

Leavenworth

Housing Needs Assessment

March, 2017



LEAVENWORTH HOUSING NEEDS ASSESSMENT

March 2017

Executive Summary..... 2

Introduction 4

Study Area..... 4

Population and Household Characteristics..... 5

Housing Supply..... 13

Housing Affordability 20

Employment and Wage Levels..... 28

Regional Housing Challenges 31

Summary of Current Housing Production Needs..... 34

References 35

Appendix A. City of Leavenworth Zoning..... 36

Report prepared by BERK Consulting

Cover photo courtesy of Icicle TV



EXECUTIVE SUMMARY

Housing affordability in Leavenworth and the surrounding area is shaped by the local tourism economy and the desirability of the area to second home owners as well as the needs of local residents and workforce. Although the tourism and recreation economy is important to the economic sustainability of the area, the external pressures this economy places on the local housing market results in upward pressure on local rents and housing prices. These pressures are fundamentally caused by a shortage of housing supply to accommodate the combined demands for recreational, seasonal, and workforce housing.

This report evaluates housing needs and housing market demands in Leavenworth and the surrounding Cascade School District. Furthermore, it identifies challenges to addressing housing needs that will need to be navigated by the City of Leavenworth, Chelan County, and Housing Affordability Taskforce members.

Key Findings

- **At least 36% of the housing stock is for seasonal, recreational, or occasional use.** The Leavenworth area includes a significant share of vacation homes and short-term rentals. This high level of seasonal use reflects Leavenworth's tourism industry and its popularity as a weekend destination for those in the Puget Sound region and other areas of Washington. A survey of vacation home rental platforms such as Airbnb and HomeAway indicated a minimum of 300 units are currently set aside for the short-term rental market.
- **Very low vacancy in the long-term rental housing market.** A review of long-term rental listings revealed that only around 10 units are currently available. This indicates that the vacancy rate could be as low as 1% in the long-term rental market. 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. It appears likely that many would-be landlords can generate more income in the short-term rental market than the long-term rental market.
- **Rents are rising fast.** Since 2013, median monthly rents have increased by 13% annually. This is significantly faster than even the hot housing market in Seattle. Low vacancy appears to be putting significant pressure on the long-term rental housing supply and upward pressure on rents.
- **Almost a third of households are cost burdened.** Three out of 10 households in the greater Leavenworth area spend more than 30% of their income on housing. One out of four renter households are severely cost burdened, or spending more than 50% of their income on housing. Furthermore, these findings reflect conditions between 2009 and 2013. Rental costs have increased significantly since then.
- **A growing number of workers are commuting long distances.** Employment has grown by over 800 jobs between 2002 and 2014. However, the number of workers who live closer than 10 miles from their job has not increased. Instead a growing number of workers are traveling long distances to jobs inside the Cascade School District.
- **Wages in the Leavenworth area are significantly lower than needed to afford local housing costs.** Only 15% of the jobs in the Leavenworth area pay more than \$40,000 per year. Yet to afford the median apartment rent a household needs an annual income of at least \$59,000. To afford the median single-family home rent a household needs \$67,000. This may explain the growing number of workers commuting into the Leavenworth area from distant locations where housing may be more affordable. Workforce housing will likely be a significant challenge in the years ahead.

- **4 out of 10 residents are over 60 years old.** 40% of the Cascade School District’s population is 60 years or older. This has implications for the housing market since senior households have unique housing needs that need to be considered.
- **Student homelessness has increased.** Between the 2011 – 2012 school year and the 2014 – 2015 school year, homelessness increased from 5 students to 26 students in the Cascade School District. This likely indicates that more families are struggling to maintain housing in the area.
- **Home production has not matched needs, particularly within the City of Leavenworth.** Although new home production has slowed overall for the City and School District over the last ten years, production has begun to pick up in the last five years. Production in Leavenworth was historically around 20% of the district-wide production of units, but has recently slowed considerably. Leavenworth gained seven new single-family homes and six new accessory dwelling units in 2016, a small increase from previous years.
- **Zoning and public land ownership within the school district limits development potential.** The potential for new workforce housing in and around Leavenworth hinges on 1) the availability of land for development, redevelopment, and infill and 2) the policies and regulations associated with the land that guide the density and type of development allowed. In the Cascade School District, much of the developable land is in rural areas with low density zoning that does not support workforce housing. Within the City and UGA, the amount of vacant developable land is limited.
- **Housing production in and around Leavenworth is constrained by environmental factors.** Developable land in the City of Leavenworth, it’s urban growth area, and the areas surrounding the City is constrained by a variety of environmental factors that limit the use of the land. These factors include shoreline management along Icicle Creek and the Wenatchee River, steep slopes, and the presence of critical areas.
- **Providing services to housing in Leavenworth and the surrounding area is challenging.** Land in the county is regulated such that clustered housing and smaller units are not easily supported. Low density and rural residential development makes delivering appropriate levels of service for water, sewer, solid waste, and others challenging since these services require a concentration of facilities to be efficient.

Recommendations

Leavenworth has a significant workforce housing shortage. While it is beyond the scope of this report to provide a thorough evaluation of policy recommendations, the findings indicate that solutions to many of Leavenworth’s housing challenges may need to be focused within city boundaries. The City’s control over zoning, building codes, and development incentives provide it with the most effective policy levers for encouraging the production of units to serve the local workforce instead of the demand for vacation homes, second homes, and short-term rentals. Actions such as restricting the usage of homes as short-term rentals and incentives to provide affordable multifamily homes in exchange for increased density or property tax exemption could help channel market demand towards meeting the most pressing housing needs. The City should also consider examining and addressing barriers to infill and redevelopment within city limits, including allowable density and City requirements and processes. Further analysis of the feasibility of such policies would be required to fully evaluate their potential impacts.

INTRODUCTION

The City of Leavenworth Housing Affordability Taskforce plans to develop actionable short-term and long-term strategies for addressing housing shortage and affordability challenges. The City is dealing with the following threefold challenge:

- Competition in the market between vacation and short-term rental homes and full-time resident buyers and renters within the city and surrounding area;
- Limited vacant and underutilized land suitable for new housing development; and
- High cost of extending water and sewer service to developable land.

This needs assessment summarizes the existing conditions and needs of households living and working in the Leavenworth area. The work is designed to support the taskforce in its mission and identify potential solutions to the growing constraints.

STUDY AREA

Recognizing that housing needs in the area cannot be met within the City of Leavenworth alone, the assessment focuses on all households inside the Cascade School District boundary. Unless indicated otherwise, all exhibits in this report show data for the Cascade School District.

There are some cases where available data is not summarized by this geographic area. For instance, housing cost burden data from the U.S. Department of Housing and Urban Development (HUD) is only summarized by city and county subdivision. Fortunately, the Leavenworth-Lake Wenatchee county subdivision has similar boundaries to the Cascade School District. However, this area excludes Peshastin. Readers should keep this in mind when interpreting findings.

Finally, this study is also concerned with workers who commute long distances into the Leavenworth area in order to estimate the number of working households that are not finding affordable housing inside Leavenworth.



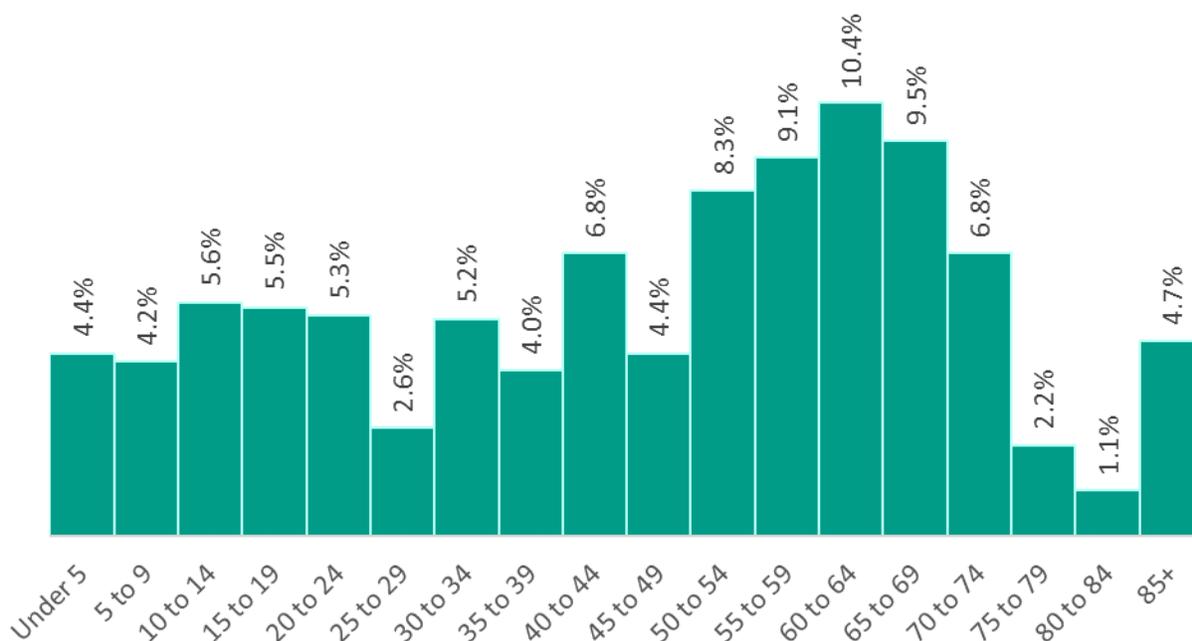
POPULATION AND HOUSEHOLD CHARACTERISTICS

As of 2016, an estimated 1,990 people live in the City of Leavenworth, about 20% of the 10,191 residents who live in the Cascade School District. About 3,000 (or 30%) of these residents live inside the Leavenworth and Peshastin Urban Growth Areas (UGAs), which included the City of Leavenworth.

During the past 16 years, the population of Leavenworth has remained almost unchanged, while population has grown by 760 residents in the entire school district. During the next 25 years, Chelan County projects that the Leavenworth and Peshastin UGAs combined will grow by only about 300 residents. Growth projections for the school district are not available.

Exhibit 5 shows the age distribution for residents in the Cascade School District. 3,155 residents (40% of the population) are over the age of 60. Only 26% of the residents over 60 are participating in the labor force. While some of these people are likely long-time residents, it is also possible that many retirees are moving to the Leavenworth area.

Exhibit 1. Age Distribution of Population (Cascade School District)



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

Exhibit 2 breaks down the population in the Cascade School District by race and ethnicity. The district is predominantly white (93%), with 12% identifying as Hispanic. However among students enrolled in the Cascade School District, nearly 29% identify as Hispanic/Latino.

Exhibit 2. Race and Ethnicity of Population (Cascade School District)

Race	
White alone	93%
Black or African American alone	0%
American Indian and Alaska Native alone	1%
Asian alone	0%
Native Hawaiian and Other Pacific Islander alone	0%
Some other race alone	3%
Two or more races	2%
Ethnicity	
Hispanic	12%
Not Hispanic	88%

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

Households

Exhibit 3 shows the number of households in the Cascade School District, both inside and outside of Leavenworth. As with population, there has been little household growth inside the city. Instead, almost all the growth has been in unincorporated areas.

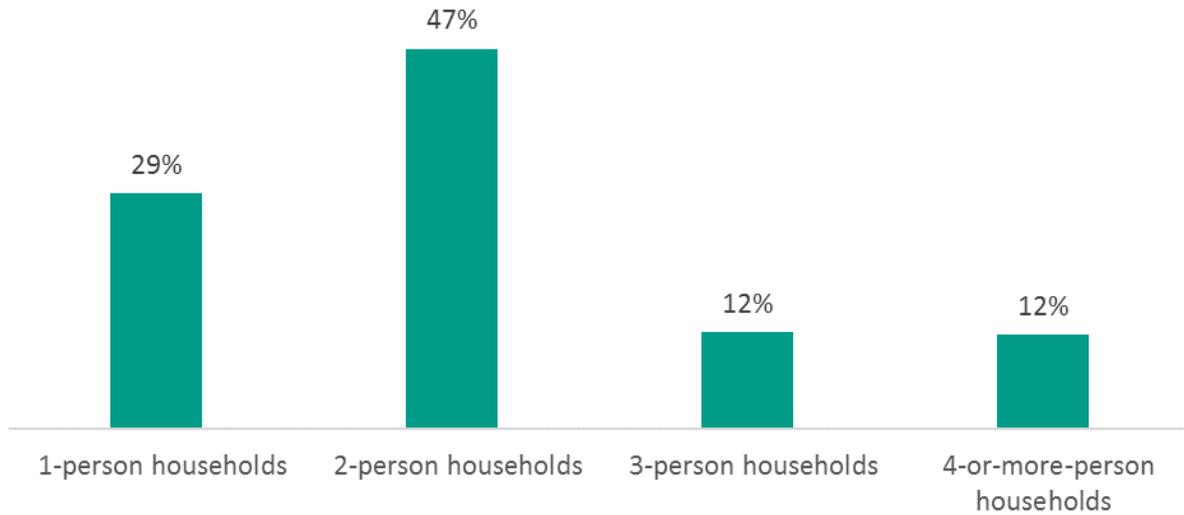
Exhibit 3. Household Growth (Cascade School District)

	2000	2016	Change 2000 - 2016	Percentage Change
City of Leavenworth	899	920	21	2%
Outside City of Leavenworth	2,767	3,265	498	18%
Total	3,666	4,185	519	14%

Source: OFM, 2016

Exhibit 4 shows the distribution of households by household size for the Cascade School District. Less than a quarter of the households include more than two members. The most predominant household size in 2015 was the 2-person household, which made up around 47% of all households. Average household size in the School District was estimated to be 2.31 in 2015, while average household size in Leavenworth was an estimated 2.01. On average, households are larger across the school district than in Leavenworth.

Exhibit 4. Size of Households (Cascade School District)

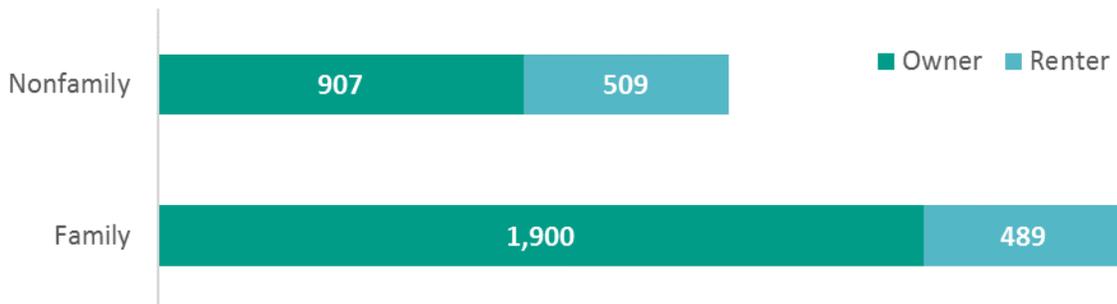


Source: U.S. Census, American Community Survey 5-Year Estimates 2011-2015.

Household Types and Housing Tenure

Exhibit 5 shows that there are more family households than nonfamily households. The U.S. Census Bureau defines a family household as a householder and one or more others that are related to the householder by birth, marriage, or adoption. Thirty-six percent (36%) of non-family households are renter households, while 20% of family households are renter households. The overall Cascade School District housing tenure mix is an estimated 75% owner-occupied units and 25% renter-occupied units. For comparison, the Cashmere School District has a housing tenure mix of an estimated 70% owner-occupied units and 30% renter-occupied units¹.

Exhibit 5. Household Type by Tenure (Cascade School District)



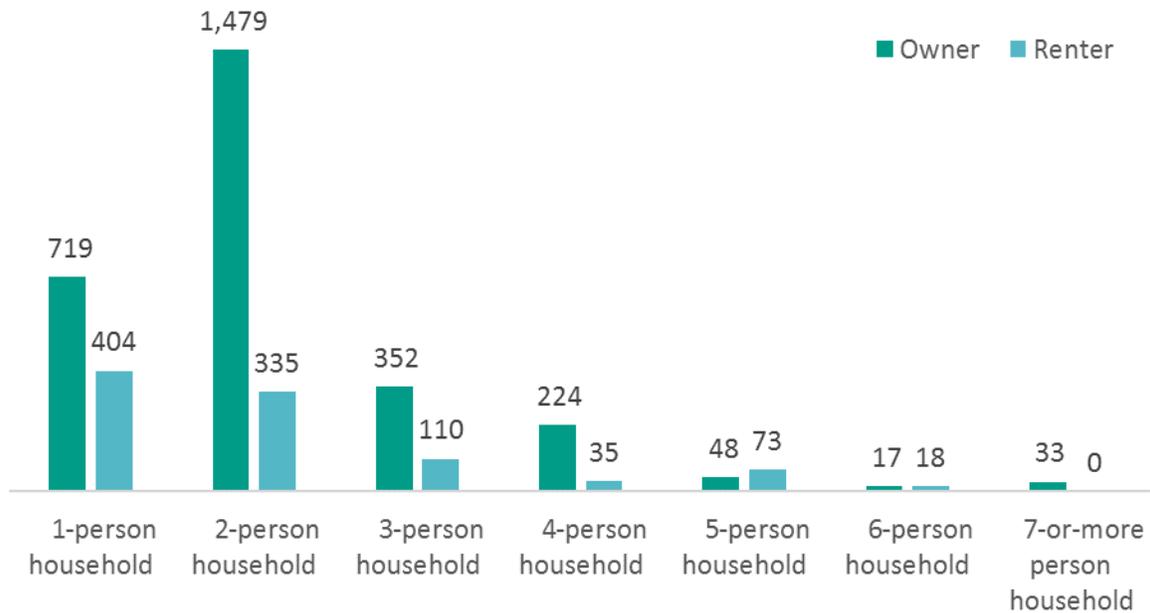
Source: U.S. Census, American Community Survey 5-Year Estimates 2011-2015.

Exhibit 6 shows persons per household, by housing tenure, for the Cascade School District. The largest market for rental housing is among 1-person households, followed closely by 2-person households. For

¹ U.S. Census, American Community Survey 5-Year Estimates, 2010-2014.

owner households in the Cascade School District, the greatest demand is for units to accommodate 2-person households.

Exhibit 6. Renter and Owner-Occupied Households by Household Size (Cascade School District)



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

Overcrowding

Approximately 2.3% of households in the Cascade School District are considered to be overcrowded based on the number of occupants compared to the number of rooms in the housing unit. According to the American Community Survey, between 2011 and 2015 there was overcrowding in an estimated 67 owner-occupied units (2.3%) and 26 renter-occupied units (2.7%). Exhibit 7 compares overcrowding in the study area to Chelan County and Washington State. The Cascade School District has a slightly higher percent of owner overcrowded units and a lower percent of renter overcrowded units.

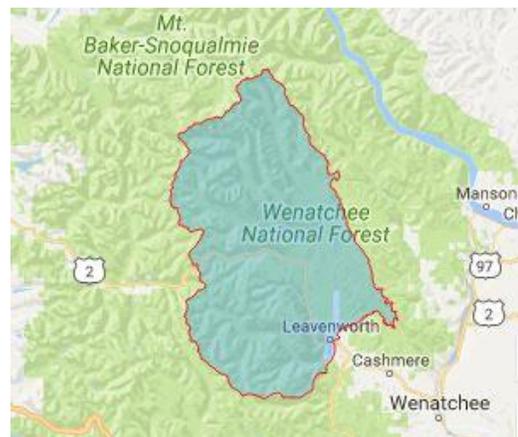
Exhibit 7. Overcrowding by Housing Tenure

Household Occupants Per Rooms in Housing Unit	Cascade School District		Chelan County		Washington State	
	Owner	Renter	Owner	Renter	Owner	Renter
0.50 or less	85%	66%	82%	57%	79%	60%
0.51 to 1.00	13%	31%	16%	36%	20%	35%
1.01 to 1.50	2%	3%	1%	5%	1%	4%
1.51 to 2.00	0%	0%	0%	2%	0%	1%
2.01 or more	0%	0%	0%	1%	0%	0%
Percent of Households that are Overcrowded (>1 occupant per room)	2.3%	2.7%	1.7%	7.6%	1.7%	5.3%

Source: U.S. Census, American Community Survey Five-year Estimates, 2011-2015; BERK, 2017.

Household Income

The 2015 estimated median income for households in the Cascade School District was \$46,823.² For family households (those which include at least two related adults or an adult and children), the estimated 2015 median income was \$57,421. HUD calculates Area Median Income (AMI) for Chelan County, which is based on a four-person family household. In 2016, HUD’s AMI for Chelan County was \$63,100.³ In addition, HUD releases data about housing cost burden data for a variety of geographic boundaries. The Leavenworth-Lake Wenatchee CCD (county subdivision) area, shown in the map, closely aligns with the Cascade School District⁴ to provide a picture of affordability in the study area. This data reflects household surveys conducted between 2009 and 2013. It is created using custom tabulations of American Community Survey data.



Leavenworth-Lake Wenatchee CCD boundary, which aligns closely with the Cascade School District. (Source: USBoundary.com)

² U.S. Census, American Community Survey Five-Year Estimates, 2011 – 2015.

³ U.S. Department of Housing and Urban Development, 2016.

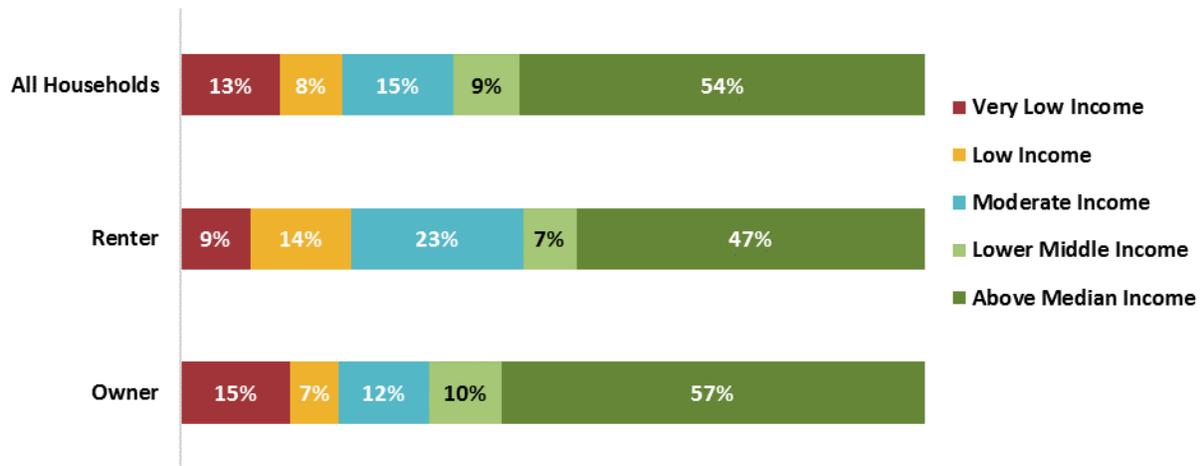
⁴ Note that the community of Peshastin is excluded from the Leavenworth-Lake Wenatchee CCD.

The report groups households based on income categories relative to the county AMI:

- **Very Low Income:** households earning under 30% of AMI
- **Low Income:** households earning 30 – 50% of AMI
- **Moderate Income:** households earning 50 – 80% of AMI
- **Lower Middle Income:** households earning 80 – 100% of AMI
- **Above Median Income:** households earning above 100% AMI

Exhibit 8 summarizes Leavenworth-Lake Wenatchee CCD households by income category for all households, and individually by housing tenure. Owner-occupied households are more likely to be in a higher income category than renter households, with 57% earning more than AMI compared to 47% of renter households.

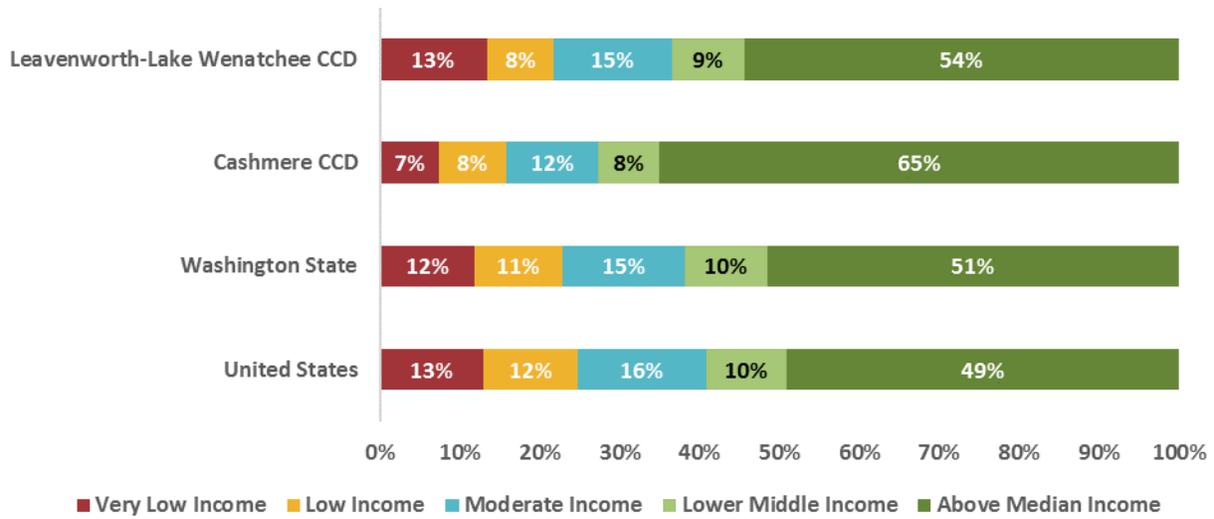
Exhibit 8. Owner and Renter Households by Income Category (Leavenworth-Lake Wenatchee CCD)



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 9 shows the distribution of households by income category for all households in the Leavenworth-Lake Wenatchee CCD, as well as the Cashmere CCD, Washington State, and the United States. The Leavenworth-Lake Wenatchee CCD has a higher percentage of very low income households than the Cashmere CCD, but a similar percentage to Washington State and the United States. From those geographies sampled, the Cashmere CCD has the greatest share of households earning above the median income, but the Leavenworth-Lake Wenatchee CCD has a greater share of households in this earning category than Washington State and the United States.

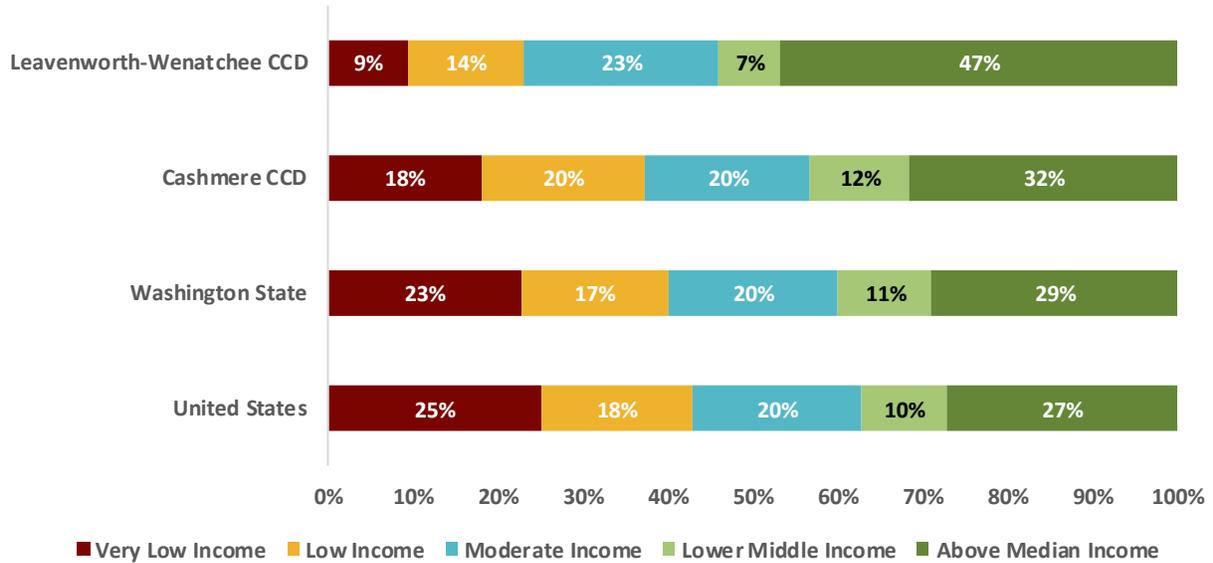
Exhibit 9. All Households by Income Category and Geography



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 10 shows the income categories for renter households in the Leavenworth-Wenatchee CCD, as well as the Cashmere CCD, Washington State, and the United States. The Leavenworth-Lake Wenatchee CCD has a higher percentage of Above Median Income renter households than the other geographies, as well as a lower percentage of very low income renter households than the other geographies. The Leavenworth area is more like the other geographies for low income, moderate income, and lower middle income earning categories.

Exhibit 10. Rental Households by Income Category and Geography



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.

Homeless Students

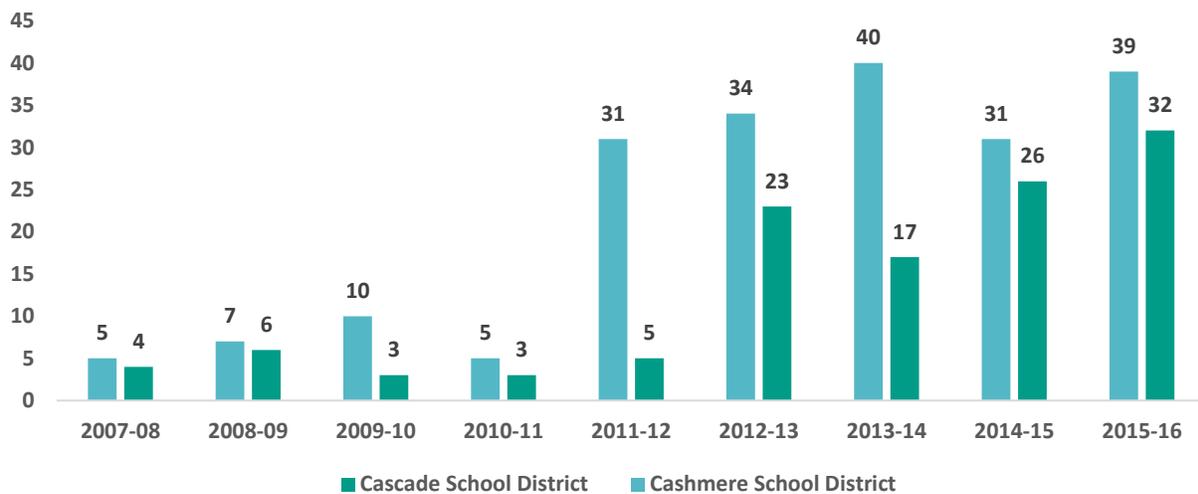
Exhibit 11 shows the homeless student count for the Cascade School District between 2007 and 2015. Over this period, the number of homeless students has increased substantially from five homeless students in the 2011-2012 school year to 26 homeless students in the 2014-2015 school year. In the 2015-2016 school year, the May 2016 student count was 1,336. 32 students or 2.4% of the overall student body was defined as homeless.⁵

Homeless counts represent “individuals who lack a fixed, regular, and adequate nighttime residence.”⁶ This includes students in shelters, transitional housing, or doubled up with friends or family due to economic hardship. (Note: All school districts receiving McKinney-Vento grants or Office of Superintendent of Public Instruction (OSPI) funding are required to track and report the number of homeless students being served each year, and the counts include both those who self-identify and those identified by trained staff as needing additional educational support.)

⁵ Office of Superintendent of Public Instruction, Washington State Report Card, 2015-2016.

⁶ See Washington State Requirements and Guidance for Education of Homeless Children and Youth <http://www.k12.wa.us/homeless/assistanceact.aspx>

Exhibit 11. Homeless Students from the 2007-08 SY to the 2015-16 SY (Cascade and Cashmere School Districts)



Source: OSPI, 2017; BERK, 2017

HOUSING SUPPLY

As of 2016, there were an estimated 7,271 housing units in the Cascade School District and 1,254 housing units in the City of Leavenworth. However, many of the homes are not occupied by full time residents. Exhibit 12 shows the total housing supply and count of occupied units for just the City of Leavenworth, City and unincorporated urban growth area (UGA) combined, and the entire Cascade School District. Occupancy rates are much higher in the City and UGA than in the surrounding district.

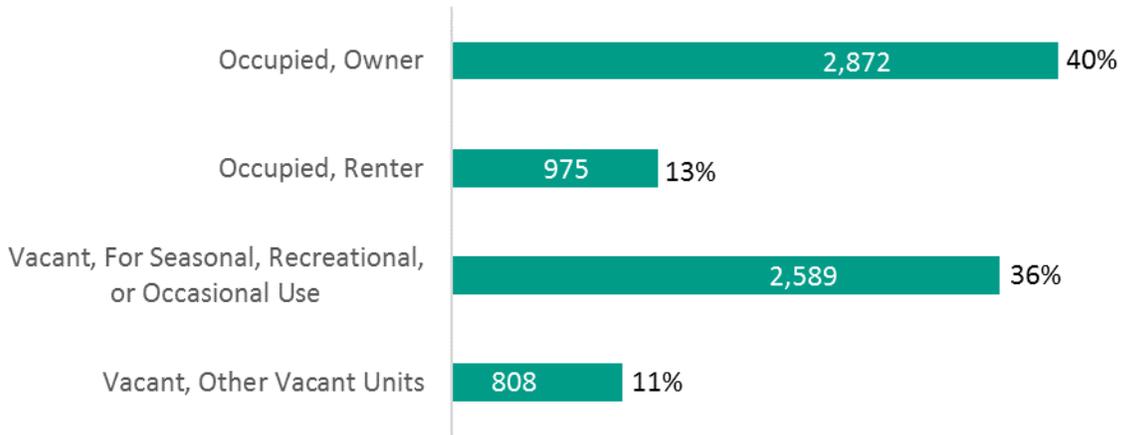
Exhibit 12. Housing Supply and Occupancy, 2016

	Total Housing Units	Occupied Housing Units	Percent Occupied
City of Leavenworth	1,254	920	73%
City and UGA	1,490	1,096	74%
Cascade School District	7,271	4,185	58%

Source: Office of Financial Management, 2016; BERK, 2017

Exhibit 13 provides additional detail regarding occupancy status. Between 2011 and 2015, 36% of the total housing stock was in seasonal, recreational, or occasional use. This category includes vacation homes and second homes. It is likely that many of these homes are available for short-term rental via services like HomeAway and Airbnb. The Census estimates that an additional 808 units (11% of the housing stock) are vacant, but not in seasonal, recreational, or occasional use. These units may be for sale, for rent but not occupied, already sold but not occupied, among other reasons for vacancy. It is also possible that some of these vacant units are on the short-term rental market. It is difficult to know how many of these units are available for purchase or long-term rental.

Exhibit 13. Occupancy Status of Housing Supply (Cascade School District)



Source: U.S. Census, American Community Survey 5-Year Estimates, 2011 – 2015; BERK, 2017

Short-Term and Long-Term Rentals

Census data about occupancy reflects a survey sample of residents between 2011 and 2015. The recent emergence and popularity of Airbnb and other services for listing short term vacation rentals may be having an impact on the housing supply that is not reflected in Census data. A snapshot search of the area in and around the City of Leavenworth on Airbnb shows an availability of over 150 rental units. VRBO shows over 300 rental units and HomeAway lists over 300 short-term rental accommodations. Most of these rentals are located in the areas surrounding the City of Leavenworth but around 50 rentals show up within the city on Airbnb and around 100 rentals show up within the city on VRBO and HomeAway. For this snapshot, a search was conducted for a two-night rental during a Tuesday through Thursday a few months out to capture the majority of listed rentals during a time when they were not already rented.

The City of Leavenworth adopted a new Ordinance concerning short-term rentals in January of 2017. Short-term rentals are allowed in the city only when the owner is living on-site during the renter’s stay, when the owner has appropriate permits for their business, and when the owner collects and remits the necessary taxes, among other requirements of a conditional use permit for bed and breakfasts as identified in the Leavenworth Municipal Code Section 18.52.120. As part of the process leading to adoption of Ordinance 1542, the Council was clear on the decision that renting entire homes as short-term vacation rentals in residential neighborhoods would be prohibited to protect neighborhood character and ensure safety. More information on the Council discussion of the positive and negative impacts of short-term rentals can be found in the report prepared in December of 2016 for the City of Leavenworth.

It is difficult to accurately estimate the full inventory of short-term rentals due to the ability of renters to list their units during specific time periods as well as the same unit being cross-listed on multiple short-term accommodation platforms. Nonetheless, this analysis indicates that it is likely that at least 300 units are offered as short-term rentals in the Cascade School District. Popular locations include the City of Leavenworth as well as concentrations around Peshastin and Lake Wenatchee.

BERK also reviewed several online resources for long-term rentals, including Apartments.com, Craigslist, The Leavenworth Echo classifieds, ClaZ.org, Zillow.com, and Trulia.com. This review identified only 10 units available for rent in the greater Leavenworth area. Compared to the estimated total number of renter households, this finding indicates that the long-term rental vacancy rate may be as low as 1%. A

vacancy rate this low indicates a significant shortage of supply and conditions that can put significant upward pressure on housing costs. A healthy rental housing market typically has a 5% vacancy rate. Given the large number of short-term rental listings, it may be that many landlords are finding they can make more money in the short-term rental market.

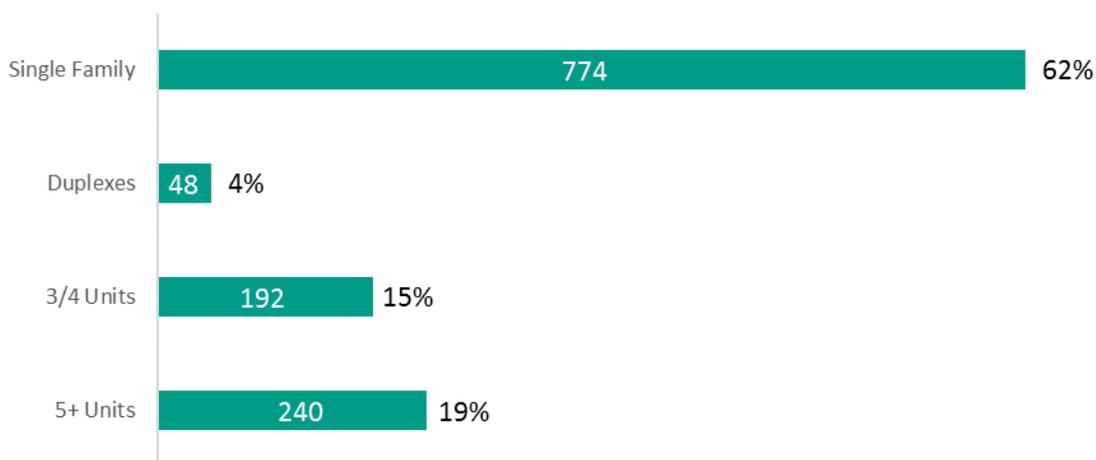
A quick scan of comparable short-term and long-term rental listings indicates a one-bedroom unit can fetch \$145 per night on Airbnb or \$650 for monthly rent. To break even in the short-term rental market, this type of unit would need to be rented at least five nights a month, on average, although the costs of managing short-term rentals is likely to be somewhat higher. A higher-end 3-bedroom unit can fetch \$345 a night on Airbnb or \$2,500 per month in rent. Here the break-even point for a landlord considering short-term rental is eight nights per month, on average. It is important to note that the unit size for a typical short-term rental tends to be larger and therefore more expensive. This review of comparables only looked at specific short-term rental types that could be compared with the typical long-term rental types. (Source: Zillow, 2017; Airbnb, 2017; BERK, 2017)

Housing Types

Exhibit 14 shows housing units by structure type for the City of Leavenworth in 2016. The most common structure type is a single-family home (62%), followed by multifamily structures of five or more units (19%). The most common structure type district-wide was also the single-family home (estimated 5,384 total), followed by mobile homes. All of the estimated 843 mobile homes are located outside the City of Leavenworth. Although less common in rural areas, there are some duplexes and multifamily units located within the school district and outside of the City of Leavenworth. For comparison, the City of Cashmere's housing stock breaks down as follows:

- 71% single-family,
- 4% duplexes,
- 3% multifamily buildings with 3 or 4 units,
- 22% multifamily buildings with 5 or more units.

Exhibit 14. Housing Units by Structure Type (City of Leavenworth)



Source: Washington State Office of Financial Management, 2016; BERK, 2017

Housing Production

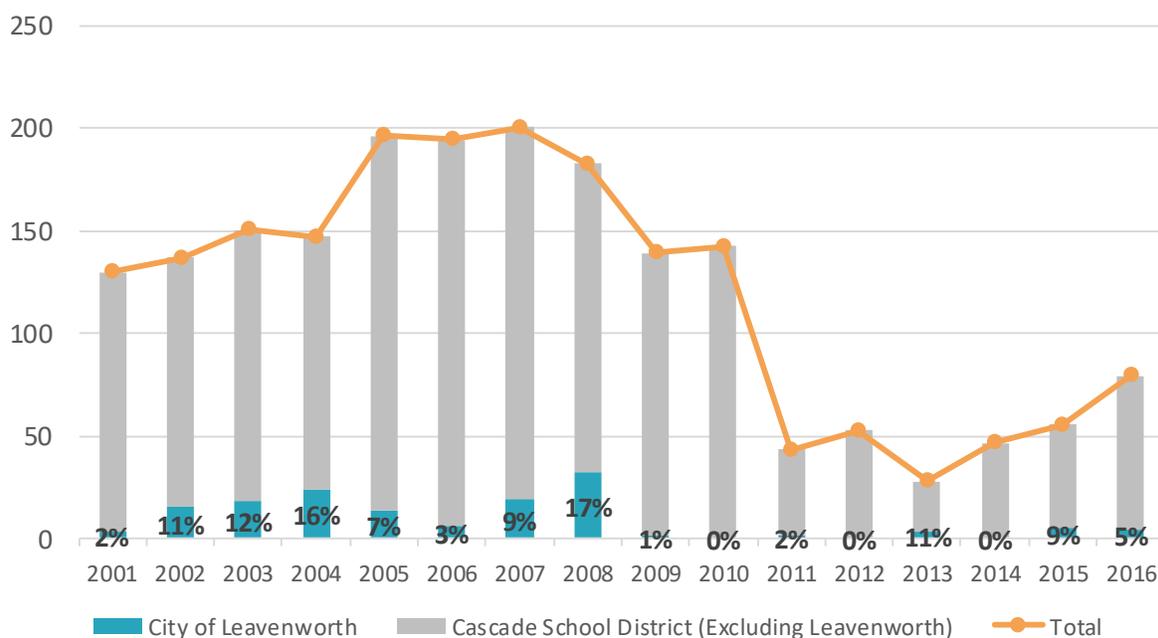
Exhibit 15 shows the production of housing units in the Cascade School District over time, indicating the share of production occurring within the City of Leavenworth. Yearly production counts reflect housing completions as of April 1. For example, data for the year 2016 accounts for all new units built between April 2, 2015 and April 1, 2016.

Between 2001 and 2016, housing production in the Cascade School District has had peaks and valleys, with slower production growth in the more recent years. Annual production District-wide topped out over the period at 201 new units in 2007. The lowest year for production was 2013, with only 28 new units added to the Cascade School District.

Between 2001 and 2008, Leavenworth's share of production was between 3 and 17%, dropping to an average of 3.5% of production from 2009 through 2016. In the 2016 period, only four units of the 74 units produced within the District were developed within the City. Both in overall numbers of units produced and in proportion to district-wide production, Leavenworth is seeing less production than in the past.

The impacts of the recession on the housing market is evident in the production numbers. Production has increased steadily since a low in 2013. However, the data indicates that production in Leavenworth is making a slower return than production across the Cascade School District. This may be due to a shortage of available lots or other constraints on development within the city.

Exhibit 15. Housing Production, 2001 – 2015 (City of Leavenworth, Cascade School District)



Note: The annual data collection period for OFM is from April 2nd to April 1st. For example, the 2016 data point reflects homes built between April 2nd, 2015 and April 1st, 2016. Any units built after April 1st, 2016 are not reflected in this data.

Source: Washington State Office of Financial Management, 2016

Recent permits activity for the City of Leavenworth indicates that housing construction may soon be picking up. The City permitted eight new units in 2015 and 13 in 2016. In 2017, there have been three permits issued as of March 10, 2017. Seven of these recent permits (29%) have been for accessory

dwelling units, which often entail the conversion of an existing building to provide a separate additional unit with separate entrance.

Supply of Affordable Housing

There are a total of 112 subsidized rental units within Leavenworth, and an additional 23 affordable ownership units. Income eligibility requirements for these units varies by building and the populations served include adults with developmental disabilities, low income seniors, and other low income households. There are no housing choice vouchers available in Leavenworth to subsidize rental units in the private market, although tenants may receive tenant-based vouchers through the Housing Authority of Chelan County & the City of Wenatchee. Housing choice vouchers are a common name used for housing assistance payment contracts (or tenant-based vouchers) provided by the local housing authority with funding from HUD.

Exhibit 16 provides a list of the subsidized rental units in Leavenworth and Exhibit 17 provides a list of affordable ownership units, which maintain a covenant attached to the property that ensures the units will remain affordable if the units are sold during the useful life of the building.

The following definitions provide context for the funding sources identified:

- **LIHTC (Low Income Housing Tax Credit).** A housing subsidy program for rental housing that attracts private equity by providing a dollar for dollar tax credit to investors against their federal tax liability. Units remain affordable for at least 30 years.
- **HUD PBRA (Project-Based Rental Assistance).** HUD-funded subsidies for rent are committed for the assisted units of a particular property for a particular period of time.
- **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.
- **HUD SHOP (Self-Help Homeownership Opportunity Program).** HUD makes these grants available to national and regional nonprofit organizations to be used for expenses in connection with developing non-luxury housing for low-income families and persons who would otherwise be unable to purchase a home.
- **HTF (National Housing Trust Fund).** The National Housing Trust Fund provides funds that build, preserve, and rehabilitate housing for people with the lowest incomes.
- **Public Housing.** Housing with permanent restrictions recorded on the property so that they are maintained as affordable for the life of the building.

The latest HUD data summarizing households by income level for the Leavenworth-Lake Wenatchee area estimates there are 65 renter households earning 30% AMI or less and an additional 95 renter households earning between 30% and 50% AMI. This totals 160 low and very low income households, 48 more than subsidized rental units available. This comparison indicated the supply of subsidized units is not meeting current demand. It is also quite possible there is demand for subsidized housing from low income workers in Leavenworth who currently commute in from outside of the area due to lack of local affordable housing, as will be discussed below.

Exhibit 16. Subsidized Housing Units – Rental (City of Leavenworth)

Project/Program Name	Agency/ Owner	Street	Housing Type/ Population Served	Total Assisted HHs/Units	Subsidy/ Funding Type	Expiration
Cornerstone Community	Cornerstone Community/ Upper Valley MEND	12120 Emig Dr	Adults with developmental disabilities	6	HUD grant; Private donations	4/25/2016; No plans to stop providing these services
Berg Rose	Hopesource II Rural Preservation Associates LLP/Shelter Resources Inc	263 Mine	Low Income Seniors	30	Rural Dev 15; Public Housing	Perpetuity
Bavarian Village	Bavarian Village Associates	330 Prospect	Low Income Seniors	24	LIHTC	12/31/2018; CCWHA may be interested in preserving
Garten Haus Apartments	Housing Authority of Wenatchee	1300 Commercial	HHs earning <50% AMI, paying 30% of income	32	HUD PBRA	12/31/2019; Plans to preserve beyond 2019
Mountain Meadows Senior Living Campus	Mountain Meadows	320 Park	Low Income Seniors	20	State Medicaid Program, renewable yearly	2/8/2019
Total				112		

Source: National Housing Preservation Database, 2016; HUD Low Income Tax Credit Database, 2016; Multifamily Assistance and Section 8 Contracts Database, 2016; Housing Authority of Chelan County & the City of Wenatchee, 2015; City of Leavenworth, 2017; BERK, 2017

Exhibit 17. Affordable Ownership Units (City of Leavenworth)

Project/Program Name	Agency/ Owner	Street	Housing Type/ Population Served	Total Assisted HHs/Units	Subsidy/ Funding Type	Expiration
Alpine Heights	Upper Valley MEND	321 Park	Those HHs living in Cascade School District for at least a year that make <80% AMI	10	HTF; Private Donations; Private Grants	Affordable Ownership; Covenant to remain affordable
Aldea Village	Upper Valley MEND	10425 Titus Rd	Those HHs living in Cascade School District for at least a year that make <80% AMI	10	HTF; HUD SHOP; Chelan County; Private Donations; Private Grants	Affordable Ownership; Covenant to remain affordable
Habitat for Humanity / U.V. MEND	Upper Wenatchee Valley Habitat for Humanity	412 – 416 Birch	HHs earning between 30 and 60% AMI	3	HUD SHOP; Public Housing	Affordable Ownership; Covenant to remain affordable
Total				23		

Source: City of Leavenworth, 2017; Upper Valley MEND, 2017; BERK, 2017

HOUSING AFFORDABILITY

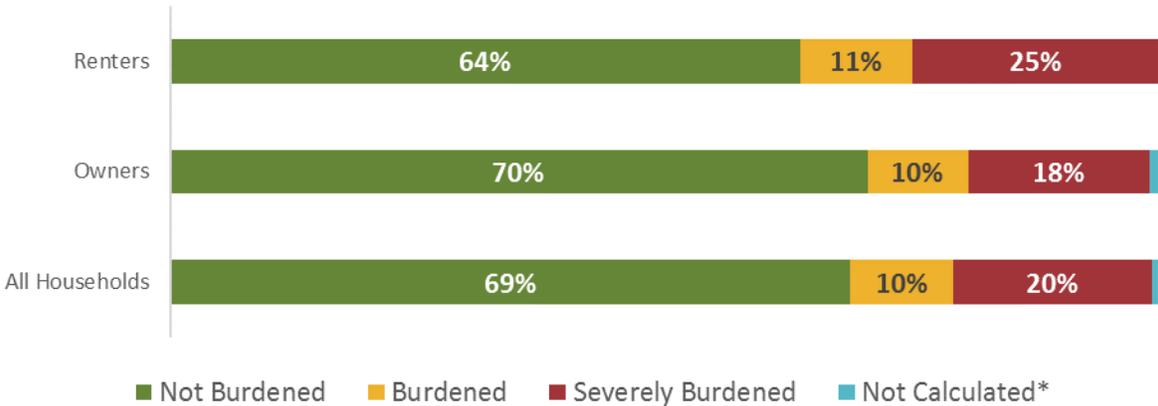
Household Cost Burden

A housing cost burden, as identified by HUD, occurs when a household spends more than 30% of their income on housing costs (rent plus basic utilities or gross monthly owner costs). Households spending more than 50% of their income towards housing costs are considered to be severely cost burdened.

Cost burden estimates are published by HUD, with estimates based on data from the U.S. Census American Community Survey 5-year estimates, for specific geographic areas. The latest available survey period is the 2009 – 2013 period for cities, counties, and urban areas. Accordingly, cost burden estimates reflect income and housing costs as reported by a sample of the City of Leavenworth residents during a rolling monthly survey between January 2009 and December 2013. The period includes a portion of the most recent economic recession.

Exhibit 18 shows the estimates of cost burden for Leavenworth renter and owner-occupied households for the years 2009 through 2013. Thirty-one percent (31%) of all households were estimated to be either cost burdened or severely cost burdened during this period. A greater percentage of renter households were cost burdened (36%) than owner households (28%).

Exhibit 18. Cost Burden by Housing Tenure (Leavenworth-Lake Wenatchee CCD)



*Not calculated refers to households with no or negative income.

Note: The Leavenworth-Lake Wenatchee CCD is closely aligned with the Cascade School District. A map of the area can be seen in the *Household Incomes* section.

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

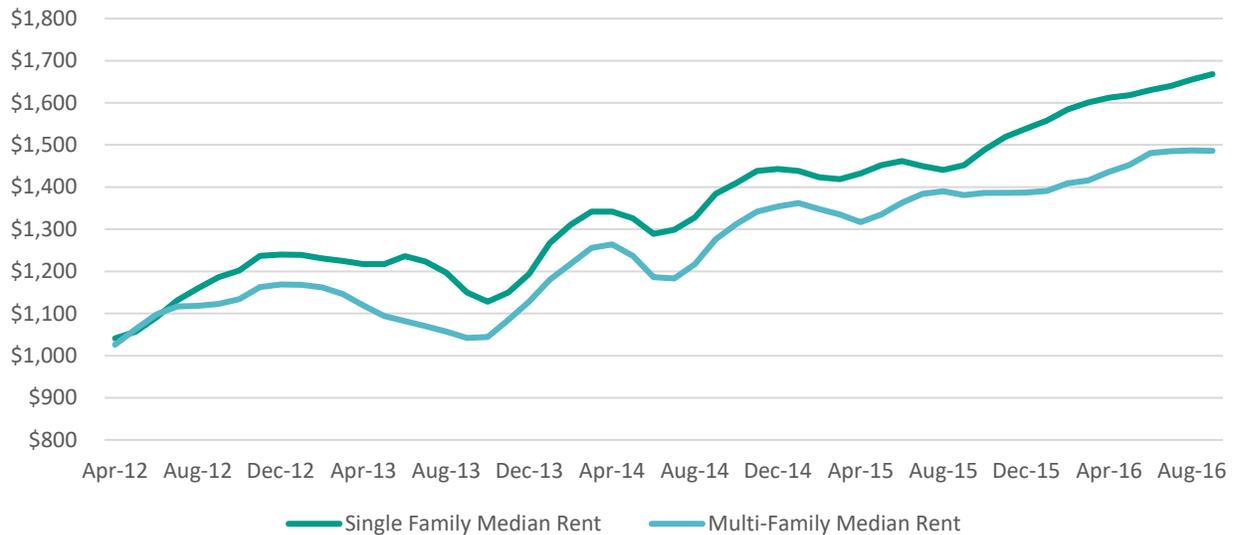
Rental Housing Affordability

Exhibit 19 shows the monthly median market rate rental housing costs from April of 2012 through September of 2016, identifying the costs by single-family and multi-family median rents. Rents for single-family homes are generally higher than apartment rents, but both have seen similar patterns in fluctuation and have increased overall during the data collection period.

Exhibit 19 also shows average annual growth in median rents for the month of September for two different periods. Between September of 2011 and 2016, single-family rents rose at an annual rate of 8.9% (\$1,668 in 2016) and multi-family rents rose at an annual rate of 7.25% (\$1,486 in 2016). In recent years,

the rate of rent increase has been even higher following the dip in 2013. Between September of 2013 and September of 2016, median rents for single-family went up over 13% annually and median rents for multi-family went up 12.6% annually. For comparison, Seattle’s median rents rose by 8% during the same period. Trulia data reports that the median rent per month for the City of Leavenworth was \$1,647 in early 2017, which indicates a continued increase since the September 2016 Zillow data.

Exhibit 19. Median Monthly Rent (City of Leavenworth)



	Average Annual Growth Rate (Sep '11 - Sep '16)	Average Annual Growth Rate (Sep '13 - Sep '16)
Single-family Median Rent	8.90%	13.20%
Multi-Family Median Rent	7.25%	12.56%

Source: Zillow Rent Index, 2016; BERK, 2016

To afford the median rent for a single-family home, a household would need to earn at least \$66,720 annually. To afford the median rent for a multi-family unit, a household would need to earn at least \$59,440 annually. Exhibit 20 shows the estimated number of households that earn enough to afford the median rent for single or multi-family rental housing.

Exhibit 20. Renter Households Affording Median Rent (Cascade School District)

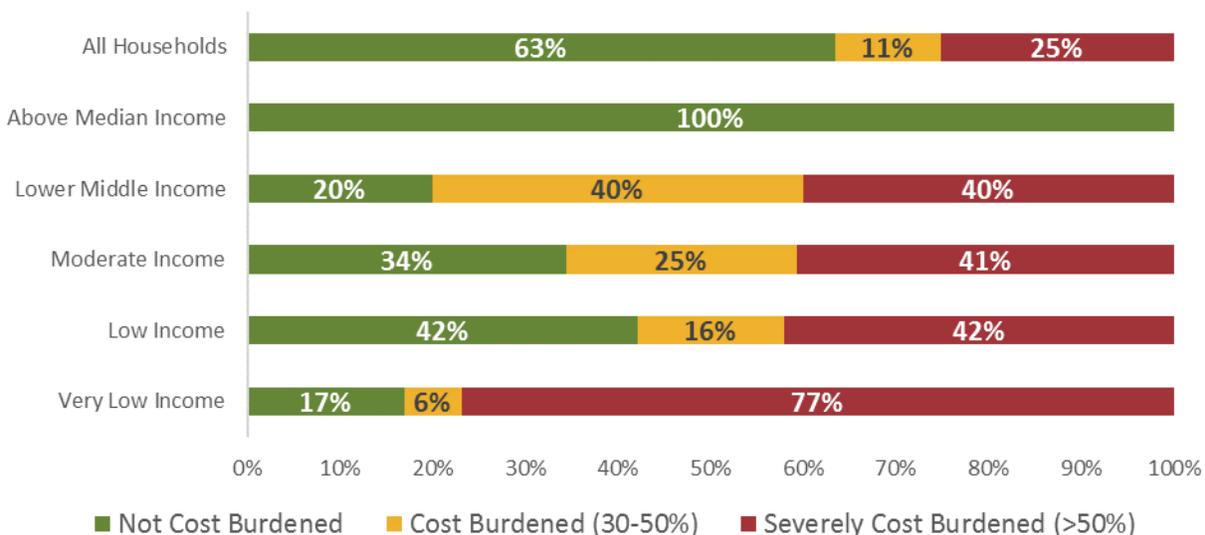
	Household Income to Afford Median Rent	Number of Households Affording Median Rent	Percent of Households That Can Afford Median Rent
Single-family Rental	\$66,720	225	23%
Multi-family Rental	\$59,440	272	28%

Source: U.S. Census, American Community Survey Five-Year Estimates, 2011-2015; BERK, 2017

Exhibit 21 shows the cost burdens for renter households. Among all renter households, 1 out of 3 was estimated to be cost burdened and 1 out of 4 was estimated to be severely cost burdened. All but 17% of Very Low Income households were cost burdened, with 3 out of 4 households severely cost burdened.⁷

For low income, moderate income, and lower middle income households, about 40% of these households were severely cost burdened.

Exhibit 21. Renter Cost Burden by Income Category (Leavenworth-Lake Wenatchee CCD)



Note: The Leavenworth-Lake Wenatchee CCD is closely aligned with the Cascade School District. A map of the area can be seen in the *Household Incomes* section.

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

Rental Unit Gap Analysis

Exhibit 22 compares estimated renter household counts in the Cascade School District by income range to the estimated number of rental housing units offered on the market at rents affordable to those income levels, assuming a rental cost burden of 30%. Exhibit 23 visually compares this same gap to highlight the areas of greatest shortage and surplus. The data in this analysis is from ACS five-year estimates that are based on survey data collected between 2011 – 2015, which includes the end of the downturn in the housing market following the economic recession and only partially overlaps with the more recent period of rising housing costs. Given increasing median rents in recent years, the affordability level of rental units in this exhibit are likely to have changed as well. These points should be kept in mind when interpreting the findings.

With the exception of those in subsidized housing, all renter households all compete in a single rental housing market. Therefore households do not necessarily occupy units affordable to their own income level. The deficit of units available to Low (30-50%) and Very Low (under 30%) income earners is likely to be explained by households at these earning levels occupying more expensive units that would be affordable to those in the Moderate (50-80%) and Lower Middle (80-100%) income groups. The deficit of housing at the higher end of the affordability spectrum also indicates that many above median income households are occupying homes that would otherwise be affordable to Moderate and Lower Middle income households.

These exhibits indicate there is a deficit of total renter housing supply compared to the total number of renter households. This results in competition for a limited supply of available units and puts upward pressure on the rents of all units. In this scenario, lower income households are most likely to need to look further afield to find housing that is both affordable and available.

Exhibit 22. Renter Household Income and Rental Unit Affordability Gap (Cascade School District)

<u>Ratio to 2015 Chelan County AMI (HUD, 2015)</u>	<u>Rounded (1,000s) Income Ranges* (ACS)</u>		<u>Monthly Housing Budget*</u>		 <u>Estimated Renter HHs* (ACS)</u>		 <u>Estimated Gap</u>	
	Low	High	Low	High	Count	Percent	Units Offered	over/ (under)
\$56,700								
Under 30%	\$0	\$17,000	\$0	\$425	263	 27%	108	-155
30 - 50%	\$17,000	\$28,000	\$425	\$700	187	 19%	124	-64
50 - 80%	\$28,000	\$45,000	\$700	\$1,125	140	 14%	283	143
80 - 100%	\$45,000	\$57,000	\$1,125	\$1,425	97	 10%	150	53
100 - 120%	\$57,000	\$68,000	\$1,425	\$1,700	72	 7%	128	56
120% or Over	\$68,000		\$1,700		217	 22%	108	-109
Total					975	100%	900	-76

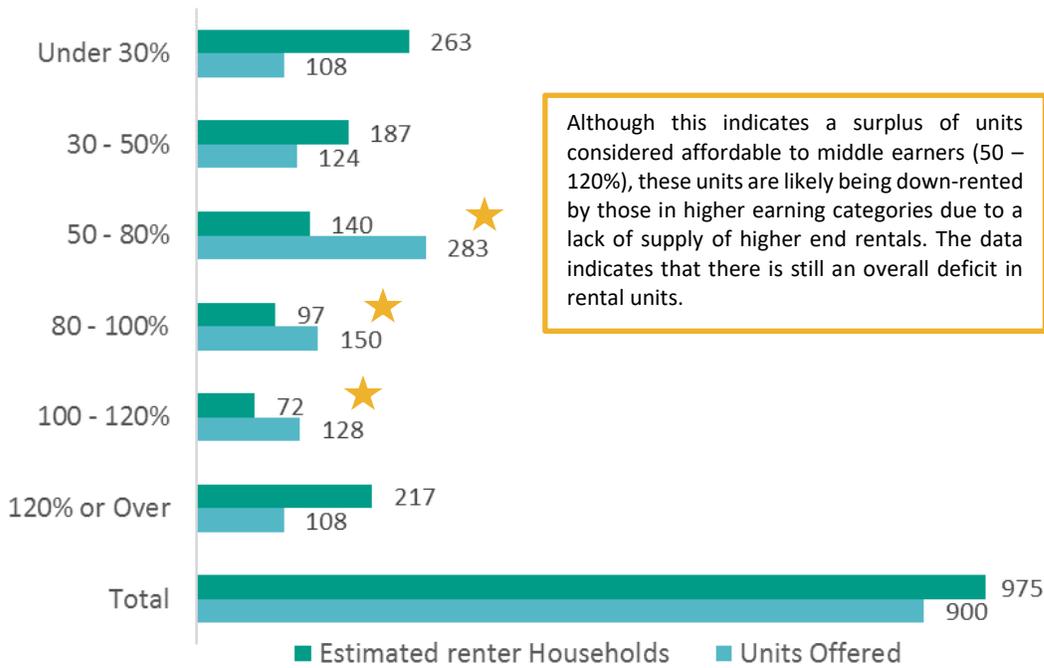
*Based on a housing burden equal to 30% of income.

Note: The analysis uses the Cascade School District income levels, compared to the Chelan County Area Median Income as specified by the U.S. Department of Housing and Urban Development. Rental rates and household counts reflect estimated conditions from 2011 to 2015 by the U.S. Census, American Community Survey (ACS). ACS 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 represents an overall picture of conditions during the 2011 – 2015 period and does not provide a precise count of current rental units on the market.

The data in this analysis is from ACS five-year estimates that are based on 2011 – 2015. Given that the renter landscape has evolved since 2011, it is expected that the situation looks a little different now and that there are even less rental units available for all renter households because of long-term rentals being shifted to the short-term rental market.

Source: U.S. Census, American Community Survey Five-Year Estimates, 2011-2015; U.S. Department of Housing and Urban Development, FY 2015 Income Limits Summary; BERK, 2016

Exhibit 23. Renter Households by Income Level Compared to Units Offered by Affordability Level (Cascade School District)



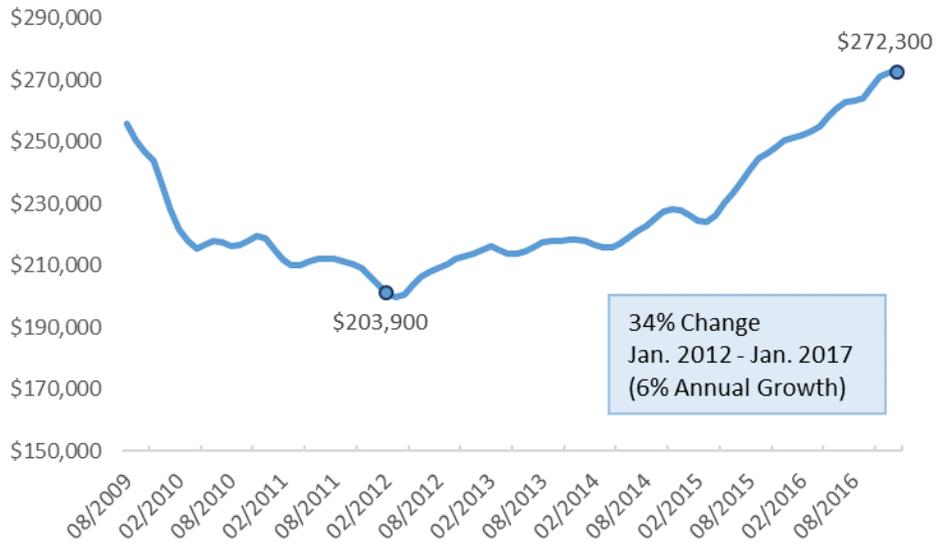
Note: The data in this analysis is from ACS five-year estimates that are based on 2011 – 2015. The data in this analysis is influenced by recent and older trends.

Source: U.S. Census, American Community Survey Five-Year Estimates, 2011-2015; U.S. Department of Housing and Urban Development, FY 2015 Income Limits Summary; BERK, 2016

Ownership Housing Market

Home values in Chelan County have been rising quickly in recent years, following declines due to recession of 2009. Exhibit 24 shows median home values in Chelan County between mid-2009 and early 2017. After the market decline home values stabilized then started to increase following a low in early 2012. Between January 2012 and January 2017 home values have increased by 34% (a 6% annual rate of growth).

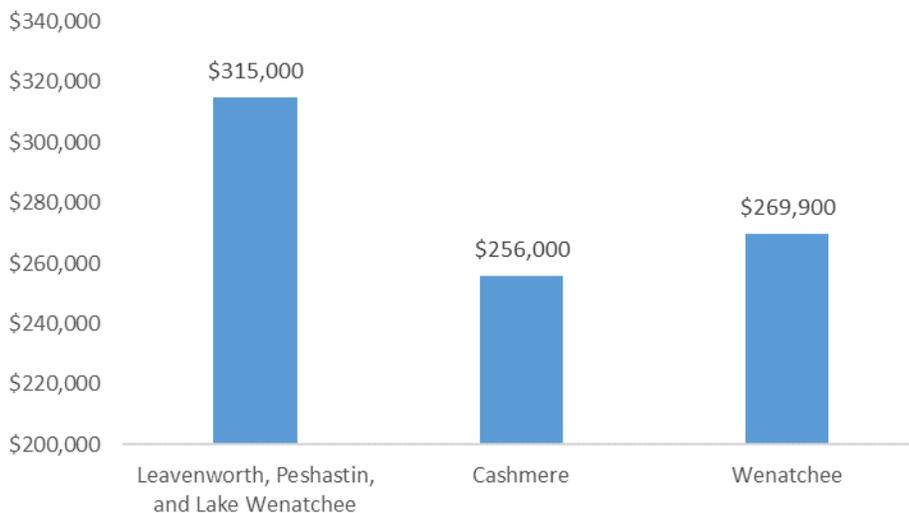
Exhibit 24. Median Home Value in Chelan County



Source: Zillow Home Value Index, 2017

This county-wide trend has impacted housing values in Leavenworth and the Cascade School District, where values are consistently higher than the Wenatchee Valley. As shown in Exhibit 25, the 2016 median home sales price in the greater Leavenworth area (including Peshastin and Lake Wenatchee) was 23% higher than in Cashmere and 17% higher than Wenatchee. These cost differences likely reflect differences in land values as well as differences in the mix of housing types available for sale in 2016. A household looking to purchase a home in the Leavenworth area can save a substantial amount of money by searching in communities further east, despite the longer commute.

Exhibit 25. Median Home Sales Value by Real Estate Market Area, 2016

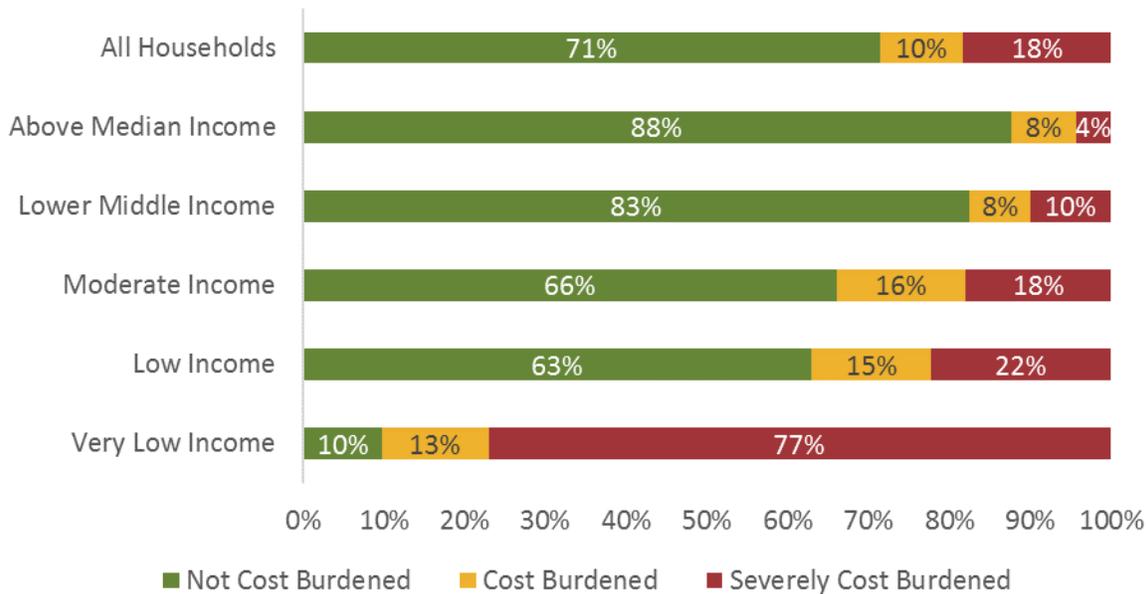


Source: NCW Association of REALTORS, 2017; Pacific Appraisal, 2017; BERK 2017.

Exhibit 26 shows the cost burdens for owner households in Leavenworth-Lake Wenatchee area between 2009 and 2013. For all owner households, 28% were either burdened (10%) or severely burdened (18%).

All but 10% of Very Low Income households were burdened, with 13% having a cost burden between 30 and 50% of their income, and 77% exhibiting a severe cost burden of more than 50% of their household income. For both low income and moderate income owner households, around 35% of these household categories were experiencing a cost burden.

Exhibit 26. Owner Cost Burden by Income Category (Leavenworth-Lake Wenatchee CCD)



Note: The Leavenworth-Lake Wenatchee CCD is closely aligned with the Cascade School District. A map of the area can be seen in the *Household Incomes* section.

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 27 shows the estimated owner households by income category for 2015, indicating that the most predominant income category for owner households were those households making 120% or more than the 2015 countywide AMI (30%). An estimated 54% of owner households in the Cascade School District were making less than the AMI.

Exhibit 27. Owner Households by Income Category (Cascade School District)

<u>Ratio to 2015 Chelan County AMI (HUD,2015)</u>	<u>Rounded (1,000s) Income Ranges</u>		 <u>Estimated Owner HHs</u>	
	<u>Low</u>	<u>High</u>	<u>Estimated HHs</u>	<u>Percent</u>
\$56,700				
Under 30%	\$0	\$17,000	422	15%
30 - 50%	\$17,000	\$28,000	206	7%
50 - 80%	\$28,000	\$45,000	544	19%
80 - 100%	\$45,000	\$57,000	369	13%
100 - 120%	\$57,000	\$68,000	470	16%
120% or Over	\$68,000		860	30%
Total			2,872	100%

Source: U.S. Census, American Community Survey Five-Year Estimates, 2011-2015; U.S. Department of Housing and Urban Development, FY 2015 Income Limits Summary; BERK, 2016

Exhibit 28 calculates the annual income needed to purchase a single-family home in the City of Leavenworth. Factors that impact affordability include a household’s income, savings, and other debt as well as the real estate market, taxes, and interest rates. Assuming a household can afford a 20% down payment (about \$63,000 given the Multiple Listing Service recorded median sale price for 2016), it would require at least \$64,344 in yearly income to afford a mortgage for a home at the 2016 median sale price. This is more than the \$63,100 2016 AMI for Chelan County. About 36% of households in the Cascade School District earn enough income to afford a home in the Leavenworth-Lake Wenatchee area at the median list price. As a comparison, around 58% of households in Wenatchee earned enough income to afford the annual expenses of a home at the median selling price in 2016. However, it is likely that many households earning enough to afford the mortgage shown in this exhibit would not be able to afford the 20% down payment, indicating the actual percentage of households that could afford the median price home may be much lower.

**Exhibit 28. Annual Income Needed to Purchase a Home at the 2016 Median List Price
(Cascade School District resident buying within the Leavenworth-Lake Wenatchee Area)**

Monthly Mortgage	
Median Sale Price (2016, Leavenworth)	\$315,000
Down Payment (20%)	\$63,000
Mortgage Amount	\$252,000
Interest Rate	4.00%
Payments over 30 years	360
Monthly Mortgage Payment	\$1,199
Annual Housing Expenses	
Mortgage Payments	\$14,389
Taxes (1.2%)	\$3,339
Insurance (\$5.00 per \$1,000)	\$1,575
Total Annual Costs	\$19,303
Total Monthly Costs	\$1,609
Annual Income Needed (30% housing costs)	\$64,344
Monthly Income Needed (30% housing costs)	\$5,362
Households	
Number of households with income > \$64,344	1,376
Total households	3,847
Estimate of Cascade School District households that can afford median home price in Leavenworth	36%

Note: The analysis looks at the number of households in the school district that could afford a home in the Leavenworth-Lake Wenatchee area since questions in the report are centered around the affordability challenges closer to employment in the City, and how this has impacted affordability and housing choices in the surrounding areas.

Source: Multiple Listing Service, 2017; U.S. Census, American Community Survey Five-year Estimates, 2011 – 2015; Chelan County Assessor, 2016; BERK, 2016

EMPLOYMENT AND WAGE LEVELS

Characteristics of Workers Living Inside the Cascade School District

According to the American Community Survey estimates for 2011-2015, 57% of the population age 16 or older were employed. This is down from the 2005-2009 period when 65% of this population was employed. However, between 2004 and 2014 the area gained more jobs than population. This apparent disconnect between a declining rate of employment and increasing number of jobs may be due to an increase in the number of retired persons living in the district.

As of 2014, 67% of employed persons living in the district commuted to jobs outside of the district, down slightly from 2012 when 70% commuted to jobs outside. Prior to 2012, the percentage was increasing steadily. In 2002, the first year for which data is available, 60% of residents commuted to jobs outside of the district. The most common job locations were Wenatchee and Cashmere. However, in 2014, 628 people commuted to jobs in King or Snohomish County. This number has increased over the years, from a low of 311 in 2005.

Characteristics of Workers Employed Inside the Cascade School District

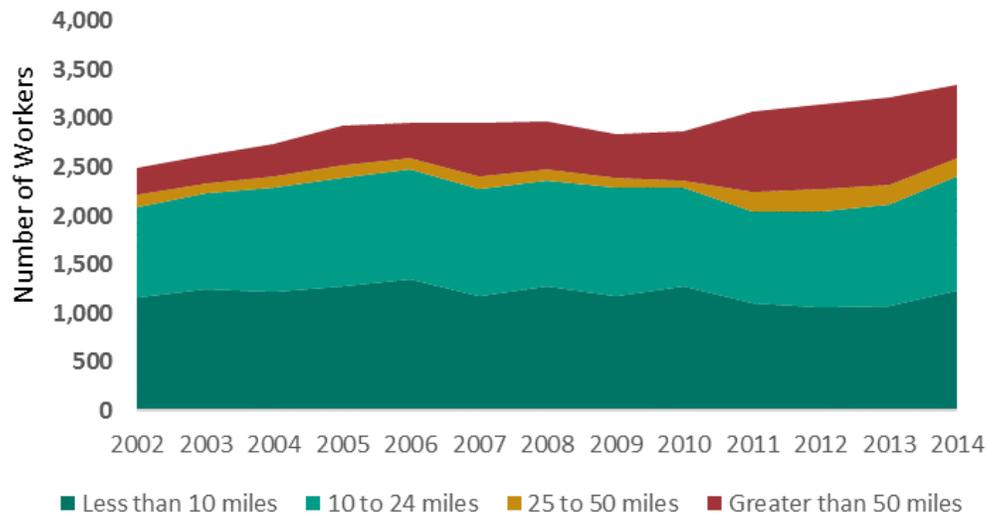
As of 2014, an estimated 3,351 people worked at primary job locations inside the Cascade School District. Census data on employment differentiates between primary jobs and total jobs. For workers with multiple jobs, their primary job is the one with the highest earnings. This analysis focuses on the primary jobs to avoid double-counting the home locations of workers with multiple jobs inside the Cascade School District.

The majority of primary jobs are located in or around Leavenworth and Peshastin, and a smaller cluster around Chumstick to the north. About 37% of the people employed in the district also live in the district, and 63% commute in from outside the district. This percentage of workers who commute in from outside of the district is down slightly from a high in 2012 of 66%. Prior to 2012, the percentage was increasing steadily. In 2002, the first year for which data is available, 47% of workers commuted in from outside the district.

Between 2002 and 2014, the area has gained 853 jobs, or about 2.5% growth per year. Industries with the greatest job growth include agriculture, accommodations and food services, retail, and health care and social assistance. During the same period the population increased by only 0.35%. To better understand why population has not been growing at the same rate as employment, BERK analyzed data about the home location of people who work inside the Cascade School District.

Exhibit 29 shows the distance between worker's home location and work location. The total number of workers who live less than ten miles from their job has stayed fairly constant over time. However, as a percentage of the total workers, this category has fallen from 47% in 2002 to 37% in 2014. Nearly all the growth has been among workers who live more than 10 miles away from their work location. Note that this analysis shows distance "as the crow flies" and that the actual travel distance via roadways can be much longer, particularly for the many workers who live in the Chelan area, due to the natural geography of the area.

**Exhibit 29. Distance From Workers' Home to Primary Job Location
Work location is Inside Cascade School District**



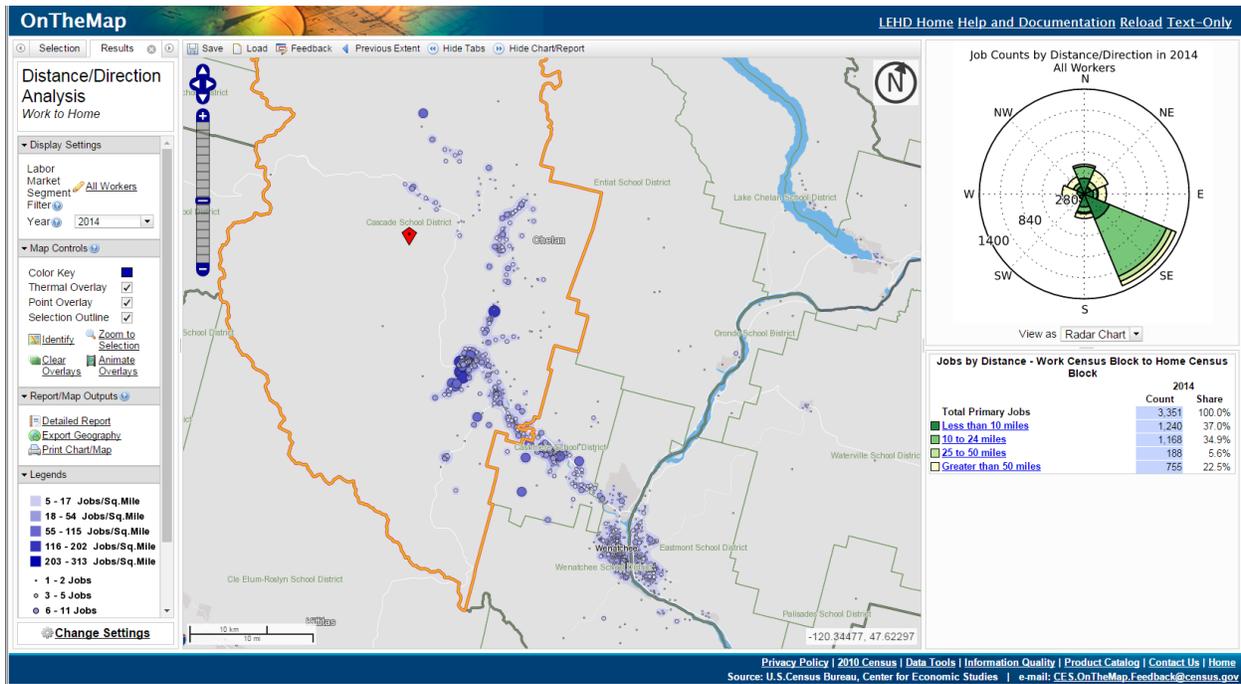
	2002	2014	Change 2002 - 2014	Annual Growth Rate
Less than 10 miles	1,166	1,240	74	0.5%
10 to 24 miles	921	1,168	247	2.0%
25 to 50 miles	129	188	59	3.2%
Greater than 50 miles	282	755	473	8.6%
Total Primary Jobs	2,498	3,351	853	2.5%

Source: U.S. Census Bureau, Center for Economic Studies, 2016; BERK 2017

Most of these workers who live between 10 and 24 miles from their job commute in from the Cashmere and Wenatchee areas, with a smaller number commuting from Chumstick and other areas to the north. Those living between 25 and 40 miles away tend to live in Wenatchee, Chelan, and Pateros. The largest growth has been among workers who live over 50 miles from their job location. Among these workers, about half live west of the pass – primarily in Snohomish or King County. The other half live in central and eastern Washington, including Okanogan and Grant counties.

Exhibit 30 shows a screenshot of an interactive map of workers' home location. The map is zoomed to provide greater detail in the Leavenworth, Wenatchee, and surrounding areas. But home locations are also scattered much further afield, as described above. The yellow line shows the boundary of the selected analysis area (Cascade School District).

Exhibit 30. Home Location of Workers with Primary Job Located Inside the Cascade School District

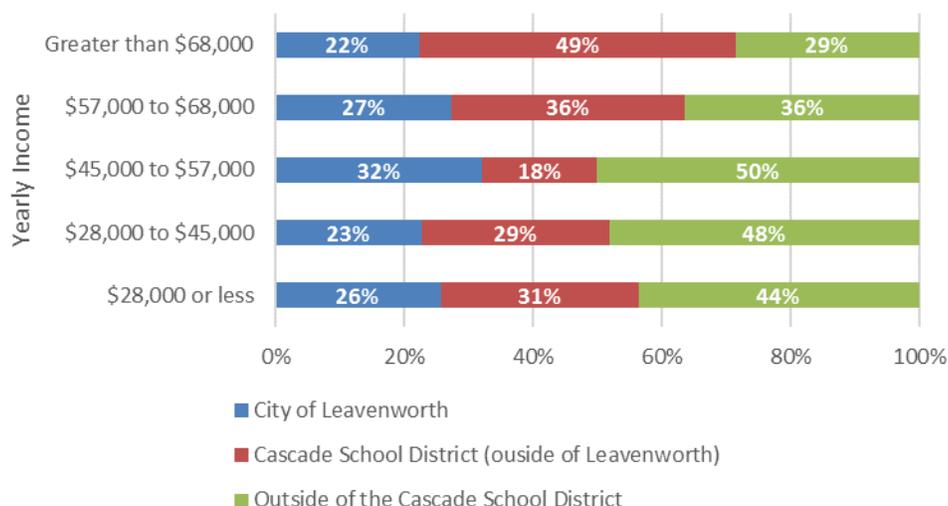


Source: U.S. Census Bureau. 2016. OnTheMap Application. Longitudinal-Employer Household Dynamics Program.
<http://onthemap.ces.census.gov/>

In early 2017, the City of Leavenworth surveyed its eight largest employers regarding the wage level and home location of employees. This data provides a more current snapshot of the commute pattern of Leavenworth workers. Among all full-time workers surveyed, only 27% live inside the City of Leavenworth. An additional 39% live outside of the city but in the Cascade School District. The remaining 34% live outside of the Cascade School District. It is unknown whether these workers are just outside of the district in Cashmere or living further afield. While it is difficult to compare these survey findings directly to the Census data for 2014, they are generally consistent.

Exhibit 31 breaks down this data by the employees' wage level. It shows that higher income earners are much more likely to live in the Cascade School District outside of Leavenworth while middle and lower income workers are most likely to live outside of the district where housing is generally less expensive.

Exhibit 31. Home Location of Full-Time Workers at Eight Largest Employers in Leavenworth



Source: City of Leavenworth, 2017; BERK 2017

Wages of Workers in the Cascade School District

Exhibit 32 breaks down all jobs in the Cascade School District by wage level. In 2014, over 43% of jobs paid \$1,250 per month or less. This amounts to \$15,000 per year. About 42% of jobs paid between \$1,251 and \$3,333 per month, or about \$15,000 to \$40,000 per year. Only 15% of jobs paid more than \$3,333 per month (\$40,000 per year). \$40,000 per year is significantly less than the income necessary to purchase the median single-family home in the Cascade School District (see Exhibit 28) It is also significantly less than the income necessary to afford the median multi-family rent in Leavenworth. This mismatch between wage levels and housing costs is likely to be a primary reason why so many workers commute in from long distances to work in and around Leavenworth.

Exhibit 32. Wage Level of Jobs Located Inside the Cascade School District (All Jobs)

Monthly Wage	Yearly Wage Equivalent	Monthly Rent Affordable	Count of Jobs	Share of total Jobs
Less than \$1,250	Less than \$15,000	Less than \$375	1,660	43%
\$1,251 - \$3,333	\$15,000 - \$40,000	\$375 - \$1,000	1,604	42%
Greater than \$3,333	Greater than \$40,000	Greater than \$1,000	567	15%

Source: U.S. Census Bureau, Center for Economic Studies, 2016; BERK 2017

REGIONAL HOUSING CHALLENGES

This section identifies challenges to meeting the area’s local housing needs through increased home production outside of the city and UGA. Housing stakeholders and elected officials in the City of Leavenworth have expressed concern that there is a lack of capacity for new housing development within the city and UGA, and furthermore that land values are so high that any new homes produced would likely be out of reach to many families and households working in the local area. Typically, increased housing production is the most effective way to stabilize rising housing costs. Even when new homes are targeted towards higher income households, increasing supply at this affordability level will reduce pressure on the remaining housing stock. In other words, the benefits of increased supply “filters” downward through the housing market. In the Leavenworth area this filtering process is slowed by strong external demand for

homes to serve the tourist and second home markets. Increased supply of higher priced housing attracts new higher income households and higher income vacationers.

Although some of the existing capacity for development in the area lies in the unincorporated county, this analysis finds that units developed in areas outside of the city's UGA are more likely to become second homes or short-term rentals than housing to support the local workforce. As a result, development constraints in the County are a relevant, but not essential, focus for the City relative to the importance of solving capacity for new units within the city's UGA.

In addition to the challenges associated with the presence of second homes and short-term rentals in rural areas around Leavenworth, the following constraints create challenges for development outside of the City:

- **Inefficient land use patterns.** Because of low density zoning and the rural character of unincorporated Chelan County, development outside of Leavenworth's UGA is less efficient for providing affordable housing. Land in much of the county is regulated such that clustered housing and smaller units are not supported by zoning or policy. Low density and rural residential development makes the provision of appropriate levels of service for water, sewer, solid waste, and other services challenging since these services require a concentration of facilities to be efficient.
- **Environmental constraints.** Developable land in the City of Leavenworth, its urban growth area, and the areas surrounding the city is constrained by a variety of environmental factors that limit the use of the land. These factors include shoreline management along Icicle Creek and the Wenatchee River, steep slopes, and the presence of critical areas. When some or all of these factors are present, development is either further regulated or not permitted at all in order to protect the natural environment as well as the safety of residents and their structures.
- **Public land ownership.** A significant portion of land in Chelan County, and in particular the Cascade School District, is under public ownership. Although special use permits can be obtained to build certain structures on federal and state land, development on public land is highly restricted and generally not supportive of structures typical of full-time residential housing. Exhibit 33 shows that only a small area of the School District, which includes Leavenworth, is not subject to the added regulations of a state or federal agency.

Exhibit 33. Public Land Constraints



Source: National Atlas of the United States and the United States Geological Survey, 2017; State of Washington, 2016; BERK, 2017

SUMMARY OF CURRENT HOUSING PRODUCTION NEEDS

The findings of this study indicate that the most urgent housing need is among the lowest income households earning 30% AMI or less. 90% of households at this income level report being cost burdened. As shown above in Exhibit 22, there are 155 more households at this income level than there are units available affordable to that income. Providing affordable housing for these households would require additional public subsidies.

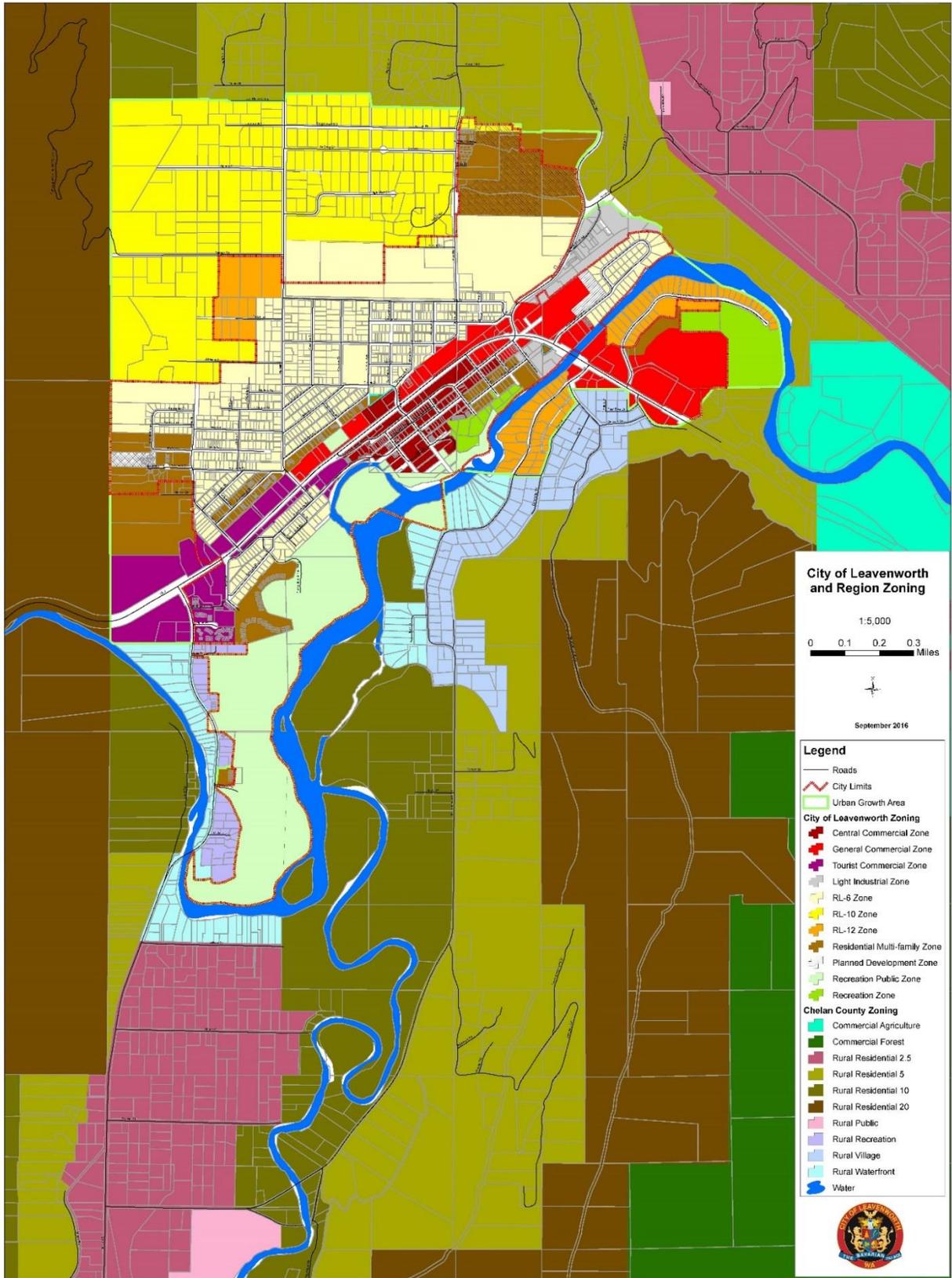
While the market cannot provide housing at a cost level affordable to the lowest income earners, increasing production of market-rate rental housing would greatly help to stabilize or even reduce rents. BERK estimates there is a 1% vacancy rate for long-term rental housing. Increasing the supply of rental housing stock would help reduce competition for available units and therefore decrease pressure on rents. A healthy rental housing market should have a 5% vacancy rate to ensure that all households can find a suitable new home when they need one. To reach this short-term goal, an additional 41 rental housing units would be needed. However, these 41 units would help to serve the needs of the current population of Cascade School District. As discussed above, there are an increasing number of workers who commute long distance to Leavenworth. In 2014, 944 workers in the Cascade School District area lived 25 miles away from their job and 755 lived 50 miles away or more. Presumably at least a portion of these workers would prefer to live closer to their workplace if they could find affordable housing. This finding indicates that the total demand for rental housing in Leavenworth may far exceed estimates based on current resident population.

As shown above in Exhibit 6, most renter households living in the district have only 1 or 2 members. This indicates that the most effective way to meet current demand for affordable rental housing would be through encouraging the development of smaller units in multi-family buildings, perhaps through infill development closer to the city center. The City should consider examining current zoning, density incentives, and barriers to infill and redevelopment, such as City processes, codes, or requirements within city limits.

REFERENCES

- City of Leavenworth. (2017). Development Services Department.
- Department of Housing and Urban Development. (2016). *Multifamily Assistance and Section 8 Contracts Database*.
- Housing Authority of Chelan County & the City of Wenatchee. (2015).
- National Housing Preservation Database. (2016).
- OnTheMap Application. (n.d.). *Longitudinal-Employer Household Dynamics Program*. Retrieved from <http://onthemap.ces.census.gov/>
- Pacific Appraisal Associates. (2010 - 2016). *Real Estate Snapshots: Leavenworth Market*.
- U.S. Census. (2011 - 2015). *American Community Survey 5-Year Estimates*.
- U.S. Census Bureau. (2010). *Dicennial Census*.
- U.S. Department of Housing and Urban Development. (2009 - 2013). *Consolidated Housing Affordability Strategy (based on U.S. Census American Community Survey 5-Year Estimates)*.
- Upper Valley MEND. (2017). *Personal correspondence*.
- Zillow. (2016). *DHVI Summary*. Retrieved from <http://www.zillow.com/research/data/>

APPENDIX A. CITY OF LEAVENWORTH ZONING



Source: City of Leavenworth, 2016