

A REPORT TO

THE CITY OF UNIVERSITY PLACE, WASHINGTON



HOUSING CHOICE PROGRAM RECOMMENDATIONS

JUNE 11, 2008

FUNDED BY A GRANT BY THE
WASHINGTON STATE,
DEPARTMENT OF COMMUNITY, TRADE &
ECONOMIC DEVELOPMENT (CTED)



To: Planning Commission
Jeff Boers, Senior Planner

From: Jim Carney, PMC

Date: June 11, 2008

Re: Housing Choice Programs in University Place

INTRODUCTION

The City of University Place secured a grant from CTED to assist the city with developing regulations, guidelines, streamlined procedures and incentives that will implement previously adopted Comprehensive Plan housing goals and policies. Specifically, the grant seeks to identify and explore programs that work toward meeting demand for affordable housing. Moreover, the City Council, Planning Commission and staff have further expressed the city vision and desire that such housing policies and programs be developed and designed to fit the needs of University Place citizens, now and in the future, while maintaining the character of the city's residential neighborhoods. Ultimately, the Council, Planning Commission and city staff seek to encourage the provision of a broad range of housing choices and opportunities for the current and future residents and workforce in University Place.

As such, this report is a summary of the options that the city may want to consider in addressing its affordable housing needs as reviewed at the April 16, 2008 with the Planning Commission. The minutes of the meeting discussions are summarized and enclosed in Attachment I.

Housing Need

The Planning Commission expressed interest as part of the process to determine policies and programs for the provision of housing choices, especially affordable housing. To achieve that goal, it would be good to first identify the need for the range of housing needs that exist or may arise in the future in University Place. While the focus of the CTED grant is on multi-family design guidelines, small lot and cottage development, and not directly on housing needs, it is nonetheless helpful to the discussion of housing choice programs that it would be appropriate to the City of University Place to have an understanding of the range of needs and choices for housing in the city. Thus, a brief summary of existing housing needs data available as of April 2008 is provided below.

A. Comprehensive Plan

The city's Comprehensive Plan was adopted in 1998 and amended in 2004. Consequently, much of the data is out of date. At this time the City does not plan to update the housing needs data nor conduct a comprehensive housing needs assessment until after the release of the 2010 Census, which would not likely be available until about three years hence. Nonetheless, the Comprehensive Plan contains data and facts pertinent to this understanding of housing needs in University Place.

- 1.) First, one key measure of housing affordability is that households should not pay more than 30% of their total household's income toward their housing costs. For ownership it means the total mortgage payment of principle, interest, taxes and insurance (PITI) and for rental it is the rent plus a utility allowance. When families and individuals pay more than the amount that is affordable, then they have less money for basic living expenses such as food, energy costs, medical care and prescriptions, transportation, education, etc.
- 2.) For example, in 1999, 69.1% of very low-income households earning under \$20,000 per year were paying over 30% of their income towards their owner-occupied housing costs compared to 1989 when 49.8% of those households were overpaying for their homes. For rental housing in 1999 and 1989 over 94% of households earning \$10,000 per year overpaid for their rented units. For those earning between \$10,000 and \$19,999 over 94% overpaid in 1999 and almost 67% overpaid in 1989.
- 3.) Even for households earning over \$50,000 per year 14% overpaid for homes they were buying in 1999 up from 3.6% in 1989.
- 4.) In terms of actual numbers, in 1989 2,150 moderate, low- and very low-income households overpaid for housing, and that number increased to 2,472 households overpaying in 1999, a 15% increase.
- 5.) Projected to the year 2017, at those trends, prior to the sharp increase in housing cost since 1999 until 2007, it is estimated that the need will increase to 2,954 households at an annual increase average increase of 1.5%.
- 6.) Clearly, the trend is that households in the moderate, low- and very low-income groups are increasingly overpaying for ownership and rental housing in University Place. It would be expected that a comprehensive review in 2008 would likely show a larger percentage of moderate, low- and very low-income households are overpaying for their housing, especially in light of the sub-prime mortgage crises of the past few years.
- 7.) Based on the older data presented in the Comprehensive Plan, the need identified at that time, the number of households overpaying for their owner-occupied and rental housing totaled 2,472 households which if held constant by 2007 represents 18.5% of the current total housing stock of 13,382 units. This is a fairly significant level of need.

B. Pierce County Consolidated Plan – This plan covers the 3-5 year strategy for addressing affordable housing and community development needs in Pierce County, including University Place. In particular such plans contain data for Special Needs Housing for the homeless, single parents, physically or mentally disabled, large families and other groups in University Place. The plan identifies how federal Community Development Block Grant (CDBG), HOME and Homeless funds are to be allocated in Pierce County.

Specifically, the plan documents the need for affordable housing – ownership and rental, and calls for the County and cities to expand the supply of affordable housing, as indicated by the following statement:

“There is a strong need currently to increase the available supply of affordable housing units for all populations. While current figures indicate that more than 99 percent of the population is currently housed, a further analysis shows that there are thousands of low-income households that are living in units with housing problems or are cost-burdened. As a result, though there may be enough dwelling units, a large percentage of the available units may not be safe, decent, nor affordable. Further, projections for population growth in coming years indicate additional burdens will be placed on existing programs to effectively deal with the aging of our population, the needs of families, and the needs of the disabled.”

The Consolidated Plan acknowledges the future impact that expected growth will have on the challenge to provide affordable housing, as demonstrated by the following statement:

“The development of affordable housing for lower-income Pierce County residents will require creative efforts and combinations of funding sources in order to bring on-line new or rehabilitated dwellings. Programs include new construction, acquisition and rehabilitation, homeownership programs, technical assistance to non-profits to create housing opportunities, and funding to organizations and agencies to create affordable and supportive housing opportunities.”

C. Pierce County Affordable Housing Task Force

In March 2007, Pierce County released the “Housing Affordability – Final Report and Recommendations from the Pierce County Housing Affordability Task Force.” That Task Force consisted of local experts and advocates, including representatives of United Way, the Master Builders Association, Association of Realtors, Bankers, Mobile Home Owners Association, Non-Profit Developers, Housing Authorities, County Planning Commissioners, County staff, and local citizens. The report provides comprehensive information covering the pertinent issues and topics regarding potential opportunities and choices for development of affordable housing that can be used by Pierce County and its cities and towns.

The report provides an analysis of development costs for a single-family project and a multi-family project. Even with the granting of cost concessions by the jurisdiction, it is revealing how difficult it is to build new housing that is affordable to low and moderate income households. The single-family model price at a range of \$285,414 to \$316,600, depending if the normal 12% profit is included in the price, would be affordable to a household with a minimum income of \$85,600 per year up to \$94,980. Even at the top of the 2006 Pierce County Moderate income range of \$63,954, such newly constructed single-family homes are well above the price range affordable to working families in Pierce County and University Place, as well. Such homes cannot be purchased by Moderate Income households with out deep down payment assistance programs.

For a rental housing project, the report showed that a 40 unit low-income multi-family project, with city provided development concessions, such as higher density in exchange for more open space, and waiver of permit/utility fees and parking requirements, the per apartment unit cost of development was \$165,776. Such a project would require additional deep financial subsidies to cover the gap between the per unit cost of development and the rental revenue that such units could yield from income qualified low-income tenants. Even the Low Income Housing Tax Credit Program (LIHTC), the most productive affordable housing program available today, would only provide about \$40,000 of subsidy per unit. To make such units affordable to low- and very-income households, typically additional cost reductions and/or subsidies would need to be secured.

Clearly, given the level of need for affordable housing and the high cost of development of ownership and rental housing, the cities and Pierce County will need to employ a variety of techniques to provide a range of choices to meet the housing needs of their current and future citizens and workforce. The Housing Task Force report identified 25 strategies from which cities like University Place could select to address their housing need.

University Place has begun to consider implementing some of those strategies and others are worth considering, as noted in the table below:

**Table I:
 Strategies Considered for Housing Affordability
 Pierce County Affordable Housing Task Force, March 2007**

| Strategy | Status | Comments |
|--|---|--|
| Infill Housing Development | Zoning Amendments to permit higher densities on selected sites under consideration by the Planning Commission. | A primary source of achieving a level of density needed for affordable multi-family and mixed-use |
| Accessory Dwelling Units | Revisions to (e) ADU regulations to facilitate more units under consideration. Working draft to be reviewed by Planning Commission June 2008. | Place in appropriate neighborhoods to allow more choices and to avoid conversion of single-family |
| Cottage Units, Carriage Units and Two/Three-Unit Homes | Under consideration. Planning Commission has reviewed working draft and approved concept June 2008. | Highly recommended on small lots with appropriate design guidelines, can reduce housing development cost due to reduced lot and unit size. |
| Small Lot Development | Under consideration. Staff/consultant preparing working draft standards/guidelines for Planning Commission review July-September 2008 | Highly recommended when governed by appropriate design guidelines, can reduce housing development cost due to reduced lot and unit size. |

| Strategy | Status | Comments |
|---|---|--|
| Up-zoning – increased densities | Under consideration. Planning Commission continuing to review density options for specific multi-family and mixed use zones. | City to consider appropriate sites – town center from 30 to 60 du's/ac and doubling to tripling (e) densities along transit corridors and on other sites |
| Zero-Lot Line Development | City should review | With appropriate design guidelines and neighborhood considerations |
| Density Bonus | Planning Commission considering doubling underlying densities for cottage, carriage and two/three-unit homes. The PC will consider affordable unit bonuses. | Possibly allow 25% to 35% density bonus for affordable multi-family for low income and to the maximum level for seniors |
| Fee Waivers: Impact and Land Use Regulation Fees | The City's Affordable Housing Barriers Committee considering deferral of payment of fees. | In the current economy such foregoing of fee revenue (waivers) may be inadvisable. Deferral of fees allows affordable housing builders cash flow benefits |
| Expedited Processing | City should provide for affordable projects | |
| Green Buildings | City should consider adoption of a green building code. Building Division tracking IBC's work on green codes & investigating options. | Green codes can reduce residential energy costs which contributes to total housing affordability |
| Community Land Trust | City should encourage | Identify or encourage creation of a non-profit to accept land and cash donations for future affordable housing development |
| Grassroots Awareness and Public Service Announcements | City should consider | Successful affordable housing programs need an ongoing public education and awareness program focused on who needs housing in the community and the benefits for enhancing economic vitality and healthy communities |

The Housing Task Force report provides a comprehensive set of examples of successful types of housing developments from around the United States, detailed provisions for the programs listed above and resources and links to websites that contain much more information.

- D. Pierce County Regional Fair Share Housing Plan 2007** – Washington State law requires counties and their cities and towns to adopt a Regional Fair Share Housing Plan and incorporate each jurisdiction's share of growth in the form of residential unit allocations into its local plans. The Fair Share Plan includes recommendations to address the housing need, as represented by the unit allocations. The fair share allocation is based on growth projections for the period 2007 to 2022, an analysis of need as calculated via a newly revised allocation formula developed by the County, its consultant and in conjunction with the cities. In 2007, Pierce County produced a new Regional Fair Share Housing Plan. The Plan is the most recently available indication of affordable housing needs in Pierce County, including University Place. The previous plan was produced in 1993. It should be noted that the allocation for the 2007 Regional Fair Share Plan address only low and very low-income housing needs. Therefore, the unit count allocated for each jurisdiction in Pierce County, including University Place is for just low- and very low-income households.

University Place Fair Share Housing Need

The Fair Share Allocation for University Place for the period 2007 to 2022 is 858 units out of a total Pierce County housing need of 29,325, or less than 3% of the County total housing need. The growth projections for University Place upon which the allocation was determined is for a total of 14,655 housing units, an increase of 1,273 units from the 2007 total of 13,382 units. Over the timeframe of the Fair Share Plan of 2007 to 2022, University Place would need to produce 54 new low- and very-low income housing units per year to meet its Fair Share allocation goal for 2022.

Appendix I provides a copy of a Power Point presentation made to the University Place Planning Commission on April 16, 2008. That Power Point presentation shows on page ten the Pierce County 2006 Income Groups, summarized below:

Median Income \$57,102

| Income Group | Percent of Median Income | Annual Income |
|-----------------|--------------------------|----------------------|
| Very Low-Income | <50% | \$0 to \$28,551 |
| Low-Income | 50% to 80% | \$28,552 to \$45,681 |
| Moderate-Income | 80% to 115% | \$45,682 to \$63,954 |

To put the Fair Share Housing need allocation in perspective, University Place issued, on average, 101 residential building permits per year during the period of 2000 to 2006. These were for all housing types. Thus, to meet its fair share annual goal of 54 units for the period of 2007 to 2022, the city would need to produce about half of its annual residential building permits in the low and moderate income categories. This assumes that the pace of residential growth over that period stays reasonably close to the annual residential building permit activity from 2000 to 2007.

While the 54 unit annual goal is one measure of annual housing need, it is not a hard and fast target that the city must meet. But, it does provide a tool to use a measure year by year to assess how well the City is addressing its housing needs. That the 54 unit annual allocation is about 50% of the yearly residential production of the City illustrates a level of affordable housing need that the City can work toward achieving. This goal will guide the city as it puts takes steps to develop its specific policies and programs to address its unique affordable housing needs.

It also must be noted that the City will be reviewing the growth projections provided for the 2007 to 2022 time period as well as the recent projections to 2040 and determine the actual amount of growth the city has the capacity to accommodate and absorb.

UNIVERSITY PLACE HOUSING CHOICE RECOMMENDATIONS

A. GMCC Housing Recommendations

As a follow-up to Pierce County's issuance of the Regional Fair Share Housing Program, the Growth Management Coordinating Committee (GMCC), the Planners' group representing the County, cities and towns of Pierce County, reviewed additional affordable housing recommendations provided by PMC (the consulting firm that prepared the 2007 Regional Fair Share Housing Plan). In February 2008, the GMCC issued a draft of their recommendations which is provided in Appendix 2 of this report. While the GMCC recommendations are at this time provided in a draft form, there are strategies suggested that University Place may consider as it develops its "Housing Choice" program.

B. University Place Committee on Reducing Regulatory Barriers

In accordance with Goal 2 of the work plan for the CTED affordable housing grant, University Place has formed a staff-level committee charged with identifying ways of revising city policies, procedures, regulations, and practices to lower the cost of housing development in the city and to remove barriers to the development of alternative (and more affordable) types of housing. This committee has also been directed to identify possible incentives that could be used to encourage the production of housing that would be more affordable to University Place residents. The committee includes representatives from the City Manager's office, Engineering - Capital Improvements, Public Works, Development Services (Planning, Building, Project Engineering, and Permits Divisions) and University Place Fire.

The Committee has reviewed the issues and challenges associated with reducing regulatory barriers and identifying incentives for the production of more affordable housing. Representatives from the building industry (Pierce County Master Builders Association) have participated in the discussions and offered recommendations of areas on which to focus that would make the greatest difference in lowering costs and removing barriers.

Studies have identified that regulatory barriers can increase housing costs anywhere from 10 to 35 percent and, in many cases, can even prevent its construction. A '*regulatory barrier to affordable housing*' is defined by the U.S. Department of Housing and Urban Development (HUD) as a public or regulatory requirement, payment, or process that significantly impedes the development or availability of affordable housing without providing a commensurate health and/or safety benefit.

The committee recognizes that existing regulations, procedures or practices can sometimes increase the cost of housing without a corresponding public benefit, and sometimes these increased costs may not be recognized by a jurisdiction. The committee is continuing to identify situations where this is the case and consider ways of increasing benefits to the community while lowering costs. Specific recommendations will be forwarded to the Planning Commission and City Council for consideration.

C. PMC's Recommendations For Housing Choice Policies and Programs

PMC was requested by the City of University Place to provide recommendations for the City to consider in order to create an effective Housing Choice Program. To that end, PMC developed the recommendations with the awareness of key City policies, understandings and desires as discussed briefly in the following paragraphs.

In presentations to the University City Council in October 2007 and the Planning Commission in March and April 2008, PMC provided several recommendations to increase the supply of affordable housing in University Place, as shown in Appendix I and summarized below.

PMC offers these affordable housing recommendations, while being mindful of the desires expressed by the City Council and Planning Commission that University Place retain its single-family residential character. PMC is also aware that there is a desire to redevelop existing multifamily developments into much higher quality neighborhood environments and develop new well-designed multi-family housing, where appropriate, that enhances the character of the community.

Further, PMC understands that the City of University Place is currently reviewing growth projections for the year 2022 and the VISION 2040 growth targets to determine if the City of University Place that is 95% built out has the capacity to accommodate and absorb the additional housing units that would be required to address those growth projections.

Finally, short of developing a comprehensive housing needs assessment, which may not occur for two to three years hence, after the 2010 Census, it is clear from discussions with the City Council, Planning Commissions, citizens, and representatives of the Master Builder's Association that there is a sense of who needs affordable housing in University Place even if detailed numbers are not known at this time. Clearly, current and future housing needs in University Place include the following groups and people:

- People who work and will work in the city, especially lower paid retail and service workers in the new Town Center and those to be employed in association with the newly developing Chambers Creek Golf Club and prospective national tournaments.
- Persons who currently work or will in the future work in the city, to avoid long commutes, to be available to participate in community life so they can participate in schools, youth programs and volunteer in non-profit and faith-based human service organizations, all of which enhance the quality of life and economic and social vitality and health of the University Place community.
- People who if they lived and worked in University Place would spend their incomes on shopping in the city, thus increasing city revenues that can be used to enhance services for public safety, road maintenance and improvements and parks.
- Critical public service job holders – police, fire, EMT's, nurses and medical personnel, teachers, school and city employees, etc. – these are the key workforce jobs in the city.
- Newly formed families, and young people who desire to stay or return to the city after acquiring educations and work experiences elsewhere to raise families and have their children attend local schools and enjoy the excellent quality of life provided in University Place.
- Existing and future seniors and persons with disabilities who are no longer in the workforce and who have low fixed incomes.

In addition to recommendations provided herein on Table I by the Pierce County Affordable Housing Task Force recommendations pertinent to University Place, the County's Consolidated Plan and the GMCC's draft recommendations associated with the Regional Fair Share Housing Plan, PMC offers the following recommendations designed to increase the supply of affordable housing and provide a broad range of housing choices for current and future residents and workforce in University Place:

- I. Home Ownership - Programs to increase the supply of ownership units affordable to working families in the moderate and low-income groups. Even with the sub-prime mortgage crises resulting in lower home values, the average cost of single family homes in University Place is still in 2008 beyond the reach of moderate income households – the key workforce jobholders. In order to increase the supply of home ownership units, the city will need to find sources of funds for down-payment assistance programs. Sources of such funds include the federal HOME and CDBG programs.
 - a.) Since these funds flow to the city via the county consortium, the City should work with the County to increase the supply of such loan funds to first-time buyers in University Place.
 - b.) The city could also assist with marketing down payment programs within the city.

- c.) The city should explore creating a down payment assistance program for crucial employees, such as police, fire, EMT's and teachers.
2. Rental Housing – As the available data in 2007-08 shows that the cost of basic rental housing is beyond the ability of very-low income seniors and persons with disabilities to afford, there is a need to increase the supply of low income multi-family housing. The primary source of funding low income multi-family housing is the federal Low Income Housing Tax Credit (LIHTC).
 - a.) The City should identify and market minimum 4-5 acre sites zoned with densities of 20 dwelling units per acre or more to for-profit and non-profit developers of such low income multi-family housing.
 - b.) To the extent that such sites are not now available, then the City should pursue re-zoning of appropriate sites to yield at least 20 du's/ac.
3. Mixed-Use Development – the City should consider allowing higher density housing on parcels with other compatible uses, such as condos or apartments built over ground-floor retail or office uses, especially along transit corridors.
4. Density and Open Space Trade-offs – Where feasible the City should encourage and negotiate the provision of an increase in on-site or donation of off-site land to be preserved as open space/park lands in exchange for higher on-site residential densities. Additional units provided under this program should be restricted as affordable to moderate and low income households.
5. University Place Housing Program – In order to take advantage of federal and state funding for affordable housing development in University Place, the city should develop its capacity to secure and manage such funds. Options for administering a City Housing Program include:
 - a.) Create a position, such as a Housing Programs Administrator or Coordinator
 - b.) Contract the function and services with a local, or newly formed non-profit housing development corporation, such as ARCH in King County.
 - c.) Contract with a consulting firm with experience in successfully writing and administering grant and loan applications for affordable housing projects and programs
 - d.) Secure a CTED grant in 2008 to explore these and other possible options, as well as the costs and benefits for the City to become more directly involved with steering affordable housing funds to address its unique housing needs.
 - e.) A City run affordable housing program would have the resources and capacity to address implementation of the programs as outlined in the Power Point presentation provided in Appendix I, for example:
 - i. Pursue implementation of the housing recommendations in the city's Comprehensive Plan

- ii. Develop a housing rehabilitation/preservation program
- iii. Secure funds for an emergency repair housing program
- iv. Assist in the development of a Community Land Trust
- v. Encourage the formation of a local Habitat for Humanity program and the group to secure state and federal funds to develop self-help construction of small homes to be owned by very-low income local working families.
- vi. Develop home ownership programs, including a down payment assistance program for critical employees such as police, fire and teachers, and/or any other group the City may desire to assist to purchase home in University Place.
- vii. Assist City Planning staff in the implementation of multi-family design guidelines; small lot and cottage housing development standards; an accessory dwelling unit set of standards and guidelines; a density bonus trade for open space program; and identification and re-zoning to higher densities of appropriate in-fill sites.
- viii. Work with City staff in the negotiations of including affordable housing units in the Town Center residential development.
- ix. Write grant and loan applications for a broad range of affordable housing funds, including state Housing Trust Funds, new federal foreclosure relief funds (pending), new federal funds for city purchase and resale of foreclosed homes (pending); applications for Low Income Housing Tax Credits, and other funding sources.
- x. Implementation of state mandated/allowed density bonus provision for affordable housing
- xi. Working with non-profit and for profit affordable housing developers to secure the property tax exemption.
- xii. Work with local larger employers to develop and employer assisted home ownership program.
- xiii. Encourage local and regional real estate, banking, legal and non-profit representatives to educate city residents faced with foreclosure about their rights in the process.
- xiv. Cooperate and collaborate with local “community partners” in the production of affordable housing such as for-profit residential builders; the Master Builders Association; non-profit housing development corporations; Habitat for Humanity; Community Land Trusts; Faith-Based Organizations; Banks subject to federal Community Reinvestment Act (CRA) lending requirements

All of the recommendations are made with the awareness that the City of University Place is currently dedicating significant Planning Commission and City staff resources and taking several steps in the direction of providing a broad range of housing choices for current and future residents and people who work or will work in University Place. As discussed with the Planning Commission in early 2008, the City is considering adoption of multi-family design standards, as well as small lot, cottage housing, and accessory dwelling unit standards. These programs will contribute to the broad set of initiatives that cities such as University Place will need to consider in the coming years to address its unique affordable housing needs.



PMC[®]

1-866-828-6PMC
www.pmcworld.com