



**Central Washington  
Home Builders Association**

November 18, 2013

Mayor Tabb and City Council  
City of Ellensburg  
501 North Anderson Street  
Ellensburg, WA 98926

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CITY ATTORNEY'S OFFICE

RE: Land Use Code Update

Dear Mayor Tabb and City Council:

We are submitting these comments in response to the proposed revision of the City of Ellensburg Land Use Code update on behalf of the members and affiliates of the Central Washington Home Builders Association. We appreciate the attention given to comments provided during the Council's various study sessions, however, we hope that continued improvements may be made as the process moves forward. There were many specific requests for edits, deletions, and revisions placed before you during the study sessions by our members for your consideration. It is our view that without the inclusion of these recommendations, a potential exists that the Land Use Code Update will:

- 1) **be inconsistent with and fail to implement the City of Ellensburg Comprehensive Plan;**
- 2) **Add substantial costs to both developed lots and units of residential construction;**
- and
- 3) **Not provide access to affordable housing for median and low income residents of the community.**

The Growth Management Act of the State of Washington states in pertinent parts as follows:

**RCW 36.70A.020 Planning Goals**

**(4) Housing. Encourage the availability of affordable housing to all economic segments of the population . . .**

**RCW 36.70A.070 Comprehensive Plans - Mandatory Elements**

**Each Comprehensive Plan shall include a plan, scheme, or design for each of the following:**

**....2) A housing element ensuring the vitality and character of established residential neighborhoods that: (a) includes an inventory and analysis of existing and projected housing needs that identifies the number of housing units necessary to manage projected growth; (b) includes a statement of goals, policies, objectives, and mandatory provisions for the presentation, improvement, and development of housing, including single-family residences; and (d) makes adequate provisions for existing and projected needs of all economic segments of the community.**

**RCW 36.70A.040 Development Regulations Must Implement Comprehensive Plans**

**.... (5) (d) Each City located within the County shall adopt a Comprehensive Land Use Plan and development regulations that are consistent with and implement the Comprehensive Plan. . . .**

The City of Ellensburg updated its Comprehensive Plan in 2006. In **Section 7, Housing** the City of Ellensburg 2006 Comprehensive Plan Update states the following in pertinent parts:

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Section 7, Page 152, Paragraph 3 . . . Housing is scarcer and more expensive than in 2000, with the median home price exceeding \$150,000.

Section 7, Page 153, Paragraph 1 . . . Things have changed in five years, making the housing supply tighter and less affordable.

Section 7, Page 153, Paragraph 4 . . . Over the past 15 years, however, housing has been in short supply.

Section 7, Page 154, Paragraph 2 . . . Over the past five years housing starts appear to be lagging behind growth.

Section 7, Page 156, Table 7.3 . . . Housing Characteristics  
City of Ellensburg, Year 2000, 41% of all Housing in Ellensburg is 1 Unit Detached.

Section 7, Page 157, Paragraph 3 . . . From 1990 to 2000, the median value of a single family home in Ellensburg nearly doubled from \$86,100 to \$160,000. Sixty percent of owner-occupied units were valued at \$150,000 or more.

Section 7, Page 157, Paragraph 4 . . . With home prices outstripping increases in local incomes since 2000, the affordability gap has widened.

Section 7, Page 158, Table 7.6 . . . Household Income 1999  
City of Ellensburg, all income Categories, less than \$10,000 to \$44,999, comprise 69.8% of all households in Ellensburg.

Section 7, Page 157, Paragraph 4. . . In 2000, a homebuyer would need to have had a household income of at least \$48,000 to afford the median price home. That buyer would also have to have made a 10% down payment and covered associated purchase expenses, spending at least \$20,000 out-of-pocket to initiate the purchase.

Section 7, Page 159, Paragraph 3 . . . More than 20% of Ellensburg's ownership households were paying more than what the federal affordability threshold would dictate for housing. Of all ownership households, almost 380 of them were paying more than 30% of their household income toward home ownership costs. The percentages for Kittitas County were similar. **In comparison, almost 40% of all ownership households in Ellensburg and Kittitas County were paying less than 15% of their household income toward housing in 2000.**

Section 7, Page 159, Page 4. . . The picture for renters is extreme. More than 60% of Ellensburg's rental households are paying more than 30% of their incomes for housing.

Section 7, Page 161, Housing Need, Paragraph 1 . . . In addition, the community needs affordable single family homes. Potential homebuyers are getting priced out of the market due to insufficient income and escalating real estate prices.

Section 7, Page 161, Paragraph 2 . . . Median income households cannot afford the median priced home in Ellensburg. The median income household in the year 2000 could afford a home worth \$75,000, presuming that household could come up with the required down payment. There is a

significant "housing gap" where median income households are priced well out of the home ownership market.

Section 7, Page 162, Issues, Paragraph 5. . . Housing is becoming less affordable, especially for traditional single family homes. Cheaper land is located further away from the community center, causing residents of newer, less expensive housing to have to travel long distances for shopping, work, school or other daily activities.

In summary, the City of Ellensburg 2006 Comprehensive Plan Update points to a concerning apparent failure of policy makers to understand the economic dynamic that generates an environment for the private sector to produce affordable housing. None of the goals of the 2006 Comprehensive Plan Update focus on the issues of costs associated with the City of Ellensburg's development standards or the regulatory process involved in permitting land development or building permits. The significance of such costs was reported in a study conducted by Dr. Theo S. Eicher of the University of Washington in May 2008<sup>1</sup>. In 5 communities studied in Washington State the portion of housing costs imputed to Municipal land use regulations ranged from a low of 9% of total house price to a high of 10.8 %.

**1. Housing Prices and Land Use Regulations: A Study of 250 Major U.S. Cities. Dr. Theo S. Eicher, University of Washington, May 2008.**

In 2013 the economic environment consists of the following conditions:

- 1) For Washington State, Kittitas County ranked 20th of 39 counties in per capita income based upon the 2010 U.S. census with a Per Capita Income of \$23,467, a Median Household Income of \$41,232 and a Median Family income of \$61,276. The City of Ellensburg was ranked 439th of 522 Washington cities. That is, 84% of cities in Washington State had a higher per capita income.
- 2) The June 2013 Labor Area summary published by the Washington Employment Security Department shows that Kittitas County had an Unemployment Rate of 7.7%. Importantly it shows a continued contraction of the Civilian Labor Force (CLF) from 2011 to 2013.
- 3) A review of the Northwest Multiple Listing Service as of 8/6/2013 indicated that home sales remain depressed with an estimated 6.37 months supply in Kittitas County. In Kittitas County the average price was \$224,272 with a median price of \$198,500.
- 4) In the Wall Street Journal issue of 8/6/2013, the article entitled 'Obama to Seek Limited U.S. Mortgage Role' indicates that the increased lending standards for down payment and higher required credit score will limit access to mortgages for an increasing number of potential buyers. Compounding this, the Federal government may limit support for mortgage loans via its lending agencies further limiting access for prospective homebuyers, especially those with lower incomes.
- 5) The post 2007 crash brought the housing industry, mortgage finance industry, and banking industry to collapse. From 2008 to 2013 there has been continued inflation in housing construction components. For commodity components this is estimated to be about 15.7%. Reflecting the reduction in the Civilian Labor Force (CLF) referenced above, even with stabilization there is inadequate local labor capacity. Trades have moved to other markets or during the collapse went out of business. Currently, local labor components are inflating exponentially.

6) Appraisals of market value for new construction are still below the cost to produce housing which reduces the ability of builders to resume production thereby contributing to low inventories of new construction. Ellensburg has comparatively high unemployment, a shrinking labor force, and limited job growth, particularly outside of government. Household incomes have not increased. However, the costs of land development and building construction have increased. The net result is inadequate stimulus to create new housing stock in Ellensburg in 2013.

7) The City of Ellensburg since 2008 has revised its Municipal Code to raise existing impact fees and to create additional impact fees:

1. Park and Recreation Residential unit fees (existing):

A. Each single family residential lot or structure:

2009 - \$1,050.00	2010 - \$1,487.50	2011 - \$1,925.00
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B. Each multifamily residential unit:

2009 - \$900.00	2010 - \$1,275.00	2011 - \$1,650.00
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C. Each manufactured home space or lot:

2009 - \$900.00	2010 - \$1,275.00	2011 - \$1,650.00
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2. Traffic Impact Residential unit fees (new):

A. Single family detached - \$1,846.00;

B. Apartment - \$1,144.00;

C. Condo/townhouse - \$960.00

The "**Real Review Data Report 6/2013**" shows for the City of Ellensburg YTD that only 38 of 192 homes sold, or twenty percent, were new construction at an average price of \$215,694. The magnitude of these fees and the timing of their adoption have made housing less affordable and have reduced housing starts. The City of Ellensburg has no control over labor and material cost, however it does have control over impact fees, development standards, and the regulatory process.

The 2013 Land Use Code Update adds many layers of increased costs to home construction which we believe to decreased builder production and participation, reducing the supply of new stock and therefore increased pricing as buyers bid up the price of short inventory supply. The City of Ellensburg 2006 Comprehensive Plan Update states clearly that the price of a median priced home in Ellensburg exceeds the income categories of 70% of Ellensburg residents, or those that hope to move to Ellensburg in 2006. In 2013 the median new home price is \$215,694, which is further out of reach of a majority of Ellensburg residents. Ellensburg is in the bottom 20% of per capita income for cities of Washington State.

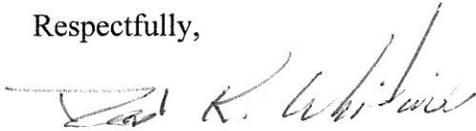
In our view, the Land Use Code Update creates standards and strategies that are distinctly urban and inconsistent with the nature of the community. People leave urban environments and come to Ellensburg for relaxed, small-town feel in a more rural environment. The urban strategies and prescriptive design criterion reflect the needs of cities in western Washington in the top 20% of city per capita income, like Bellevue. This Land Use Code Update ignores the significant differences in population growth rates, the economic base and growth rate, and median family incomes between the City of Ellensburg and those Westside communities.

We believe that costs are largely ignored in the attendant public process in the development of the Land Use Code update. In public workshops residents were asked to respond to elements without regard to a consideration of the cost. The City Council and staff did not require the consultant's Land Use Code Update work product to be cost neutral or to address alternatives to reduce cost.

It is our view that the Land Use Code Update is so prescriptive, complex, and internally interconnected that applicants for almost all projects will have to apply for pre-application meetings which are costly and time-consuming for the applicant and City, particularly given that all City departments participate in such reviews and meetings. We believe that many projects will not survive a pre-application meeting. It is the goal of both **The City of Ellensburg 2006 Comprehensive Plan (Chapter 1, Page 9, Table 1.1) and the Planning Goals of the Washington State Growth Management Act (RCW 36.70A.020, Planning Goal, Permits)** that **"Applicants for both State and Local government permits should be processed in a timely and fair manner to ensure predictability."** With respect to this we believe that this regulatory scheme is less flexible, more complicated, more time consuming, more expensive, and less certain. We believe that it will significantly widen the gap between median housing prices and the median family income in the community thereby decreasing housing affordable to a majority of the residents of the City of Ellensburg.

Thank you for your consideration.

Respectfully,

A handwritten signature in cursive script, appearing to read "David K. Whitwill".

David K. Whitwill  
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