set at 60% of the four-person family limit for Very Low Income. The Extremely Low Income Limits for other family sizes are set at a percentage of the four-person limit.

Exhibit 42. Kittitas County Section 8 Income Limits

Family Size	Extremely Low Income (Less than 30% AMI)	Very Low Income (30 - 50% AMI)	Low Income (50 - 80% AMI)
1 (70% of 4- person)	13,800	23,000	36,750
2 (80% of 4-person)	16,020	26,250	42,000
3 (90% Of 4-person)	20,160	29,550	47,250
4 (100% of 4-person)	24,300	32,800	52,500
5 (108% of 4- person)	28,440	35,450	56,700
6 (116% of 4 (person)	32,580	38,050	60,900
7 (124% of 4-person)	36,730	40,700	65,100
8 (132% of 4-person)	40,890	43,300	69,300

Note: Section 8 Income Limit categories differ from the categories used throughout the rest of this report. AMI percentile ranges are approximate and based on a four-person family household.

Source: U.S. Department of Housing and Urban Development, Section 8 Income Limits, 2016.

APPENDIX C. NON-PROFIT STAKEHOLDER WORKSHOP

Purpose

On December 8, 2016 the City of Ellensburg Community Development Department hosted a workshop for local agencies and non-profits working to create affordable housing and to support low income people or populations with special housing needs (students, the homeless, disabled, seniors). The City is taking the lead to address housing in its Comprehensive Plan update and is working with BERK Consulting, who provides subject matter expertise. Designed to gather qualitative information about the gaps, resources, needs, and opportunities in the local housing market, this workshop focused on the experiences of those working for public agencies or in the non-profit sector.

Participants

This two-hour workshop was facilitated by Erika Rhett of BERK with a presentation of preliminary housing data given by Kevin Ramsey of BERK.

Attendees at the workshop included:

- Kirsten Sackett, City of Ellensburg Community Development Director
- Angela San Filippo, City of Ellensburg Senior Planner
- Don Green, coordinator for winter homeless shelter
- Craig Kelley, Hopesource
- Sherri Ott, Habitat for Humanity
- Richard DeShields, Central Washington University
- Bruce Tabb, Elmview
- Robin Read, Kittitas County Public Health

There were also several people in the audience that came to listen to the discussion:

- Gyl Curtiss
- Tony Buhr
- Ed Harrell

Questions

Questions for the workshop were designed to collect information about gaps and needs in the Ellensburg housing market, resources and opportunities for affordable housing and housing for people with special needs, and policy priorities.

- What challenges and concerns do you face in your work?
- Where are there gaps in the housing currently provided in Ellensburg?
- Where is the greatest need for housing (housing types, population served, etc.)?
- What resources are currently available to help with housing?

- How do you fund your housing programs now?
- What kinds of resources exist for housing providers (e.g. grants, loans, subsidies)?
- Are there adequate resources for developers to facilitate or incentivize home production?
- What resources exist for lower or moderate income households in search of affordable housing?
- What resources do you need to increase the supply of affordable or special needs housing?
- What was needed to make the community land trust model work? Do you think this is something that the community should try again?
- Where do you see the greatest opportunity for the type of work that you do?
- Given everything we have discussed today, what should the city's top housing priorities be for the next 20 years?

Summary of Comments

Participants described student housing in the community:

- CWU Housing is at 95% occupancy of available units. They are renovating older residence hall stock now, which has removed units from availability.
- 98% of freshman live on campus (2% receive waivers). After freshman year many students choose to move out because they are averse to the rules about drugs, pets, cohabitation, gender segregation.
- The university does market studies to set their rent prices in the dorms, but because they have costs associated with additional programs, meal plans, etc., it is difficult to compare on- and off-campus rents. Residence halls cost \$430 per person and market studies show that local rents are \$600 for a one-bedroom and \$1000 for a three-bedroom. CWU has a much higher cost to develop housing due to ADA compliance.
- A lot of students live off campus in shared housing or double up with friends in single-family homes.

Participants identified the following housing gaps:

- Single person households:
 - Single women are the largest homeless demographic in the community.
- Low and Middle income housing options:
 - The community needs homeownership products for average incomes (workforce housing).
 - The community needs housing affordable at 30-60% AMI.
 - The community needs smaller single-family housing types.
 - The community land trust model was difficult to implement because of mixed messages about whether it served low or moderate income families and whether or not it was appropriate to serve those families.
- Non-student CWU-related housing needs:
 - Non tenure-track faculty at CWU have few housing options.
 - CWU graduates need housing to stay in the community.

- Special population households need housing opportunities, including:
 - Single men coming out of incarceration.
 - Registered sex offenders.
 - ADA accessible units.
 - Units that work for people with mental health issues and autism spectrum disorders.
- Senior housing:
 - Senior housing is desired, but few seniors want to accept vouchers for private housing.
 - ADUs could allow seniors to age in place or be close to family.
- Participants indicated that the impacts of the housing gaps are seen across the community:
 - Mostly men come to the cold weather shelter.
 - People are doubling up. Overcrowding. Couch surfing.
 - Squatting occurs in vacant units.
 - Teenagers are called upon to work as a second income in single-parent lower income households.
 - Ellensburg has a NIMBY attitude to affordable housing.
- Participants desired the following resources for affordable housing are:
 - Grant funding, donations, sources of revenue.
 - Donated, subsidized, or affordable land.
 - More land zoned for areas of mixed use.
 - Different incentives for affordable housing so it is mixed into areas of opportunity and indistinguishable from market rate housing.
 - Density bonuses for affordable housing, but supporting households below 80% AMI.
 - Tax credits, Section 42, rural development loans.
 - Management companies that handle screening, implementation, and monitoring of affordability requirements.
- Participants felt that the city's top housing priorities should include:
 - Securing land and money for affordable housing.
 - Supporting more living wage jobs – getting businesses and industry to locate here.
 - A focus on healthy housing with access to community amenities and opportunities. Housing that fosters a sense of community.
 - A day center or hygiene center for the homeless.

APPENDIX D. HOUSING DEVELOPER STAKEHOLDER WORKSHOP

Purpose

On December 8, 2016 the City of Ellensburg Community Development Department hosted a workshop for local housing builders and developers. The City is taking the lead to address housing in its Comprehensive Plan update and is working with BERK Consulting, who provide subject matter expertise. Designed to gather qualitative information about the gaps, resources, needs, and opportunities in the local housing market, the workshop focused on the experiences of those building and developing market rate housing for sale in Ellensburg.

Participants

This two-hour workshop was facilitated by Erika Rhett of BERK Consulting with a presentation of preliminary housing data given by Kevin Ramsey of BERK Consulting.

Attendees at the workshop included:

- Kirsten Sackett, City of Ellensburg Community Development Director
- Angela San Filippo, City of Ellensburg Senior Planner
- Jennifer Reiner
- Marc Kirkpatrick
- Rhonda Crispin
- John Renkema
- Craig Hills
- Roxanne Brady
- Tyler Glahn
- Katie Glahn
- Steve Willard

There were also a handful of people in the audience that came to listen to the discussion:

- Jennifer Nelson
- Milt Johnston
- Ed Harrell
- Gayl Curtiss
- Erich Cross
- George Bottcher

Questions

Questions for the workshop were designed to collect information about the Ellensburg housing market, the suitability of different tools that could be used to support the creation of new housing, and policy priorities.

- Describe your experience working in Ellensburg, including the following submarkets: multi-family housing, college housing, affordable housing, special housing (senior/disabled).
- What are the market trends and opportunities in and around Ellensburg?
- Is building easier in the city of the UGA?
- What is the role of impact fees in your decision to develop housing?
- Have you considered using the new ADU code? Why or why not?
- Have you considered using existing density bonuses and incentives? Why or why not?
- What kinds of code standards would you like to see varied?
- Have you ever considered using Multi-Family Tax Exemption? Why or why not?
- What types of development incentives are needed to support affordable housing creation?
- Given everything we have discussed today, what should the city's top housing priorities be for the next 20 years?

Summary of Comments

Housing developers and home builders named a number of challenges working in the post-recession climate:

- A lack of people working in building trades (plumbing, siding, electrical, etc.) has increased the cost:
 - Crews tend to be smaller and that takes longer.
 - There are not as many crews in the area.
 - Crews that come from the west side have travel and other expenses.
 - Crews are in demand and charge more.
 - Kids are not going into the trades; construction trades need to be shown as a career path in high school, not just college.
 - People working in the trades before the recession have moved on to other lines of work.
- It is difficult to find the right spot in the market to build:
 - Median home price is reported to be \$294,000.
 - Local wages are no longer enough to buy a home.
 - Houses that sell are in the range of \$225,000 - \$260,000, which is the same before the recession, but with increased costs the profit margin is too low.
 - During the recession no one could get a mortgage, but with zero down mortgages there is a big risk of default and then the builder has nothing.

Participants felt that the challenges to developing/building in Ellensburg were due to a number of factors:

- College Housing demands:
 - So much housing in town is transitional, with an influx of people each year.
 - Costs of living on campus are very high compared to off-campus living, so most students and parents prefer to live off campus.

- There is no plan for dealing with off-campus student housing issues.
- Students drive up housing prices because they are funded by parents.
- Parents buy a house for their student to live in and rent out the other rooms, which causes problems in the neighborhood with parties and out-of-town landlords.
- If there were enough apartments and smaller units for students, it would make single-family homes more affordable.
- Planning and development concerns:
 - The code has become more complicated, which makes it hard to interpret and time is spent working around the code or making costly, iterative changes.
 - City impact fees are passed along to the consumer, which makes the housing more expensive.
 - It is difficult to find land where it is easy and predictable to build.
 - Design criteria for multi-family units make them difficult to build and make a profit.
 - The design rules are adopted from another community and don't work for Ellensburg.
 - The City is better staffed and organized than the County.

Participants had a variety of different ideas about market opportunities:

- Urban solutions like cottages do not work in Ellensburg because they don't have garages and don't fit the local lifestyle.
- There is a demand for smaller units, but they are more complex to build and harder to sell.
- Building multi-family housing is risky because there are no buyers and carrying costs for housing that doesn't sell is expensive. People who build multi-family housing have to manage it or find someone to manage it. Managing apartments is costly and not their specialty.
- There may not be a market to buy homes built under density bonuses.
- Affordable housing may change the character of neighborhoods and make them less marketable, perhaps it would be better to locate it all in one area.

Participants suggested the following improvements to Ellensburg's policies and codes:

- Pull together a bottom-up task force to review policies and codes to ensure that they work well.
- Use zoning to clearly indicate where new housing types should go.
- Five acres is too small of an area for a mix of housing types.
- Ellensburg is notable for its design, but design criteria makes housing less affordable, perhaps it should be incentivized.
- Extend the area for the Multifamily Tax Exemption.
- Street trees are a great way to improve the look of a neighborhood no matter what product is built there.
- Allow zero lot line development.

- If the city provided standard engineering specifications that would help developers and builders control costs.

Participants suggested the top housing priorities for the city should be:

- Allowing a greater variety of housing.
- Bringing in industry and business to improve incomes.
- Have the city provide more community amenities and waive fees.
- Reduce regulations so builders can be more responsive to market demands.

APPENDIX E. HOUSING DEVELOPER INTERVIEWS

Purpose

On December 8, 2016 the City of Ellensburg and BERK Consulting held workshops with local market rate housing developers and non-profits and public agencies working in the Ellensburg housing market. In order to understand the perspectives of those working to provide similar housing in other markets, BERK Consulting conducted interviews with market rate and affordable housing developers working in nearby communities such as Yakima, Wenatchee, and east King County. The purpose of these interviews was to better understand the barriers and opportunities for the creation on new housing, as well as the usability of development incentives.

Participants

BERK Consulting reached out to 16 developers and secured interviews with eight of them.

Market rate developers interviewed included:

- Real Homes in Wenatchee
- Sage Homes in Wenatchee
- Pershall Construction in Wenatchee
- Catalyss Homes in Yakima

Affordable housing developers interviewed included:

- Catholic Charities Housing Services in Yakima
- Next Step Housing in Yakima
- Community Frameworks in Spokane
- Beacon Development Group in Seattle (but serve Yakima, Pasco, and Wenatchee)

Questions

Interview questions were designed to determine if there were barriers to entering the housing market in Ellensburg or resources that other communities use to support new housing creation.

- What types of housing are you building now? Where are you building it?
- Have you considered building in Ellensburg? Why or why not?
- What influences your consideration to enter a different housing market (a different geographical area or a different style such as multi-family housing)?
- In the communities in which you work do you ever use any development tools or incentives offered by local government? If so, what and where?
- For market rate developers: What development incentives would you need to include affordable housing in your projects?
- For market rate developers: Would you ever consider partnering with a non-profit or public agency to build affordable housing?

Summary of Comments

Respondents are building a variety of housing types in other communities:

- All of the market rate developers are currently building single-family housing, some in Planned Unit Developments.
- Some of the market rate developers include townhomes or duplexes in their developments.
- The affordable housing developers are all building multi-family housing.
- One of the affordable housing developers is building senior housing and has built a homeless shelter.

The interest in the Ellensburg market varied among respondents:

- Some affordable housing developers have considered building in Ellensburg. They mentioned that there have been requests from a local nonprofit for housing based on recent studies and community feedback. There is a need for non-student housing, specifically studios and one-bedroom units for homeless or low wage households, as well as one-bedroom and two-bedroom units for seniors.
- One affordable developer would like to build in Ellensburg, but there isn't enough land in zoned for high-density, multi-family.
- One of the market rate developers has previously developed in Ellensburg and another would consider it.
- Two of the market rate developers are not interested, but the reasons were not related to the Ellensburg market.

Some of the factors that influence the respondents' decisions to enter a different housing market:

- Land costs are a major factor in entering a new market.
- Affordable housing developers needed to ensure that their organization's mission will be served.
- Affordable housing developers needed to see a demonstrated need for affordable housing.
- Some affordable developers said they need to physically be in the market to build, own, and manage a property – otherwise they consult to help organizations or cities develop housing.
- One affordable developer typically builds projects with at least 50 units, for operational efficiency, but might be able to do smaller in Ellensburg, because Kittitas County has a higher AMI, thus they can charge higher rents.
- Market rate developers mentioned that it is important that local government is easy to work with, including consistent standards among inspectors.
- One affordable developer mentioned that senior-housing is often easier to build in communities than affordable housing for low-income families because there is less resistance.
- Affordable developers explained that local buy-in is important to building affordable housing. This is demonstrated through funding opportunities and incentives.
 - The Housing Trust Fund needs to see demonstrated local support in order to match funds.

Incentives do not make or break a project for developers, nor do they entice developers into a new project or market. All developers agreed that incentives and development tools are useful if they are implementable:

- Incentives signal that a community welcomes a project and wants to make the process easier.

- A GFC (general facilities connection) waiver saves money.
- Multi-family tax exemption demonstrates a city wants affordable housing.
- Fee-waivers can help get affordable housing built in communities where fees are high (a tactic used in Bellingham).
- Pre-application meetings with city staff helps to provide assistance with the development process.
- Exempting projects from SEPA (Kennewick does this).
- Approved upzoning.
- Parking waivers can reduce development costs significantly.
- Affordable housing creation is best incentivized through land that is set aside for that purpose, or provided to the developer on a long-term lease.
- A levy that provides affordable housing funds.

Market rate developers in these interviews had little experience working with public agencies or non-profit housing developers, although one had sold developed lots to Habitat for Humanity.

APPENDIX F. LANDLORD, PROPERTY MANAGER, AND REAL ESTATE PROFESSIONAL INTERVIEWS

Purpose

Those actively working to market and sell or lease housing units have a unique perspective on the housing market. Landlords, property managers, and real estate professionals were interviewed by phone to gain insight into local market challenges and opportunities. Interviews were also used to gauge the flexibility in the market to serve populations with special needs.

Participants

BERK Consulting reached out to 13 landlords, property managers, and real estate professionals and completed 11 interviews.

Landlords and Property Managers:

- Accolade Property Management
- Aspen Circle Apartments
- Ellensburg Property Management
- Johnston Property Management
- Libenow Realty
- The Meadows
- University Place and University Park
- The Verge

Real Estate Professionals:

- Association of Realtors
- Sageland Properties
- Windermere Real Estate

Questions

Interview questions were designed to assess local market conditions:

- What types of housing do you currently work with?
- What are the demographics of the people that you serve? Do you work with special populations (for example homeless or disabled)?
- For landlords and property managers: What is your experience working with government subsidies (like Section 8) or non-profit organizations in your rentals?
- What housing types are most in demand? Is there a housing type for rental/sale that is not widely available in the community?
- For landlords and property managers: What is your occupancy? What is your turnover rate?
- What types of housing stay vacant?

- Where are the best locations in town for new rental/ownership housing?

Summary of Comments

Profile of the market in which the respondents are working:

- All of the landlords and property managers interviewed had at least some multi-family units in their rental stock. Half of the respondents worked only with multi-family units and half also leased single-family housing stock.
- Three of the respondents work primarily with students, offering individual rental agreements on a per-bedroom basis (instead of a single lease for the entire unit).
- Real estate professionals deal mostly with single-family housing stock and some other types. There is not much of a market for the sale of multi-family units, although smaller multi-family units (like duplexes or fourplexes) are not unusual.
- Half of the landlord and property management companies will work with programs or non-profits that assist people with low incomes. Of those that do, all will work with Hopesource, but one does not work with subsidy or voucher programs (such as Section 8).
- One of the landlords actively works with people on accommodations for mental and physical disabilities.

Respondents had the following observations about the rental housing market:

- Occupancy in rentals is at or near 100% for all respondents working in the rental market.
- Units that are primarily student-oriented have waitlists, or if someone moves out they have already identified someone to take over their lease.
- Units vacated in mid-winter are more likely to stay vacant longer, but are unlikely to be on the market for more than two to three weeks.
- Yearly turnover rates for rental housing reported by respondents was a range of about 30%-60%, driven primarily, but not exclusively, by the student population.
- Housing tends to be leased up for the year in May or June.
- Most respondents reported a massive demand for one-bedroom units, with property managers and landlords getting frequent inquiries about them even if they don't have them in their stock.
- Housing for CWU students is a major market influence. All of the leasing professionals work with students seeking housing.
- After students, the next biggest group looking for rental housing is families. Families typically need to make a decent income to afford rents that are driven up by student demand.

Respondents had the following observations about the residential sales market:

- The residential sales market is very tight. Listings for lower Kittitas County, which includes Ellensburg, used to be consistent at about 200 homes. In the last year, listings have been about half that at 100 homes. Currently, there are approximately 70 homes listed.
- There is not much of a market for the sale of multi-family units, although smaller multi-family units (like duplexes or fourplexes) are not unusual. The condo market is uneven.

- Units are not staying on the market for long unless they have some type of substantial problem or are overpriced.
- The largest market for single-family home sales is in a range of about \$175,000 - \$250,000, but there are few units in this range now. This is the market for first-time homebuyers, young families, and single-professionals.
- There is also a gap in move-up housing, so people are staying in starter homes because there is not stock in the \$250,000 - \$300,000 range.
- People still come and look to buy a house for their child to live in while they attend school, but higher housing prices have slowed that. Typically, that housing was priced under \$220,000.

Respondents offered a variety of suggestions for the construction of new housing in Ellensburg:

- Improving rental options for students and putting additional rental housing close to campus (within walking or biking distance) would ease the market considerably.
- Multi-family buildings with one-bedroom units.
- Housing that is affordable to families making average wages in Ellensburg.
- Nicer single-family housing communities are needed in areas where they won't attract students.
- Downtown should have more housing in it, including mixed-use buildings.
- Smaller units for sale, such as cottage housing.